

# Minutes on Stakeholders' workshop on present policy provisions and practices related to SMFE sector

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## **Introduction:**

Asia Network for Sustainable Agriculture and Bioresources (ANSAB) organized a stakeholders' workshop on present policy provisions and practices related to SMFE sector in Nepal on November 3, 2011 at ANSAB Headquarters, Kathmandu. The workshop was organized to share ANSAB's brief analysis of national policy issues related to SMFE sector among stakeholders, work on the issues with the stakeholders, and to talk on the way forward for the effective policy practices in Nepal. A total of 29 participants including entrepreneurs, journalists, development persons, ANSAB staffs and representatives from different associations and Federation of Nepalese Chamber of Commerce and Industries (FNCCI) participated in the workshop. The workshop started at 8.30 am with the registration of the participants.

The meeting was organized in three parts - the first part included the brief overview of the policy issues and framework for group discussions; the second part included the group discussions among the stakeholders; and the third part included the discussion on way forward.

## **1. Brief overview of the policy issues and framework for group discussions:**

Dr. Bishma P. Subedi, Executive Director of ANSAB presented on the brief overview of the policy issues that ANSAB prepared during last August. He listed the existing policies and a range of stakeholders that interact to regulate and set the context for SMFE policy. He then presented on the impacts and implications of the policies on growth, conservation, equity and poverty. Listing the untapped potential in the sector, he concluded that there is a vast scope to improve the policy and regulatory environment. He provided the framework for group discussion to identify important policy issues under important policy headings, prioritize them and suggest policy reform options and their implications. He also provided the important policy headings to consider for the group discussion.

## **2. Group work and presentation:**

Three groups were formed to discuss on the important headings presented by Dr. Subedi. The three groups worked on the following issues:

<b>Group A</b>	<b>Group B</b>	<b>Group C</b>
<ul style="list-style-type: none"><li>Property rights &amp; access to resources</li></ul>	<ul style="list-style-type: none"><li>Bans &amp; restrictions</li><li>Unnecessary hurdles</li></ul>	<ul style="list-style-type: none"><li>Development Support</li><li>Distorted</li></ul>

<ul style="list-style-type: none"> <li>• Lack of clear policy re traditional knowledge &amp; IPR</li> <li>• Enterprise registration and establishment</li> </ul>	<p>&amp; trade barriers</p> <ul style="list-style-type: none"> <li>• Royalties and taxation</li> </ul>	<p>implementation practices</p>
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After working in the group, each group presented their findings with issues, reform options and justification.

### Group A:

Issues	Reform Options	Justification
<p><b>Property rights and access to resources</b></p> <ul style="list-style-type: none"> <li>• No separate policy for property rights and lack of implementation of those policy which have slightly touched the issue</li> <li>• No access to resources (excess resource, renewable resources )of local people within all Conservation Area</li> <li>• Lack of compensation for the damage done by wildlife to the private areas nearby the Conservation Areas</li> </ul> <p><b>Lack of clear policy re traditional knowledge and IPR</b></p> <ul style="list-style-type: none"> <li>• Disappearance of traditional knowledge</li> <li>• Lack of proper utilization of traditional knowledge</li> <li>• Legitimacy of traditional healers</li> <li>• Lack of implementation of Access to Benefit Sharing (ABS) bill</li> <li>• Patent of indigenous skill, knowledge, technology and resources</li> </ul> <p><b>Enterprise registration and establishment</b></p>	<ul style="list-style-type: none"> <li>• A separate policy required for property rights; Revision of Agribusiness Promotion Policy 2063 incorporating property rights</li> <li>• National Park and Protected Area Act 2029 should be revised to address the rights of local people to resources</li> <li>• Included above</li> <li>• Identification, registration, documentation, utilization</li> <li>• Registration and license issuance</li> <li>• Endorse from Parliament with mechanism and quantifiable</li> <li>• Public private partnership for identification, registration and protection</li> </ul>	<ul style="list-style-type: none"> <li>• Conservation and sustainable use of biodiversity</li> <li>• Well governed value chain, esp. distributional equity</li> <li>• Economic growth and social justice, esp. poverty alleviation</li> </ul> <p>Specific:</p> <ul style="list-style-type: none"> <li>• Ownership</li> <li>• Better access to resources to local people</li> <li>• Compensation mechanism to local people</li> <li>• Revitalization and protection</li> <li>• Maximize utilization and increase benefits</li> <li>• Enterprise development and business promotion</li> </ul>

<ul style="list-style-type: none"> <li>• Government rule of 3 km (hills) and 5 km (terai)</li> <li>• Company registered in cooperative not required to be registered in industry but while issuing the Certificate of Origin, FNCCI demands for industry registration thus hurdling the trade</li> <li>• IEE (Initial Environment Examination) and EIA (Environment Impact Assessment) for more than 5 tons; centralization (Should be certified by Ministry staffs);</li> <li>• IPR also in draft form</li> </ul>	<ul style="list-style-type: none"> <li>• Abolishment of the rule in Hills area and revision in Terai region according to landscape</li> <li>• Cooperative should be incorporated while issuing CO from FNCCI</li> <li>• Threshold should be increased from 200 Ha to 750 Ha; IEE and EIA implementation should be according to Local self government act 2055 and regulation 2056</li> <li>• Should be endorsed and implement</li> </ul>	<ul style="list-style-type: none"> <li>• 90% CFUGs less than 750 Ha Area</li> </ul>
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### Group B:

Issues	Reform Options	Justification
<b>Bans and Restrictions:</b>		
Royalty on banned product (Ban should be imposed on tree bark only)	No royalty on ban item. It should be indicated in separate table. No ban on fruit husk of <i>Juglans</i>	There is confusion if royalty on banned item is indicated in the same royalty table.  Fruit husk has no any adverse impact on conservation.
Ban on Panch aaule ( <i>Orchidaceae</i> )	Ban should be released for national consumption and trade. Royalty should be reduced to Rs 500.	To promote national trade and industries
Ban on Lichens (Jhyau)	Ban has to be lifted as collection of lichen has minimal effect on conservation and forest	To promote national trade and industries

	ecosystem	
Orchids (It is generalised and there is a confusion in the identification of traded species)	Traded species should be identified, and royalty has to be fixed according to the species (trade volume, availability, phenology, regeneration etc)	There is growing market for selected orchid species. Releasing ban and fixing proper royalty helps collectors to earn substantial income at local level.
Timber harvesting and collection (periodic ban and release)	Consultative action with concerned stakeholders have to be performed before or after imposing/releasing ban	To promote domestic trade and industry of timber
Kaulo Bokra	Collection ban has to be enforced/ no tree should be allowed to collect	Conserves the spp.
<b>Trade Barriers:</b>		
Hassles on transportation (check post, local government, parties etc...)	Permit given by one government agency on the origin of collection has to be respected by another government agency/ Double taxation should be removed	Price will be competitive and allows smooth business transaction to the traders and manufacturers and finally consumers
NTFP business considered as illegal	Awareness campaign at different level	Encourages the trade and industry of forest based products
Export barriers specially on international marketing	Bilateral dialogue with concerned nations such as India, EU.	Increase the export trade

Product analysis and QA	Capacity enhancement of existing lab with accreditation with international lab	Enhances export trade at international level
<b>Royalty and Taxation:</b>		
Royalty revision based on scientific criteria	Set and criteria with intensive stakeholder consultation	Enhances national trade
Inappropriate royalty rate: ( Eg. Satuwa Rs. 15, market price 3000)	Royalty rate could be increased up to Rs. 100	Supports national treasury
Double taxation (local government, DFO etc..)	Should be one window taxation only	Encourages small traders/ farmers to trade.

### Group C:

Issues	Reform Options	Justification
1. Institutional	Coordination mechanism – national and district level strategies , integrated planning	Coordination, BDS, Synergy in terms of human and financial resource
2. Knowledge, R & D	Investment	Only this can address enterprise issue
3. National and District priority in enterprise sector	Policy on priority sector	Local government bylaws
4. Approach – holistic or subsistence	Holistic	For better planning and implementation

5. Lack of trust between development sector and private sector, different motives	Dialogue	PPP model, and also to attract private sector investment
6. Technology and resource assessment	Investment	Sustainable resource management, technology dissemination
7. Inadequate and untimely dissemination of research findings	Knowledge hub	Research findings dissemination and adoption

### 3. Discussion on way forward:

After the group work and presentation, there was a plenary discussion on further issues and the way forward. Participants discussed on the major issues and provisions related to SMFE sector in Nepal and formed a policy working group to work on the findings and make recommendations to the Government.

The pertinent issues raised by the participants are briefly summarized as below:

- Nepal possesses policies in good shape and in favour of the community forests, CFEs and other sectors, however they are distorted during implementation. Both the government and private sectors are involved in misinterpretation and distortion of policies according to their interest. The policy provision and system should be very specific and systematic for implementation.
- Certain legal requirements as Initial Environmental Examination (IEE) and Environmental Impact Assessment (EIA) are often deterring the establishment of CFEs in the country, because CFUG member are not technically equipped, and the assessment procedure are costly and time consuming. Most of the environmental examinations as provisioned by IEE are already there in the operational plan of the Community Forest. So, the provision of IEE should be taken out from the forest enterprises at CFUG level, unless EIA is required. Moreover, these impact assessment methods can locate the suitable position of CFEs, and the distance parameter (e.g. 5 km in Terai and 3 km in the Hills) should not be taken into account during enterprise registration process.
- The royalty rates for some species are confusing. The tree of okhar (*Juglans sp.*) is listed with royalty, but the bark of the tree is banned. For orchid family, all the species are treated as orchid irrespective of their biology and market. The attitude and governance in the forestry sector is quite confusing because during last some years the decisions to ban or open the species for trade are taken by the Government in interests of limited persons or business.
- Royalty rates has not been rationalised for several years. For example, the royalty rate of Satuwa should be increased and that of wintergreen should be decreased.

- The taxation policy is also not in favor of the SMFEs in Nepal. Entrepreneurs have to pay 10-15% tax to import packaging materials, whereas the similar finished product has less or no tax if they are imported from other countries to Nepal.
- The country also faces issues on quality and standards with respect to the import regulations and standards at international level. The country lacks international accredited testing laboratories, and standardised methodologies in the harvesting and processing of NTFPs. The cost of investment thus is more for the producers and exporters for international accredited standards. The different standards for different target markets make the export of the products more worrisome. These issues have caused Nepal forced to export unprocessed forest products.
- Organic Certification Cost is also a major issue in Nepal. There is need to work collectively as a team for organic certification so that negotiation can be made for less cost.
- There is need of sufficient effort from the government to facilitate required services for promotion of CFEs. CFE sector lacks supportive schemes from the financial institutions. Hence, access to microfinance and financial institutions should be incorporated within the government policy and importance should be given towards linking the CFE sector with these services such as trade support services and building institutional framework.
- There is less awareness among the public in Nepal about NTFP business; many people consider it as illegal. So, campaign and related program are required at different level to promote awareness to the general public about the sector.
- There are other issues in the CFE sector as gap between research findings and their dissemination to concerned stakeholders, duplication of studies on the sector, less coordination among the government agencies, insignificant market linkages of the producers at local level, and the dissemination of the findings of the workshop to the policy making institutions.

After the plenary discussion, the participants of the workshop unanimously proposed a seven-member policy working group with following members:

1. Govinda Ghimire, President, Nepal Herbs and Herbal Products Association (NEHHPA)
2. Pradeep Maharjan, CEO, Agro-Enterprise Center, Federation of the Nepalese Chamber and Commerce (FNCCI)
3. Puspa Lal Ghimire, Manager, Pro-poor Economic Development Program, ANSAB
4. Devendra P. Dhakal, Chairman, Herbal Entrepreneurs Association of Nepal (HEAN)
5. Ramu Subedi, Services Support Unit Management Team Leader at Multi Stakeholder Forestry Program, Swiss Agency for Development and Cooperation (SDC/SSU)
6. Bal Bahadur Rai, National Executive Committee member- Eastern Development Region, FECOFUN
7. Harihar Sigdel, Head, Planning Division, Department of Forest, Government of Nepal

The policy working group will work on the issues raised above, disseminate the issues to the relevant stakeholders, prepare policy briefing with specific recommendation, and build a constituency with concerned interest groups and institutions to lobby for policies that safeguards the interest of community based, environmentally friendly SMFEs.

## Agenda of the workshop

Date: November 3, 2011, Thursday	
Venue: ANSAB Conference Hall, Kathmandu	
Time	Agenda
8:30 - 9:00	Registration, Tea with Cookies
9:00 - 9:15	Welcome Introduction of the participants
9:15 - 10:00	<ul style="list-style-type: none"><li>○ Objectives and expected outputs of the workshop</li><li>○ Brief overview of policy issues and framework for group discussions (by Dr. Bhishma P. Subedi)</li></ul>
10:00 - 10:30	Floor discussion
10:30-10:45	Tea/Coffee break
10:45 - 11.30	Group work
11:30-12:15	Presentation of Group Work
12:15-12:45	Plenary discussion on Way Forward
12:45-13:00	Closing remarks
13.00-13.45	Lunch



## List of Participants

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