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SHANGHAI POVERTY CONFERENCE – SCALING UP POVERTY REDUCTION

CASE STUDY

PROVIDING THE POOR WITH SECURE ACCESS TO LAND IN THE HILLS OF NEPAL

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EXECUTIVE SUMMARY

The Hills Leasehold Forestry and Forage Development Project (HLFFDP) aimed at reducing poverty and restoring environmental balance in the Hills of Nepal by leasing small blocks of public forest land to groups of poor households, who would regenerate, protect, manage and utilize them.

The project was approved by the IFAD Executive Board in December 1989. The project had a total projected cost of USD 20.4 million, to be financed by an IFAD loan of USD 12.8 million, a USD 3.4 million grant from the Royal Netherlands Government for the technical assistance component and contributions of USD 2.7 million and USD 1.5 million from His Majesty's Government of Nepal and participant farmers, respectively. The United Nations Office for Project Services was appointed as cooperating institution. The project completion date and loan closing date was 30 June 2003 and 31 December 2003, respectively.

At project completion date, 1 773 leasehold forestry groups had been formed, 12 028 households had been included, and a total of 7 457 ha of degraded forest land had been handed over, while the total expenditures amounted to USD 12.0 million.

An independent evaluation of the project in 2003 found that the transfer of land with degraded forests to the very poor through renewable 40-year leases can both reduce poverty and reforest the Hills. Examples of the impact on rural poverty and on the environment include: (a) a significant increase in the number of goats and the availability of animal feed and in forage self-sufficiency; (b) a rise in annual household income of between USD 270 and USD 405 from a variety of sources related to the leasehold forest; (c) an enhancement in household food security and an improvement in the diets of children; (d) a substantial reduction in the time required for the collection of forage and firewood and, as a result, a better rate of school attendance by children; (e) a boost in self-esteem and confidence among women; and (f) a halt to and a recovery from environmental degradation at most leasehold sites, including an expansion in the ground cover, the number of plant species present and the number of trees and tree species.

The usefulness of the concept of leasehold forestry in combating poverty in the Hills of Nepal has now been widely recognized. Government policy has become progressively more supportive of leasehold forestry, and leasehold forestry programmes have been accorded top priority status in the Poverty Reduction Strategy Paper (PRSP) and the Government's Tenth Plan 2002-2007. What started out as a small pilot project in 1989 has become a national programme supported financially by the Government and also by a growing number of donors and backed up by a newly approved leasehold forestry policy.

I. IMPLEMENTATION PROCESS

1. With reference to the implementation process associated with the scaling up of leasehold forestry in Nepal over the past ten years, the following is notable.

- (a) **Rationale and objectives, as outlined at the beginning of the process:** The Hills Leasehold Forestry and Forage Development Project (HLFFDP) aimed simultaneously at alleviating poverty and restoring environmental balance in the Hills of Nepal. The approach involved the development and piloting, in the selected districts comprising the project area, a model for replication based on the lease of small blocks of public forest land to groups of poor households, which would regenerate, protect, manage and utilize them with the aid of financial, technical and institutional supports provided through the project. The main emphasis was to be on the development of the feed and fodder base for livestock, since the poor depended mostly on these resources for their subsistence, while the environmental balance in the Hills was also critically dependent upon them.
- (b) **Political context:** There has been a growing commitment from the Government to the leasehold forestry concept within the overall poverty-reduction policy framework coordinated by the National Planning Commission. It should be noted, that while benefiting from increasingly strong political support, the HLFFDP was for many years the only forestry-sector project that was not fully financed through grant funds. For some time, the Ministry of Forest and Soil Conservation (MFSC) has been trying to secure grant funds to scale up the leasehold forestry programme, but it has not been very successful, with most 'traditional' forest sector donors holding back their commitment to the ongoing community forestry programme in Nepal. (There are important legal differences between leasehold forestry and community forestry; for instance, community forestry has few legal options in the effort to increase household incomes, while this is a main feature of leasehold forestry.)
- (c) **Consistency of the objectives with ongoing country poverty-reduction strategies:** Leasehold forestry has been included in the Poverty Reduction Strategy Paper (PRSP) as a priority programme, implying that the Government has given it the highest possible national priority.
- (d) **Institutions involved and initial degree of commitment:** The project was jointly implemented by the Department of Forests (DOF), the Department of Livestock Services, the Agricultural Development Bank of Nepal and the National Agricultural Research Council. The high degree of enthusiasm at the DOF for the leasehold forestry pilot project contrasted in the early years with a more cautious reaction from some sections of the MFSC. However, as the impact and potential of the approach became more apparent, in particular over the past few years, the MFSC has become very committed to the leasehold forestry approach. This is reflected by the current support from the MFSC for the establishment of a new leasehold forestry division within the DOF.
- (e) **Other actors involved, including civil society agents, and their specific role:** To improve the social mobilization in favour of the project during implementation, a number of women group promoters were hired. This had not been foreseen during the appraisal. Nevertheless, soon after these women had been recruited in December 1998 through the technical assistance component, it became clear that their services were highly appreciated and in many cases essential in strengthening the operation of the leasehold groups. The government implementing agencies at the district level, in particular the district forestry officers and the district livestock officers, requested project management to provide more and more women group promoters. Currently, the HLFFDP women group promoters are

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being provided by a local non-governmental organization, the Society for Partners in Development.

- (f) **Preliminary results and comparison with initial objectives:** The project was to focus primarily on families with less than 0.5 ha of land that were living below the poverty line, estimated at NPR 3 035 (USD 110) per capita per year in 1989 prices. The project experience in targeting the poor during implementation was positive. The independent evaluation of the project undertaken in 2003 reported only 15-20% errors in targeting during implementation, which was considered a relatively good performance and comparatively low for a targeted project in the highly complex sociological setting of rural Nepal.

Altogether, 1 773 leasehold groups, comprising 12 028 households, were formed, against an initial objective of 2 032 groups and 14 224 households. Altogether, 7 457 ha of degraded forest land was handed over on 40-year leases.

In respect to the impact, once the sites had been designated as leasehold forest and groups had been formed, grazing was stopped and pockets of grasses, legumes and trees were planted. In most places there has been rapid natural regeneration of herbs and grasses, followed, at varying speeds, by the natural regeneration of trees. Overall, there has been an impressive rehabilitation of a multi-layered, more or less natural forest. Biodiversity has increased significantly. The average vegetative ground cover in new sites was 32%, which increased to 50% after one full growing season and further expanded gradually to almost full (100%) coverage.

In respect to the impact on livelihoods, the increased production of the leasehold forest also led to a substantial reduction in the time required for the collection of fodder and fuelwood (a benefit mainly accruing to women), reportedly by some 2.5 hours per day on average, five years after the groups were formed. School attendance among children increased because there was less need for the children to herd grazing animals. The greater time availability made it easier for women to engage in income-generating activities and attend meetings, training and literacy classes. Impact reports indicated that there had been a diversification of income among leasehold groups and increases in annual income by USD 270 to USD 405, in particular from the sale of livestock and livestock products. Also noted was an improvement in household food security by 16% over a three-year period, compared with a reduction by 4% among the control households.

- (g) **Minor adjustments and fundamental changes to the original plan:** The project experienced a number of adjustments and changes during implementation. Firstly, the initial lead project agency, the Agricultural Development Bank of Nepal, was replaced by the DOF at the start of the project. Secondly, as a result of the Mid-Term Review, a terrace development component was dropped, and a component focusing on the construction or improvement of access trails and footbridges was modified to become a small village infrastructure component. Finally, the first phase of the technical assistance component (1992-1997) highlighted several weaknesses that were subsequently addressed in – or as a result of – the second phase of the component (1998-2001), in particular: (i) a stronger focus on gender mainstreaming, including a full-fledged gender component; and (ii) a stronger focus on institutional capacity-building among groups, including the hiring of group promoters and the association of groups in ‘inter-groups’ and cooperatives.
- (h) **Changes in scale (zones, projects, groups, etc.).** A number of changes in the scale of the project occurred during implementation. First, there were changes in the HLFDP project area and project duration. Second, whereas, initially, small isolated groups had usually been formed, the formation of clusters of small groups later became the norm, since the clusters

proved more viable, enabling the emergence of larger organizational structures, such as cooperatives and federations, while they were also easier to service. Third, once the leasehold forestry concept had been recognized as effective in reducing poverty and restoring environmental balance, the Government designated leasehold forestry a national programme, with 26 priority districts for scaling up, most of which were outside the HLFFDP project area.

II. IMPACT ANALYSIS

2. This section assesses the **impact** of the leasehold forestry pilot project according to three criteria: (a) efficiency in the use of the resources invested, as measured by cost-efficiency ratios; (b) effectiveness, as measured according to intermediate output indicators, such as changes in policies; and (c) final outcomes in terms of poverty indicators in connection with the United Nations Millennium Development Goals and the broader country poverty reduction strategy.

3. In relation to the first indicator of efficiency, the cost per beneficiary has been on the high side at around USD 920 per household, or USD 1 480 per ha. This reflects the fact that the project was essentially a pilot project and very experimental in nature and also the fact that significant civil works and technical assistance components were financed during the first phase. Now, the leasehold forestry approach is well established in Nepal, and current costs per beneficiary are estimated at USD 290 per household, or USD 54 per capita. This is considered quite low for an approach that involves tackling structural poverty issues such as the provision of long-term security of tenure to poor people.

4. In respect to the second indicator, as measured by the policy changes brought about by the project, the following is notable. The concept of leasehold forestry in favour of the poor was taken into account in the Forest Act (1993) and the Forest Regulation (1995). These allow for the leasing of land with degraded forest to poor communities on 40-year leases, renewable upon the satisfactory adherence to the agreed operational plan and including exclusive rights to the produce of the land. Furthermore, in 2002, as a direct result of the project, the Government introduced a national 'leasehold forestry policy'. One of the problems with leasehold forestry that is targeted at poverty reduction revolves around the actual procedures for handing over forest on a lease. These procedures were more appropriate for commercial enterprises than for groups of poor households in remote locations. The 'policy' proposed to streamline the implementation process and to provide full authority to the district forestry officer to hand over leasehold forest, approve leasehold forestry operational plans, renew leasing licenses and monitor implementation.

5. Finally, in relation to the impact of the project on the broader government PRSP and the Tenth Plan 2002-2007, the following is notable. The PRSP has identified the importance of the development of the forestry sector (community and leasehold forestry) for environmental conservation, watershed management and groundwater conservation, as well as for the creation of income-generating opportunities for the poor. The PRSP notes that, 'Given its high success, the leasehold programmes would be further expanded.' In the Tenth Plan, the National Planning Commission has designated leasehold forestry development for the poor as a core poverty-reduction programme with the highest ranking (P1), a priority that both the Ministry of Finance and the MFSC endorse.

III. DRIVING FACTORS

6. In the examination of **how** the results of the pilot project led to a scaling up, four hypothetical ‘implementation factors’ have been considered.

Commitment and Political Economy for Change

7. This first factor concerns the importance of domestic leadership in the process of scaling up the leasehold forestry pilot project into a national poverty programme. Perhaps the single most important elements in ensuring the successful scaling up of the approach were the commitment and leadership of key individuals in the Government. In the face of many years of considerable skepticism from the donor community and also understandable initial caution from some sections of the MFSC, certain key individuals exhibited an extraordinary degree of commitment, perseverance and vision. Among these were the project director and the support staff, senior officials within the DOF and senior members of the National Planning Commission. Once success had been demonstrated and documented, support for leasehold forestry grew more quickly, and the Government made key decisions, such as the decision to include the leasehold forestry approach in the PRSP and the Tenth Plan. However, it was clearly the support for the project approach in the early, more difficult years which proved critical in terms of the commitment displayed by the Government.

Institutional Innovation

8. This second factor concerns the importance of institutional innovation and the critical need for building the skills and the capacity of personnel to translate policy into practice. Three particular institutional innovations stand out. (a) The project was characterized by excellent, synergetic cooperation between the DOF and the Department of Livestock Services that provided the basis for good linkages between forestry and livestock activities at the group level. (b) Leasehold forestry is the only project in both the forestry and livestock sectors in Nepal that focuses exclusively on poor households. (c) The successful gender mainstreaming programme (which ranged from training for husbands and wives in all leasehold households to systematic gender and development training among all line agency staff involved in the project) was presented as a ‘best practice’ at the 12th World Forestry Congress held in Quebec, Canada, from 21 to 28 September 2003.

Learning and Experimentation

9. The third factor concerns the importance of a learning culture and, in particular, the ability to learn from mistakes, to build on success and to adapt on the basis of ever-changing circumstances. Some of the most important changes that resulted from the learning and experimentation include the following: (a) A major conceptual shift from a focus on ‘access to credit’ to a focus on ‘access to land’ took place very early on in implementation, generating the change in the lead agency from the Agricultural Development Bank of Nepal to the DOF. (b) While the capacity-building and networking needs had been underestimated in the original design, this was later offset by the recruitment of the women group promoters and the financing of capacity-building among ‘inter-groups’ and cooperatives of clusters of groups. (c) The potential for conflict with ongoing community forestry programmes had been underestimated. Such conflict is often related to the fact that leasehold forestry is an agent of change in local power structures, because it challenges the status quo and favours the direct transfer of productive resources to the poorest. Here, too, the formation of ‘inter-groups’ and cooperatives among leasehold members became important, as these ‘coalitions of the poor’ had greater strength in numbers to counter the potential expropriation of resources by local elites. (d) Finally, the regenerative capacity of the natural vegetation was underestimated in the original project design. As this became apparent during implementation, the dependency on activities such as the planting of trees, legumes and grasses to regenerate site productivity was reduced.

External Catalysts

10. Finally, the fourth factor revolves around the role of external catalysts in the process of scaling up. Such catalysts might include financial resources, donor inputs, trade effects and macroeconomic or other external shocks. In the case of the leasehold forestry example, there was a number of key catalysts during the implementation process. Primary among these was the presence of a supportive technical assistance team from the Food and Agriculture Organization of the United Nations. This team and the grant resources they had at their disposal enabled the project to innovate in a way which would have been very difficult in the Government system. For example, it was through the technical assistance component that the project experimented with the formation of 'inter-groups' and cooperatives, which was subsequently taken on board as a mainstream activity.

IV. LESSONS LEARNED

11. In relation to the future prospects of the leasehold forestry approach and the actions needed to ensure the sustainability of the present achievements, the following is notable. In terms of leasehold forestry, this means primarily the sustainability of: (a) the leasehold agreements; (b) environmental regeneration; (c) the livestock-fodder equation; (d) group survival in the absence of external support; (e) land and livestock development options; and (f) the project management structure.

12. Firstly, considering the leasehold agreements themselves, the lease is initially for 40 years and is renewable at the end of this time. The lease might theoretically be withdrawn, though only for good reasons (e.g. serious violation of the operational plan). It should be noted that no lease fees are levied on groups that are below the poverty line. If, after a number of successful years, the leaseholders are no longer living below the poverty line, some people are of the opinion that the lease should then be passed on to another group of households that are still below the poverty line. A more appropriate measure might be that leaseholders who are no longer below the poverty line would be required to pay the regular (modest) lease fees applicable to community groups, as defined in the Forest Act (1993) and the Forest Regulation (1995).

13. Some legal issues and procedural constraints have affected leasehold forestry, and addressing these would be an important step in ensuring sustainability. In particular: (a) the process of handing over leasehold forest was found to be long and cumbersome, with the authority to approve lease applications vested in the MFSC, rather than the district forestry officer or even the DOF; (b) there is no provision in the Forest Act for the registration of leasehold groups by the district forestry officer (contrary to community forestry); and (c) there is uncertainty regarding the transfer of leasehold in case a leasehold group-member dies, migrates, or fails to meet the obligations of membership.

14. Secondly, the impressive re-greening of most leasehold sites and the subsequent establishment of grasses and forage legumes seem unlikely to be reversed provided the grazing bans are maintained. This is a consideration affecting the sustainability of the environmental improvements.

15. Thirdly, it is important to examine the impacts of the increase in livestock numbers resulting from leasehold forestry. The sustainability of livestock numbers depends on the availability of forage and labour. In this regard, stall-feeding systems seem to be accepted by the leaseholders in most areas, and forage supplies should continue to increase given the reasonable productive potential of the leasehold forest site and reasonable levels of group effort and cohesion.

16. Fourthly, in any consideration of the sustainability of the leasehold groups themselves, two quite different factors provide the key: the dynamism of the groups and the condition of the original site. Successful groups insist that the existence of the group and the management of the leasehold site will survive the cessation of support, but some weaker groups in more remote locations have reportedly already lifted the grazing ban because they assumed the project had ended. In this regard,

the establishment of ‘inter-groups’ and cooperatives provides a powerful and permanent framework for the continuing cooperation of individual groups. In relation to the importance of the original condition of the site, it is notable that groups which were allocated land of low productive potential (for example, above 2 000 m where re-growth is very slow) were the most vulnerable and likely to disband.

17. Fifthly, in relation to the sustainability of land and livestock development, the following is notable. The suitable option in terms of land development and land management packages depends on a thorough process of consultation with the farmers at each site, the result of which is recorded in the operational plan. Every five years, all leasehold forestry operational plans need to be reviewed and renewed. This is not a luxury, given the highly dynamic situation and the usually rapid regeneration and development of the vegetation. Often, this means that management (thinning and clearing) is required and is more intensive than the management approach actually specified in the operational plans. At the same time, groups are not formally allowed to carry out such activities, unless this is specified in the operational plan. Hence, continued support from the DOF and the district forestry officers in the revision and renewal of operational plans is important to ensure sustainability.

18. Finally, under the project, which was ever-growing in terms of scale, coverage and complexity, the technical assistance component increasingly became indispensable for project management. A higher priority should perhaps have been given to the building of a management unit able to function effectively after closure of the technical assistance component.

19. To conclude, the major lessons that can be drawn from the scaling up of leasehold forestry and that might be applicable in other countries include the following: (a) Degraded forest sites that have become unproductive can once again return to productivity if appropriate management and investment are undertaken. In this regard, land-resource poor households are both prepared to be and capable of being the managers and caretakers of such degraded forest sites and to regenerate site productivity, provided that they have security of tenure for sufficiently long periods (40-year renewable leases, for instance). (b) When security of tenure on public land is granted to poor and disadvantaged groups, the local power structure can be challenged, and, unless a sufficiently strong organization among these poor and disadvantaged groups is also set up, conflict over the resource may nullify the formal security of tenure. (c) Much could be gained from coordination and cooperation between forestry and livestock services, which otherwise tend to be at odds with each other.

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