Leasehold Forestry: An Endeavour to Reduce Poverty

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Abstract
Nepal’s forests, occupying almost 40% of the total area, represent key resources for facilitating land-based economic improvements in the country. At the same time, Nepal, with its hilly and fragile environment, cannot do without the environmental services provided by its forests. Thus, there is a tested, new concept which marries forest management with agricultural management. Degraded forest land is leased out to groups of the poorest people, securing them long-term land use rights, whereas ownership is vested in the government in order to meet the twin objectives of poverty alleviation and environmental amelioration. This concept has been successfully implemented for twelve years and has yielded positive results. While community forestry has been able to improve the health of forests and the local environment, its suitability for tackling poverty alleviation was questionable. In view of this, leasehold forestry is seen to be a more poverty-focused approach to managing degraded forest lands and would complement the efforts made under the CF programme.

This paper, by analysing the current situation, tries to establish complementarities between community forestry and leasehold forestry so that greater numbers of poverty-stricken people can benefit than heretofore.

Introduction
Nepal, a small landlocked country, lies in the southern Himalayan region between 26°22’ N and 30°27’N and 80°4’E and 88°12’E. It is sandwiched between two giant countries: China to the north and India to the east, west, and south. About 83% of the terrain is hilly and mountainous, and only 17% of the area falls in the plains. The elevation above sea level ranges between 86m in the south to the highest peaks in the world including the 8,848m Mount Everest. Physiologically it can be divided into three main regions. The Terai or the plains – which is an area lying up to 900 masl. This area is the bread basket of Nepal. The hill region ranges between 900 and 3,000m; here forests and agricultural lands are mingled, mostly with many microclimatic regions, difficult rugged terrain, and rich biodiversity. The Himalayan region, ranging from 3,000 to 8,848m, is sparsely populated and characterised by high biodiversity with high-value, low-volume medicinal and aromatic plants.

By religion a Hindu country, Nepalese society is divided into four castes: Brahman, Kshatriya, Baishya, and Shudra, the latter being regarded as untouchable. Poverty is mostly suffered by the shudra who are socially stigmatised. There are three main categories of disadvantaged groups (women, untouchables, and ethnic groups), along with other poor from the higher castes. The government has recently adopted positive discrimination to create avenues for upliftment. Economically Nepal is one of the poorest countries in the world with an annual per capita income of around US$ 260. About 32% of the people live below the poverty line.
Policy initiatives

The forestry sector has been sympathetic towards the disadvantaged and poor. The first Forest Act (1961) had provisions for providing forest products such as har sangha (wood for agricultural implements) and ghar shangha (wood for making houses) to rural communities. Similarly, persons affected by natural calamities were helped by being given forest products to re-construct their houses at 10% of the royalty rate. In 1978 the government decided to grant tenurial rights to the forests to the communities, whereby the communities were able to protect, manage, and use the forests sustainably.

The next step in the development of community-based forest management came through the Master Plan for the Forestry Sector in 1989. The Master Plan states that the important goal is to encourage communities to be increasingly more self-reliant and to mobilise the vast manpower and other resources of rural communities for forest development and management to meet their own needs. Actually, at that time meeting subsistence needs in forest products was the main goal: the plan did not envisage the commercial value of community forests. It again stated that the panchayat (the local unit to which the forests were to be handed over to at that time) were too big a unit to be handed over to and that a ‘user group concept’ should be fostered. It went on to propose a new forestry legislation that facilitated the introduction of socially and economically sustainable community forests wherein the decision-making and benefit-sharing mechanisms would be incorporated, including the interest of real primary users such as women and wood-cutters. It did not directly state to positively discriminate on behalf of the disadvantaged and poor but in a way it opened up an avenue through which the voices of the poor and disadvantaged groups could be heard.

In the Master Plan leasehold forests came under the heading of ‘National and Leasehold forests’ which received second priority after community forestry and private forestry. It states that national production forests should be established and managed, e.g., in the Bhabar Terai (plains), to supply wood to urban and wood deficit areas. Forest lands are leased to industries for the production of raw materials. Until then, leasehold forests were envisaged only as sites for industrial plantation, not for poverty alleviation and not through a group approach.

From the Eighth Five-Year Plan (1992) onwards, national priority shifted towards poverty alleviation. Services of all sectors focused on poverty reduction. With that prioritisation, the forestry sector also adopted a poverty alleviation approach, thus emerged the ‘Hills Leasehold Forest and Forage Development Project’ which had the twin objectives of reducing poverty and ameliorating the environment. The forest area was given on lease for forty years, renewable for another forty years, to the poorest of the poor to work on improving the area by planting forage and multipurpose tree species. The best part was that all the benefit accrued directly to the lessee households.

The Forest Act (1993) did not include the leasing out of forest area to the poor, but it made a provision for leasing out to groups as well and stated that the rent would be as per given in the Forest Regulations.

The Forest Regulations (1995) came out strongly with a concept of leasing out forests to disadvantaged groups as a special provision. They state that the government can hand over leasehold forest by preparing a project for people living below the poverty line. The fee for the leasehold was made exempt for project beneficiaries.
The Agricultural Perspective Plan (1995) came after the launching of the ‘Hills Leasehold Forest and Forage Development Project’; it has a stated commitment on leasehold forestry for the poor.

The Forest Policy 2000 had community-based leasehold forestry as one of the main components.

In the Tenth Five Year Plan (2002-2007), with its commitment to poverty alleviation, pro-poor leasehold forests received a strong emphasis, with leasehold forestry categorised as ‘the First Priority Project’. Moreover, it gave directives to include the concept of leasehold forest in community forests so that the poor receive benefits to help bring them out of poverty.

The Leasehold Forest Policy (2002) has a strong inclination towards pro-poor leasehold forestry. It identified certain problems in relation to granting leases to poor households and came up with the following solutions.

- Registering the leasehold groups in the Small Farmers’ Development Project and the granting of leasehold certificates by the Ministry of Forests and Soil Conservation (present practice) is a cumbersome process; therefore, the District Forest Officer should be authorised to hand over the leasehold forests, approve the operational plans, renew the leasing licenses, monitor implementation, and so on.
- The identification of communities living below the poverty line should be practical, obvious, and transparent, so the National Planning Commission and other related agencies should be consulted.

Providing leases alone cannot generate sufficient employment and income to the leaseholders. Thus, leasehold forestry for poverty alleviation should be integrated into poverty alleviation programmes; however, the Leasehold Forestry Policy (2002) has yet to be integrated into the Forest Act and Forest Regulations and to materialise in the field.

**Background to Leasehold Forestry**

Introduction of measures recognising the usufruct rights of local people over forest resources started in the late 1970s, wherein the communities were given rights to protect, manage, and use the forest resources of Nepal. Generally two types of participatory public forest management modes were recognised. 1) **Community forest** – local communities were given management and use rights according to their proximity to the forests, their needs, and their management capacities. Initially this kind of forest was meant to provide local people with the forest products they needed. 2) **Religious forest** – This was a kind of passive forest management in which the religious group could ask for a patch of forest exclusively for religious purposes. It was meant to provide forest products for religious purposes only and not for commercial purposes, even if the products were in surplus.

Public forest management has undergone a lot of changes and amendments since its inception. Community forests have started producing various kinds of products, and selling takes place outside the group as well. Productivity has increased, not only making it economically viable but providing surplus beyond local needs.
Advent of leasehold forest as a pro-poor activity

One more category has been introduced since the 1990s, explicitly for poverty reduction among the poorest groups. A patch of degraded forest is handed over to a small group of poor people and is managed in such a way that the benefit accrues directly to the households involved. The government intervention here is to empower the people against social exclusion, help them create an institution of their own, and manage the patch of forest to increase its productivity. The earliest income can be realised through the silvopastoral method of management, which is also in many ways a familiar rural concept. The government takes no fee for leasing the forest, and this kind of forest is handed over for up to forty years initially, renewable for another forty years.

Another kind of leasehold forest is envisaged to increase the productivity of degraded forests and to provide materials for forest-based industries, ecotourism, agroforestry, and for domestication of wildlife. This type of forest is to be handed over to institutions only on payment of a fee to the government for the use of the land. Out of these two types of forest, community forest has the legal priority.

Recently another kind of participatory forest management was introduced into the productive forests of the Terai: collaborative forest management. It tries to accommodate the needs of distant users as well and the revenue is shared between the central government, local government, and user groups.

Institutionalisation of pro-poor leasehold forest

Leasehold forestry, which was institutionalised through the Hills Leasehold Forestry and Forage Development Project funded by the International Fund for Agriculture Development (IFAD), started in 1992. The concept of leasehold forestry for the poor came into practice only after the introduction of the project in 1991. The project has two objectives: 1) to alleviate poverty in poor rural households, and 2) to rehabilitate degraded forests in the hills. The two eligibility criteria to be a candidate for leasehold forestry are 1) the farm family should have less than 0.5 ha of land, 2) the per capita income of the farm family must be less than NRs 3,035 per year (1996/97 base year; in 2002 NRs 6,100, approximately equal to US$78). After meeting these eligibility criteria, the households will take part in a participatory rural appraisal process which divides them into poor, very poor, and ultra poor categories. Household selection commences from the ultra poor upwards, according to the availability of forest land.

The leasehold forestry process

Initially a patch of degraded forest (below 2000 masl) land is identified and, with the consensus of the local people, up to 10 households of the poorest of the poor living in the vicinity of the forest are identified. Community mobilisation techniques are used to raise the awareness of prospective leasehold groups about leasing processes and benefits. When they are ready, they form a leasehold group. Then the divisional forest officer publishes a 35-day notification to find out whether any of the communities are interested in establishing a community forest in the same forest area. If there are no objections then the leasehold group is registered at the District Forest Office.

A working plan for the forest area is made (usually for five years initially) with the consensus of the participating members and the district livestock services’ office. After this, the area is handed over for 40 years as leasehold forest, but as these participants live below the poverty line, they are not obliged to pay the leasehold fee. The operational
plan is renewed every five years. The lessee starts by protecting the land leased from grazing and forest fires. With technical and other support from the district livestock services office and forestry organisations, forage and forestry development is undertaken with short-term and multipurpose species; cereal crops may not be cultivated on leasehold land. Perennial forage farming with livestock-keeping is very popular in leasehold forestry, as it is based on traditional knowledge and skills and provides tangible benefits quite swiftly.

Training is given on land improvement, gender equity, income-generating activities, livestock rearing, nursery management, forest management, horticulture, and so on to equip people with the skills needed. Extension activities like study tours are carried out so that the new leaseholders can learn from other leasehold farmers. Seeds of improved grasses and saplings of fruits and herbs are distributed. People come to realise that the way out of the poverty trap is in their own hands. They are encouraged to participate in a savings’ credit system of their own, so that the needy can receive loans from their own fund as and when required. They are constantly monitored by the project personnel and group promoters. Later on they are encouraged to become part of a federation of inter groups and cooperatives of their own – with 10 groups participating in one – to look after their broader interests.

**Stages in the leasing process**

*Group formation stage* – The group formation stage basically consists of site identification, awareness-raising, community consensus building, identification of poor households, group formation, application for the identified leasehold forest, publication of the 35-day notice, operational plan preparation, leasehold forest demarcation, and issuance of lease certificates.

*Land development stage* – Land development starts with the cessation of all grazing on the leasehold land, followed by enrichment planting with grasses and or leguminous ground cover species and tree species (fruit trees included). Gradually, the natural vegetation regenerates, recreating a multi-storied productive forest. Land development training is provided to all new leasehold farmers (both husband and wife). This stage lasts from five to ten years, but it overlaps with both the group formation stage (site protection usually starts before the leasehold forest is formally handed over), and the management and utilisation stage (utilisation usually starts while development is taking place).

*Leasehold management and utilisation stage* – The land starts producing fodder, fuelwood, poles, small timber, and even fruits, medicinal plants, bamboo, and so on, depending upon the site and land development.

**Issues and opportunities**

In an agrarian economy where 82% of the people depend on agriculture, the per capita available arable land decreased from 0.6 ha in 1954 to 0.15 ha in 1998 and is still shrinking. Distribution patterns are highly skewed as the top 5% of households own 40% of the land, whereas the bottom 60% own only 20% of the land (Shrestha 2004). Through the Agricultural Perspective Plan and other policies, the government has made it clear that there is no possibility of diversion from the agrarian economy to any other in the near future. Only half of all households were food secure in 1997 (NASC 1998, cited in Shrestha 2004).
At present, forest coverage is 39.6% nationally and, as per the forest policy, the government is determined to keep it at around 40% (and is striving to increase it to slightly more than it is at present). Increasing the productivity per unit area is quite difficult because of remoteness and other factors; expansion of the area has reached its limits. Poverty is rampant. About 30% of the population lives below the poverty line, and in the midhills the proportion is higher.

Community forestry (CF) is the mainstream forest management mode in the midhills of Nepal but it is clear that, with the present set up, it cannot cater to the poverty-stricken populace at large. On the other hand, almost 23% of the total forest area has been handed over as CF and around one third of the total population is engaged in the CF process.

In the whole of Nepal, around 13,538 community forests have been handed over to user groups. These forests cover a total of over 1.1 million ha (the area is equivalent to about 23% of the total forest and shrub area of Nepal). The community forestry user groups have 1.5 million household members with an average of 0.77 ha per household. The participants in community forestry groups account for about one third (approximately 30% of households in the country) of the total population of Nepal (DoF 2004).

The participation of the poor in CF is seriously limited. Their voices are not usually heard and the local elite tend to dominate the community forest executive committees. Under CF, more benefits accrue to better-off households that are in a position to influence decision-making. Poor households cannot afford timber even at the subsidised prices offered by the CF user group committee (HLFFDP 2004). According to a recent study, only about three per cent of the benefits accrued from CF has been spent on the core poor (Kanel 2004).

Achievements to date of pro-poor leasehold forestry: the Hills Leasehold Forestry and Forage Development Project, the Western Upland Poverty Alleviation Project, the Biodiversity Sector Programme for the Siwaliks and Terai, and the Livelihoods and Forestry Programme are involved with formation of leasehold groups and with their development. Altogether 2,213 groups have been formed throughout Nepal with 16,223 households, and 9,798 ha of forest have been handed over to the groups of poor families.

The Tenth Five-year Plan (2002-2007), or Poverty Reduction Strategy Plan (PRSP-2002), is the government’s main medium-term strategic planning document. Poverty alleviation is the main objective of the plan, which envisages reducing the overall incidence of poverty from 38 to 30% by 2006/07. The forestry sector objective in the 10th plan includes an increase in livelihood opportunities for people living below the poverty line through the leasehold forestry programme.

Focus should be given to the economic, social, and human capacity development of poor families through leasehold forestry. In addition, the concept of leasehold forestry for the poor should also be incorporated into community forestry to benefit the rural poor (HMGN 2002)

Poverty reduction should be a household management strategy. The poor live in their own microcosm, thus poverty has to be tackled at the micro-level, not at macro-level. Poverty is a multi-dimensional and multi-level phenomenon, and it is always difficult to
disentangle the causes and results. Cyclical reinforcement of factors continues to complicate the development of appropriate strategies to overcome poverty. However, it is not an immutable condition, public policy and action can reduce poverty and sustained progress can eventually eliminate it. Since the 1960s, rural development and basic needs’ approaches have not had the effect desired. The mixed results of conventional poverty-reduction strategies point out that the strategies employed to combat poverty have failed to take into account the poverty process itself by uncovering the multi-dimensional causes and factors of poverty. Earlier, accelerating economic growth through investing in projects with high returns was thought to be the cornerstone of poverty-reduction strategies, and it was believed that the inevitable result of economic growth is poverty reduction. Projects were conceived to transfer technology, provide subsidies, and create infrastructure, and it was hoped that poverty reduction would follow. Economic growth alone cannot reduce poverty, although it is a necessary condition (Sadeque 2000).

An alternative vision of development that centres on enlarging people’s choices and capabilities, and provides them with the opportunity to participate in decisions affecting their lives, is through a system of governance that promotes and supports citizens in articulating their interests, exercising their rights, meeting their obligations, and mediating their differences. This is essentially good governance, governance that promotes participatory decision-making and transparency of action in all spheres of life. Local-level governance, through local institutions, enables and empowers people to participate more directly in making decisions, is in a position to produce quick responses to people’s needs and priorities, and is one of the critical ingredients for promoting genuine ownership by the people. Decentralisation and people’s participation are necessary preconditions of good governance, but without empowering the poor through pro-poor governance and supporting the poor to organise and build their own organisations, reforms in governance will be ineffective and fail to produce the results desired. The following strategies can create supportive social forces for the good governance vital for poverty reduction.

The poor must be encouraged to build their own organisations and support from the state and civil society as a whole is essential to make this happen. This is the best antidote to powerlessness. This is exactly the local user group concept that leasehold forestry has worked to achieve. Small group composition, like mindedness, and similar difficulties are made to achieve what the larger populace virtually cannot achieve. Effective targeting is the next step in pro-poor governance. When the poor have their own organisation, the institutional incentives in place can only then become accessible and useful to the poor. Instead of assuming the poor to be passive beneficiaries, it is necessary to reorient our thinking to consider focusing resources on the poor directly; and this includes helping them build their own organisations and allowing them a say in allocation of resources and service delivery mechanisms (Sadeque 2000).

The most notable progress in poverty analysis and reduction strategies in the past has been in the realisation of the value of good governance and socio-institutional arenas in ensuring the right type of enabling environment for poverty reduction – along with the understanding of comprehensive concepts, such as livelihood security, that go beyond employment generation. A complete reorientation in approach is essential in order to look at the institutional dimensions that create poverty and perhaps hold the key to improving the capabilities of the poor to hold back the forces of poverty and reverse the trend. This approach can only be successful if we focus on supporting the
institutional strengths of communities that can ensure participatory governance and wiser use in accessing available resources, thus reducing poverty by ensuring long-term livelihood security.

The rural poor have considerable potential and capacity to contribute to the national economy, as well as improving their own standards of living, if given the opportunity. They can manage forest rehabilitation, infrastructural development, and savings mobilisation. They are ‘bankable’ and ‘trainable’.

It is essential that a framework for institutional analysis is understood and applied to bring about the effects sought from projects, policy design, and any other interventions. Similarly, the nature and quality of governance largely determine the results of development efforts and the success of poverty-reduction strategies, irrespective of the quality of design and amount of investment. Despite their importance in the past, both the institutional and governance dimensions have not received the attention they deserve; and this is mostly due to a lack of understanding about such supposedly abstract constructs and failure to comprehend their importance in service delivery and management.

Going beyond simple income deprivation, social exclusion is a state of poverty in which individuals cannot access the living conditions that would enable them to satisfy both their essential needs and participate in the development of the society to which they belong. Therefore, when people cannot achieve their potential through upgrading their capabilities or because of deliberate and structural constraints, such as caste, ethnicity, religious orientation, or other social barriers, such an exclusionary process remains the major obstacle to poverty reduction. Hence, participatory development, empowerment of local communities, and devolution of authority become nullified if social exclusion holds sway and social inclusion principles are not deliberately fostered. Social exclusion in various arenas is an important factor perpetuating poverty. There should be recognition of a comprehensive development framework that affirms the importance of institutions, governance, and social capital as being no less critical than physical and financial capital in the process of change from despair and deprivation to development and human well-being (Sadeque 2000).

With 40% of the land under forest, the forestry sector has a great responsibility to reduce poverty. It can neither allow reduction in the forest area nor shirk from the main responsibility of poverty reduction. This is where the leasehold forestry concept comes into play, as it has the capacity to ameliorate the environment and to reduce poverty at the same time without jeopardising the function of either.

The leasehold forestry for the poor programme facilitates the community forest management process by providing additional resources to the neediest people who are highly dependent on daily forest services (Yadav and Dhakal 2000).

Outcomes
The provision of secured access to degraded forest land, combined with assistance in terms of training and inputs, has increased the availability of animal feed and fuelwood. The time consuming process of fodder and fuelwood collection, preconceived as women’s work, becomes less burdensome when these items are made easily accessible, giving women more time. The project has reduced the time for this task by 2.5 hours per day per participant household on average, thus reducing drudgery. This,
in turn, has allowed women to undertake more socially and economically productive activities, including learning and income-generating activities. As a result, household incomes have increased, as well as women’s education and social status.

In leasehold forestry, there is a remarkable shift towards sharing decision-making. Before the leasehold groups were formed, only 10% of the women could decide for themselves, while 30% made joint decisions, and 60% depended on a man. Five years later, 25% of women could decide for themselves, while 55% made joint decisions, and only 20% depended on a man (Douglas and Cameron 2000; Ghimire 2000 cited in Ohler 2000).

Increased fodder availability has made it easier to convert from free grazing to stall feeding, reducing the pressure on forests and vegetation, and ultimately leading to improved environmental conditions. Stall-feeding has also increased the availability of manure, which in turn helps maintain or improve soil fertility on private land, leading to increased food production and food security.

Access to credit (formal and informal) has encouraged poor households to change the composition of their livestock from local to improved animals and from local cows (which are less productive) to buffaloes. The more productive animals make it more rewarding to convert to stall feeding. As a result, more livestock products are available leading to improved nutritional status and food security as well as increased incomes.

Overall household food security steadily increased, the household survey found a 16% increase in person months of food self-sufficiency in leasehold forestry households between 1996 and 1999, compared to a 4% decrease in food self-sufficiency in similar, but non-project, households over the same period.
Improvement in livelihood assets
Generally it has been seen that all livelihood assets have been improved with the advent of leasehold forestry (IFAD 2002).

Enhancement in human capital – This includes increase in asset ownership (land, livestock), increase in food security, improvement in the quality of food, children able to go to school, better health, time saved in collecting fodder and firewood, increase in recreation time for women, and increase in vision and exposure.

Increase in financial capital – This covers increase in income by selling stylo seed (NRs 400/kg), buffalo milk (NRs 20/litre), and seed of molasses’ grass; greater ability to pay loans; increase in number of existing livestock; conversion of existing livestock into more productive animals; and grass and tree production.

Enhancement of social capital – This encompasses a rise in literacy and empowerment of women, increase in the confidence of women participants, increase in the habit of saving resulting in higher levels of savings by group members as a tool for coping with vulnerability, group cohesion, bonding, and formation of cooperatives.

Improvement of physical assets – This embraces improvement in the quality of life, e.g., better housing conditions by replacing thatched roofs with tin roofs and increases in livestock numbers.

Improvement of natural capital – This covers increases in greenery, forage, and trees; and increases in the productivity of forestland and in biodiversity.

Strengths, weaknesses, opportunities and threats (SWOT) of the leasehold forestry programme
This paper was prepared by reviewing the literature, mostly drawing upon secondary information. In addition, personal communications with user group members and personal experiences are included. The results of the SWOT analysis for the leasehold forestry programme are shown in the box.

How to go ahead?
Forestry should be people-focused. The local people should be given the right to choose modes of forest management according to their needs, so that they derive benefits without harming the environment. Let’s think holistically. None can deny that something drastic has to be done in community forestry to make the resource more accessible to the poor.

In areas hitherto not handed over as community forest, the villages should be divided into areas with (a) sufficient forest and (b) insufficient forest. The communities should be subjected to a well-being ranking process. The lowest level of the household in well-being ranking should be matched with the available forest area. In the first situation with sufficient forest, isolated patches of forest area below 10 ha should be handed over as leasehold forest. It should start with the ultra-poor households and move upwards in the ranking level to the poorest and the poor, up to the available area that can be accommodated. Then if some of the forest area is degraded, part of it should be handed over as leasehold forest. If the area does not have degraded forest, sufficient good forest areas can be developed into leasehold forest with silvopastoral systems.
Results of SWOT analysis for leasehold forestry

**Strengths**

- The groups are very small (up to 10 households), individual or quasi-individual ownership and decision-making processes are prevalent which makes the whole process easy, simple, and effective.
- The small groups make it easy to monitor and train, and implement activities.
- It is a bold step which acts against the status quo, against social exclusion, and in favour of creating locally-based institutions. Leasehold forestry is involved in redistribution of assets in favour of the poor, and challenges the status quo.
- The savings and credit system acts as a fulcrum of self-reliance and coping against vulnerability for the ultra poor.
- Constant and continuous monitoring is possible through locally-based women who are community mobilisers.
- National policy (10th Plan) is supportive of poverty-reduction activities.
- It is an integrated and participatory approach.
- Income goes directly to the households, thus they have more incentive to be involved in the process.
- Income poverty is reduced over time as a result of the sale of forest products and milk and the gradual increase in the ownership of assets such as buffaloes and goats.

Reduction in human poverty is facilitated by the social and technical support provided by different agencies, with a favourable impact over time on the confidence, capacity, quality of life, and social capital.

**Weaknesses**

- Due to the small numbers per group, they are vulnerable to external interference.
- Due to the small number, sustainability is questionable.
- It is very difficult to accommodate all the households in a community because forest land is limited, and the ultra-poor are numerous.
- The households and groups are scattered, thus it seems a costly intervention on a per unit benefit basis.
- Sectoral policy is still in favour of CF.
- It is not an 'indigenous system of forest management', thus it has to start from scratch.
- Poverty is a dynamic process, but the process considers it to be a constant — handing over an area to poor households for forty years when the dynamism of poverty may alter the socioeconomic structure is perhaps a serious drawback.
- It is assumed that there will be an active and functioning leasehold forestry user group for forty years. Yet the groups formed till now consist of less than ten households, which are on average less educated and have a lower social standing than the community as a whole. It is difficult for such small groups with such limited human resources to form and maintain functional organisations that last so long. Forming much larger leasehold groups with many more households would dilute some of the reasons behind the effectiveness of the small leasehold groups in improving livelihoods and the environment, particularly the individual or quasi-individual feelings of ownership and decision-making over the use of the resource.
- Poor households have problems because leasehold plots with degraded forest do not instantly become productive and support livelihoods. The land needs time and hard work to become productive and there is a gestation period before grass/trees become productive.
- The limited outreach of the bank and emphasis on collateral is another source of exclusion. Saving as a regular habit is uncommon among food-deficit households. The hard core poor do not normally access investment funds because they find it risky and have no collateral against which to borrow. Although a few of the moderate poor borrow from banks, most poor people have no access to formal credit and do not have the courage to borrow. Borrowing from informal sources implies higher interest rates and difficult conditions for repayment.
### Opportunities

- mass in order to reduce vulnerabilities, leasehold forestry emphasises savings by the participants, reliance on multiple sources of livelihood, and a combination of both immediate (credit), medium-term (grass, non-timber forest products, vegetables), and long-term benefits (timber).

- Balancing the act of environmental amelioration and increasing the benefit at household level seems to work through pro-poor leasehold forestry where the poor are assigned a package area for production and at the same time they are asked to ameliorate the environment through simple land management practices.

- Intergroup, cooperative, and federation formation ‘make up’ for small groups by increasing the ‘total’ size.

- Pro-poor leasehold forestry is pastoral-based and supplies of meat are always short, so there is no dearth of markets.

- Leasehold forestry should not be restricted to degraded forests; the silvopastoral management system has still to gain recognition. Rich forests (thus with rich fertility) should also be handed over to poor communities – even with thinning out of forests. Around 30% crown cover plus ground cover with grasses (to be developed with leasehold intervention) would provide better protection against soil erosion (better than forests managed with timber only). Timber management type operational plans are prepared and implemented despite the need of local people being grasses and fuelwood. While looking at the socioeconomic data collected in Part 1 of the community forest operational plan process, the main forest products in demand are fuelwood, fodder, and leaf litter, thus there is a great opportunity to integrate community forestry with leasehold forestry.

### Threats

- The policy and legal frameworks for leasehold forestry are still insufficient.

- Under the current regulatory framework, community forestry has priority over leasehold forestry. As a result, community consensus is required for the handing over of leasehold forests to the poor and not vice versa.

- The Forest Act and Regulations have yet to recognise community-based leasehold groups as independent autonomous bodies.

- An economic feasibility report has to be produced before the management plan is approved, which is cumbersome work for the leasehold group.

- There is no provision for leaseholders to inflict punishment against any violations. His Majesty’s Government of Nepal becomes the plaintiff in all cases under the Forest Act; and there are no shortcut methods. In the same way, there is nothing mentioned about punishment in the Forest Act when products of the leasehold forest are illegally cut down or stolen.

- The right to the trees on the plot at the time of handover remains with the government, but the policy in 2002 envisaged some part (still undecided) to be given to the leasehold forestry groups as compensation for their protection work. The second amendment to the Forest Regulations (2002) has made a provision to do away with the official notification of 35 days to the communities around in order to see if a demand for community forest remains or not, or for institutional and industrial leasehold forests. The judgment about whether the area is appropriate for community forestry has been delegated to the district forest office which, by appropriating areas for such endeavours (institutional and industrial leasehold) renders them inappropriate for community forest. The implication of this policy may put the industrial and institutional lease in front and push the pro-poor leasehold into a corner.

- The outlook of other groups (development partners) towards leasehold forestry groups and whether they recognise leasehold forestry as an entry point could be problem. However, these groups may be open to procurement of other services.

- Do the village and district development committees (VDCs/DDCs), which are local government bodies, recognise the leasehold forestry concept? How much do they support it in financial terms?
Where the forest is not sufficient, it is better to hand over the forest areas to community forests as everyone has a stake in them and everyone should have a share. To decide whether the community has sufficient forests or not, a rule of thumb of 0.25-0.5 ha per household can be established, depending upon the productivity of the area. This process would do away with the cumbersome process of notification and asking the communities what they need, and, at the same time, it would finish once and for all the priority of one mode of management over another.

In areas where the forest has already been handed over as community forest, the process should commence with degraded and open areas, if they are available for leasehold forestry, and then be applied to community forest; the inclusion of the households should have the same order as above. In areas where there are plenty of forests but not open areas, we should go into the leasehold forestry concept – not passively but actively applying the silvopastoral system – meaning that we should open up densely forested areas to make room for more opportunities and for planting forage species below these forests. Moreover, it should be mandatory for a fixed percentage of the benefits accrued from community forestry to be allocated to poverty alleviation.

After completing the well-being ranking, every line agency should be requested to recognise it as an entry point for making the Poverty Reduction Strategy Paper goal of poverty reduction possible. Poverty reduction should be regarded as a package deal; leasehold forestry should even be applied on private and communal lands where appropriate. The concept of leasehold forestry has been implemented on encroached land in the Terai, flood plains, common lands, and areas below high tension electricity transmission lines.

Vegetables and fruit trees should be encouraged on private lands rather than on common lands.

The money accrued by selling trees at the time of handover should remain with the poorest members in the cooperatives so that misappropriation and/or mismanagement of the fund can be controlled and minimised. There is a provision for diverting International Fund for Agricultural Development (IFAD) loan money disbursed for procuring goats into cooperative grants, why not the local resources? If we recognise the silvopastoral system as one of the mainstream systems (which most of the communities want) for the management of forests in the midhills, the financial sustainability of leasehold forestry cooperatives would be greatly enhanced. Harvesting trees and implementation as a silvopastoral system will generate a lot of forest products, and this could make cooperatives, micro-finance, and vulnerability coping mechanisms active and viable.

Conclusions and recommendations
1. Development of hill forests either as CF or leasehold forestry should not be guided by the law. It should depend on the situation of the site and availability of forestland and resources. Forest products fulfil many basic needs of villagers, and as long as they are just sufficient or insufficient to fulfil basic needs they should be managed as CF. At the same time, forest resources are renewable natural resources, they have a potential for alleviating poverty, which is the main thrust of the present government. Rather than managing forests for financial benefit through timber management targeted at distant urban centres, the poverty alleviation focus should become prominent. The tested and proved poverty alleviation model in forest
management is leasehold forestry. Thus, leasehold forestry should be introduced after keeping part of the forest area to fulfil basic needs.

2. Leasehold forestry should be considered as one of the most successful modes of poverty alleviation, since it has all the ingredients of a ‘neo-poverty alleviation model’ as follows.

   • Social inclusion (inclusion of poor, disadvantaged and ethnic groups)
   • An institutional structure owned by the poor themselves
   • Focused targeting
   • Benefit directly accruing to the households rather than relying on the (failed) trickle-down effect
   • Increased productivity due to diversified income-generating activities
   • Building on the indigenous knowledge of the villagers through a silvopastoral base and livestock farming
   • Self-employment generation
   • Quasi-individual ownership and participatory decision-making processes
   • Active participation of lessees helping themselves to come out of poverty rather than waiting as passive beneficiaries.
   • Directly focusing resources on the poor
   • Vulnerability coping mechanisms engrained in the process through the savings and credit system

3. Leasehold forestry not only tries to reduce income poverty but also human poverty by positive discrimination and technical support.

4. Subsistence-level households find it hard to participate in a production model when the gestation period is long. Degraded forests do not yield instant products to support livelihoods. Thus, the government has to come forward to compensate for the resumption of productivity and for ameliorating the environment. In the same context, the benefit accrued from forest products during active silvopastoral management should remain with the cooperatives for compensation for the ‘good work’ done. Similarly, the ownership of the initial trees at the time of handover should also be channelled to the cooperatives.

5. In the aforesaid surplus type of CF areas, leasehold forestry concepts should also be introduced so that the populace already involved, accounting for almost one third of the total population, are not left out of the poverty alleviation process. In the mean time, 25% of the total benefit accrued from CF should be set aside as the initial inputs for poverty alleviation.

6. The forest area alone cannot accommodate all the poor, thus the non-cultivated inclusions in the hills – 705,000 ha (LRMP 1986 cited by Yadav and Dhakal 2000) – should be brought under active leasehold forestry management.

7. In the Terai, there are many forest areas that have been encroached upon where it is neither possible to evacuate encroachers nor manage the areas as production forests: such areas plus river-bank areas can be managed successfully by leasehold forestry.

8. As the Poverty Reduction Strategy Paper has only one goal of poverty alleviation, all line agencies should be encouraged to take into account well-being ranking as an entry point and focus should be given to the same target group for synergy.
9. For long-term sustainability, all the leasehold groups should be become part of one federation, cooperating at local, district, and national levels. This federation or cooperative will plead, advocate, and act in favour of small groups, thus prevailing against the ‘weakness of small numbers’. Here, even the sub-groups of poor households in community forestry can be included in the intermediate groups.

10. Policies should be targeted for the benefit of weaker sections of society, thus amendments to the Forest Act against the aforementioned ‘threats’ should be made.

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