Forest products verification in Nepal and the work of the Commission to Investigate the Abuse of Authority

Dinesh Paudel, Stephen J. Keeling and Dil Raj Khanal

Introduction

Poor governance is an issue in Nepal. It has been cited as a root cause of the ongoing violent Maoist insurgency that began in 1996 and has subsequently spread across the country (Thapa, 2003). It is suggested by some that these governance failures have been caused by the ruling power’s failure to govern honestly and address the country’s entrenched caste, ethnic, gender and region-based discrimination. These weaknesses have continued since 1990 after the reintroduction of multiparty democracy following 30 years of autocratic Panchayat rule. This can be considered as a contributing factor to the fact that 30% of Nepalis live below the poverty line.

Instances of what can be classified as poor governance extend to all sectors including the management of land-based resources, many of which are dominated by the socioeconomic elite.

Nepal’s forests supply many of the basic needs of Nepal’s rural communities and are an important source of jobs and income. They also play a crucial role in protecting the environment, and the rich diversity of flora and fauna. The poor governance of this valuable resource has led to widespread illegal exploitation of Nepal’s forest products by powerful groups and individuals for financial gain and by local communities for their subsistence. This has been particularly widespread during the frequent periods of political instability (NEFEJ, 2000: 128). Corruption is widely viewed as endemic in Nepal’s forest sector.

The large-scale introduction of community management of forests across Nepal’s hill areas has attracted worldwide praise and interest. It has led to the improved management and protection of Nepal’s hill forests. However, the focus on hill community forestry for subsistence and protection has seen a continued neglect of Nepal’s commercial forest sector, including commercial activities in community forests. Much of Nepal’s forest wealth is located in the Terai southern plains; only a few areas of which are under community management.

The effectiveness of Nepal’s forest products’ verification system has not been previously studied. The current brief study aims to begin to fill this gap by:

- Looking at why corruption is so widespread in Nepal’s forest products trade;
- Reviewing the existing verification systems, including existing law and institutions involved;
- Reviewing the approach taken by Nepal’s main corruption-control agency – the Commission to Investigate the Abuse of Authority (CIAA) – to see what lessons the forest sector can learn from its strengths and weaknesses;

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Suggesting how the verification system could be improved to promote sustainable and environmentally friendly forest management.

This is a scoping study to identify main issues and make the case for more detailed guidance to the Nepali government and Nepal’s community forestry stakeholders on developing an effective regulatory system. The development of such a system would help reduce poverty, strengthen the economy and conserve the environment in Nepal.

In Nepal, many kinds of forest products are traded from diverse types of forests. This study briefly describes the systems to verify all kinds of products from all types of forests, but focuses mostly on the timber trade from government and community forests.

It has been difficult to find accurate figures on the extent of forest products-related corruption in Nepal. While there is no doubt it is widespread, the estimates given should be treated with caution, with the knowledge that they are based on information available in an environment in which it is currently difficult to work.

Nepal’s forest products trade

Nepal’s forests

Although large areas of Nepal’s natural forests have been cleared or are badly degraded, the country still has extensive commercially valuable forests. These lie mostly in the Terai and the high mountains. There are also large pine plantations in the Midhills community forests and private plantations in the Terai. Nepal’s geographical diversity means that these forests are home to a great range of valuable forest products with about 700 species of flowering plants recorded as commonly used by local people.

Nepal has a range of legal types of forest ownership and systems of management. The three main ones are government, community and private forests. Government forests are national forests that remain under government control. Most Terai forests, outside of the considerable areas of national parks and wildlife reserves, are government forests. In many of these, the valuable timber species sal (Shorea robusta) predominates. These forests are primarily intended for the commercial exploitation of forest products, especially timber, although proper management of these resources has been lacking.

Community forests are national forests whose management has been officially handed over to local communities. Around 25% of Nepal’s forest area has been handed over to more than 14,000 community forest user groups (FUGs) that represent 1.4 million, mostly Midhills, families. Only a few hundred Terai forest areas are under community management as the government is reluctant to hand over these commercially valuable resources.

Nepal’s forest products trade

About 160 tree and non-timber forest product (NTFP) species are traded in Nepal (ANSAB, 2005). The highest value forest products trade is in timber from the Terai and NTFPs from the high mountains. The Terai timber trade is based on the lucrative sale of sal timber from government forests. A mid-1990s study (cited by Biodiversity Profiles Project, 1995) estimated that the 300,000 ha or so of Terai forests ‘suitable for production forestry’ had a standing timber volume of more than 33 million m³. With a mid-1990s value for sal forests of about NR 1 million (US$ 14,285 at US$ 1=NR 70) per hectare, this puts the value of the Terai’s forests timber at only US$ 6,000 million. The market price of sal timber has increased considerably since then. The Midhills community forests are increasingly turning to managing their forests to raise cash by selling timber and non-timber products.

The forest products trade is very important for the Nepali government and local communities. It provides much of the income of local community groups, local government, and central government. In 2003, in spite of the trade being badly affected by the burgeoning Maoist insurgency, the sale of forest products contributed US$ 7.8 million (NR 550 million) to the government exchequer (HMGN, 2004: 57). In financial year 2003/04, the taxation of forest products provided local government bodies with their second largest source of income (ADDCN, 2004: 6). Community FUGs earn significant amounts of income from the sale of forest products.

The main market for Terai timber is domestic supply to the country’s towns and cities. The export of timber from Nepal is banned. The large NTFP business is a complex trade mostly controlled by traders from Kathmandu and India (Edwards, 1996). Most NTFPs are sold unprocessed and much reaches the international trade through a series of middlemen. As with the timber trade, this business is beset with illegal harvesting, corruption, over-exploitation of the resource, and insufficient payments to harvesters.
Forest products verification system

Nepal's forests and many aspects of the trade in forest products are governed by the Forest Act (1993) and the Forest Regulations (1995). They specify the procedures to be followed for harvesting, selling and transporting forest products. This legislation is very progressive in so far as it has handed over a bundle of rights and responsibilities to local communities to manage their forests. Other 'legislation' that affects the forest product trade includes the Local Self-governance Act (1999) and the Community Forestry Operational Guidelines. There is separate legislation for Nepal's extensive protected areas system of national parks, reserves and conservation areas.

This body of rules and regulations specifies the procedures to be followed and the checks to be carried out for verifying that forest products have been legally harvested and transported. The aim of this system is to prevent the illegal harvesting and smuggling of forest products to protect Nepal's forests and to benefit the legal economy. The system can be broken down into three main focus areas or levels for verification.

Nepal's verification system involves three types of permits, forest department checking of legality and third party monitoring of legality.

- **Permit system**: issuing tenders, cutting and transport permits, and the marking of legally cut logs.
- **Forest department checking system**: forest department staff checking that proper procedures have been followed and only permitted amounts cut and transported.
- **Third party monitoring system**: the police, army, customs officials, local government representatives and others checking that proper procedures have been followed and that only permitted amounts are cut and transported.

The permit system

Each of Nepal's nine types of forest management regime has its own legally defined system for 1) issuing harvesting and transport permits, 2) selling forest products, and 3) allocating sale price and tax income. These are listed for all types in Annex 1. The 23 types of institutions with responsibilities for verifying the legality of forest products are listed in Annex 2, ranging from district forest offices (DFOs) through the security forces to buffer zone management committees.

The agencies involved in 'permitting' the harvesting of forest products from government and community forests are the DFOs for both types and the community FUGs for the latter. For government-managed forests, it is the Department of Forest, through its network of DFOs, that sells standing trees for timber. The law says that timber from government forests must be sold by tender.

Forest products from community, leasehold and religious forests must be sold according to the user groups' constitutions and operational plans. Community FUGs are permitted by law to either harvest the products themselves for their own use or to sell the products to others, including timber contractors.

The legally defined procedures for selling timber trees in government forests are as follows:

1. Areas are identified for cutting according to the forest department's annual management plans for its forests (these should be properly made each year, but often are not);
2. DFOs measure the standing trees and calculate their timber volume;
3. DFOs issue a notice inviting tendering for the contract;
4. Forestry contractors buy the tender document, enter their tender, and pay a deposit;
5. A successful contractor is issued a permit (licence) for harvesting a specified amount of timber from a specified location;
6. The successful contractor pays the royalty selling price before harvesting;
7. The contractor harvests the timber;
8. The forest office stamps the logs with an official mark;
9. The contractor pays due tax to municipalities and district development committees for harvesting and transporting the cut timber;
10. The contractor pays the value added tax – payable on logs and planks – to the central government through DFOs;
11. The contractor gets a transportation permit that specifies the destination (usually a sawmill) and last date to be transported there;
12. the contractor gets a release order from the DFO at the time of transport.

The process is largely the same for community forests except that all permits and orders are issued by the user group. The DFO is involved insofar as it has to approve user groups' annual harvesting plans that specify the annual maximum cut. This should be fixed each year by user groups and must be within the maximum amount specified in the DFO-approved operational plans.

The procedures for regulating the transport of commercial forest products are an important part of the verification system. A transport permit should indicate that logs and other products have been legally harvested. The transport of timber from one district to another requires authorised marks stamped on the logs, harvesting permits and release orders. For NTFPs, only harvesting permits and release orders are needed. This applies to products harvested from all types of national forests including community forests.

There are special provisions for harvesting, transporting, and selling certain types of endangered and valuable forest products, classified as 'nationally important products'. The authority for issuing permits for 'nationally important products' lies with the central authorities, although the DFOs and user groups can issue permits to collect them. The Department of National Parks and the Department of Plant Resources are the management authorities for species listed as protected in the National Park and Wildlife Conservation Act 1973, and species under annexes 1, 2 and 3 of the Convention on International Trade of Endangered Species (CITES).

Forest department checking and third party monitoring

Twenty-three institutions are involved in checking and monitoring that the correct procedures have been
followed and that forest products have been legally harvested (Annex 2). A key part of the checking process for timber from government and community forests is where DFOs and community forests verify the harvested felled timber against the type and quantity specified in the harvesting permit by stamping the logs with a hammer mark. This is a requirement for timber harvested by contractors, the government’s timber corporation, and by user groups themselves.

Once the timber is moved offsite, a range of agencies can carry out regular and spot checks. Most districts with roads have roadside DFO forest product check posts at the district’s main exit points. The roles and responsibilities of forestry officials and the third party monitoring agencies of the army, police, customs, tax department and others are explained in Annex 2. All of these agencies are mandated to check the type and quantity of the forest products being transported against the permitted types and quantities. They have the power to seize forest products where procedures have not been properly followed and, in some cases, start legal proceedings against those accused of violating rules and regulations.

The district forest officers have semi-judicial powers to prosecute forest-related offences. Changes to the Forest Act 1998 reduced DFOs’ jurisdiction to only cases involving less than NR 10,000 worth of damage. Forest office personnel can carry out unannounced spot checks for illegal harvesting and can check contractors’ permits. They are mandated the responsibility to regularly patrol the government forests to check for illegal cutting and transportation. Some forest guards carry guns for this potentially hazardous task.

The origin of timber in sawmills can be checked. If the sawmill itself harvested the timber, then they should have the permits, either from the DFO or the user group. Where they have purchased the logs from contractors, then they should have the receipts and copies of the contractors’ permits.

The three levels of the above described verification system are, however, full of loopholes and weaknesses.

**Abuses of Nepal’s verification system**

**Bribery drives Nepal’s timber trade**

The previous section summarises how Nepal’s forest products verification system should operate. Although there are a number of intrinsic design faults and inefficiencies that are described later, if all those involved in the system acted in good faith according to existing rules and regulations, then it would largely achieve its objective of regulating the forest products trade for the benefit of the nation.

However, the system is widely abused and it is well known that bribery, abuse of authority and mishandling of resources are rampant in Nepal’s forest products business. Many of the products in the Nepali market have not passed through the proper legal processes. For 2004, the Department of Forest reported a total official timber harvest of only 2.8 million ft², far below the amount consumed by the mushrooming construction industry. Most of the large scale abuses occur in the Terai timber trade where a large volume of timber is illegally harvested and sold, either within Nepal or smuggled across the border to India.

There is a high demand to work in Nepal’s Forest Service. This can be at least partially attributed to the fact that there are opportunities to make large sums of money through the taking of bribes or being directly involved in illegal forest products trade. The disincentives for such activities are currently limited.

This section explores some cases to show the features of forest trade corruption and how the forest verification system is ineffective and is often part of the problem. As will be illustrated, those responsible for enforcing the rules and regulations are often the worst offenders, as much of the bribery occurs within the system set up for regulating the trade. Corrupt officials often see each step of the verification process as an opportunity to extract bribes.

Illegal payments occur most often in the trade from government forests where local forest officials are largely left alone to regulate the trade and incentives for such illegal activities are high. Evidence exists that illegal timber trade networks have developed, where corrupt forest officials, local leaders, and timber smugglers (with the local leaders and the smugglers often being one and the same) working together to take advantage of the system and share ill-gotten gains. There is a difference in community forests in that there are fewer abuses; but abuses do occur where local elites have hijacked community decision-making processes and enter into illegal dealings with local forest officials and smugglers.

Many timber contractors and traders are so powerful that they can get forestry officials transferred or user group leaders removed if they obstruct illegal dealings. They often have groups of supporters and employees to intimidate anyone who oppose them, and they possess the resources to organise parties and buy presents to keep local officials and politicians on their side. This form of patronage can act as a powerful incentive to circumvent the existing verification system in a country where poverty rates are high and government salaries are low.

As a result, a large portion of the potential income from Nepal’s timber trade does not reach government or community funds. There are well-established systems by which the government and community forests forego huge amounts of income as the verification system is bypassed. Informed sources report that bribe moneys paid could be as high as two to three times the amount of royalties paid to government and user group funds.

The methods used by government forestry officials to circumvent existing rules and regulations are numerous, including:

- DFO staff under-measuring the volume of standing timber for sale and then demanding a large bribe from the contractor who wins the right to harvest the actual amount;
- DFO staff selling high value timber at reportedly low prices by labelling it as fuel wood, then taking a kick-back from the buyer;
- DFO staff selling off windblown high quality timber trees at a low cost and allowing the harvesting of
non-windblown trees at the same time in return for bribe money.

It is reported that there are recognised rates officials expect to receive for allowing contractors to break the law by, for example, cutting and transporting more than is permitted. The example in Box 1 shows how being permitted to harvest alder timber entails paying an extra NR 8/ft³ to DFO staff. The case study in Table 1 shows how NR 60-100 of bribe money is payable on each cubic foot of sal timber.

**Box 1: Bribery rates for harvesting permits for timber, lokta and chiraito**

Interviews with forest officials in an eastern Midhills district revealed that contractors typically pay a bribe of NR 8/ft³ to forest officials, on top of the official NR 40/ft³ royalty, for harvesting alder timber beyond the amount specified in a harvest permit. As long as they pay, they can easily harvest at least four times the permitted amount. The same system applies for the harvesting of NTFPs.

For lokta (bark used to make Nepali paper), the bribe rate is NR 5/kg and for the medicinal plant chiraito, it is NR 10/kg dry weight.

Regular contractors are aware of how to bribe officials and what amounts need to be paid to acquire permits to harvest and transport forest products. It is difficult for contractors to gain access and do business without paying these bribes. These additional amounts are added to the cost of the products in the market and passed on to the consumer. Forest and other officials see it as their right to get this bribe money, and when they move to a new posting they claim their ‘entitlement’ at the recognised rate from the day they assume their new position. It is clear that the high market value of the timber means that it is very worthwhile for the contractors to pay the bribes and maintain their market access.

**Case study from the Terai timber trade**

Interviews with retired and current forest officials suggest that the bribe money paid in Nepal’s timber trade amounts to at least three times the royalties collected by the government. In 2004, US$ 7 million (NR 500 million) was collected as royalties by HMGN compared with the estimated US$ 21-28 million (NR 1500-2000 million) of bribes paid in just the district of Udayapur.

Table 1 shows the estimated breakdown of bribe money paid for harvesting two types of timber in one eastern Terai district. The information was collected by a leading Nepali anti-corruption organisation carrying out a detailed month-long field study. The study indicates that the figures given are conservative and the amounts of bribes paid could be much more.

Table 1 shows the typical amounts of bribes paid and the legal payment for a contractor to fell and sell two of the main types of timber from Terai community forests. The equivalent data for harvesting timber from government forests would show the same bottom-line totals but without any payments to user group officials.

The amounts in Table 1 are for the quantity of timber for which royalties are paid to the user group (or the government in the case of government forests). The actual amount of timber that is harvested can often be two or three times that allowed in a harvest permit. The contractors make extra payments at the standard royalty rate directly to officials’ pockets for these non-permitted amounts.

Udayapur is one of the 19 Terai districts where sal and khair timber is harvested and traded. In 2004, Udayapur DFO issued permits to harvest 100,000 ft³ of sal timber (Panta, 2005). The figures in Table 1 suggest that NR 6-10 million was paid in bribe money on the legally permitted quantity. If the actual harvest was an extra 200,000 ft³, the total bribe money distributed on sal harvesting would have been NR 68-90 million (US$ 1.1-1.3 million). Udayapur is quite a typical Terai district from the point of view of the wealth of its timber resource. Multiplying that amount by the 19 districts where sal timber is harvested gives an estimated NR 1,292-1,710 million (US$ 18-24 million) paid in bribe money on sal alone in 2004!

Not all the money remains with the officials listed in Table 1. The system works so well that it is widely assumed to have high-level endorsement, resulting in substantial amounts of the illegal money going to the higher level forest officials in the department and ministry.

Community FUGs are by law free to decide the minimum price of the timber they sell. But the strong ties between many user group leaders, forest officials and timber smugglers means that prices are often kept artificially low. These leaders often force user group members to award contracts to favoured contractors. In practice what happens is that user group price fixing committees that should be formed to arrive at a fair minimum price are staffed with the representatives of the corrupt local elite who often own sawmills. They can then easily fix prices in their favour. Although the market price is around NR 1000/ft³, it is very rare for the timber from community forest to cost contractors more than NR 300/ft³.

The operations of these timber networks mean that many community forests do not get the proper market prices for their timber. These relatively sophisticated networks can manage this as many user groups are not commercially astute and are afraid of standing up to them. The same holds true in government forest, where the traders use bribes and undue influence to keep the cost of timber at only the statutory minimum of NR 250 ft/m³. Of course the amount of bribe money that needs to be paid is taken into account when the products are brought to market; these costs are passed onto the consumer, without the benefits of royalties or other monies that should be flowing into the government treasury reaching the public coffers.

The bribe payments mean that contractors easily get their transport permits for the total harvest. However, they still have to bribe third party monitors, such as...
the security forces on their way to the sawmill, in order to allow through the non-permitted amounts of timber. If they do not pay some sort of bribe, even when they are not abusing the system, officials can easily find an excuse amidst the maze of regulations to hinder their progress. They are said to pay a few hundred to a few thousand rupees per truck per stop. Often other local officials and journalists have to be bribed to keep quiet along the way.

Why forest-related corruption happens

There are many barriers to the transparent and accountable conduct of the forest products business. The causes of the widespread corruption and avoidance of the legal verification system can be divided into factors affecting products from national forests and those from community forests.

National forests

Government restrictions

Nepal’s forests have historically been exploited for the benefit of society’s elite. The forest department has traditionally had an antagonistic relationship towards local communities who depend on forests for their daily needs. This was legally sealed when the nation’s forests were declared as national property in 1950s. Since then, local people have had to bribe forest officials for access to meet their daily needs for firewood, fodder and other products. This is the origin of the bribe culture in Nepal’s forestry sector. Although since the mid-1980s many local people have won the right to manage their local forests, the negative attitude of the forest department towards local people remains. This is illustrated by the fact that high value government forests have generally not been handed over to local community use.

Too many institutions

The effectiveness of most of the verification institutions listed in Annex 2 is questionable. In some cases, they have contradictory or conflicting roles, and the lack of coordination and joint working relationships encourages smuggling. Beyond this, their large number (see Annex 2) is part of the problem. In most cases, these institutions use their powers to demand a bribe whenever they are involved in the so-called verification process.

Over-regulation

It is a worldwide rule of thumb that over-regulation (red tape) encourages corruption. The plethora of institutions, each with their own complex procedures, and Nepal’s infamously slow and corrupt bureaucracy, makes most people involved in trying to make a living out of forest products want to avoid official procedures by paying the bribes so they can get on with their businesses.

Unclear procedures

The procedures for harvesting forest products are in many cases unclear. The required documents and steps to be followed vary, allowing forest officials to use their discretion for personal gain. There are no clear norms or rules about who can be given licences. What happens in practice is that people with influence are given priority. Monitoring mechanisms to ensure that permit holders comply with the terms and conditions for harvesting are poorly developed, which makes officials open to bribery to allow the harvesting of more than is permitted.

Dual interests

Many ‘responsible’ people in Nepal’s forest product verification system, including officials in the government’s Timber Corporation, the Department of

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### Table 1: Distribution of bribe money for harvesting and selling timber from a community forest in Udayapur, Nepal

<table>
<thead>
<tr>
<th>Agency</th>
<th>Payments on 1 ft³ of sal timber (NR)</th>
<th>Payments on 1kg of khair timber (Acacia catechu) (NR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bribe for district forest officer</td>
<td>10-20</td>
<td>2-2</td>
</tr>
<tr>
<td>Bribe for ilaka forest officer</td>
<td>5-10</td>
<td>2-2</td>
</tr>
<tr>
<td>Bribe for range post in-charge (ranger)</td>
<td>3-5</td>
<td>0.5-1</td>
</tr>
<tr>
<td>Bribe for DFO admin. in-charge</td>
<td>5</td>
<td>0.5</td>
</tr>
<tr>
<td>Bribe for other DFO staff</td>
<td>5</td>
<td>0.5</td>
</tr>
<tr>
<td>Bribe to FUG chairperson</td>
<td>10-15</td>
<td>2-3</td>
</tr>
<tr>
<td>Bribe to FUG secretary</td>
<td>5-10</td>
<td>1-2</td>
</tr>
<tr>
<td>Bribe to FUG treasurer</td>
<td>2-5</td>
<td>0.5</td>
</tr>
<tr>
<td>Bribes to vocal FUG members</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>‘Extra tax’ to Maoists</td>
<td>10-20</td>
<td>2</td>
</tr>
<tr>
<td>Total bribe money</td>
<td>60-100</td>
<td>11-15.5</td>
</tr>
<tr>
<td>HMGN and FUG royalty (price)</td>
<td>250-300</td>
<td>10-11</td>
</tr>
<tr>
<td>Total paid by contractor</td>
<td>310-400</td>
<td>21-26.5</td>
</tr>
<tr>
<td>Market price</td>
<td>1,000-1,100</td>
<td>28-32</td>
</tr>
</tbody>
</table>

Source: Panta, 2005
Forest, and user groups, own sawmills. It is therefore in their interests to get as much timber as possible at the lowest price and avoid paying royalties and other taxes. This conflict of interests encourages corruption. In most cases they establish partnerships with other individuals or run their businesses in the name of their family members to hide their involvement. These people bribe high-level officials to transfer them to positions located in the timber production districts of the Terai.

**Forest department ‘carte blanche’**
The DFOs are the main organisation for both awarding contracts and verifying that the permitted quality and quantity of timber has been harvested and is being transported from government forests. They run the roadside check posts and carry out checking patrols, but understandably have little interest in exposing their own involvement in any illegal trade activities. DFOs are responsible for filing forest-related cases and gathering evidence. This in turn creates opportunities for making money by agreeing to overlook evidence or taking other actions that will benefit the offenders who can pay.

**Under or over-measuring**
Calculating the quantities and types of forest products is a specialised skill that is under the jurisdiction of forest officials. It is very difficult for anyone to tell if they over- or under-estimate amounts. As such, there is a high incentive for officials to manipulate the quantity and quality of forest products for their own personal benefit at the expense of the national interests.

**Institutional conflicts**
Disputes between different institutions about the authority for the commercial distribution of Terai timber encourages illegal harvesting and smuggling. The government owns the Terai national forests and therefore has the right to sell the timber. At the same time, local government bodies claim control of them under the Local Self-governance Act (1999). The Timber Corporation of Nepal is the authorised distributor of Terai timber and presses its own interests. The spread of community forestry in the Midhills has led to many Terai communities wanting control of their local forests and their resources. The contradictory and overlapping authorities encourage ill-doers and smugglers to produce false documents for illegally harvest timber. The government has issued many decisions to resolve these problems but has failed to properly act to solve the problem.

**Poorly managed government corporations**
The government’s large stake in the forest products business encourages corruption. The Timber Corporation of Nepal, Herbs Production and Processing Company Limited, and Nepal Rosin and Turpentine Company Limited are mismanaged and mired in corruption and rent-seeking behaviour. The Timber Corporation is given an annual quota to cut from government forests and then sells logs to contractors. These corporations somehow manage to run at a loss when they harvest and process some of the country’s most valuable resources.

They are primarily staffed by Department of Forest employees, who as already illustrated are prone to corrupt practices.

**Lack of public participation**
The general public is often best placed to know about abuses and provide evidence against offenders. However, they report very few cases of smuggling and other abuses as they are afraid of repercussions from the timber trade networks and know that forestry officials are often involved. In addition, there is no independent body for them to complain to.

**Failure to prosecute**
Despite the scale of forestry-related corruption, few officials or corrupt contractors are punished for violations of rules and regulations. Bribery money is distributed so that high-level officials prevent cases from being successfully prosecuted. There are thus few deterrents and disincentives to prevent well-connected smugglers from continuing their involvement in the lucrative illegal trade. It is often the case that only political opponents of the current government are punished.

**Huge demand**
The huge demand for timber from Nepal’s construction industry is matched by demands to the north from Tibet and to the south from India. The export of timber is banned from Nepal, but the green-tree felling ban in adjoining areas of Northern India attracts many contractors to smuggle timber across the border. The
on-going Maoist insurgency has reduced night time patrols and facilitated this illegal trade.

**No independent monitoring body**
The lack of an independent monitoring agency to check whether the legal processes are followed, and whether due royalties and taxes are fully paid, has left the primary aspects of the verification system in the hands of forest officials. While third party monitors do exist as previously explained, they do not have a clear mandate to verify legality.

**Community forests**

**Elite domination**
The capture of benefits by local elites is the main governance problem in Nepal’s community forests. They compete particularly for positions in forests near roads that have a good commercial potential. They form alliances with forest officials and business persons to exploit the forests. This dominance removes the intended checks and balances of community participation.

**Procedural hindrances**
The legislative and policy framework has not promoted communities to act as entrepreneurs in the forest product business. The government’s forest department has sought to maintain control over the lucrative trade and has been reluctant to allow communities to develop competitive and transparent businesses. The authorities have created a number of barriers including impractical time consuming requirements such as:

1) user groups have to carry out detailed forest inventories before any timber is cut;
2) user groups have to get DFOs’ permission before cutting.

The national user group federation (FECOFUN) believes that these barriers are deliberately set up to enable corruption and smuggling.

**Weak entrepreneurship**
Most community forests tend to carry out their business on an ad-hoc subsistence basis. They have little expertise in this area and fail to make business plans, and demand and supply calculations. The benefits and costs are hardly ever worked out before harvesting or selling products, and timber is not harvested according to market demand. This encourages the bypassing of the verification system.

**Protected areas**
There are no clear systems for the sale of forest products from protected areas and their buffer zones. This has caused ad-hoc decision making by officials and leads to officials being easily influenced by bribes and political pressure.

**Strengths and weaknesses of the existing forest verification system**
The forest verification system in Nepal has a mixed impact on regulating the trade in forest products. A proper integrated verification system does not exist. The legal provisions and processes in the existing system contain loopholes and inefficiencies that promote corruption. The strengths and weaknesses of the existing forest verification system are:

**Strengths**

- A sound legal framework that could work well if all actors followed the spirit of the legislation;
- An existing framework with 23 institutions involved whose work could be improved;
- The overall improved legal framework and political will to fight corruption in Nepal since 2002 (as described in the next section), which has led to corruption becoming an issue of public concern. This might foster the political will to tackle the problem of corruption in the forest sector and could be described as an overall evolving commitment to good governance that would inevitably include the forest sector.

**Weaknesses**

- A longstanding entrenched culture among officials, contractors and other stakeholders that enables widespread corruption in the sector;
- The plethora of verification institutions with no joint action or coordination;
- Complex procedures that are easily manipulated;
- The lack of clear procedures for regulating key aspects such as who can get permits;
- The lack of public participation in the verification process, including the reporting of abuses;
- The lack of an independent monitoring agency to check the effectiveness of verification.

**The CIAA’s approach to corruption control**
The above sections explain the verification system and problems related to corruption in Nepal’s forest sector. One of this study’s main recommendations for addressing the weaknesses in the verification system (see the summary and recommendations, p.11-12) is to establish independent arrangements for carrying out this activity. This section looks at the work of the Nepali government’s main anti-corruption body to see what lessons it could offer for Nepal’s forest sector.

**Operational structure**
The Commission to Investigate the Abuse of Authority (CIAA) was set up in the early 1960s. Its continued role was confirmed in the 1990 Constitution as one of several major independent constitutional bodies – chiefly the Office of the Auditor General, the Attorney General’s Office and the parliamentary committees such as the Public Accounts Committee – that form the checks and balances in the new multiparty democracy. The CIAA is funded by the government with an annual budget of US$ 0.6 million for 2004/2005.

The CIAA has two major responsibilities:

- Investigating improper conduct or corruption committed by any individual holding a public position in the government and semi-government organisations;
• Filing cases in court against suspected culprits or ordering them to be punished as per the civil service regulations.

The CIAA (Second Amendment) Act (2002) empowered the CIAA to freeze bank accounts, compel disclosure, freeze assets, order seizure of passports and restrict the travel of any person holding public office who is under investigation. The Anti-Corruption Act (2002) broadened the CIAA’s mandate to cover corruption in companies, banks or committees owned by the government and also in government commissions, corporations, enterprises, boards and councils. The new legislation defines improper conduct, corruption and the abuse of authority as described in Annex 3.

The CIAA’s central office is in Kathmandu. Outside of the Kathmandu Valley, it delegates its powers to probe corruption cases to regional administrators and chief district officers.

One of the main measures for maintaining the transparency and accountability of the CIAA is its submission of an annual report to parliament. The report is scrutinised and then made public. Apart from confidentiality during investigations, all information gathered by the CIAA should be made public and citizens have the right to know about most cases. This has made the CIAA relatively transparent and accountable.

The CIAA’s chief commissioner and commissioners are appointed by the King as per the recommendations of the Constitutional Council, which is made up of the prime minister, the chief justice, and other leading figures. Only parliament can remove commissioners. They should not be a member of a political party and have at least ten years’ experiences with a good reputation in the field of law, accountancy, revenue, construction, development or research.

Investigation and inquiry
The CIAA analyses complaints and investigates charges. Where it finds evidence inadequate, it can either drop the case or try to collect further information. For important cases, an investigator is appointed either from the CIAA or a ministry to prepare a detailed investigation report. The CIAA can arrest and detain people, and search for information. Depending upon the scale of misconduct, the CIAA can then:
• Issue a warning about misconduct or abuse of authority;
• Order that departmental action be taken; or
• File a case at the Special Court (set up to dispose of special cases like corruption cases).

The CIAA can monitor the implementation of its decisions but does not follow up on the implementation of Special Court decisions. Those found guilty can appeal to the Supreme Court.

The CIAA relies on either the general public or other agencies to identify corruption cases. The CIAA should also follow up on abuse of authority identified in the annual reports of the Attorney General, Auditor General and Public Service Commission.

CIAA forest product verification cases
The CIAA has prosecuted an insignificant number of forest product related cases (Table 2). Some of these cases have been against very high-level forest officials.

Under its increased powers post-2002, the CIAA has punished high-level officials for the illegal collection and sale of timber, NTFPs, and wildlife. Timber corporation officials, a minister and other high-level officials have been found guilty of involvement in timber smuggling and the illegal sale of NTFPs and wildlife. A case in 2002 led to two ministers having to resign as their dispute about the distribution of bribe money became public and the CIAA started to investigate. The bribe money was taken in exchange for giving resin collection permits to a company that allowed it to collect more than the limit of sustainable collection (Thapa, 2002).

In another case, there was an agreement with a contractor to fell 2,526 trees along the alignment of a new road. Six years later, and long after the agreement had expired, the tree felling was allowed to proceed by officials. Apparently the delay had been caused by disagreements over the distribution of bribe money! The CIAA found the Forest Ministry Secretary and the Department of Forests Director General guilty and ordered the government to punish them.

Table 2: Status of registered CIAA forest product related cases, 2002-2004

<table>
<thead>
<tr>
<th>CIAA decision</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Warning issued</td>
<td>1</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>Departmental action imposed</td>
<td>6</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Case filed in Special Court</td>
<td>1</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Get attention of government</td>
<td>2</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Withheld (to be decided)</td>
<td>3</td>
<td>-</td>
<td>4</td>
</tr>
<tr>
<td>Total</td>
<td>13</td>
<td>9</td>
<td>13</td>
</tr>
<tr>
<td>Above decisions not implemented</td>
<td>4</td>
<td>5</td>
<td>2</td>
</tr>
</tbody>
</table>

Source: CIAA Annual Reports 2002, 2003 and 2004
CIAA weaknesses
Since its inception the CIAA has suffered from the following weaknesses:

Limited presence
The CIAA has a weak out-of-Kathmandu Valley presence. The delegated regional administrators and chief district officers have inadequate resources, knowledge and motivation to carry out corruption control work. This means that it is difficult for the general public to lodge complaints and for evidence to be collected against corrupt officials. There are thus hardly any checks against corrupt officials in the extensive remote areas of the country.

Lack of complaints
People are reluctant to complain to the CIAA against officials for fear of reprisals and because of lack of faith in the system.

Lack of dynamic commissioners
It is usually retired government officials who are appointed as CIAA commissioners. The public view is that young, energetic and competent people would do a better job in these challenging positions.

Lack of coordination
The CIAA has inadequate coordination with other agencies such as the auditor general’s office.

Investigation weaknesses
In many cases the CIAA fails to prove guilt because it lacks the personnel and resources to investigate properly, including investigations of the illegal timber trade. It is difficult to prove violators’ guilt as they are experts at covering their tracks, for example by creating false paperwork.

Lack of finance
The CIAA has a limited budget to work with, with an annual budget of only US$ 0.6 million to fund its nationwide operations.

Delays
The CIAA often takes a long time to investigate and prosecute, leading to loss of evidence. Officials are often retired and ‘untouchable’ by the time a verdict is reached.

Political instability
The Maoist insurgency has made it more difficult to implement anti-corruption activities because of the withdrawal of government personnel from the many Maoist controlled areas.

Ad-hoc commissions
The setting up of ad-hoc anti-corruption commissions by Nepal’s ever-changing governments challenges the role of the CIAA. A few years ago, the government formed a high-level monitoring committee. Rajahar Community Forest User Group complained to it about illegal logging from their forest involving US$ 17,000 (NR 1.2 million). Nothing happened as the monitoring committee was disbanded soon after. The current King-led government has established a Royal Commission for Corruption Control. These bodies tend to have limited credibility as they are often seen by many as mechanisms for targeting political opponents.

Political interference
The present situation in Nepal with no parliament, and the King possessing full executive powers, has brought the independence of the executive into question. A number of times in the past, the CIAA has been accused of using its powers against opposition politicians. Also, the absence of parliament and elected local bodies has meant that the CIAA’s annual report has not been discussed and made public since 2002. This threatens the CIAA’s accountability and transparency.

Failure to implement decisions
HMGN ministries often fail to implement the CIAA’s decisions against corrupt officials. There is evidence that the forest ministry and department have been negligent in this regard.

Transferring corruption
Often the punishment dealt out to officials is to transfer them to another district. In their new positions, often located in remote mountainous districts with a wealth of NTFPs, the violators are free to continue their corrupt activities.

Strengthened CIAA
The period since 2000 has seen many of the above weaknesses being overcome or addressed. The year 2002 was a turning point. Until then the CIAA’s work had been held back by weaknesses in the law and a lack of government commitment to the anti-corruption agenda. The current Five-year Plan (2003-2008) has improving governance as a main objective with improving accountability and reducing corruption as key action areas. These policy statements have been
matched by the enactment in 2002 of four important anti-corruption laws – the Impeachment Act, a revised Corruption Control Act, the Special Court Bill and the CIAA Second Amendment Act. Also, a Judicial Inquiry Commission on Property was set up that provided evidence for the CIAA to prosecute high-level politicians and bureaucrats found to have more property than they could have legally accumulated.

The supportive government’s policies and programs, public support, positive media coverage, and new regulations that removed unhelpful constraints have facilitated and inspired the CIAA’s work (CIAA, 2003: 48). The following is also contributing to strengthening the CIAA’s operations.

Strong leadership and improved profile
The current chief commissioner’s commitment and his successful prosecution of high-ranking people has boosted the CIAA’s reputation.

Branch offices
The CIAA is being supported to improve the way it works and to set up a network of branch offices. DFID and DANIDA are supporting the CIAA Institutional Strengthening Project to establish ten district CIAA offices.

Public hearings
The CIAA has developed useful links with the public interest NGOs Transparency International and Pro Public. These and other organisations are running anti-corruption campaigns to expose corruption and bring it to the notice of the general public and the CIAA. Since 2003, the Sarbajanik Sunuwai televised public hearings have been broadcast fortnightly on Nepal television. The government has also started to encourage chief district officers to organise public hearings in order to encourage the public to lodge official complaints.

It remains challenging for the CIAA to bring successful prosecutions for a number of reasons including the common practice of politicians raising anti-corruption slogans, yet failing to act against their own supporter’s corrupt behaviour.

Lessons for developing an effective forest verification system
Nepal’s existing forest products verification system is ineffective. The strengths and weaknesses of the CIAA’s operations provide the following lessons for developing an effective system:

Independent verification body
A major problem in the current verification system is that responsibilities are spread across two dozen agencies. What is needed is a single independent and permanent agency with overarching powers like the CIAA that can carry out its work objectively.

Accessible branches and procedures
A network of local branch offices should be established to receive and investigate complaints. Easily understandable formats and procedures should be used to facilitate the public in making complaints.

Public support
The forest verification system needs to win public support to expose and punish corruption cases.

Timely action and proper evidence
Appropriate levels of punishment dealt out and implemented on time are essential. Quick action makes a fair verdict more likely. It is also crucial, given the limited resources of Nepal’s governments – for the verification system to focus on pursuing cases where sufficient evidence can most likely be found.

Summary and recommendations

Summary discussion
This study has focused on forest product-related corruption. Other widespread types of corruption in the forest sector include allegations of malpractices in recruitment to the forest service, the misuse of forestry development budgets and official complicity in encroachment on forests.

The trade in forest products is a major source of income for central and local government, and communities. This review has explained how the legality of Nepal’s forest products should be verified according to the different sources and the authority that the 23 institutions involved have to issue permits, check procedures and monitor the process. The system has three levels: the issuing of permits, checking by the Department of Forest, and third party monitoring. This report then describes the scale of the illegal harvesting and problems related to avoidance of legal procedures.

The many causes of corruption in the forest trade are listed on p. 6-8. An overarching cause is the weakness of Nepal’s forest verification system with a lack of clear responsibilities, over-complex procedures and conflicting interests. In particular, the Department of Forest’s district offices are responsible for checking the credibility of the permits that they themselves issue. The study then reviews the strengths and weaknesses of the CIAA to show the potential of an independent body for overseeing the overall verification process.

Establishing an efficient verification process should lead to substantial economic and environmental benefits. Nepal is a poor country with a wealth of natural resources. The sustainable management and exploitation of these resources could raise the living standards of hundreds of thousands of Nepalese. Corruption in the sector hurts every part of the nation, but particularly impacts upon the poor. Illegal unplanned harvesting leads to the degradation of the forests that the poor rely on for their daily needs, and deprives the government exchequer of income that it could use for improving basic health, education and drinking water services.
Suggestions for the future

This is the first study on forest product verification in Nepal. This preliminary review makes it clear that the system needs improving in many ways with the following as initial important steps.

Detailed study
A detailed study should be carried out to get accurate estimates on the scale of forest product related corruption in Nepal for primary traded products. The study should result in detailed recommendations for improving the verification system and include testing the practicality of recommendations, including issues such as government ownership and people's participation. It should draw on the experiences of important stakeholders such as department of forest staff, the user group federation FECOFUN, and anti-corruption organisations such as Pro Public.

Improve institutional arrangements
It is recommended that independent institutional arrangements are set up under an apex oversight agency that is independent of the forest ministry. This apex agency should be either the CIAA, a completely separate new body, or a new body set up within the CIAA that focuses on the forestry sector. Strengthening the CIAA to take on this role would provide the government with a good sense of ownership of an improved verification system. Then an efficient coordination mechanism with the existing verification institutions listed in Annex 2 would need to be established. The CIAA's new district branches could play a valuable role in receiving complaints and gathering evidence.

Immediate CIAA contribution
For immediate improved control, the CIAA should work more with FUGs, DFOs, environmental NGOs, and community-based enterprises to enhance the verification of forest products at the local level.

Regulations
The rules and procedures for harvesting, transportation and commercial distribution of forest products are quite complex. A broad regulatory framework should be established that synthesises and streamlines all relevant rules and regulation on forest products verification. These should be compiled as a reference for the general public to know the law and to help identify policy and legal gaps. This could in turn lead to more of a one-window system for issuing permits and paying taxes as long as this did not serve to focus corruption in the hands of fewer institutions or people.

Different ownership systems
Nepal's many types of forest management and ownership structures cause problems for implementing a single verification system. A question for further study is whether there needs to be a verification system for each management regime or a single broad system for all types.

Encouraging citizen's involvement
The general public should be encouraged to identify and lodge complaints against offenders. One way of potentially doing this is by holding public hearings. Some district administrative offices have started holding such hearings. DFOs should also hold public hearings for forest-related complaints. In turn the CIAA should systematically feed off credible information emerging from these hearings.

Citizens' involvement
Ordinary citizens can play an important role in forest products verification. The verifying agencies listed in Annex 2 need the assistance of local people to inform them about illegal harvesting and smuggling. Rewards should be payable for information that leads to prosecutions with informants getting a percentage of fines paid. However, the authorities fail to promote public involvement. More people’s involvement in verification would make it more difficult for officials to manipulate the quantity, quality and steps followed in the trade. Similarly, public participation would increase access to official information and help to protect evidence.

Incentives
Introduce incentives for officials, contractors and users groups to act legally and ensure that those guilty of violations are punished to provide disincentives to illegal activity.

Promote community forestry
The growth of community forestry has been founded on handing authority and responsibilities to local people. Although abuses are associated with this – principally related to elite capture of benefits – the system is much less corruptible than the conventional Nepali government system. There is proportionately much less corruption in timber harvesting from community forests than from government forests. Most user groups carefully check that contractors only harvest their permitted amounts.

Promote local forest-based industries
The development of community-based enterprises for harvesting and processing forest products would reduce smuggling from villages as local people would benefit more from local legal processing.

Donor support
Stakeholders should encourage donors to support chief district officers and CIAA district and regional offices to register and investigate cases of forest product related corruption. This could be directed through the existing DFID and DANIDA supported CIAA Institutional Strengthening Project.

Political will
It is a great challenge to bring in proper forest products verification where so many local powerbrokers are involved in the illegal trade. The political parties need
to include this issue on their agendas and push for reform to bring broad political support for an improved verification system.

References

Acronyms
CIAA The Commission to Investigate the Abuse of Authority
CITES Convention on International Trade of Endangered Species
DANIDA Danish International Development Agency
DFID Department for International Development (UK)
DFO District forest office
FUG Forest User Groups
HMGN His Majesty’s Government of Nepal
NR Nepali rupees (exchange rate of US$ 1 = 70 in July 2005)
NTFP Non-timber forest products

Dinesh Paudel is Forestry Development Coordinator at the Nepal Swiss Community Forestry Project in Nepal. Stephen J. Keeling is a freelance editor and writer working mainly on governance and natural resources in South Asia, www.makeeverywordcount.com. Dil Raj Khanal is Legal Advisor to the Federation of Community Forestry Users, Nepal (FECOFUN).

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Verifor Case Studies present experiences of verification in various sectors to inform research in tropical forests. Series editor: David Brown (d.brown@odi.org.uk) Administrative editor: Josephine Tucker (j.tucker@odi.org.uk) http://www.verifor.org/
### Annex 1: Authorities for the trade of forest products by forest type

<table>
<thead>
<tr>
<th>Forest Types</th>
<th>Authority to issue harvesting permits</th>
<th>Forest products selling system</th>
<th>Authority for giving transport permits</th>
<th>Who collects sale price and taxes</th>
</tr>
</thead>
</table>
| Government managed forests    | DFOs                                  | • Tender system for sale of timber  
• Official price as per HMGN price list. If no price list then auction | DFO for national, and Department of Forest for export                                                                 | • Price - government  
• Local governments collect tax on any products which are sold or transported through their territory |
| Protected forests             | DFOs                                  | According to a forest’s operational plan as prepared by DFO                                      | District Forest Officer                                                                                   | • Price - government  
• Local tax - local governments                                                                                                                                       |
| Community forests             | FUGs                                   | As per Constitution and operational plans - generally by auction or through own dealerships      | FUGs or FUG committees                                                                                   | • Price - FUGs  
• Local tax - local governments                                                                                                                                       |
| Leasehold forests             | Licence holders or leasehold groups    | According to operational plans                                                                    | District forest officers                                                                                   | • Price - licence holders  
• Local tax - local governments                                                                                                                                       |
| Religious forests             | Religious forest holder agency, group or individual | According to operational plan (only NTFP allowed)                                                        | Agency, group or individual                                                                                | • Price - owner groups                                                                                          |
| National parks/wildlife reserves | Head wardens                        | No clear rules about forest products but licences issued for hunting animals and sample collection | National transport by warden but export permit by ministry                                               | • Price - government                                                                                              |
| Conservation areas (eg ACAP) | User committees or protected area wardens | No clear rules and procedures                                                                     | Transportation not allowed                                                                                  | • Price - user committees                                                                                      |
| Buffer zone community forests | User committees or protected area wardens | According to operational plan (only NTFP allowed)                                                        | Warden                                                                                                    | • Price - user committees                                                                                      |
| Private forests               | Forest products can be harvested and sold by owners but DFO issues release orders for transportation |                                                                                                             |                                                                                                              | • Price - owner  
• Local tax - local government                                                                                                                                       |

Note: in all cases VAT is payable to the central government on processed or semi-processed products.
<table>
<thead>
<tr>
<th>Institutions</th>
<th>Roles</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. Government institutions</strong></td>
<td></td>
</tr>
</tbody>
</table>
| 1 District Forest Offices | • Each range post (lowest unit of DFO) should prepare annual timber and fuel wood harvesting plans from government managed forests in line with operational plans – specifying quantity, species and timing – and publish public notices inviting tenders  
• Place authorised marks on legally harvested products and issue release orders for their transportation within a certain period of time  
• Send lists and descriptions to regional forest offices and Department of Forest of all forest products sold  
• For NTFPs – hold tender competitions and issue licences and release orders for maximum quantities as described in district operational plan and environmental impact assessment  
• Collect due revenue and tax on sold forest products before harvest |
| 2 Regional forest offices | • Monitor and evaluate commercial sale of forest products by district forest offices and provide suggestions and directives  
• Develop methodologies for improving systems and coordinate with higher level bodies |
| 3 Department of Forest | • Prepare operational plans for government managed forests and obtain approval from the forest ministry  
• Supply raw material for NTFP-based enterprises and make contractual agreements with companies for fixed periods  
• Monitor and evaluate DFOs’ and other officials’ commercial distribution activities  
• Implement punishments handed down by the CIAA to officials who mishandle commercial activities  
• Coordinate with other institutions and respond to media news |
| 4 Department of Plant Resources | • Provide information about chemical content, certification and quality control of commercial forest products, and provide related services  
• Act as managerial authority for protected species |
| 5 DFO forest products check posts | • Check the legality of all products transported through the checkpoints and verify if there are any misappropriations  
• If illegally transported or smuggled forest products are found, submit cases to appropriate higher authority for legal action |
| 6 Nepal police | • Identify criminal activities in government managed forests and if illegal transportation of forest products is found arrest violators and deliver them to nearest forest office |
| 7 National parks and other protected areas offices | • As per existing laws issue permits for limited hunting and for collecting samples of valuable species  
• Control all activities that affect parks and reserves and regulate all commercial activities |
| 8 Conservation area management offices | • Issue release orders for forest products from private forests within protected areas  
• Allow researchers if they have permission from the Department of National Parks |
| 9 Army barracks | • Patrol national parks and reserves, and arrest smugglers and deliver them to the warden |
| 10 Custom and tax department offices | • At customs posts, check the legality of forest products and whether correct taxes and revenues have been paid, and issue export permits  
• Arrest persons found breaking the law and take them to court for legal action  
• Check that forest products being exported are permitted for trade. If not, note evidence, seize the products and proceed to legal action |
| 11 District administration offices | • Punish, and recommend for departmental action, forest officials and personnel involved in corruption and abuse of authority related to the harvesting and sale of forest products |
### A. Government institutions (contd.)

<table>
<thead>
<tr>
<th>Number</th>
<th>Institution</th>
<th>Roles</th>
</tr>
</thead>
<tbody>
<tr>
<td>12</td>
<td>Regional administration offices</td>
<td>• Punish any second class or lower officer found linked with corruption or abuse of authority in the commercial distribution of forest products</td>
</tr>
</tbody>
</table>
| 13     | Ministry of Science and Technology, and Environment | • As per the Environment Protection Regulation 1996, approve environmental impact assessments for products where harvesting requires them  
• Monitor environmental impact and punish those who do not comply with environmental requirements |
| 14     | District development committees                  | • Collect local taxes on all locally harvested forest products and ones transported through the district  
• Seize illegally harvested forest products and those for which taxes have not been properly paid |
| 15     | Commission to Investigate the Abuse of Authority | • Investigate, arrest, and file court cases against anyone acting illegally or abusing their authority for the commercial distribution of forest products. Violators can be government employees or outsiders. CIAA can carry out checks and interrogations at any time for any reason, if reports are filed by informants |

### B. Special institutions involved in the verification process

<table>
<thead>
<tr>
<th>Number</th>
<th>Institution</th>
<th>Roles</th>
</tr>
</thead>
<tbody>
<tr>
<td>16</td>
<td>Timber Corporation of Nepal</td>
<td>• Sell timber throughout the country, mostly by buying from DFOs and selling by tender</td>
</tr>
<tr>
<td>17</td>
<td>Forest product development committees</td>
<td>• Some valuable large areas of government forest lands in the Terai are managed by special committees of government representatives. They can sell products from their forests by tender.</td>
</tr>
<tr>
<td>18</td>
<td>District forest product supply committees</td>
<td>• All of Nepal’s 75 districts have committees chaired by the chief district officer to distribute forest products available through the DFO. Its role is to ensure that local demands are met. They also manage the sale of forest products for emergency needs.</td>
</tr>
</tbody>
</table>

### C. Local communities and civil society organisations

<table>
<thead>
<tr>
<th>Number</th>
<th>Institution</th>
<th>Roles</th>
</tr>
</thead>
</table>
| 19     | Community FUGs                                   | • Sell forest products as mentioned in their operation plans  
• Issue harvesting permits, apply authorised marks, and issue release orders  
• Investigate illegality and forward to district forest offices for help or file cases in court for punishment for large crimes |
| 20     | Buffer zone management committees                | • These committees, formed to manage the areas around protected areas, can sell timber as per their operational plans with the consent of protected area wardens |
| 21     | Leasehold FUGs                                   | • Can issue permits for the harvesting of forest products and issue transportation release orders after informing DFOs and checkpoints on the way |
| 22     | Protected area management committees             | • Main role is to guard against illegal harvesting and transportation of forest products from protected areas. They are responsible for arranging the supply of forest products for local people’s needs |
| 23     | User group federation (FECOFUN) and NGOs         | • Empower and inform communities and the general public about legal provisions and policies on the commercial distribution of forest products  
• Expose illegal practices and persons linked with corruption and abuse of authority  
• Advocate for transparent business of forest products considering local and national interests |
What is improper conduct and abuse of authority?

- Refusing to undertake any work under one’s authority or undertaking any work outside one’s authority
- Not following mandatory procedures while making any decision or giving instructions
- Using authority vested in oneself for purposes contrary to relevant laws, decisions or instructions
- Exercising one’s discretionary powers with a malicious intention or arbitrarily
- Unauthorised obstruction of the work of other offices, officers, or employees or pressuring any such office, officer or employee to perform unauthorised works
- Shifting one’s responsibility by handing one’s own work to other officers; and not fulfilling responsibilities demanded by the nature of one’s position
- Having work done for one’s own benefit through improper influence or enticement to an employee under one’s influence or control
- Abuse of facilities or concessions associated with one’s post

What is corruption?

Corruption is the act of taking bribes in cash or kind by position holders or through their friends and family members. It also covers the leakage of government revenues, inaccurate estimation of costs for projects, low standard delivery of services, etc.

Who can complain?

- Individuals who have information about an improper act or a case of corruption can register a complaint at the CIAA. In doing so, the person needs to provide evidence where possible. Complaints can be submitted in person, by mail, email or phone.
- Media news and civil society reports are other sources of information used by the CIAA to identify cases to be investigated.
- Complainants are permitted to keep their names confidential.
- There are no time limits for complaints relating to public interest, other than that complaints should be submitted within 35 days from the date of knowledge of occurrence of the event.