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Breaking new ground Leasehold forestry in Nepal

Nepal: Hills Leasehold Forestry and Forage Development Project

Forest areas in Nepal decreased at a rate of 1.7 percent every year between the end of the 1970s and the mid 1990s. Land degradation leads to soil erosion spelling disaster for poor rural households who are forced to spend more time collecting fodder and fuel leading in turn to a drop in agricultural labour supply, agricultural production and food security. However, leasehold forestry, an innovative approach introduced by IFAD in the early 1990s, has the potential to reverse this trend. Forty-year leases are provided to groups of households giving them user rights over plots of degraded forest land. They rehabilitate the land by banning grazing and by stall-feeding their livestock, and use and sell forest products such as timber, fuel wood and fodder.

Two main approaches aiming to cope with forest degradation have been tested in Nepal in the last 25 years. Community forestry, a flagship programme for several international organisations, consists of preventative measures to protect well-stocked forest areas against over-exploitation. Community forestry has achieved impressive results but has not always benefited the poorest households; it only recently included provisions for the most disadvantaged. Leasehold forestry, through the IFAD-supported Hills Leasehold Forestry and Fodder Development Project, envisaged a direct transfer of land assets to the very poor. The leasehold approach adopted so far is costly, however, and needs adapting into a simpler, cheaper solution if it is to be scaled up as the Nepalese government intends. Moreover, the legal status of leasehold titles needs clarification whilst provisions for the transfer and inheritance of leases will improve security of tenure.

Key insights from the evaluation include:

- **Continued collaboration and policy dialogue** between the donor agencies supporting 'community forestry', and IFAD which supports the leasehold approach is necessary to try to establish common ground between the two approaches to forest degradation and sustainable management.
- **Forage improvement packages** need to be more flexible, to focus on local knowledge and the natural regeneration of plants and trees rather than importing species that are costly and often unsuited to the soils and climate of the Nepalese hillsides.
- **Better use of technical assistance grants** (for IFAD-supported projects) to strengthen project management capacities, train government staff and build sustainable organisations of leaseholders is crucial. Such grants should be accompanied by an exit strategy that progressively reduces subsidies and encourages grassroots institutions, the government and the private sector to take responsibility for financing activities.

Project data

Total cost	USD 12 million
IFAD loan	USD 6 million
Co-financiers	Dutch Government grant (USD 4.85 million); Government of Nepal (USD 1.15 million)
Implementing agencies	Departments of Forest (Ministry of Forest and Soil Conservation) and Livestock Services (Ministry of Agriculture and Cooperatives); Agricultural Development Bank of Nepal; National Agricultural Research Council
Loan effectiveness	February 1993
Closing date	December 2003

Main results

The direct transfer of assets to the poor is an innovative approach to poverty alleviation. Aiming to solve the problem of common access to forest areas, 40-year leases give 1,800 household groups user rights over plots of degraded forest land totalling 7,400 hectares. Once restored, the forest areas are a rich source of fodder, timber, and fuel as well as trees and plants that the groups use and sell. Goat ownership has increased from an average of two to five per household, as has revenue from goat sales (to USD 100 per household per year). Income from grasses, grass seeds and other forest products is now significant (up to USD 70 per household per year). Yet, weak market linkages and inadequate information concerning demand and market prices have limited sales in some areas. The 120 leasehold inter-groups and 18 multi-purpose cooperatives created during the project have been instrumental in tackling these issues due to their strong bargaining power and success in creating market outlets. These grassroots organisations need further strengthening to ensure long term sustainability, however. Future initiatives also need to pay greater attention to local traditional knowledge concerning land management, plants and animal husbandry and to involve user groups in research and decision-making processes.



- **Leasehold groups and cooperatives** played a crucial role in creating market linkages, improving access to marketing information and providing financial, training and advocacy services. To ensure project sustainability and to keep overall costs down, future interventions need to strengthen and build grassroots organisations, especially in isolated rural areas.

Leasehold v community forestry

Friction has existed between proponents of community and leasehold schemes. Community forestry programmes cover two thirds of Nepalese districts while leasehold initiatives are at an early stage; community measures target whole communities and concentrate on forest conservation whilst leasehold approaches involve a redistribution of assets in favour of the poor by leasing degraded forest areas to groups of specifically targeted resource-poor farming households. Friction between the two approaches is mainly at the donor level whilst the two approaches often co-exist at the field level. Fundamental to leasehold replication and up-scaling is enhanced policy dialogue between IFAD and the donor agencies involved in community forestry to increase resources and ease the friction between the two approaches. A second phase of the Hills Leasehold Project should aim to facilitate inter-agency dialogue and improve awareness of IFAD's activities amongst other development agencies working in Nepal.

Local solutions to local problems

The design of leasehold management plans and technical packages did not pay attention to lower-cost options based on local knowledge of plant species, natural regrowth or on local people's preferences and basic needs. This also meant that intervention costs were high. Imported fodder tree species, for example, were unsuited to the Nepalese terrain due to insufficient topsoil, steep slopes and limited moisture retention. The project design regarding the provision of subsidised exotic varieties of trees and grasses was too rigid. Instead, research with local farmers is needed, to build on and use their knowledge of local plant and animal species. Communication between farmers and project field staff to identify and promote site-specific livestock packages is also important. Appropriate technological packages can be developed through action research, perhaps with the involvement of university students and successful options disseminated through study tours and fairs. In addition, training programmes (in forest, livestock and land management for example) should focus on practical skills and knowledge rather than be classroom-based and theoretical. They should also be demand driven, responding to the needs and preferences of group members.

Grant-dependency syndrome?

Disenchantment with the shortcomings of government agency services has led several donors to create parallel delivery service structures using grant-funded non-governmental organisations (NGOs). Although this has fostered a more pluralistic approach to development, in the forestry sector it has also diverted attention away from the need to invest in the capacity building of government agency staff in particular. NGO input into such training and strengthening of grassroots organisations is essential but by law a number of tasks (such as identification of leasehold plots, preparation of management plans,

periodic monitoring of activities) must still be performed by government field staff. Given the high number of grant-funded forestry programmes operating in Nepal, there is a real risk that donors will see such grants as a cure-all for the inadequacies of government services, that the government will become over reliant on grant-funded technical assistance and unable to shake off the dependency.

Putting people first

Although not originally planned for in the project design, grassroots organisations (inter-groups and cooperatives) were invaluable in creating market linkages, improving access to information, providing small-scale financial services and a platform for training and advocacy. The cooperatives (formed by NGOs and registered with the government) facilitate the storage and marketing of products, organise the provision of loans, and provide a forum for decision-making in which women often play a central role. The more informal inter-groups (clusters of leasehold groups) are there to strengthen and institutionalise leasehold groups and prepare them for subsequent formation into cooperatives. Inter-groups facilitate social development activities, recommend group members for loans, training programmes or workshops, encourage savings and have helped resolve conflicts between leasehold and non-leasehold households. It will be important to support the inter-groups and the cooperatives as they prepare to take over implementation of project activities after the project has ended ■

Further information

Hills Leasehold Forestry and Forage Development Project Nepal, Report N° 1431-NP 2003, Office of Evaluation, International Fund for Agricultural Development, Via del Serafico 107, 00142 Rome, Italy.

The full report and *Profile* are both online at www.ifad.org/evaluation; email l.daniel@ifad.org or telephone +39 06 5459 2526.

IFAD photo by Fabrizio Felloni 2003



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A Leasehold Forestry group member and promoter (involved in organising group activities and encouraging members to participate) in Makwanpur District. Below, Nepalese women carry animal fodder from a Leasehold site in Kavrepalanchok District.