

PD-AAW-509

ISN 52561

MEMORANDUM

To: See Distribution Date: July 7, 1987
Thru: David M. Wilson, Director *DMW*
From: George F. Taylor, II, Acting Chief, Office of Agriculture & Resource Conservation, USAID/Kathmandu *GFT*
Re: Concept Paper for Forestry Development Project (367-0158)
Ref: Kathmandu 4584

Attached is a copy of the Concept Paper that will serve as the basis for the Forestry Development Project (367-0158). The paper was prepared by UNDP in close consultation with USAID and other donors and included substantial input from the team preparing a Master Plan for the Forestry Sector in Nepal.

We would welcome your comments both on the Concept Paper and on the Mission's thoughts (outlined reftel) on those elements of the proposed national program most suited for USAID support.

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INCOMING
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INFO ANDP-01 PPPE-01 PDPF-01 PPPE-02 PPEA-01 MID-01 ANFR-06
STAG-01 STFN-02 SAST-01 AGRI-01 ARAA-01 ANGA-02
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AIDAC

E.O. 12356 N/A
SUBJECT: FORESTRY DEVELOPMENT PROJECT (317-0153) DESIGN:
STATUS UPDATE

REFS: (A) STATE 149971, (D) STATE U39746

1. A CONCEPT PAPER FOR THE MULTI-DONOR FORESTRY DEVELOPMENT PROJECT, DEVELOPED BY UNDP/FAO IN CLOSE COLLABORATION WITH USAID, WAS SUBMITTED TO THE GON IN LATE APRIL. SEVERAL WEEKS AGO THE GOVERNMENT RESPONDED FAVORABLY TO THE PAPER AND PLANS ARE NOW BEING LAID FOR THE NEXT STEPS OF PROJECT DEVELOPMENT AND DESIGN. WORLD BANK FORESTER LINDA NIELSEN IS EXPECTED IN KATHMANDU LATER THIS WEEK, AND A TEAM FROM THE FAO/WORLD BANK COOPERATIVE PROGRAM IN ROME WILL BE IN COUNTRY LATER IN THE MONTH TO BEGIN WORK ON PROJECT DESIGN. COPIES OF THE CONCEPT PAPER ARE BEING POUCHED TO AID/W.

2. MISSION THINKING TO DATE HAD BEEN THAT A) FORESTRY PROGRAMS IN THE THREE SCJP DISTRICTS WOULD BE FOLDED INTO THE 23-DISTRICT HILL COMMUNITY FORESTRY PROJECT (IBRD/UNDP) STARTING IN FRY 2045/46 (FROM JULY, 1988), AND B) THAT USAID'S PROJECT (FY 88 START) WOULD FUND SEVERAL DISTINCT PIECES OF THE NATIONAL FORESTRY PROGRAM OUTLINED IN THE RECENTLY COMPLETED CONCEPT PAPER. COMPONENTS THAT HAVE BEEN IDENTIFIED FOR POSSIBLE USAID FUNDING INCLUDE STRENGTHENED PLANNING AND POLICY ANALYSIS CAPABILITIES AT THE MINISTRY LEVEL (WITH UNDP PROVIDING SUPPORT AT THE DEPARTMENTAL AND DISTRICT LEVELS), SUPPORT FOR SELECTED RESEARCH ACTIVITIES, IN-SERVICE TRAINING, THE IMPROVED STOVE PROGRAM AND SUPPORT FOR INTEGRATING AID CONCERNS AND PROGRAMS INTO THE OVERALL NATIONAL PROGRAM.

3. FOLLOWING AID/W REVIEW OF OUR CDSS, AND THE SUGGESTION PROVIDED IN DISCUSSION OF CDSS ISSUE 4 REF A, AND NPD (REF B), WE HAVE ALSO BEEN CONSIDERING THE POSSIBILITY OF A LESS PROJECTIZED APPROACH TO OBTAINING THE REFORMS THAT ARE CENTRAL TO THE SUCCESS OF FUTURE FORESTRY PROGRAMS IN NEPAL. SEVERAL FUNDAMENTAL POLICY REFORMS HAVE BEEN IDENTIFIED IN OUR POLICY AGENDA FOR FORESTRY AND IN OTHER FORUMS THAT LOLO III USED AS THE BASIS FOR USAID PROVIDING THE GON WITH UP TO 001.7 BILLION TO FINANCE ITS NATIONAL PROGRAMS. THIS WOULD BE DONE IN CLOSE COLLABORATION WITH THE WORLD BANK/IMF SECOND STRUCTURE ADJUSTMENT CREDIT. REFORMS IDENTIFIED INCLUDE, A) THE ABOLISHING OF JUDICIAL POWERS HELD BY FORESTERS AND TRANSFER OF THESE POWERS TO THE JUDICIAL SYSTEM, B) THE ABOLITION OF ARMED FOREST GUARDS AND THEIR RETRAINING IN MORE PRODUCTIVE AREAS; C) THE CLOSURE OF THE TIMBER CORPORATION OF NEPAL (TCN) AND THE FUELWOOD CORPORATION AND RESTRUCTURING OF THE FOREST PROJECTS DEVELOPMENT BOARD IN LINE WITH RECOMMENDATIONS:

OF THE FORESTRY PRIVATE SECTOR (PPSA), D) THE ABOLITION OF A PERMIT SYSTEM FOR THE TRANSPORT OF WOOD AND OTHER FOREST PRODUCTS, E) A GREATLY ACCELERATED PACE AND SCALE OF HANDOVER OF FOREST LANDS TO LOCAL PATROL-VIS, WARDS, AND USER GROUPS AND ENABLING LEGISLATION TO FACILITATE THIS PROCESS, IN LINE WITH THE RECOMMENDATIONS OF THE FORESTRY PRIVATE SECTOR STUDY, F) CHANGES IN TAX LAWS ETC. TO PROVIDE ADDED INCENTIVE FOR PRIVATE INVOLVEMENT IN FORESTRY AND G) CHANGES IN REGULATIONS TO ALLOW FOREST INDUSTRIES AND INDIVIDUALS A FREE HAND IN PRODUCTION, SALES AND DISTRIBUTION OF FOREST PRODUCTS.

4. WOULD APPRECIATE AID/W REACTION TO THIS LINE OF THINKING AS WELL AS GUIDANCE ON HOW MISSION MIGHT PACKAGE SUCH A "LESS PROJECTIZED APPROACH TO OBTAINING THESE REFORMS" (PER REF A). WOULD ALSO BE INTERESTED IN VIEWS ON THE RELATIVE TRADE OFF IN PURSUING SUCH AN APPROACH AT THE PROBABLE EXPENSES OF THE PROJECT INTERVENTIONS DESCRIBED PARA 2.

5. FOR PPC/ODIE: REQUEST COPIES OF RELEVANT FORESTRY POLICY REFORM PROJECT DOCUMENTATION BE POUCHED TO THE MISSION, IF AVAILABLE. WE ARE UNAWARE OF OTHER PROGRAMS OF THIS SORT IN FORESTRY BUT EXPECT THAT THE AGRICULTURAL POLICY REFORM PROJECTS IN HAITI AND NIGER, FOR EXAMPLE, MIGHT PROVIDE USEFUL GUIDELINES PLEASE ADVISE.
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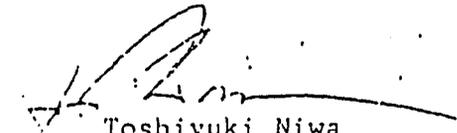
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As noted above, the current UNDP/FAO project will terminate at the end of June 1987. In view of the fact that two project extensions have already been granted, UNDP Headquarters already indicated at the time of the last extension that no further extensions would be authorised. Therefore, in order to avoid a lengthy and disruptive hiatus period, rapid action is now required regarding the phase II project. In the first place, we are seeking your approval of the outline paper attached. Subject to your approval and any comments you may have, we propose to proceed expeditiously with the elaboration of a UNDP/FAO Phase II project document for HMG's review and approval.

We look forward to meeting with you to discuss this paper at your earliest opportunity.

Yours sincerely,


Toshiyuki Niwa
Resident Representative

cc: Mr. M. Haq, Chief Conservation, Department of Forests, Bahawalpur
Mr. H.R. Stennett, Acting FAO Representative
Mr. R. Woodford, Resident Representative, World Bank, Kanti
Mr. M.S. Ranatunga, Chief Technical Adviser, Community Forestry
and Afforestation Division, Hattisar, Naxal

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SUPPORT TO FORESTRY DEVELOPMENT

PHASE II

An Outline of the Proposed Project's Justification
and Principal Elements



*With the Compliments
of the
Resident Representative of the United Nations
Development Programme
in Nepal.*

29 April 1987

Mr. G. Taylor
Agriculture Development Officer
USAID
Kalimati

*Many Thanks for
all your help -*

PART I, BACKGROUND AND JUSTIFICATION

I. Background

Rural poverty and deforestation mutually reinforce each other in Nepal. Together, they are eroding the long-term development prospects of the nation. It has been estimated that some 76% of the energy used in Nepal comes from fuelwood and forests satisfy more than 33% of the fodder for livestock. Forest cover is declining at an estimated .5% per year; one estimate puts the annual decline in forest cover at some 30,000 hectares. A significant part of the decline is occurring as a consequence of human pressure on the forests for fuelwood in the nation's ecologically vulnerable montane region. There, population densities exceed 500 people per square kilometer of cultivated land; per capita incomes are substantially less than the national average of \$160 per year. Human and livestock populations continue to grow. Their escalating pressures threaten the demise of the forests within two generations, and the decline in forest productivity has increased the rate of destruction.

In response to this situation, a wide variety of approaches have been taken by HMG and a significant number of donors to try and reverse current trends. Five major approaches can be identified with respect to government land: the promotion of private forestry; the encouragement of lease forestry; the stimulation of community forestry; the expansion of commercial plantations; and the management of National Forests. The promotion of farm forestry on private land is also being pursued. HMG is currently engaged in the formulation of a Forestry Master Plan to identify the appropriate mix of approaches to enable it to achieve its targets.

II. Development Objective

Against this background the development objective to which this project will significantly contribute can be defined as the attainment of a national capacity to produce on a sustainable basis, through appropriate management and rational use of forest resources, the fuelwood, fodder, timber, food and other forest-based products necessary to meet the basic needs of local populations and communities. The programme to be established will be guided by the Seventh Five Year Development Plan and will take into account the provisions of the Forestry Master Plan when this has been finalized. In view of the experience built up in the first phase project in the specific area of community forestry, the project will in particular promote the participation of forest-dependent rural populations and communities in implementing HMG's community forestry programme on a national scale. Private forestry will also be actively pursued. The Project will also contribute to the conservation and improvement of the country's fragile environment which has

been degraded due to exploitation beyond the sustainable capacity of the forests.

III. The Community Forestry Project (Phase I)

His Majesty's Government began its Community Forestry Development Project (CFDP) in 1980 on the basis of experience gained in earlier localized projects. An IDA credit provided the finance for field activities in 29 of Nepal's 75 districts. The UNDP/FAO provided financial and technical assistance to the Community Forestry and Afforestation Division (CFAD) of the Forest Department. The CFAD was designed to supply technical, logistical, educational and planning support for field efforts in the 29 Hill districts. In its first five years of operation, the CFDP succeeded in involving 365 panchayats in the plantation of almost 13,883 hectares and the protection of about 17,454 hectares of existing forest. More importantly, the CFDP achieved a significant institutional momentum.

Community forestry programs use forest management as a means to simultaneously enhance rural welfare and forest conditions. They do so by creating rural economic interests in the protection and increased productivity of forest resources. The Nepal Forest Department works with villagers to improve the protection and productivity of forestlands. Rights to forest products are transferred from government to the people in exchange for their acceptance of managerial obligations. The growth of collaboration between the Forest Department and local groups enables this transfer to occur with reasonably secure expectations on both sides.

The first five-year phase of the CFDP was intended to establish an institutional basis for the long-term improvement and expansion of community forestry activities in Nepal. It succeeded in creating a broad public awareness of forestry issues and of the importance of popular participation in resolving them. It built a core of able motivated professionals and sub-professionals and a system in which they could work effectively with local groups. It significantly shifted the values of the Forest Department from a custodial to that of a collaborative partner in a rural development role.

Experience of the first phase also helped to identify the serious organizational, legal, technical and economic constraints to further expansion and improvement of community forestry activities. The CFAD has published about fifty volumes of diagnostic assessments, manuals derived from comparative experience, and analytical studies that clarified the needs for improvement. In particular the constraints are presented in the CFAD reports of sixteen national experts who have been directly involved in community forestry activities. Altogether these volumes comprise a valuable body of insight and knowledge. They have had an important impact on the content of discussion about forest policy and operational issues in Nepal and they have

affected how these issues have been and are likely to be analyzed and resolved.

Two significant constraints on community forestry have been institutional and legal. Agreements between panchayats, user groups and the Forest Department have yet to gain legal status, at the cost of the security that community forestry requires. The appropriate content of management plans has yet to be resolved. The effective and equitable distribution of rights, responsibilities and benefits between villagers and government remains a matter of considerable debate. All such issues exemplify the normal tensions that arise when an innovative approach penetrates a prevailing web of rules that were formed to satisfy other needs.

Various evaluations of the first phase of the CFDP, and of other community forestry projects, suggest a number of functions in which an expanded and integrated CFDP would be expected to provide significant benefits on a national scale. These include:

1. The establishment of integrated policy, institutional and programme frameworks which can be supported at appropriate levels by governmental and external aid resources;
2. The correlation, analysis and feedback of experience in community forestry throughout Nepal;
3. The development of planning processes for community forestry at user-group, panchayat and district levels;
4. The identification, analysis, and relief of policy constraints that inhibit the expansion and success of community forestry activities;
5. The expansion of educational facilities for professional and sub-professional training, for district resource planners and administrators, for panchayat forest committees and user groups, and for the public at large, and
6. The development of operational means to integrate and support community forestry within regional, district, and panchayat administrations.

These functions can be more appropriately developed in a national rather than a project organization.

Other project evaluations have also indicated some important general problems that adversely affect community forestry activities. The problems identified include the following elements:

1. Lengthy, complicated and ambiguous procedures for land survey and mapping, forest inventory, management planning, and the transfer of rights to forest. This discourages local community and individual involvement and therefore increases

the organizational problems with which field staff must deal.

2. (a) the lack of legal status for user groups and panchayat forest committees; (b) the need for appropriate legislation which would allow the village panchayats to retain the entire revenues released from the sale of forest products extracted from PPF under their management. It should be noted that HMG has already committed itself to these measures under its structural adjustment programme; (c) the lack of recourse when government does not fulfill the financial commitments that are used to encourage local participation; (d) the desirability of abolishing existing rules establishing ceilings for PF; (e) the need to clarify the current ambiguity relating to the right to own, manage and exploit trees.
3. Since the community forestry programme is not part of the Department's core activities it is not a central function of the District offices and is not treated as a district level responsibility. This has implications for staff and resource mobilization. Overall ambiguity exists regarding the several contradictory roles of forestry officials.
4. Weak mechanisms for coordination of community forestry activities with district panchayat planning and administration reduce the support that forest committees and staff might otherwise receive from district authorities and complementary talents at the district level.
5. The lack of forest officers at the regional district, and panchayat level with specific responsibility for community and private forestry has raised questions regarding the appropriate organization and use of field personnel.
6. The need to integrate forest activities within the District Development Plan under the Decentralization Policy, and to ensure full and active participation by the people. This requires attention to the planning process at the ward, panchayat and district panchayat levels, to the demarcation of PF and PPF based on traditional attachment and use and to the institutionalisation of user groups as the central medium for forestry development.

One key constraint on the development of community forestry has been institutional. The CFAD has operated as a Project rather than as an integral part of the Forest Department. The project mode is often appropriate in initial stages of program development, for it allows a flexibility that can be essential when new organizations are evolving toward a durable shape. The Project mode has limited economies of scale, however, and it must ultimately succumb to its own success. In later years of the first phase, the value of CFAD's flexibility began to decline relative to that of the scale, stability and strength that a normalized and integrated role in the Forest Department would

provide. CFAD's vitality and performance weakened. Although field performance has maintained its momentum despite the loss of CFAD support and stimulation, there are indications that it will plateau unless the capacity for central support grows to match the need.

Other factors encourage the move to integrate CFAD with the Forestry Department. As a Project, CFAD is not in a position to draw upon the benefits of experience from the other bilateral community forestry projects that are operating outside the 29 CFDP districts, nor is it able to serve or provide coordinative direction for these projects. These projects are also beginning to confront their limitations of scale and to seek governmental assistance and national consolidation. Perhaps most importantly, the size and scope of the challenge facing Nepal in the forestry sector requires a national framework and programme. This objective is not adequately served by a situation in which individual projects pursue their activities largely independently outside of a coherent national framework. In addition the decentralization of authority to the districts can disrupt the development of community forestry unless useful guidance through the Forest Department becomes available. The time has arrived for formalization of CFAD's role within the Forest Department and the emergence of a strategy for its development on a national scale.

IV. Support to Forestry Development (Phase II)

This situation presents new challenges to the phase II project. The institutionalization of community forestry within the overall activities of the Forestry Department requires that the specific role to be played by community forestry be identified within an overall strategic framework. Strengthening of the strategic framework becomes a prerequisite for developing an appropriate national community forestry programme. The framework is being formulated at the present time in the Forestry Master Plan. The phase two project must in the first place provide the necessary support to implement the strategic, institutional and programme frameworks established by the Master Plan. In addition it must take into account the recommendations which will be forthcoming from the Nepal National Conservation Strategy. Consequently, it has been decided that the phase II project should be referred to as: Support to Forestry Development. Secondly, within this context the specific programme launched under the first phase project in community forestry must be maintained and strengthened. Thirdly, legislative constraints impinging on forestry programmes must be reviewed and recommendations made. Fourthly, and most critically, field implementation must be strengthened and expanded to achieve the established targets. The next section elaborates in greater detail on these elements which constitute the four cornerstones of the phase II project as it has been presently conceived.

Objectives

Objective (1) Establishment of an appropriate institutional framework within the Ministry of Forestry and Soil Conservation in order for the Forestry Department to plan and implement a national forestry programme.

Outputs will include:

- a) The integration of the functions of the Community Forestry and Afforestation Division into the Forestry Department at the central level.
- b) The institutional enhancement of the planning, monitoring and evaluation functions in the forestry sector in line with the Forestry Master Plan and HMG's policies with respect to programme budgeting and monitoring.
- c) The integration and development of related central level functions in the areas of applied research and forest survey and mapping to support the national forestry programme.
- d) Through the framework established by the Forestry Master Plan and the recommendations of the Nepal National Conservation Strategy, the formulation of a national strategy for the coordinated allocation of local resources among the major users, including forestry, agroforestry, grazing, agriculture, protection forests and parks, based on existing country-wide land capability classification.
- e) Lower planning and development in conjunction with the Forestry Master Plan
- f) Other institutional requirements identified during the course of the formulation of the Forestry Master Plan.

Objective (2) The establishment of a comprehensive national policy and programme which will provide the basic framework for the development of community forestry, including private and farm forestry, country wide through effective coordination of all concerned forestry organizations, inputs and activities.*

Outputs will include:

- a) An appropriate organisational framework within the Forestry Department to promote, backstop and implement a national community forestry programme.

In relation to objective 2, the further development of the community forestry programme includes private and farm forestry

- b) A national community forestry programme (1) to maintain and strengthen existing field activities under the first phase of the project; (2) set up approaches for effective establishment and management of community forestry projects with full local community and private involvement and participation nation-wide; (3) to establish physical targets of areas to be managed, reforested, protected and used, and the quantity and quality of forest-based produces and social benefits to be derived; (4) set up targets for the number of communities and individuals to participate in the project. (5) establish appropriate education, training and extension programmes.
- c) A national plan for gradually bringing the various community oriented forestry projects together under the coordination and supervision of the Forest Department while allowing the necessary degree of flexibility in keeping with the operational procedures of donor agencies. The pace of unification of the various projects will be matched with the capacity for manpower and resource development and growth in the Forestry Department.
- d) An integrated and strengthened capacity at all levels to provide necessary support and technical assistance to user groups in community forestry establishment, management, monitoring and evaluation.
- e) The identification of priority needs with respect to local community demands for basic goods and services and to satisfy national environmental interests to be met in the short and medium terms.

Objective (3) The formulation of the necessary policy, legislative and procedural framework and appropriate mechanisms for effective community and private participation in forest management and afforestation for fuelwood, fodder, timber and food production systems nationwide to ensure the effectiveness of the programme and the coherence of the methods and approaches employed.

Outputs will include:

- a) A policy that provides incentives to encourage greater local participation in community and private forestry projects and activities.
- b) Legislation enacted by the Parliament that will provide legal status to user groups involved in community forestry projects; ensure legal recognition for transactions entered into between the user group and the government; ensure the right of private individuals to own, manage and exploit trees on private land; and remove legal impediments to financial and other transactions that affect community and private forestry activities.

- c) Administrative procedures that reduce or eliminate bureaucratic obstacles to quick processing and transfer of panchayat forests, PPF, leased and private forests to user groups; streamline the methods for timely transfer of budgetary allotments to field units.
- d) Appropriate legislation, policies and administrative procedures to promote private forestry in accordance with national needs.

Objective (4) The development of the capability of the Forest Department at the regional and district level to support and implement appropriate forestry programmes and in particular to help rural communities and individuals establish and manage 175,000 hectares of community and private forests during the 1986/87 - 1990/91 period in accordance with the Seventh Five-Year Plan.

Outputs will include:

- a) A comprehensive programme to develop education, training, extension and publicity in the sector. This will include:
 - i. Regional training programmes formulated and operated by the Forestry Department in conjunction with the MFSC Training Wing.
 - ii. Appropriate training modules and materials to be formulated and implemented by the MFSC Training Wing.
 - iii. Field staff and members of FCs who represent the user groups to effectively participate in all aspects of private and community forestry plantation and management.
 - iv. Improved communication between Headquarters and field units regarding legislation, policies and procedures.
- b) Nurseries established and maintained. Species of seedlings will be supplied which respond to the demand of local communities and individuals. Special attention should be given to the promotion of private nurseries.
- c) Results of research (on-site trials and demonstration plots) which will assist in guiding the establishment and management of community and private forestry and agroforestry projects at various ecological sites, montane or terai.
- d) Community and private forestry plantations, national forestry and industrial agroforestry farms established at the average rate of 35,000 hectares per year or 175,000 hectares in five years, under technical and financial assistance by HMG and/or by external donors, with full local

participation , and managed for sustained production of fuelwood, fodder and timber in both the montane and terrai zones.

- e) Simplified models of forest management plans to be applied by user groups for sustainable management of their community forestry projects.
- f) A programme of private plantings in line with targets established by the Master Plan.
- g) Support in the implementation of other forestry programmes identified by the Master Plan.
- h) Support to the stove programme, including a review of the appropriate organizational framework in which to further develop the programme.