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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, initiated by the International Fund for Agricultural Development (IFAD) in 1989 and completed in 2003, was designed as a model for reducing poverty and restoring environmental balance in several districts in the hills of Nepal. Using 40-year renewable leases, the project transferred small blocks of public forestland to groups of poor households, which they regenerated, protected, managed, and used drawing on financial, technical, and institutional support provided throughout the project.

The project focused on developing the feed and fodder base for livestock—both because poor people relied on these resources for their sustenance and because the environmental balance in the hills was dependent on them. The project led to significant changes in national policies, advancing the concept of leasehold forestry for poor people. Leasehold forestry is the only project in both the forestry and livestock sectors in Nepal that focuses exclusively on poor households.

Project sponsors and costs

The project cost \$20.4 million, financed by an IFAD loan of \$12.8 million, a Dutch government grant of \$3.4 million, and contributions of \$2.7 million from the government of Nepal and \$1.5 million from participating farmers. In addition, efforts to scale up the project received substantial technical assistance from the United Nations Food and Agriculture Organization—enabling the project to innovate in a way that would have been difficult under the government system.

The initial costs of the project were rather high: about \$920 per beneficiary household and \$1,480 per hectare, reflecting the project's experimental approach and the significant civil works and technical assistance financed during its first phase. Now that leasehold forestry is well established in Nepal, costs have fallen to \$290 per beneficiary household. This is quite low for an approach that involves tackling structural poverty issues such as providing long-term tenure security to poor people.

Outcomes

By the time the project ended, 1,773 leasehold forestry groups had been formed involving 12,028 households, with 7,457 hectares of degraded forestland handed over. The project was designed to focus on poor families with less than 0.5 hectares of land, and was successful in targeting this group.

Once sites were designated as leasehold forest and groups were formed, grazing was stopped and grasses, legumes, and trees were planted. In most areas there has been rapid natural regeneration of herbs and grasses, followed at varying speeds by trees. Overall, there has been an impressive rehabilitation of multilayered, more or less natural forest. Biodiversity has also increased significantly.

In terms of impacts on rural poverty and the environment, the project improved household incomes and food security, increased the number of goats, the availability of animal

feed, and foraging self-sufficiency, substantially reduced the time required to collect fodder and fuel wood (making it easier for women to engage in income-generating activities and attend meetings, training, and literacy classes), raised school attendance (because there was less need for children to herd animals), and reversed environmental degradation at most leasehold sites.

Success factors

The usefulness of leasehold forestry in combating poverty in the hills of Nepal has been widely recognized, and such programs have been given priority status in Nepal's Poverty Reduction Strategy Paper and the Government's Tenth Plan (covering 2002–07). What started as a small pilot project has become a national program, financially supported by the government and by a growing number of donors, and backed up by a recently approved leasehold forestry policy.

The project's success has partly stemmed from its reliance on a learning culture, particularly its ability to learn from mistakes, build on successes, and adapt to changing circumstances. For example, as the project progressed it recognized the importance of gender mainstreaming. As a result it developed a full-fledged gender component—including training of both husbands and wives in leasehold households and gender and development training for all agency staff involved in the project—that has received international recognition. There has also been a stronger focus on building the institutional capacity of household groups, including by hiring group promoters and aggregating groups into larger organizational structures, such as cooperatives and federations.

In addition, during implementation several adjustments were made to the project's scale. First came changes in the project's area and duration. Second, the project shifted from small, isolated household groups to clusters of small groups, which proved more viable, enabled the emergence of the larger organizational structures, and were easier to service. Third, once leasehold forestry was found to be effective in reducing poverty and restoring environmental balance, the government made it a national program, extending it to 26 districts—most outside the original project area.

Another development not foreseen during project appraisal was the hiring of female group promoters, a move that fostered social mobilization. Female group promoters were first recruited in 1998, and it soon became clear that their services were highly appreciated and in many cases essential to strengthening the functioning of leasehold groups. The project's female promoters are provided by the Society for Partners in Development, a local nongovernmental organization.

Lessons

Perhaps the most important factor in scaling up the leasehold forestry pilot into a national poverty program was the commitment and leadership of key government officials. Other lessons that might be applicable in other countries include:

- *Appropriate management and investment arrangements can restore the productivity of degraded forests.* Poor households with limited land holdings are willing and able to care for and regenerate the productivity of degraded forest sites—provided they have secure tenure for sufficiently long periods (as with 40-year renewable leases).
- *Granting poor and disadvantaged groups secure tenure to public land can challenge local power structures.* Without a sufficiently strong organization of poor and disadvantaged groups, conflict over resources may nullify the security of formal tenure.
- *Much can be gained from coordination and cooperation between forestry and livestock services,* which otherwise tend to be at odds with each other.

Implementation Process

With reference to the implementation process associated with the scaling up of leasehold forestry in Nepal over the past 10 years, the following is notable.

Rationale and objectives, as outlined at the beginning of the process: The HLFFDP project aimed simultaneously at alleviating poverty and restoring environmental balance in the Hills of Nepal. The approach was to develop and pilot, in the selected districts comprising the project area, a model for replication based on leasing small blocks of public forest land to groups of poor households, which they would regenerate, protect, manage and utilize – with financial, technical and institutional supports provided through the project. The main emphasis was to be on developing the feed and fodder base for livestock - since the poor depended most on these resources for their sustenance, and the environmental balance in the Hills was also critically dependent upon them.

Political context: There has been growing commitment from HMGN for the leasehold forestry concept within the overall poverty reduction policy framework, coordinated by the National Planning Commission (NPC). It should be noted, that while benefiting from increasingly strong political support, 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 up-scale the leasehold forestry programme, but has not been very successful, with most “traditional” forest sector donors limiting 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 to increase household income, while this is a main feature of leasehold forestry).

Consistency of the objectives with any ongoing country poverty reduction strategies: Leasehold forestry has been included in the PRSP as a priority programme implying that the Government has given it the highest possible national priority.

Institutions involved and initial degree of commitment: The project was jointly implemented by the Department of Forests (DOF), the Department of Livestock Services (DLS), the Agricultural Development Bank of Nepal (ADB) and the National Agricultural Research Council (NARC). The high degree of DOF enthusiasm for the leasehold forestry pilot project contrasted in the early years with a more cautious reaction from some sections of MFSC. However, as the impact and potential of the approach became more apparent, in particular over the past few years, the MFSC has been very committed to the leasehold forestry approach. This is reflected by the current support from MFSC for the setting up of a new leasehold forestry division within the DOF.

Other actors involved, including civil society agents and their specific role: To improve the social mobilization aspects of the project during implementation, a number of female group promoters (FGPs) were hired. This had not been foreseen at appraisal. Nevertheless, when first

recruited in December 1998 through the TA component, it soon became clear that their services were highly appreciated and in many cases essential to strengthen leasehold group functioning. The HMGN implementing agencies at district level, in particular District Forestry Officers (DFOs) and District Livestock Officers, requested project management for more and more FGPs. Currently the HLEFFDP FGPs are being provided by a local NGO – Society for Partners in Development.

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

Altogether 1773 leasehold groups comprising 12,028 households were formed against an initial objective of 2032 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 were designated as leasehold forest and groups were formed, grazing was stopped and pockets of grasses, legumes and trees 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 multi-layered more or less natural forest. Biodiversity has increased significantly. The vegetative ground cover in new sites was on average 32 percent, which increased to 50 percent after one full growing season, and gradually further expanded to an almost full (100 percent) coverage.

In respect to the impact on livelihoods, the increased production of the leasehold forest has also led to a substantial reduction in 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 of children increased because there was less need for them to herd grazing animals. The increased time availability made it easier for women to engage in income generating activities, attend meetings, training and literacy classes. Impact reports indicated diversification of income among leasehold groups and increases in income by up to US\$ 270-405 per year, in particular from the sale of livestock and livestock products. Household food security was also noted as improving by 16 percent over a 3 year period compared with a reduction of 4 percent in control households.

Minor adjustments and fundamental changes to original plan: The project experienced a number of adjustments and changes during implementation. Firstly, the initial lead project agency ADBN was replaced by the DOF at the start of the project. Secondly as a result of the MTR, a terrace development component was dropped and a component focusing on construction or improvement of access trails and foot-bridges was modified to become a small village infrastructure component. Finally, the first phase of the TA component (1992-1997) had highlighted several weaknesses that were subsequently addressed in – or as a result of – the

second phase TA component (1998-2001), in particular: (a) a stronger focus on gender mainstreaming, including a full-fledged gender component; and (b) a stronger focus on groups' institutional capacity building, including the hiring of group promoters and the aggregation of groups into inter-groups and cooperatives.

Changes in scale (zones, projects, groups, etc). A number of changes in project scale occurred during implementation. First, there were changes in HLFFDP project area and project duration. Second, whereas initially small isolated groups were usually formed, later the formation of clusters of small groups became the norm, since these clusters proved to be more viable, enabling the emergence of larger organizational structures, such as cooperatives and federations, while also easier to service. Third, once the leasehold forestry concept proved to be effective in reducing poverty and restoring environmental balance, HMGN declared leasehold forestry to be a national programme, with 26 priority districts for its upscaling, most of which were outside the HLFFDP project area.

Impact Analysis

This section assesses the **impact** of the leasehold forestry pilot project, referring to three criteria: (1) efficiency in the use of resources invested, measured by cost-efficiency ratios; (2) effectiveness, measured using intermediary output indicators, such as changes in policies; and (3) final outcomes in terms of poverty indicators, in connection with the MDGs and the broader country poverty reduction strategy.

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

In respect to the second indicator as measured by changes in policies brought about by the project the following is notable. The concept of leasehold forestry for the poor was taken into account in the Forest Act (1993) and Forest Rules (1995). These allow for the leasing of land with degraded forest to poor communities on 40-year leases, renewable upon satisfactory adherence to the agreed operational plan, with exclusive rights to the produce of the land. Furthermore, in 2002 as a direct result of the project, HMGN introduced a national "Leasehold Forestry Policy". One of the problems with leasehold forestry targeted at poverty reduction was that the actual procedures for handing over forest on a lease 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 DFO to handover leasehold forest, approve leasehold forestry operational plans, renew leasing licenses, and monitor implementation

Finally in relation to the impact of the project on the broader HMGN PRSP and the Tenth Plan 2002-2007, the following is notable. The PRSP has identified the importance of developing the forestry sector (community and leasehold forestry) for environmental conservation, watershed management and groundwater conservation as well as for creating income-generating opportunities for the poor. The PRSP notes: “*Given its high success, the leasehold programs would be further expanded.*” In the Tenth Plan the NPC 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 MFSC endorse.

Driving Factors

In looking at how the results of the pilot project led to upscaling, four hypothetical “implementation factors” have been considered.

Commitment and Political Economy for Change

This first factor concerns the importance of domestic leadership in the process of scaling up the leasehold forestry pilot into a national poverty programme. Perhaps the single most important factor in ensuring upscaling of the approach was 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 MFSC, certain key individuals demonstrated an extraordinary degree of commitment, perseverance and vision. Among these were the project director and support staff, senior officials within the DOF, and senior members of the NPC. Once success had been demonstrated and documented, support for leasehold forestry grew more quickly, with the Government making key decisions such as inclusion of the leasehold forestry approach in the PRSP and 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

This second factor concerns the importance of institutional innovation, and the critical need for building the skills and capacity of personnel to translate policy into practice. Three particular institutional innovations stand out: (i) The project was characterized by excellent and synergetic cooperation between the DOF and DLS, providing the basis for good linkages between forestry and livestock activities at group level; (ii) Leasehold forestry is the only project in both the forestry and livestock sectors in Nepal that focuses exclusively on poor households; (iii) The successful gender mainstreaming programme (which ranged from training of both husband and wife of all leasehold households, to systematic gender and development training of 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 21st to 28th September 2003.

Learning and Experimentation

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

External Catalysts

Finally, the fourth factor examines the role of external catalysts in contributing to the process of upscaling. Such catalysts could include financial resources, donor inputs, trade effects, macroeconomic or other external shocks. In the case of the leasehold forestry example, there were a number of key catalysts during the implementation process. Primary among these was the presence of a supportive FAO technical assistance team. This team and the grant resources which 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 subsequently was taken on board as a mainstream activity.

Lessons Learned

In relation to the future prospects of the leasehold forestry approach, and the actions needed to ensure sustainability of the present achievements the following is notable. In terms of leasehold forestry this means primarily the sustainability of: (i) the leasehold agreements; (ii) environmental regeneration; (iii) the livestock-fodder equation; (iv) groups in the absence of extraneous support; (v) land and livestock development options; and (vi) the project management structure.

Firstly, considering the leasehold agreements themselves, the lease is initially for forty years, renewable at the end of this time. The lease might theoretically be withdrawn, if only for good reasons (e.g. serious violation of the operational plan). It should be noted that no lease fees are levied to groups below the poverty line. When after a number of successful years the

leaseholders are no longer living below the poverty line, some are of the opinion that it would then be time to pass the lease to another group of households still below 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 Forest Regulation (1995).

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

Secondly, in considering the sustainability of the environmental improvements, the impressive re-greening of most leasehold sites and the subsequent establishment of grasses and forage legumes seems unlikely to be reversed provided the grazing bans are maintained.

Thirdly, it is important to consider the impacts of increased livestock numbers as a result of leasehold forestry. Sustainability of livestock numbers depends on the availability of forage and labor. In this regard, stall-feeding systems seem accepted by the leaseholders in most areas; forage supplies should continue to increase given a reasonable productive potential of the leasehold forest site and reasonable levels of group effort and cohesion.

Fourthly, in considering 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 the following is notable. Groups which were allocated land of low productive potential (for example above 2000m where re-growth is very slow) were the most vulnerable and likely to disband.

Fifth, 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, because of the highly dynamic situation and the usually rapid regeneration and development of the vegetation. Often this means that heavier management (thinning and clearing) is required than actually specified in the operational plans. At the same time, groups are not formally allowed to carry out such activities, unless specified in

the operational plan. Hence continued support from the DOF and the DFOs in the revision and renewal of operational plans is important to ensure sustainability.

Finally, under the ever growing project in terms of scale, coverage and complexity, the TA component had increasingly become 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 TA component.

To conclude, the major lessons that can be drawn from the upscaling of leasehold forestry which might be applicable in other countries include: (i) Degraded forest sites that have become unproductive can once again return to productivity if appropriate management and investment are made. In this regard, land-resource poor households are both prepared and able to be 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); (ii) When security of tenure of public land is granted to poor and disadvantaged groups, the local power structure can be challenged, and unless a sufficiently strong organization of these poor and disadvantaged groups is also set-up, conflict over the resource may nullify the formal security of tenure; (iii) Much could be gained from coordination and cooperation between forestry and livestock services, who otherwise tend to be at odds with each other.

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