

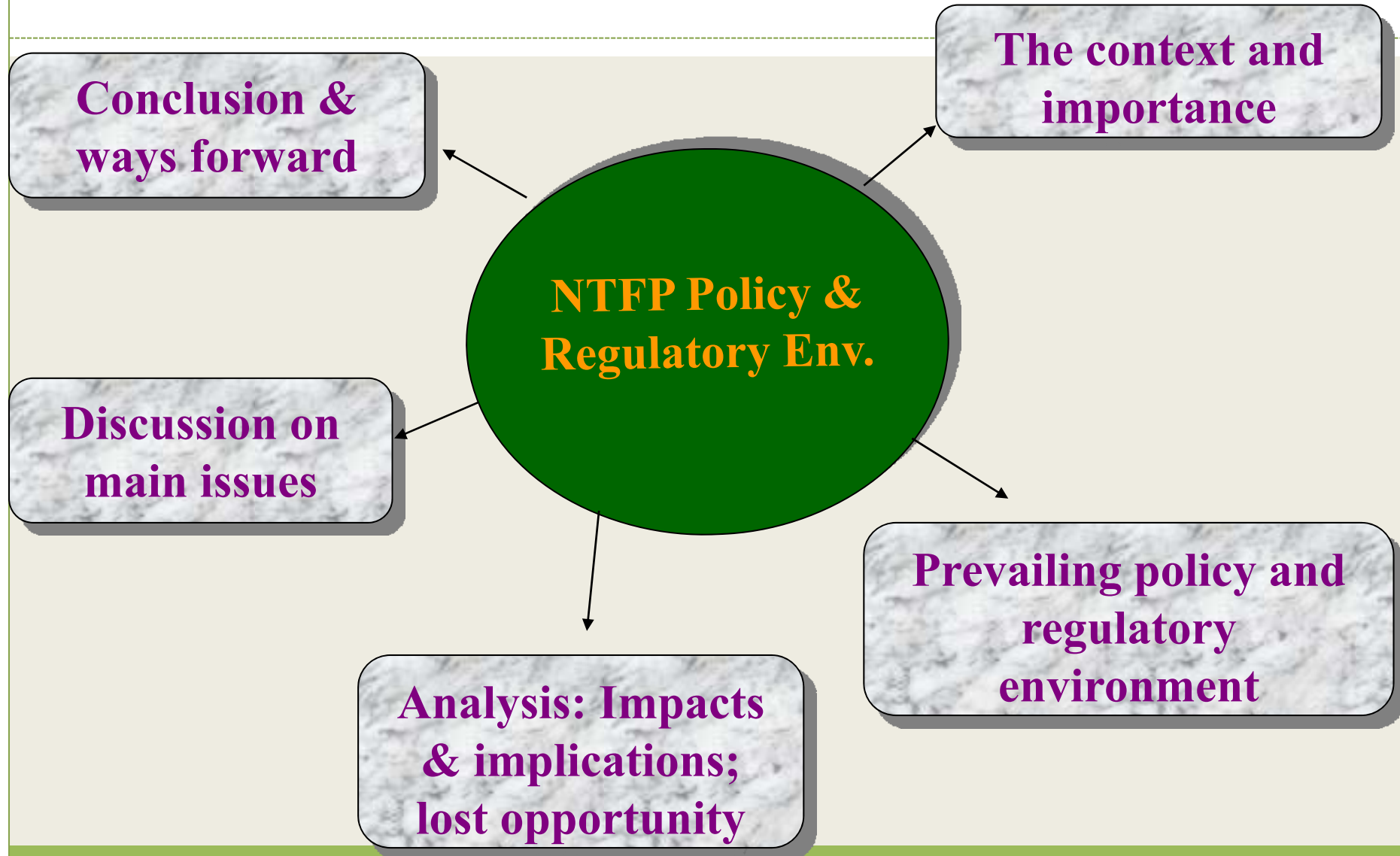
Policy & Regulatory Environment for Conservation & Sustainable Use of NTFPs in Nepal

**PROFOR-Word Bank
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Introduction

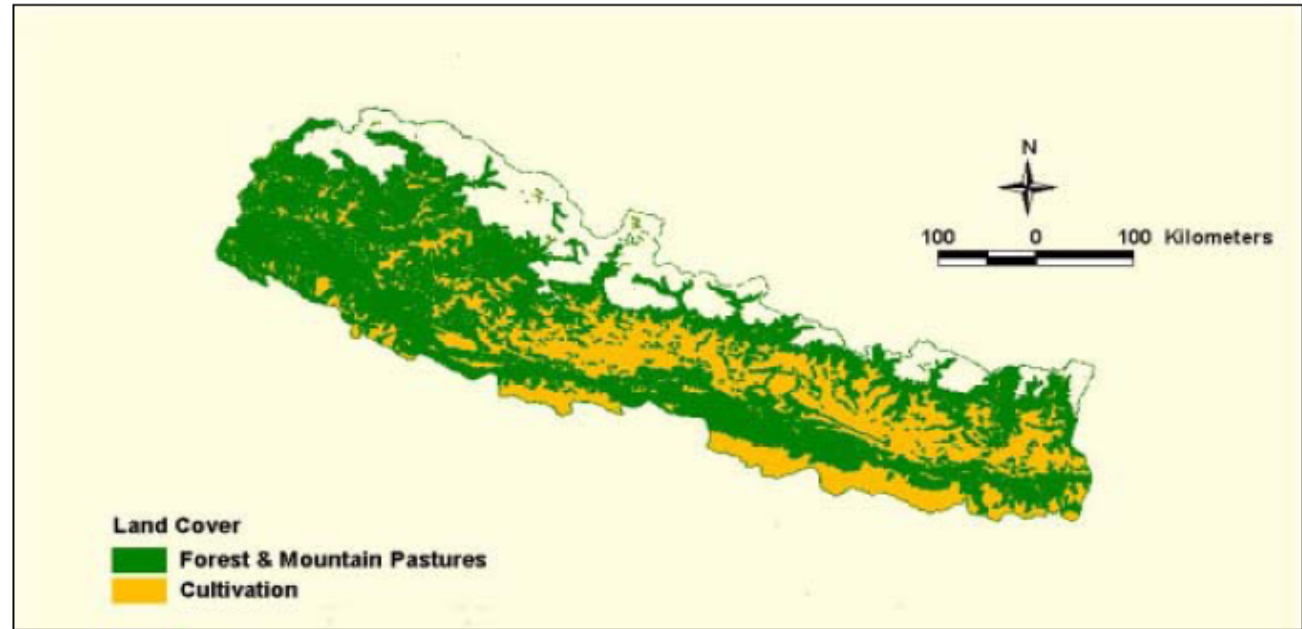
- Review and analyze main national policy provisions and practices considering the goals of:
 - Conservation and sustainable use of biodiversity
 - Well-governed value chain, esp. distributional equity
 - Economic growth & social justice, esp. poverty alleviation
- International not included



The context and importance of NTFPs

Resource Base

- Nepal is remarkably diverse in flora and fauna due to its climatic and topographical variation
- Represents 2.6% of all flowering plants, 9.3% birds, 4.5% of mammals ...
- A great diversity in forest types, vegetation, and species:
 - At least 75 types of vegetation, dense tropical forests to alpine vegetation, covering 50% of the total geographical area of the country, form the major ecosystems for MAPs
 - >7,000 species of higher plants, 5% endemic to Nepal; 39% of 9,000 endemic in eastern Himalaya
 - >10% (nearly 700) medicinal and aromatic plants



Map . Landuse map of Nepal (Karan and Jenkins 1960)



Economic use and dependence

- Nearly 1000 plant species of known uses: 700 for MAPs, 440 wild food, 30 spices, 71 fibers, 100 fodder
- >160 species in trade; some unique and high value products
- generating over Rs. 2.5 billion (\$35 million) in 2002

Economic use and dependence

- Remote, mostly inaccessible, sparse populations with acute poverty, isolation and lack of economic opportunities; high dependence on forest products for livelihoods
- Traditional collection & trade often the only source of cash for poor communities





Cordyceps sinensis



Valeriana jatamansi



*Dactylorhiza
hatagirea*



*Neopicrorhiza
scrophulariiflora*



Rhododendron
anthopogon



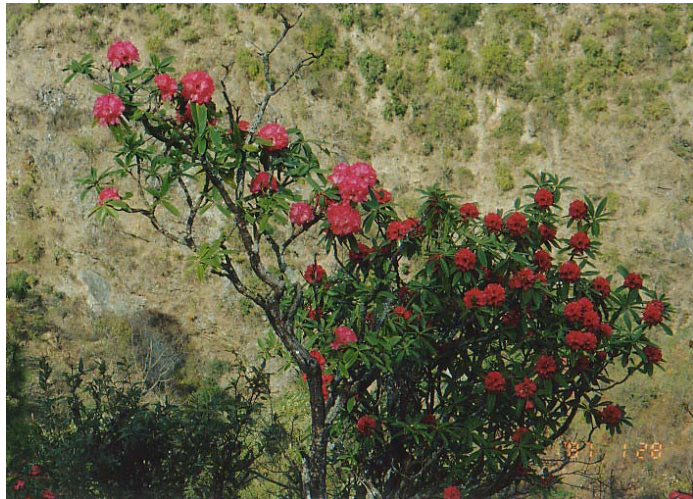
Morchella conica



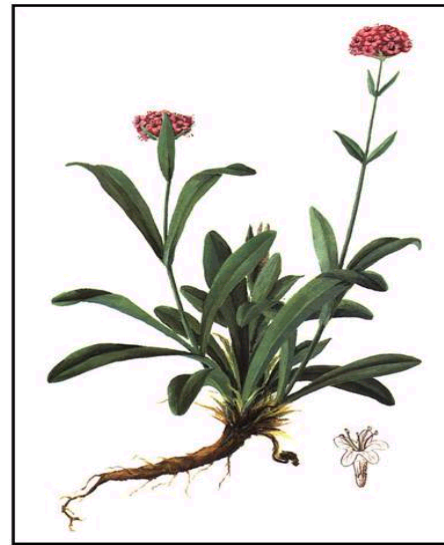
Daphne bholua



Rheum australe



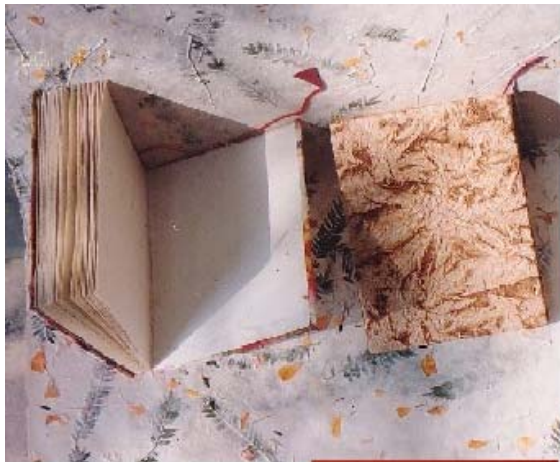
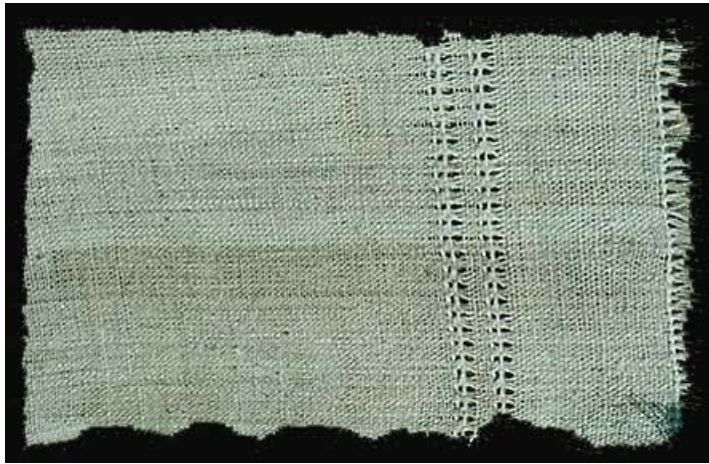
Rhododendron arboreum



Nardostachys grandiflora



Juniperus indica



25 Teabags of 1.6 gm each

A range of stakeholders

- Collectors to end users
- Local traders to exporters
- Traditional healers to professional practitioners
- Small processors to big manufacturers
- CBOs to NGOs & government agencies



Policy, Legislations and Institutions

- Several policies, plans, acts and laws interact to regulate and set the context:
 - Herbs and NTFP Development Policy 2061 (2004)
 - Master Plan for the Forestry Sector (MPFS) 1988
 - Forest Act 2049 (1993), Forest Regulations 2051 (1995) and their Amendments
 - Local Self-Governance Act (LSGA) 1998
 - Industrial Policy 2067 (2010)
 - Environment Protection Act 1996 & Environmental Protection Regulation 1997

- The Five-Year Plans
- Nepal Biodiversity Strategies, 2002
- National Conservation Strategy 1988
- Nepal Environmental Policy and Action Plan 1993
- EIA Guidelines for the Forestry Sector, 1995
- Decentralization Act 1982
- National Parks and Wildlife Conservation Act 1973
- Soil and Watershed Conservation Act 1982

- Pasture Land Nationalization Act 1974
- Aquatic Life Protection Act, 1961
- Trade and Transit Agreements (with India)
- Import and Export (Control) Act, 1957
- New Trade Policy 1982
- Custom Act, 1963
- Plant Protection Act, 1972
- Land (Survey and Measurement) Act 1961

- Herbs and NTFP development policy 2061

- First comprehensive policy for NTFP development (developed from consultation with a wide range of stakeholders)
- Long-term objective: develop Nepal as a huge repository of herbs and NTFPs by 2020 to support economic development (poverty reduction)
- Objectives: maximum environmental and economic benefits (incomes and employment); in-situ management and ex-situ commercial cultivation; value addition at local level; support for capital, infrastructure, technology and skills, and marketing; participation of women and disadvantaged groups; foreign currency earning from export

- Main components of Herbs and NTFP development policy 2061
 - Conservation and utilization on the basis of sustainable development
 - Promotion of people's participation
 - Promotion of certification and simplification of tax system
 - Returns of appropriate technology and development to communities
 - Awareness raising, skills development, and support to commercial development

- Master plan: NTFP promotion one of the components of forestry sector plan (especially for enterprise development, incomes and employment generation)- priority to subsistence oriented community forestry

- 10th Five Year Plan (poverty reduction goal)
 - Utilization of forest resources for poverty reduction
 - Promotion of forest-based micro and small enterprises
 - From community forests: 500 forest-based enterprises by very poor and socially excluded families; income generation programs for 253,000 households
 - Leasehold forests: income generation for 25,680 households
 - Full time employment for 12,130 persons from above programs

The Forest Act and Regulations

- Highly recognizes the role of communities; main emphasis on forest protection focusing on subsistence use of forest products (timber, fuel-wood, fodder, etc.)
- The Act (1993) restricts NTFP use by imposing a licensing system for removal, sale, transportation and export; a royalty system; controlling authority at the local district forest office; severe punishments
- No specific provisions for NTFP development except royalty rates and regulations on collection, transport and trade:
 - Panchaule, bark of Okhar, and Kutki (recent review and confusion) banned for collection and trade
 - ... banned on crude export

- The Forest Rules (1995) further describes a set of complex and restrictive procedures to obtain permits and to extract and use:
 - A collection permit
 - NTFPs from community forests
 - Species not mentioned in the legislation cannot be traded until sanctioned by the government
 - The government may impose a ban on the collection, use, sale, distribution and export of any forest product without justification

- **Environment Protection Act, 1996 (Enforced since December 2007)** requires Initial Environmental Examination (IEE) of an area to collect >5 tons of NTFPs and Environmental Impact Assessment (EIA) >50 tons. Similarly, community forestry requires IEE if the area is 200 - 500 ha, and EIA if it is >500 ha.

- Other enterprise related:
 - NTFP enterprises priority sector and fiscal incentives (no VAT; incomes tax- 0 to tax holiday up to 10 years)
 - Permission from DFO before registration of enterprise with cottage and small industries office in the district
 - Collection permit from and fees (royalty) to DFO/FUG; release permit from DFO to transport out of district; checkpoints
 - Support services in districts- DFO, DADO, DDC, cottage and small industries development board and offices, agriculture development bank and other financial institutions, NGOs and projects, chamber of commerce

Analysis

- **Impacts and implications:**
 - on growth, conservation, equity and poverty
 - potential untapped
- **Most important policy issues to be addressed for conservation, growth and poverty reduction**

Impacts

- Some progress in sustainable harvesting, economic gain and poverty reduction, esp. in community forestry, where appropriate external support is provided
- Vast majority (90%) harvested from the wild mostly by the poor in remotest mountains
- Inappropriate and over-harvesting, as well as mismanagement of these resources
- Discouragement and little incentives to produce in private land

Impacts

- Limited enterprises; over 90% NTFPs traded in raw forms; inefficient, badly governed value chains
- Generally, low returns to local collectors, forest users and village level traders
- The poor become poorer and end up destroying their only livelihood – the biodiversity rich forest



Potential not tapped

- Abundance of resource and scope for sustainable management
- Growing market
- 30 + years of experience in community based natural resource management
- Lost opportunity of forestry sector estimated at NRs. 42b (MFSC)
 - 162 million USD from Timber; 67.6 million USD from NTFPs; also from ecosystem services (ANSAB 2010)



Potential not tapped ...

- 60% of total forest land potential for community forestry; also for enterprise oriented NTFPs management
- ANSAB initiated incorporating NTFPs in community forest management in 1996 from Humla and promoted value chain with responsible biz. practices
- A case analysis of enterprise-oriented community forest management (37 CFUGs in 6 districts) illustrate that they can manage conserve the forest, generate income and employment, serve the poor, women and dalits better with greater social justice

Important policy issues to be addressed for conservation, growth and poverty reduction

Property Rights & Access to Resources

- Main sources of commercial products in *de-facto* open access property
- Limited property rights & subsistence orientation even in participatory models
- **Contradiction and inconsistency between forestry legislations and other laws, such as LSGA**
- Carry over collection rights of contractors even after community forest hand over
- NTFPs are generally excluded in operational plans
- No specific guidelines for the development of these resources in CF

Enterprise registration and establishment

- Impractical enterprise registration and establishment formalities
 - 3 km (in mountains) and 5 km (in Terai) distance required from the forest to establish a forest based enterprise
 - the requirement of a consensus of three parties (DFO, Land Survey, and Cottage and Small Industry Authority) for registration

Bans & restrictions

- Ban on collection and trade of commercially valuable NTFPs that can be harvested non-destructively and sustainably
- Export ban w/o processing, the vague definition and interpretation of “processing”
- Unnecessary provision of IEE and EIA in community forestry as the system is more rigorous to ensure environmental conservation than the IEE/EIA practices

Unnecessary hurdles & trade barriers

- The transport permit, its validity period
- Multiple check points and “informal fees”
- Lengthy and costly export formalities

Royalties and taxation

- Arbitrary royalty rates for NTFPs and absence of well-developed system of determining royalty
- Local taxes, multiple taxation– as high as 200%, plus informal fees

Community forest enterprises

- Absence of NTFP management directives and guidelines for inclusion into community forests
- Insufficient area of CF for enterprise oriented resource management
- No time limit for the processing and approval of forest management operational plan and the hand over of forests to CFUG
- Clarity required whether CFUG can operate enterprise by also sourcing raw materials from other sources

Distorted implementation

- Distorted implementation of regulatory provisions – e.g. royalty for NTFPs from private forests and cultivation, wrong identification of species, etc.
- **Permission of NTFPs collection in government managed forests without systematic resources assessment**

Lack of clear policy re traditional knowledge & IPR – implications on

- Biodiversity conservation
- Drug discovery
- Product design and research
- Quality control and standards
- Benefit sharing

Development Support

- Institutional support and the provisions for public goods
- Most of the forestry programs of facilitating organizations focus on subsistence oriented forest management
- Inadequate access to marketing information, BDS services, technologies, and finance
- Lack of policy awareness and knowledge

Conclusion & Way Forward

- Well intended and progressive policy initiatives and legislative framework
- Scope realized, but little specific legislative reform and no concrete programs with adequate budget/support services
- The regulatory environment and practice – restrictive, often contradictory, even extra-legal circulars, impositions, informal fees – a challenge for sustainable, efficient, effective management and fair and equitable use of resources
- Weak coordination among government policies and institutions (forestry, agriculture, trade and industries, local development, etc.)

Conclusion & Way Forward ...

- A vast scope to improve the policy and regulatory environment by:
 - Improving policy formulation and revision process
 - Revising and formulating national legislations
 - Improving the implementation practices, esp. governance & coordination
 - Establishing an effective monitoring system



Thank You