

**Improving the livelihoods of the poor and marginalized
in Nepal through Leasehold Forestry:**
A review of institutional constraints and opportunities

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Acronyms

CBS	Central Bureau of Statistics
CBFM	Community-based forest management
CFM	Collaborative Forest Management
CFUG	Community Forest User Group
CLIP	Collaboration/conflict, Legitimacy, Interest and Power
DFO	District Forest Officer
DoF	Department of Forest
DoLS	Department of Livestock Services
FECOFUN	Federation of Community Forest User Groups in Nepal
FUG	Forest User Group
HLFFDP	Hills Leasehold Forestry and Forage Development Project
ICD	Integrated Conservation and Development
IFAD	International Fund for Agricultural Development
LF	Leasehold Forestry
LFLFP	Leasehold Forestry and Livestock Program
LFP	Livelihood and Forestry Program
LI-BIRD	Local Initiatives for Biodiversity, Research and Development
MFSC	Ministry of Forest and Soil Conservation
NARMSAP	Natural Assisted Resource Management Sector Support Programme
NEFUG	Network of Forest Users Group
NGO	Non-government Organizations
NPC	National Planning Commission
NSCFP	Nepal Swiss Community Forestry Project
NTFP	Non-timber Forest Product
OP	Operational Plan
VDC	Village Development Committee

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Executive Summary

Forests are an important source of various products especially for the poorest people who live within or near these forests, who have limited alternative sources of livelihoods. For this reason, recent poverty-alleviation strategies for poor forest communities have been moving towards improving the benefits that the poor derive from forest resources. Doing so, however, is not easy. One of main reasons are the existing rules and regulations, or 'institutions', created by other people with other interest from that of the poorest, which limit the flow of the intended programme benefits from going to the poorest.

This study is about improving the benefits that the poorest in rural Nepal derive from forests. It focuses on how to improve existing forestry institutions in favor of the poorest. We conceptualized these forest institutions to include those at various administrative levels including the LFUG and forest community level, district or implementation level, up to the national level where the programme is designed and directed by the central office. The study was conducted primarily through a review of literature on forest institutions in Nepal with focus on LF and the institutions emerging from and affecting it. The literature review is complemented by consultation with informants involved in the LF programme as well as with other CBFM programmes such as the Community Forestry (CF) programme, field visits to leasehold and community forest user groups, and by the authors' experience working with LFUGs.

The study demonstrates that there are various institutional constraints for LF in improving the livelihoods of the poorest. A primary issue at the community and LFUG level is the exclusion of the poorest in the LF programme and the displacement of the poorest as a consequence of the implementation of LF, which both contradicts what the programme intends to do. The primary reasons for these are the lack of awareness of the community about LF and the improper implementation of the programme process by the line agencies. Intervention at this level should then mainly be ensuring that the process is strictly followed. This can be done by: a) increasing the awareness of the community about LF and the process of handover such as through illustrative posters in places or offices that are highly frequented by the poorest; b) improvement of the LFUG-members' awareness of their rights and responsibilities, which implies organizing them into larger organizations so as to make it necessary for them to have a constitution and by-laws; and c) change in some design of the programme in order to include as many poorest even in communities with less degraded land.

At the implementation level, the primary constraint is on the limited capacity of the existing implementing agencies (i.e. DFO and DLSO, which are sectoral agencies) in implementing the LF which is supposed to be an integrated programme. Both DFOs and DLSOs are limited not primarily by their number of staff but their sectoral mandate and expertise which result to limited collaboration of other line agencies; limited technical services to LFUGs; and ultimately, limited success (i.e. impact, sustainability) of the programme. To resolve this, we propose that a district-level project coordination committee should be formed to manage, or supervise, the implementation of the LF programme. This committee shall be under the chairmanship of the DDC chairperson.

DFO could be secretary and all the other district line agencies including representatives from NGOs and users shall be members. This recommendation is coupled by some scenarios and some suggested reforms particularly related to budget allocation, and performance appraisal and monitoring and evaluation for the programme.

Although we considered the national policy as part of the forest institutions affecting the benefits from forests going to the poorest, we did not discuss more on these issues as most of them were discussed in a separate paper. Instead we focused on the design of the programme which influenced or resulted to the constraints earlier mentioned in the programme implementation and community level; and so the recommended interventions merely focus on changing the legal provisions that cause most of the earlier constraints. Since most of the issues are controversial, we recommend that a dialogue at the national level be conducted to a) review of the process of implementation of the programme at the community level in order to address the constraints in following the intended design of the process of handover; b) discuss the unsettled issues and controversies coming with the LF programme, particularly regarding the prohibitions in the cultivation of annual crops, the clarification of the term 'degraded land', and sustainability issues hounding LF and LFUGs; and discuss the re-organization and addition of LF implementing agencies, with representatives from the existing and potential agencies and other stakeholders.

I. Introduction

Background and rationale

With around 50% of its total area under forest cover (Malla 2000), Nepal is rich in forest resources. However, this is contrasted by the poverty situation in the country where about 38% of the population lives below the poverty line. Incidentally, most of the poorest people live in the rural areas and near or within the forests¹.

Economic activities in rural Nepal are mostly based on primary production (i.e. agriculture). However, agriculture particularly the cultivation of crops is constrained primarily by limited arable area considering the mountainous and steep terrain of Nepal². Nevertheless, production activities still persist even in the steep terrains of the country. As is visible looking at the rural landscape of Nepal, these primary production activities are made possible through soil-conserving production practices such as terracing and the adoption of production activities that minimize ground cultivation, particularly engagement into forest-based activities.

The dominance of trees in the mountainous landscape of Nepal implies the dependence of the people on forest resources to meet their various needs, which is also documented in various studies showing the various forest products that people collect from forests such as fuelwood, fodder, food, timber, leaf-litters, etc. While it is not easy to distinguish forestry from other activities based on primary production (i.e. agriculture) especially in the mountains of Nepal, it is apparent that forest resources are an important, if not the most important, source of livelihoods for these people living near the forests. Improving their livelihoods should therefore look at improving the benefits they derive from the forests. This, however, is not easy as there are various constraints to it. A general constraint are the rules and regulations governing access to these forest resources (i.e. forestry institutions), which often are limiting instead of permitting access to forest resources by the poorest. This study looks into improving forest institutions in Nepal for the purpose of making them more inclusive and beneficial for the poorest and marginalized.

Forest institutions include rules at various administrative or implementation levels such rules made by a small group of users, by district line agencies, by national policy-making bodies, or even by international bodies. Considering the various institutions affecting access to forest resources, this study focuses on (but is not limited to) forestry institutions at the programme level, particularly the Leasehold Forestry (LF) Programme which lease degraded forests to selected poorest households for them to manage and benefit from it. This study is part of a larger research project being conducted by the Center for International Forestry Research (CIFOR) which aims to identify opportunities to improve the income generated from forest resources for the poor. The study was made possible by a technical assistance grant (TAG) from IFAD, which also is the main donor funding the LF programme.

¹ The latest national survey reveals where the average rural income is 2.7 times lower than the average urban income (CBS, 2004).

² Malla (2000) estimated that the arable area is only 16.07% of the total arable area.

Objectives of the study

The overall objective of the study is to develop a better understanding of the institutional constraints to the effective implementation of the Leasehold Forestry approach in Nepal and identify opportunities for its effective implementation and expansion not just geographically but also organizationally. Specifically, this study aims to:

- a) review and analyze key literature on the institutional constraints to livelihood improvements of forest-dependent poor;
- b) describe the Leasehold Forestry approach and identify the institutional constraints to its effective implementation, particularly in including the poorest and generating more benefits for them; and
- c) recommend strategies and actions as to how the institutions generated through LF or influencing LF could be improved in favor of the poorest.

Organization of the report

The organization of the report basically follows the objective. It starts with a review of some basic concepts such as livelihoods, institutions, stakeholders, and community. The review of these concepts results to a conceptual framework showing how forest institutions are created or influenced. It also shows how these institutions can be reformed or influenced back to be more inclusive and more beneficial for the poorest and marginalized groups of society. The conceptual framework is then used to describe and analyze the forest institutions in Nepal, particularly those that are generated through the implementation of the Leasehold Forestry. We identified three categorization of these forest institutions: national policies, programme implementing guidelines and the rules or norms within or among the government line agencies involved in its implementation, and rules and norms at the community level. Based on this categorization, institutional constraints to LF are identified, which are the basis for the recommendations to improve the effectiveness of the programme. The recommendations are presented at various administrative levels.

II. Review of concepts: towards a conceptual framework for forestry institutional reforms in Nepal

Livelihoods

The concept of *livelihoods* basically looks at peoples' means of gaining a living as a process of accessing various livelihood assets or capitals such as financial, human, social, physical, natural assets through various livelihood strategies (e.g. farming, micro- and small-enterprises, etc.) for the purpose of achieving certain livelihood outcomes (e.g. food security, income generation, etc.). This conceptualization of livelihoods is further expounded through the Sustainable Livelihoods Framework (SLF) (see Scoones 1998; DFID 1999; Bebbington 1999). In order to improve the livelihoods, interventions should improve peoples' access to livelihood assets. The interventions should then improve their capabilities to select appropriate livelihoods strategy/ies to achieve their livelihood outcomes. To start with the interventions, proponents of this framework recommend reforming the existing rules (including the rules of making these rules) that people created which determine how people access the necessary livelihood assets. These existing rules and systems of making rules are also commonly referred to as institutions.

Institutions and stakeholders

Institutions is a sub-concept within the concept of livelihoods but is equally a complex concept. Basically, institutions are often referred to as the 'rules of the game' or 'how things are and should be done'. In the context of livelihoods and accessing livelihood assets, institutions include policies, laws, and general rules (formal or informal) that guide peoples' behavior on what assets to access and how. Considering the above examples of institutions, institutions could be classified in various ways, depending on the purpose of such categorization, particularly on which institutions are of interest. The literature on institutions mentions various types of institutions including global institutions down to family level institutions; sectoral institutions (e.g. economic, political, forestry, etc.); informal and formal institutions; etc. (see Bardhan 2005). Obviously, these institutions have influence over peoples' livelihoods but it is not possible to target them all at the same time. Interventions need to have focus on what institutions to reform considering their specific objectives and resource limitations. An equally important to note about institutions is that not all are beneficial to all the people affected as these rules or norms are created by a group of people often basically to pursue their self-interests which may not necessarily be compatible with that of others concerned - also called 'stakeholders'.

Stakeholders are basically these groups of people who have interest or who hold 'stakes' to a particular livelihood asset (e.g. forest resource) and who have the power to influence the rules governing the access to these assets to their favor. The identification of stakeholders to certain institutions would depend on the level of analysis employed. For example, within the forestry sector, the number of stakeholders could vary with the level of forest institutions being analyzed: whether it be forest rules at the national, district, community, or user group level. It would also depend on how in depth the analysis of stakeholders is, particularly the distinction among the interests of the stakeholders. At the programme level, the stakeholders could cursorily include donors, policy-makers, NGOs, government line agencies, and forest communities. However, a more in-depth analysis of these groups of stakeholders could reveal

further sub-groups with various interests and level of influence over forest institutions. An important group of stakeholder that needs further classification is the forest community.

Community and social stratifications

The term *community* had been used to refer to the group of villagers. However, this use of the term has recently been widely criticized for failing to present the differences in interests and power among the members of these communities (see Li 2002; Agrawal 2003). For more targeted and effective interventions, these critiques of the term *community* advocates sub-grouping of the community based on how such society or community are differentiated such as wealth, caste, status, gender, religion, etc. These factors often stratify the community like a pyramid with the most privileged (i.e. wealthiest) on top and the most marginalized (i.e. poorest) at the bottom.

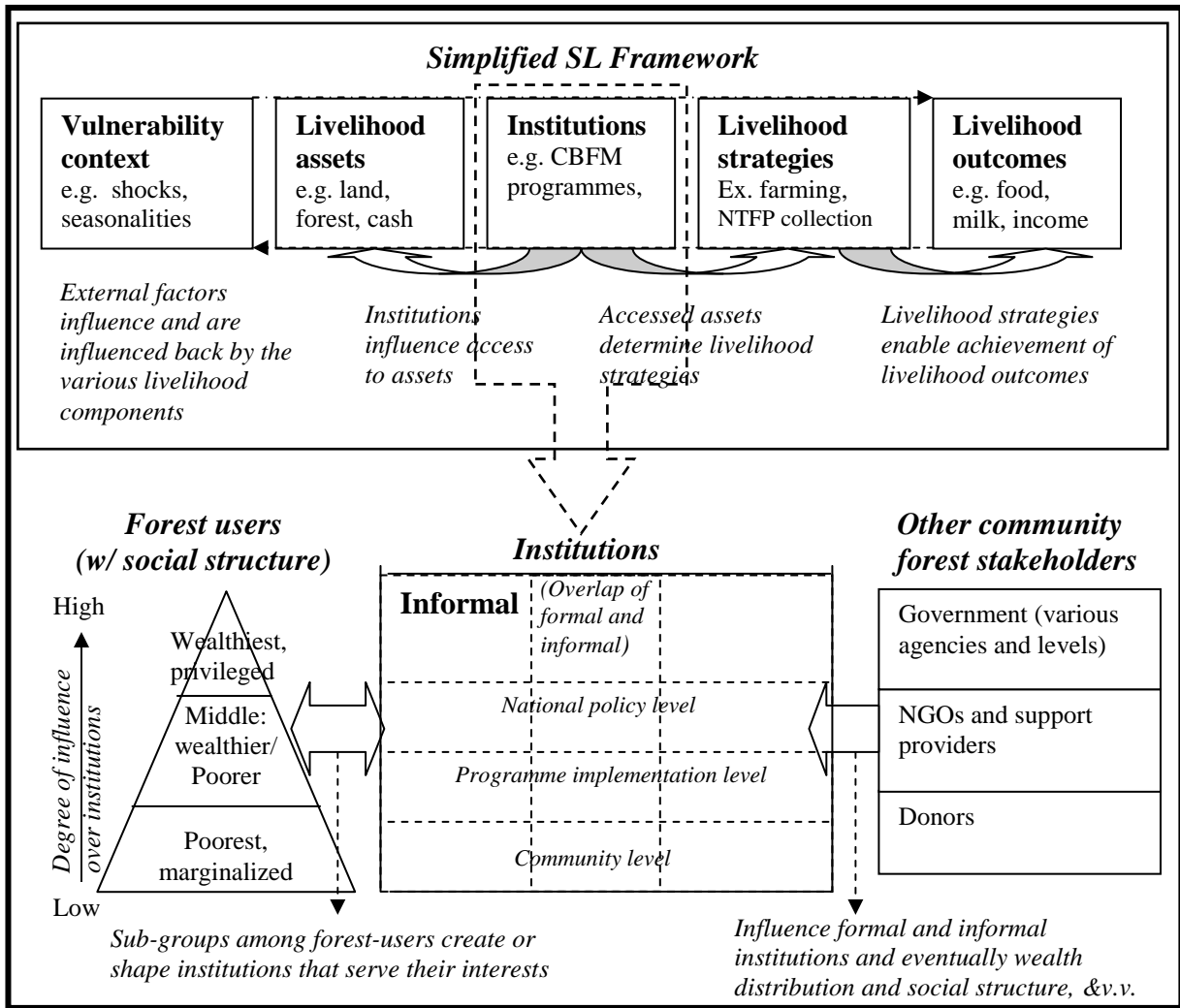
While such stratifications may promote social order, they may also promote social disorder especially when they promote institutions that are discriminatory or unfair. Reforming institutions to improve the lives of those at the bottom of the pyramid (i.e. poorest and marginalized) should therefore understand these social stratifications including how they negatively discriminates the poorest and how they could be eliminated or their negative effect minimized (e.g. how power – and the sources of power - could be transferred or shifted to the bottom to create a more balanced or fair institutions)

Improving livelihoods of the poorest by reforming forest management institutions

Improving the livelihoods of the poor (i.e. alleviating poverty) and specifically, reforming existing institutions is not easy. A foremost reason is there are always disparities in endowments in livelihood assets among individuals, families, geographic locations, etc. (e.g. talent and skills, natural capital, etc.). Another reason is that people are often convenient with the existing institutions. For those in power, this is because they benefit from it; for those who are not in power, this may be because they could not or are afraid to challenge those in power. As for the differences in endowments, there may be little that can be done to change them since they are given ‘by nature’; but as for institutions, they can be reformed because they are a man-made. They may be difficult to reform, but again nothing is easy either. Assuming its difficulty, reforms could start with the easiest and that is at the group, community or programme implementation level where fewer stakeholders are involved and where the concerned agency (i.e. IFAD) has greater influence.

The above background concepts and the focus and direction of this study are illustrated in Figure 1.

Figure 1: Conceptual framework



Research approach: sources of data and analysis

The study was primarily carried out through review of literature on community-based forest management (CBFM) in general and Leasehold Forestry in particular, with focus on how rules of access to forest resources are made, who influences their making, and what can be done to make them more inclusive for the poorest and marginalized groups. The review was supplemented by consultations with stakeholders through a series of meetings with individuals, government line agencies and I/NGOs involved in forestry. A brief questionnaire was used to capture their ideas and suggestions. In one of the stakeholder meetings, the Collaboration/Conflict, Legitimacy, Interest and Power (CLIP) analysis tool was conducted. This tool enabled a better understanding of the stakeholders’ legitimacy, interest and power in influencing the institutions that affect Leasehold Forestry. Based on this tool, constraints to improving the benefits from forests for the poor were identified.

III. An overview of forest institutions in Nepal

Three levels of forest institutions in Nepal

As was earlier mentioned in the conceptual framework, forest institutions can be categorized based on the different administrative or implementation levels. For our purpose, we categorized the forest institutions into three levels: national, programme implementation (i.e. district), and community (i.e. FUG) level.

National level

Like in most countries, most forests in Nepal were nationalized, owned and managed by the government, particularly the central government. However, the ineffectiveness of the central government in managing and preventing the degradation of these resources, coupled by the various rights movements, eventually led to the handing over of management duties and responsibilities to forest communities through the institutionalization of community-based forest management (CBFM) as provided in the Forest Act of 1993, the Forest Rules of 1995, and the succeeding directives including the various amendments to these rules (e.g. Leasehold Forest Policy 2002). The national forestry institutions are commonly referred to as national policies. While these policies often have provisions not favoring the poorest, reforming these policies takes time and is more difficult compared to changing rules at the lower level such as at the implementation levels.

Programme implementation (i.e. district) level

Policies are implemented through programmes and projects which are then implemented by the government line agencies. In the process, more specific rules and guidelines are generated which ultimately affect the access of forest users to the forest resources. These line agencies are mostly at the district level, although of course with supervision from a higher body particularly at the regional and central government level. The Department of Forests in particular, which is the primary implementing agency these CBFM programmes, has its offices at the district level which is administered by a District Forest Officer and a number of forest rangers. These DFOs are supervised by and coordinated at the regional level and at the central government level.

Given the purpose of this study which is to arrive at recommendations to improve the Leasehold Forestry programme, most of the discussions on institutions and institutional reforms would start at this level. At this level are the institutions guiding the implementation by the line agencies (i.e. how the forestry programme and projects are being, and should be, implemented) including the institutional arrangements between the government and the users particularly the sharing of management responsibilities and benefits between them.

FUG level

Under the various CBFM programmes, forest user groups (FUGs) are organized and are given the right to determine their own rules with regard to forest management (i.e. access and utilization), but of course under regulation by the primary implementing line agency (e.g. DFO). The FUGs, therefore, make another set of institutions which are separate or autonomous from (although guided by) the higher level institutions. These FUG-level institutions are more applicable among the members themselves and are stated in their

Constitution and Operational Plans. The Constitution basically states the rights and responsibilities of the members. It is to be made by the members and amendable by themselves who compose the General Assembly (GA), the highest policy-making body of the FUGs which is composed of all member households – usually with a man and a woman representative from each member household. The Operational Plan (OP), on the other hand, guides the members towards the sustainable management (i.e. protection and utilization) of the forest resources.

Forestry stakeholders in Nepal

In order to reform the above forest institutions, it is important to understand how they are created and this requires identifying the various stakeholders in forestry in Nepal or those who influence the making of forest institutions, either directly or indirectly. Identifying the stakeholders again is not easy as various groupings of the different ‘stakes’ and level of influence could be distinguished and yet the interest or composition of these groups may be overlapping. Nevertheless, identification of stakeholders should be guided by our purpose which is to come up with recommendations to reform forest institutions at the programme and user group level. We then identify the forest stakeholders in Nepal based on the general commonality in their interest and mandate. This is followed by a more in-depth analysis of these groups to look at possible variations and even contradictions in their interests, which would lead to further identification of sub-groups or stakeholders within the initial list of stakeholders.

Government: policy-makers and line agencies³

The Ministry of Forest and Soil Conservation (MFSC), with its various departments such as the Department of Forests is the primary government agency that oversees forest in Nepal. As the main policy-making body, it has the legitimacy and power to make or amend forest policies, which guide the creation and implementation of forestry programmes and projects in forest communities. Like most national forestry policy-making bodies, however, the MFSC is noted to be ‘conservative’ in handing over access rights to forest users. As its name may imply, the MFSC is primarily concerned with the ‘conservation’ of forests and soil resources which may not necessarily favor the utilization of these resource for livelihoods (see Bhattarai 2004; Thoms 2005). Even with its adoption of CBFM as the primary national platform for forest management, there are still explicit evidences that the national government, through the MFSC, is hesitant to hand over further rights of forest users. In a way, this is not unexpected because handing over more rights to forest communities would mean lesser control. Therefore, lesser benefit in terms of revenue; directly from forest-related taxes and royalties and indirectly through external funding from various bilateral and multilateral organizations and NGOs that have interest on forest-related undertakings⁴.

While referring to the government as a group of stakeholders, it is important to note that the government is composed of organizations and individuals who often have other interests that may not be compatible with that of the government; and this is due to the nature and process

³ Given our focus on institutions at the implementation level and less at policy-making, we emphasize the distinction between the policy-makers and the implementing line agencies.

⁴ In the same way, the DoF allowing cultivation of crops within forests would imply that such practice is considered agriculture, making the area under the jurisdiction of the Department of Agriculture.

of policy making and implementation. Policy-makers are influenced by interest groups who give policy-makers various types of incentives to shape policies to their favor. In policy implementation, the interests of the implementers (i.e. line agencies) are mostly guided by organizational incentives (e.g. perks, promotion) as they are bound to perform and accomplish outputs. However, with weak performance appraisal and incentive mechanisms, line agencies could also be prone to influence by interest groups such as local elites, traders, etc. to the disadvantage of the poorest.

The primary implementing agency of CBFM programmes is the Department of Forests (DoF) with its offices and staff throughout the 75 districts of the country. The increasing popularity of integrated programmes, however, has necessitated DoF's partnership with other line agencies. For example in LF which puts emphasis to livestock (i.e. especially goat) production, the DoF is in partnership with the Department of Livestock Services (DoLS). While this partnership of the DoF with other line agencies and even with civil society organizations (e.g. NGOs) is ideal given the multiple objectives of the programmes and their increasingly integrated approach to livelihoods improvement, their sectoral division within the government bureaucracy has been preventing them to collaborate more effectively. This predicament has resulted to some institutional constraints among the implementing agencies, which shall be discussed in detail in the succeeding sections.

Donors

Donors are basically the source of funding for the implementation of community forestry programmes in Nepal, be it as a loan or a grant or a combination of both. Donors could be bilateral organizations such as the various country aid agencies or multilateral such as IFAD. Donors are basically obligated to account for the money they 'donated' or lent to the sources of the money (i.e. bilateral donors accountable to their citizen and taxpayers and multilateral donors accountable to their donor governments). On the other hand, this set-up of accountability of donors guide their interest which often lead to their criticism. As aid are dispensed primarily to promote 'national interest' of the donor country, donor agencies are often criticized for promoting or prioritizing their own agenda which may not the agenda of the recipient government (although not necessarily against the agenda or interest of the poorest).

NGOs

In principle, NGOs include every organization that is not part of the government bureaucracy. It is then again important to specify or classify them based on some of their commonalities. Based on their area of operation, NGOs including those involved in forestry are often conveniently classified as international or local NGOs. Based on their objective, they could be conservation or development oriented NGOs⁵.

Although again there could be exceptions due to the indefinite forms of international and domestic NGOs, the relationship between them have similarities with that of the central government and the implementing line agencies. International NGOs provide the funding and

⁵ NGOs are also often classified based on their profit motivation (i.e. non-profit or for-profit NGOs) but with most forestry NGOs depending on external funding to function, the meaning of the term 'profit' is obscured and the term non-profit NGO becomes inapplicable.

the domestic NGOs implement them either alone or again in partnership with other NGOs and/or with the government. International NGOs could source their funding from donors as mentioned above but also from other interest groups or civil society organizations abroad, to which these international NGOs are primarily obliged to account for the proceeds of the money. In the same manner, domestic NGOs are primarily accountable to these international NGOs that provide them the funding, and less to the public to whom the funding provided for. Given this relationship between international and domestic NGOs, NGOs are often criticized for operating as if there are no government organizations, especially as NGOs perform the roles that are supposed to be roles of particular government line agencies.

Forest community as Forest Users Groups (FUGs)

Forest user groups are supposed to be the main stakeholders of forestry in Nepal considering that it is their lives and livelihoods that are being directly at stake and because CBFM programmes will not succeed in its objectives without their cooperation. However, as was demonstrated on how policies are created and how the various interests of the other stakeholders shape forest policies and their implementation, it can be said that the role of FUGs in the shaping of forest institutions have been minimal. Despite the enactment of the Forest Act of 1993 and its Forest Regulations of 1995 which institutionalized CBFM and put the users as the main stakeholders to forestry, many succeeding directives and amendments to these rules have been contradictory to the ideals of CBFM. Many users and their advocates felt that the positive changes in forest institutions were not being fully implemented and in some cases, the succeeding new regulations and amendments were subverting these positive changes back to the protective interest of the government through a non-participatory, top-down process (Britt 2001; N.K. Shrestha, 2001 as cited by FAO 2004).

Within the FUGs, it is important to note the disparity in interest between FUGs or among the FUG members. One of the most important issues within FUGs is the discriminatory FUG institutions (i.e. as stated in their Constitutions and OP). This is attributed to the highly differentiated Nepali society causing and reinforcing institutions that exclude those at the lowest end, which incidentally, are also the poorest and marginalized groups.

The most influential cause of social stratification in the Nepali society is the Hindi caste system which promotes and reinforces the culture of social exclusion among different castes. The caste identity bestows higher social status to those at the higher caste and consequently, with (political as well as economic) power over the lower castes. Another (and a related) factor is ethnicity because indigenous peoples are treated to be of lower social status than the upper caste Hindus. It comes with inferiority relative to non-ethnic groups. Women are also discriminated in various ways, in favor of men. Being a woman, especially in rural Nepal, comes with the various social prejudices and institutionalized expectations such as having to do the household chores (and serve their husband), work at a reduced wage, and to have limited opportunities to participate in community activities.

These social stratification with communities are especially felt in the rural areas such as in forest communities which results to disadvantages to the marginalized groups in terms of accessing forest resources. For example, the nationalization of the ownership and control of

natural resources in favor of the then Nepal Monarchy and the subordinates (mostly of higher caste) has greatly reduced the access of the poor mostly belonging to the lowest caste including the Indigenous Peoples, although they highly depend on these resources for their livelihoods. Similar cases are demonstrated in informal institutions such as practices on land and property inheritance that records ownership only under men's name. These social structures comes with social power and given human (self-centered) nature, the privileged powerful often would try to maintain their advantages by creating institutions that support or reinforce such differentiated social structures.

Local government bodies (i.e. DDCs and VDCs)

The local government bodies in Nepal include the nation's 75 District Development Committees (DDCs) and several thousand Village Development Committees (VDCs), one level beneath the DDCs. These are under a separate government ministry which is the Ministry of Local Development (MLD). Although they are not under the MFSC, the forest users, or forests, are under their administrative jurisdiction. In many instances, the DDCs and VDCs work closely with local CFUGs, the DFOs, and along with other organizations of the civil society such as FECOFUN and local NGOs to implement forestry-related and broader community development initiatives. However, in many cases also, they would have conflict mostly with the DFO mostly as to who should be doing what and especially when it comes to the imposition and collection of royalties from forest products. This conflict was exacerbated with the enactment of the *Local Self-Governance Act of 1998* which gave legal authority to DDCs to impose taxes from forest resources (e.g. stones, minerals). Furthermore, their role in forestry policy making processes is unclear. Although it is clear and has been recognized that the *Local Self-Governance Act of 1998* has a lot of conflicting provisions with the Forest Act of 1993, initiatives to clarify these differences are yet to be done (FAO, 2004).

IV. The Leasehold Forestry programme: a unique approach to forest management

There are six programmes promoting CBFM in Nepal⁶ (Ojha and Timsina, forthcoming). These programmes are similar in that they promote the management of forests by the users but they are different in certain aspects such as in their target beneficiaries, location and status of the forests being handed over, and approaches or institutional arrangements within or among the stakeholders. As was mentioned earlier, this paper would be focusing on the Leasehold Forestry approach – the institutional arrangements among the stakeholders and the institutions created at the forestry community level, particularly the Leasehold Forestry User Group (LFUG) level.

Programme background

The Leasehold Forestry programme was first initiated in 1993 through the implementation of the first leasehold forestry project called the Hills Leasehold Forestry and Forage Development Project (HLFFDP). It evolved primarily due to the observed widespread discrimination of the poorest within the earlier and much larger (in membership and area) forest user groups, particularly the Community Forestry User Groups (CFUGs). Basically, LF is similar with CBFM programmes such that forest users are organized into FUGs and are given rights and responsibilities to manage a patch of forest. The LFUGs have the same organizational structure and institution-making process with CFUGs. They prepare an OP, although with substantial assistance by the forest rangers. The LF, however, differs primarily in that it tries to target the poorest members of the forest community and hands over degraded ‘forests’ through a 40-year leasehold agreement. As it specifically targets the poorest of the poor⁷, the groups are smaller size with around 5 to 10 members in one Leasehold Forest User Group (LFUG). Furthermore, as it tries to promote various livelihood options to the LFUG members, although such options are mostly based on livestock production. Due to its livestock component, it involves the DoF and DoLS in its implementation. It also involves other organizations such as banks to provide credit services for the members to buy livestock (e.g. the Agricultural Development Bank) and other service providers (such as?).

Impact of Leasehold Forestry programme

Positive

As of the completion date of the HLFFDP which piloted the LF programme, there were 1,773 LFUGs organized including 12,028 households and covering 7,457 hectares of degraded land⁸. Generally, the condition of the ‘degraded lands’ handed over to the LFUGs has improved. This is coupled by studies stating that the LF programme resulted to various improvements in the lives of the LFUG members. Specifically, the programme (i) increased

⁶ These include Community Forestry (CF), Leasehold Forestry (LF), Watershed Management (WM), Collaborative Forest Management (CFM), Integrated Conservation and Development (ICD), and Buffer Zone around protected area (BZ).

⁷ The poorest are to be identified based on the National Planning Commission (NPC)’s poverty threshold criteria which are based on type of dwelling, land/asset holding and food security.

⁸ A more recent literature puts the area under LF to be 8,507 ha covering 31 districts mostly in the Mid-Hills and Inner Terai region (Singh and Chapagain 2006).

their assets especially their livestock (ii) improved the productivity of women and their participation in group activities and decision-making; and (iii) increased school attendance and improved nutrition of the member-households especially of their children (Ohler 2003; HLFFDP 2003). These positive impacts of HLFFDP provided a strong rationale for IFAD and the Government of Nepal to continue to support leasehold forestry. IFAD agreed to support the Leasehold Forestry and Livestock Programme (LFLP) which would continue to implement the strategies of the HLFFDP extending it to 26 more districts.

Negative

While there is a general consensus that LF resulted to improvements in the condition of the degraded forests and to livelihoods, it also has its negative impacts as cited in various studies.

Although the programme intends to target the poorest communities, many studies have shown that in reality such households and groups were left out (Baral and Thapa 2003; Grinten and Dhakal 1997; Schuler 1997; and Joshi *et al* 2000; Bhattarai *et al* 2003). As a result, these poor households who were not included in LF were further impoverished. For example, in Abukhaireni VDC of Tanahun district the several poor households who were not included in the LFUG had to cope from the loss of their traditional grazing land which was handed over to other households for LF (Dhakal and Yadav 2000). A related negative impact of LF therefore is the resulting conflict between LFUG and non-LFUGs usually due to conflict over rights to the land being handed over and conflict over who are supposed to be included within the LFUGs (see for example Bhattarai, Ojha and Humagain 2003; LI-BIRD 2004).

It can be observed that these negative impacts are mostly to non-LFUG members who belong to the same community and not among the LFUG members. Although exclusion with FUG groups, and therefore negative impacts to members, are observed in other FUG especially CFUGs, this is hardly expected within LFUGs given their limited and homogeneous membership (making them easier to manage and supervise), and partly because of closer supervision by the District Forest Officer (DFO) and District Livestock Services Officer (DLSO) in charge.

Given the above impacts of the programme and considering its further extension and expansion into a national programme, the obvious direction for improvement is to further improve its positive impacts⁹ while minimizing or eliminating its negative impacts. These require an analysis of the causes of the above negative consequences and further constraints to improving impacts of the programme.

Issues and constraints within LF

There are various issues on LF that are cited in the literature. We do not intend to be comprehensive and given our focus on institutional constraints, we try to present these issues again at the various levels, as we think they are: at the community, programme and implementation, and policy level.

⁹ Although it obviously had positive impacts, the programme is being criticized for low impact (i.e. very few people benefited) considering the investment made of around US\$ 17 million implemented within seven years (see Yadav and Dhakal 2000).

Constraints at community level

A primary issue at the community level is about equity, particularly the exclusion of the poorest in the programmes and eventually from the benefits generated from it; in some cases, the displacement of the poorest as a consequence of these programmes. At the LFUG level, the question of equity is not much of whether the rules of LFUGs are unfair or anti-poor (because in principle LFUGs are supposed to be composed of the poorest) but more of whether the process or selection strategy of LF is fair.

Various reasons were identified to have caused the exclusion of the poorest. Many poor households lack awareness of the LF programme. The evaluation report of LFLP shows that not all poor households received prior information about the selection of LFUG members. In many cases, these were reinforced by the remote geographical location of the poorest and poor infrastructure which limits the flow of information and mobility of the people (LFLP, 2005). As a result, there are evidences where some middle class and even richer households are included in the LFUGs (see Baral and Thapa 2003; Joshi *et al* 2000; and Bhattarai, 2003). These studies support the earlier study by Grinten and Dhakal (1997) which showed that many leaseholder households are large land-holding farming families. In addition, to the above reasons some of the LF members have dropped out as they could not fulfill some requirements of LF membership such as regular attendance in meetings and other LF activities which are required to maintain membership.

On the other hand, looking at the above reasons from the point of view from an implementer's perspective, it can be said that much of the exclusion are due to improper implementation of the programme. It can be said that the above constraints at the community level are given or already known prior to the initiation of the programme and should have been foreseen and prepared for.

Implementation constraints

In the design of the LF implementation process, it was supposed to be consultative and involving the participation and approval of the community members. As was mentioned, this was usually not the case; and the major reasons are given below.

Implementation by same organization implementing CBFM: lack of capacity of DFOs

Although a multi-partner programme, the LF is still primarily being implemented by the DoF through its DFOs, who are also implementing other CBFM programmes. Definitely for the DFOs and their forest rangers, the implementation of another programme would mean additional work. With no additional staff added to implement LF, the DFO and staff would have to juggle their time and resources to accommodate the LF, often resulting to shortcuts in the processes which consequently results to lesser quality output. Given the nature of their incentives, it is also a fact that the line agencies will invest more of their time and resources to the programme with greater funding. They may invest more time initially to LF, but after funding wanes, so is their support¹⁰.

¹⁰ The LFUGs are supported by the DFO for the initial year and DLSO in the second year but after that, the LFUGs usually do not get further support and there is limited follow up and monitoring by these concerned agencies.

Supply-driven implementation; therefore, lack of community consultation

In principle, the LF process of handing over forests to the poorest tries to minimize exclusion of the poorest as it is for this reason that this programme was designed and implemented in the first place. However, as was demonstrated above, in many cases, forest handovers and the selection of recipients, were not done as was designed or intended. Much of these constraints can be attributed to how programme implementation is monitored and outputs evaluated. Although participatory monitoring and evaluation was mentioned as one of the features of the programme, in reality this is hardly done. Moreover, programme outputs are mostly measured based on quantity (e.g. number of households organized; area of degraded forests covered) rather than on quality (i.e. number of households getting off the poverty line; sustainability of the livelihood projects implemented and eventually of the LFUG groups; etc.). Because of the emphasis on quantity outputs, the line agencies often do not follow the ideal, although lengthy process of implementation. Instead, many implementers (i.e. forest rangers, DFOs) do some 'shortcut' methods such as not consulting the whole community in the identification of degraded land or in identifying the poorest which could then later result to conflicts and unfair community forest institution through the LF¹¹.

This may not only apply in the initial stage of selection process but also throughout the implementation of programme including the implementation of livelihood improvement projects. Given the dominance of only two sectoral implementers which are the DFO and the DLSO, income generating activities are mostly fixed to forest-related or livestock related activities. In a study by Bhattarai *et al.* (2003) in some LFUGs in Kavre District, the implementers of an income generating activity project did not ask LFUG members what they want nor conducted an analysis of the prevailing market for bamboo handicraft before conducting the training resulting to the limited impact of such project. It was also observed that as a practice, the operational plan of the LFUGs is prepared by the ranger which is often similar with the operational plan previously prepared for the leasehold groups, resulting to an OP that ignores the needs uniqueness of the certain groups such as their ecological, geographic and socio-economic conditions.

Design constraints

Like the constraints at the community level and that at the implementation level, the above constraints to implementation can further be attributed to yet another set of constraints which is at the design of the programme, or at the national policy-level.

Organizing the poorest: Lack of capacity of the poorest recipients

Many of the constraints earlier mentioned can be attributed to the fact that the people being targeted and organized are the poorest¹². Being poor, they lack various resources or assets to participate in activities other than those that will give them immediate returns. In addition, they also lack the power to prevent other people from obstructing them from claiming their rights or privileges like the ones being provided through the LF programme. They are often illiterate, living remotely, or indebted to the better off households in their neighborhood. In relation to this, it is noted that the design of the project did not support the creation of

¹¹ For more discussion and empirical studies on this subject see Thoms *et al.* 2003; Bhattarai *et al.* 2003

¹² For example, if the leasing of degraded forests is open to any interested lessee/s (not excluding the better off households), implementation would have been faster (although it may no longer be a pro-poor endeavor).

grassroots institutions other than leasehold groups. Considering the design of implementation as noted earlier, most LFUGs would not be expected to be sustainable or to remain active after few years, not even halfway until they finish their lease period. These groups (particularly the genuinely poorest) need more than just two years of institutional and technical support as well as monitoring, at least to know what is happening, to the LFUG members more than the forest.

Prohibition of the cultivation of vegetables and cereals: limited livelihood options under LF

Under the LF, the cultivation of vegetable and cereal crops is prohibited; only grasses, fodder, and trees are allowed. Now for a poor farmer who cultivates vegetables or cereal crops on a 'degraded' land, converting the land as a leasehold forest would mean that he/she will no longer be allowed to cultivate them. For the poorest who live in a hand-to-mouth existence, growing grasses or trees would not be rationale because it would take months or even years before they are harvested. On the other hand, once the land being cultivated by these poor farmers are identified as degraded land, they would have not much choice but to yield since they do not have ownership rights to these lands because according to law, these are government-owned land¹³.

Small size: lack of bargaining power of LFUGs

The current leasehold groups range from 5-15 households, which are very small compared to CFUGs or other farmers group. This is a disadvantage when accessing external support since NGOs and other civil society organization look for a sizable community groups for collaboration and work. There is a problem to register these smaller groups with District Agriculture Development Office and other district line agencies which require larger membership.

Aside from these institutional constraints attributed to the design of the programme, various constraints to further improving the lives of the poorest through LF was also identified in the literature but will not be discussed in this paper. These issues are discussed in a separate paper (Bhattarai and Dhungana, forthcoming).

Identifying opportunities for interventions: LF stakeholder analysis

In analyzing the above constraints and identifying opportunities for interventions, we conducted an analysis of the stakeholders in LF - particularly their power to influence the various institutions - through a tool called CLIP analysis. This exercise gives a basis for more in-depth recommendations that specify what shall be done by particular actors to realize reforms in LF institutions.

Inorder to do the above interventions, there needs an understanding of how the LF institutions are created and changed. This needs the identification of the important stakeholders in LF. Based on the earlier analysis of forestry institutions, an initial list of LF stakeholders include the government, forest users, IFAD (i.e. donor), and the social mobilizers (i.e. local NGOs).

¹³ An example for this case is the Chepang communities who were reluctant to join the programme due to this policy which prohibits them from growing of agricultural crops in the sloping land. Since these communities do not have any other alternatives land for growing the crops they feel insecure to join the LF programme.

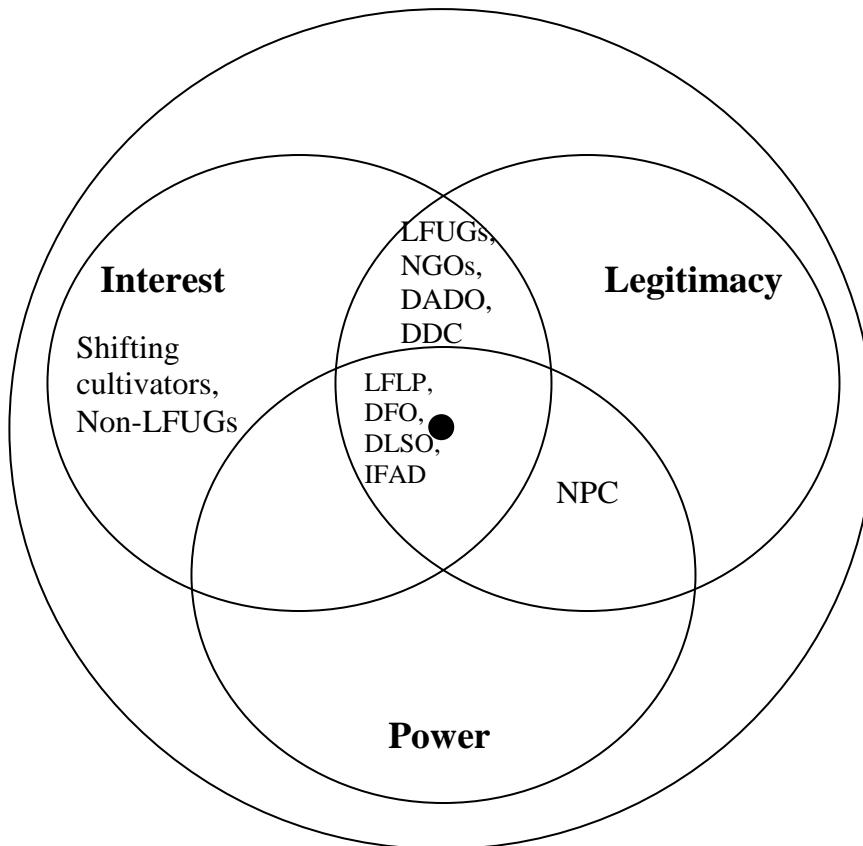
Given this general list of stakeholders, we further identify sub-groups based on their different 'stakes', particularly based on their different interest on the forest resources being handed over, their legitimacy to influence LF institutions by current law, and their overall power to reform LF institutions. In doing this, we used an analytical tool developed in Carleton University called the CLIP analysis. This tool enables a better understanding of the relationship among the various stakeholders particularly, who are bound to be in conflict or to collaborate.

Within government, the interests, legitimacy and power of the central office is often different from the implementing line agencies. At the central office, the LF is managed by a separate office: the *LFLP* office. The LFLP office is obligated to coordinate the implementation of the programme under the DoF. It has the power mostly on the implementation of the programme as well as partly on the policy or design of the programme. At the policy level also includes the National Planning Commission (NPC) which is responsible in preparing the national poverty reduction strategy paper for Nepal, which then are used as a basis in the design of poverty reduction programmes such as the LF. At the implementation level, the programme is mainly being implemented by the DFO and DLSO. Altogether, these three government offices or officers (i.e. LFLP central office, DFO, DLSO) have the mandate to implement the programme and therefore have the legitimacy. They benefit from the implementation of the programme and therefore have high interest in LF. And they have the power to reform or not to reform the existing LF institutions. Aside from them, there are also other government agencies that may have interest or legitimacy to get involved in the LF programme but currently lack the power to get involved and influence the implementation. These include the Department of Agriculture Office (DADO) which has the mandate to implement agricultural related activities and the District Development Committee (DDC) which is the local government body at the district level authorized to manage district resources (including forest resources) through the *Local Self-Governance Act of 1998*.

The forest users could also be further categorized into different stakeholders. Foremost of these would be the LFUG members as they are the recipients of the programme. Another sub-group would be those who were left out particularly the shifting cultivators who often have claims over the degraded lands but have high probability of not being included and the rest of the community members who would not be members of the LFUGs, referred here simply as non-LFUG members.

The final list of LF stakeholders could then include: LFLP office, DFO, DLSO, DADO, DDC, NPC, LFUGs, shifting cultivators, non-LFUG members, IFAD, and the various local NGO contracted as social mobilizers. These stakeholders and their relationship based on the analysis of their legitimacy, interest, and power can be illustrated in Figure 2 below.

Figure 2: LF Stakeholder analysis



From the above analysis, and as partially illustrated in Figure 2, some important observations about the relationship of the stakeholders are: a) Forest communities in general have high interest in LF but lack the legitimacy and power to influence LF institutions to their favor; b) Although LFUGs have high interest and legitimacy to influence LF policies, they lack power to do so. This is true for other line agencies such as the DDC, DADO and even the NGOs involved in social mobilization process; and c) Among the government line agencies, the highest stake, legitimacy and power over LF institutions is mostly concentrated with the Department of Forestry through the LFLP at the central office and the DFO at the districts. The other stakeholders that have high interest, legitimacy, and power to change LF institutions are IFAD and DLSO. On the other hand, the NPC also have the legitimacy and power to influence particularly the design of the programme as it prepares the poverty reduction strategies that LF follows, but it can be said that its interest in intervening with LF institutions is limited.

V. Direction for interventions and recommended actions

Given the above institutional constraints and the analysis of the roles of the various stakeholders, we identify various opportunities for interventions. Although based on the stakeholder analysis, interventions can mostly be done by the government policy-makers and implementers, for a more organized presentation, we again tried to present these interventions based on the earlier presented constraints, which are categorized at the community, programme implementation, and programme design.

At the community level

The dominant issue under at the community-level is exclusion of the poorest with the forest rangers not following the process of selection of the poorest and degraded land. Intervention at this level should then mainly to ensure that the process is strictly followed.

❖ ***Improve community awareness of LF:*** In the design LF implementation process at the community level, there is a strong emphasis to community involvement such as in the identification of degraded land to be leased and in the identification and selection of the poorest households to be the recipients. However, the implementation of this process is often not followed. One way to ensure that it is followed is to increase the awareness of the forest communities about LF prior to its implementation in that community. This may already also be in the design of the programme through the NGOs to be contracted as social mobilizers but given further constraints in relying on them, other more information dissemination need to be considered. One simple option is to put a poster about LF (especially the process of handover) in public places and offices (e.g. DFO and DLSO and those being frequented by the poorest) that could be visible to the intended recipients. This way of informing the public shall put pressure to implementers to follow it when they are to implement it. The posters or brochures should be designed so as to make it understandable even to those who can hardly read (e.g. making illustrations). Local radio could also be used to reach out those at remote locations. These media should also target not just the recipients but also the wealthier and the privileged groups in the community, with the aim of changing their attitude to be more favorable for the poorest and gaining their support for LF.

❖ ***Improve LFUG member awareness of their rights and responsibilities***

After handover and formation of LFUGs, awareness activities should still continue. LFUG members need to be made aware of their rights and responsibilities for being a member of the LFUG. A particular concern is the fact that LFUGs do not have constitution that states these rights and responsibilities. In a way, this constraint is due to the reality of preparing a constitution (which for LFUGs would need heavy external assistance just like the preparation of their OPs). Given their small size, preparing it would mean more investments and increased implementation cost. On the other hand, the trend among LFUGs is their organization into inter-groups and cooperatives which increases their membership and necessitates their preparation of their constitution and by-laws. Intervention should then support this trend and support member awareness of their rights and responsibilities through seminars and trainings and exposure visits to better organized LFUGs.

- ❖ ***Inclusion of more number of poorest and marginalized:*** Aside from improving the implementation of the process to capture the genuinely poorest, it is a fact that not all the poorest or marginalized are covered in the programme either because of the limited number of poorest being included in an LFUG; or as was demonstrated earlier, because the LF deal may not be attractive to the poorest, especially the shifting cultivators. In the former case, more LFUGs should be organized in communities with high number of poorest. The number of LFUGs should be made proportional to the number poorest, using the NPC standard criteria of poverty. This proportionality may, however, be limited by the area of degraded land within a community. If such cannot be resolved by changing the programme design to handing over 'less degraded' forest, a remedy would be to apportion smaller degraded forest to more number of poorest, just to accommodate more poor households. In the latter case for shifting cultivators, flexible implementation is needed to accommodate the unique needs of the shifting cultivators. This may include initially allowing them to continue with their traditional way of land use (i.e. planting cereals) then gradually trying to introduce more sustainable options such as agroforestry, which may still allow cultivation of cereals and vegetables but at a minimal and sustainable level.

The above recommendations try to make implementers more transparent and accountable to the community and LFUGs. These should be coupled by increasing their accountability also to their higher office. Doing so implies improvement in the monitoring and evaluation system of the programme, which is discussed further in the next section on implementation.

At the implementation level

At the implementation level, interventions basically need to target the capacity of the implementing organizations. Both DFOs and DLSOs are limited not primarily by their number of staff but their sectoral mandate and expertise which result to limited collaboration of other line agencies; limited technical services to LFUGs; and ultimately, limited success (i.e. impact, sustainability) of the programme.

Capacity building may have to consider involving other government line agencies such as the DADO, District Soil Conservation Office, and the DDC. The involvement of the DDC in particular would be ideal to address the limitation of the DFO for being a sectoral organization implementing an integrated programme. This is because the DDCs have the mandate to implement government programmes at the district level. In practice, they coordinate the various sectoral (and centralized) activities government departments at the district level and their legitimacy and power to do this coordinating task is enhanced with the enactment of the *Local Self-Governance Act of 1998*, a big step towards decentralization of governance in the country, and which also gave the DDC greater jurisdiction over forest resources.

Specifically, we propose that a district-level project coordination committee should be formed to manage, or supervise, the implementation of the LF programme. This committee shall be under the chairmanship of the DDC chairperson¹⁴. DFO could be secretary and all the other

¹⁴ The DDC chairmanship is an elected position but the postponement of elections, this is temporarily under the Local Development Officer. The DDC is under the Ministry of local development (MLD).

district line agencies including representatives from NGOs and users shall be members. We summarize its various justifications below.

- The poorest have diverse needs (food and nutrition, education, health, income, etc.) and source of livelihoods (e.g. forest, livestock, labor) and need integrated intervention to address their needs and improve their current livelihood strategies.
- DFO and DLSO are sectoral organizations and lack the capacity to implement integrated approach to poverty alleviation. Given that their services are often influenced by the availability of programme funds, they would not be able to sustain their services to LFUGs, which are intended to last at least for 40 years!
- The way forward is to involve more line agencies especially those that are immediately needed by the poor. However, attracting other departments to get involved in the implementation of LF is difficult as this would be limited by their same standing in the government bureaucracy. For example, DADO would hardly agree to be under the supervision of the DFO, and vice versa. Nevertheless, involving more line agencies is needed.
- A non-sectoral organization would be needed to unite the sectoral organizations. A committee composed of these implementing agencies is therefore recommended to pool the resources and efforts of these sectoral organizations. In this case, the DDC have the advantage of heading the coordinating committee as it is a non-sectoral agency, it has the mandate and technical capacity to coordinate these activities at the district level as well as to follow up support services in the long run even after the LF programme ends because the LFUGs are under its jurisdiction.

The above recommendation would have various implications to the implementation of the LF programme. There would need to be some clarification on the roles of the line agencies involved, or that shall be involved. This shall be followed by realigning of the management or ‘coordinating’ structure of the programme (i.e. who does what when and which organization supervises who?). Consequently, a very important issue that would need to be resolved (as this would be the main source of controversy) would be the distribution of programme and project funds (i.e. what are the incentives for getting involved in the programme?). Definitely, the DFO will oppose reducing their share of the budget while all other will want their share. Since this is a controversial issue, which needs agreement, we recommend its further discussion involving the various stakeholders. On the other hand, we suppose that this re-organization of the implementing organizations of LF would take some processes and time to be resolved. We are aware of further complications in coordination not just among the line agencies but between them and other stakeholders such as the donor agency (IFAD), national coordinating body (i.e. LFLP), and LFUGs. A common way forward is to conduct a pilot project after it is sufficiently discussed in order to see how this recommendation can actually be realized.

Further issues at this level and following the above recommendations would be about the monitoring and evaluation of organizational, staff, and LFUG performance. Since the ultimate aim of the programme is improving the livelihoods of the poorest, these performance or output criteria at various levels should be reformed to give emphasis on quality (e.g. changes

in the various livelihood assets) more than just merely quantity (e.g. number of recipients or area of forest handed over).

At the programme design level

Although there are various changes that need to be reformed at this level, interventions merely have to change the legal provisions that cause most of the earlier constraints cited. Simple as it sounds, in reality, changing legal provisions is not easy either because of the lengthy process of policy-making or because such provisions are often controversial. Policy interventions often have to start with facilitating a dialogue among the concerned stakeholders for them to discuss and agree to a compromise that ideally will satisfy the interests of these stakeholders. Since most of the issues at this level are controversial, these dialogues may be initiated by those representing the interest of the poorest such as the civil society organizations including the organization of forest users (i.e. FECOFUN, NEFUG); or could better be initiated by IFAD using its power over the respective central government agencies. The recommended actions at this level are for the above agencies to initiate the:

- review of the process of implementation of the programme at the community level in order to address the constraints in following the intended design of the process of handover;
- discuss the unsettled issues and controversies coming with the LF programme, particularly regarding the prohibitions in the cultivation of annual crops, the clarification of the term 'degraded land', and sustainability issues hounding LF and LFUGs.
- Conduct a workshop to discuss the re-organization and addition of LF implementing agencies, with representatives from the existing and potential agencies and other stakeholders.

VI. Summary and conclusion

This study tried to identify and understand the institutional constraints to the Leasehold Forestry Programme in Nepal, which were used to identify opportunities for interventions to further improve the benefits that the poorest get from forests.

In order to put the study into context, we first discussed the important concepts around institutions such as livelihoods, stakeholders, and community which led us to a conceptual framework showing how forest institutions are created or influenced, often to the disadvantage of the poorest and how these institutions can be reformed or influenced back to be more inclusive and more beneficial for the poorest and marginalized groups of society. Based on the conceptual framework, we tried to describe and analyze the forest institutions in Nepal, particularly those that are generated through the implementation of the Leasehold Forestry. We identified three categorization of these forest institutions: national policies, programme implementing guidelines and the rules or norms within or among the government line agencies involved in its implementation, and rules and norms at the community level. Along with these institutions is a general overview of the important stakeholders in CBFM in Nepal. After this overview, we presented a short background of the Leasehold Forestry Programme: its evolution and its impacts. The impacts include a presentation of the negative impacts and issues which were then a basis in identifying the institutional constraints in the programme at various levels. Based on these constraints, the opportunities for interventions were identified. To come up with more in-depth recommendations, we conducted a stakeholder analysis for LF. Based on the constraints and a better understanding of the interest, legitimacy, power and the relationship of the LF stakeholders, we recommended specific actions to reform its various institutions.

At the LFUG and forest community level, the direction for institutional reforms is basically to properly implement Leasehold Forestry as a pro-poor approach to forestry as it was designed. The recommendations include increasing the forest users' awareness of the principle and process of LF; increasing the LFUG members' awareness of their rights and responsibilities as intended and expected in the lease contract; and improving the monitoring system of Leasehold Forestry to ensure that the process of forest identification, beneficiary selection, and forest handover are followed. At the district level or among implementing agencies, the recommendations include greater coordination among supporting line agencies basically to improve the institutional capacity of the government in implementing Leasehold Forestry. This includes clarifying the roles of the various line agencies and improving their coordination and cooperation such as through organizational reforms favoring greater collaboration among them. At the national level, reforms include changes in the design of Leasehold Forestry as provided in the various national forest laws such as the Forest Act of 1993, Leasehold Forest Policy 2002, and implementing rules and procedures with the aim of facilitating the earlier recommendations at the lower administrative levels (i.e. community and district level).

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