

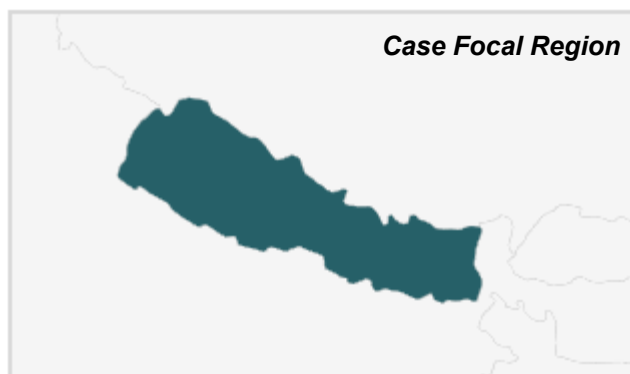
Federation of Community Forestry Users Nepal (FECOFUN)

Type: A membership-based, social movement organization and network

Global Objective: Poverty reduction, sustainable forest management

Established in Nepal in 1995. Since its inception, it has grown to represent about 8.5 million forest users. Membership in FECOFUN is accorded to two types of forest user groups:

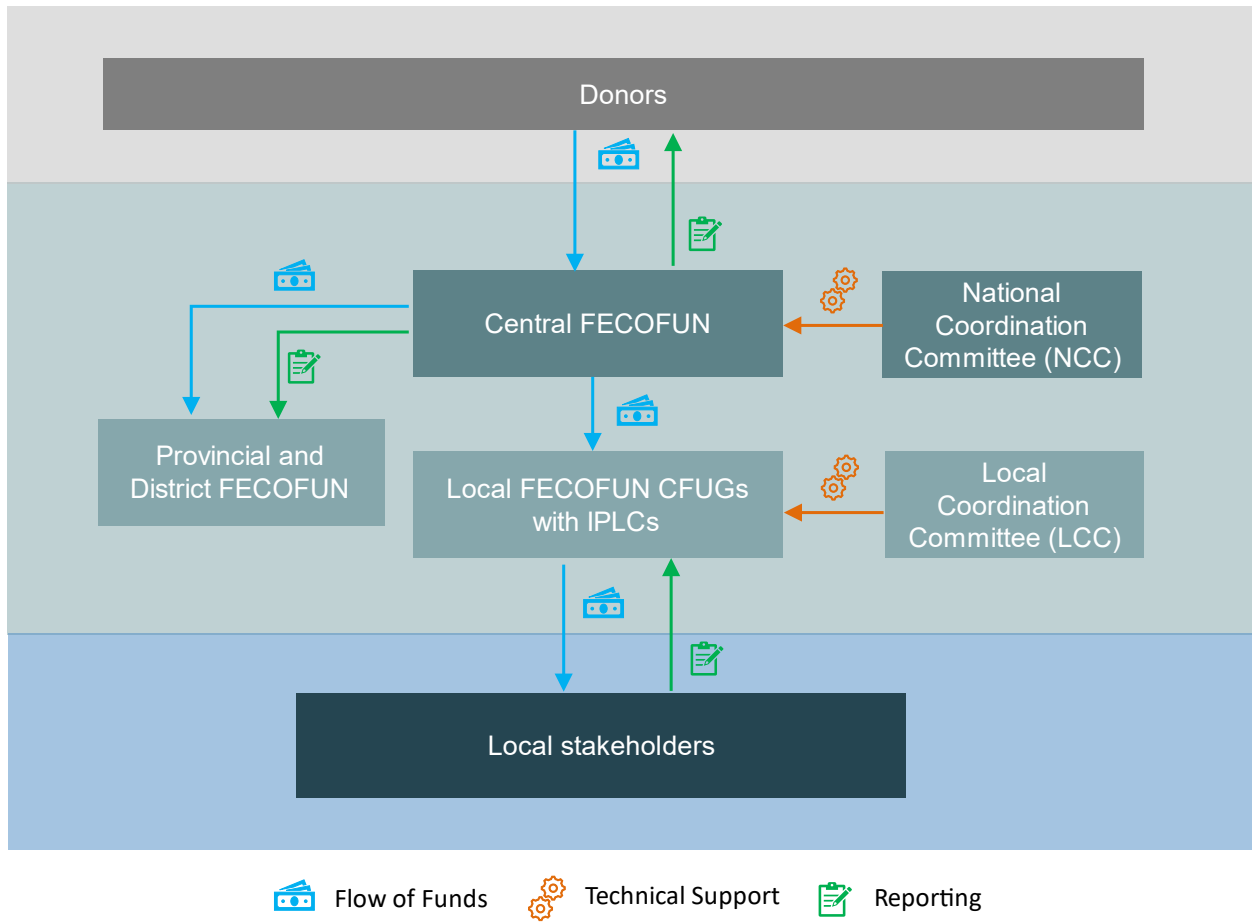
Forest User Groups (FUGs) organized under Nepal’s Forest Act of 1993, who are eligible to be “general members” of the Federation; and any other grassroots forest user group that lack formal registration, which are eligible to be “elementary members”. Of the more than 22,266 Community Forestry Users Groups (CFUGs) and other community-based forest management groups in Nepal, currently 16,186 are affiliated with FECOFUN.



Current Funding Sources	<ul style="list-style-type: none"> • <i>Private Donors:</i> CFUGs, donations from CFUGs, private foundations and NGOs; <i>Bi-lateral Donors:</i> USAID; <i>UN Agencies:</i> FAO’s Forest and Farm Facility; <i>International NGOs:</i> Tenure Facility
Annual Turnover	<ul style="list-style-type: none"> • USD 1 million (average 2018 – 2022)
Management/Administration – % of total funds	<ul style="list-style-type: none"> • 10% for Institutional Fund Cost, to Provincial and District FECOFUN if active roles in implementation is require and to finance their cover coordination, management, and administration costs
Scale of Representation	<ul style="list-style-type: none"> • Current: High – Representing 16,186 Community Forestry User Groups with 8.5 million members. • Potential: Medium – Additional 6,100 Community Forestry User Groups
Replicability potential	<ul style="list-style-type: none"> • Low potential both nationally and globally¹
Absorption capacity	<ul style="list-style-type: none"> • Current: High in relative and absolute terms
Expansion potential	<ul style="list-style-type: none"> • Medium potential to expand its grassroots network to more communities, as well as existing potential and capacity within FECOFUN to further expand efforts and activities to support IP & LCs and CFUGs

¹ The representivity and capacity of organizations like FECOFUN evolve over the long term, and even significant donor effort in the short-medium term is unlikely to be successful in creating or building out organizations with the national influence, capacity, and validity to replicate a FECOFUN.

Federation of Community Forestry Users Nepal (FECOFUN) Fund Flow Diagram



Federation of Community Forestry Users Nepal (FECOFUN)

What is FECOFUN? FECOFUN is a membership-based, social movement organization and network that was established in Nepal in 1995. Since its inception, it has grown to represent about 8.5 million forest users. Membership in FECOFUN is accorded to two types of forest user groups: Forest User Groups (FUGs) organized under Nepal's Forest Act of 1993, who are eligible to be "general members" of the Federation; and any other grassroots forest user groups that are lacking formal registration that are eligible to be "elementary members". Of the more than 22,266 Community Forestry Users Groups (CFUGs) and other community-based forest management groups² in Nepal, currently 16,186 are affiliated with FECOFUN.

Global objective (-s): Poverty reduction, sustainable forest management

Organizational objective (-s): To promote and protect the rights of community forest users through capacity strengthening, economic empowerment, sustainable resource management, technical support, advocacy and lobbying, policy development, and national and international networking and to uphold the values of inclusive democracy, gender balance, and social justice.

Typology: Accountability – IP & LC owned. Scale of target outcome – Strengthening specific IP & LC communities; strengthening IP & LC organizations; coordination among multiple entities to implement existing systems; and reforming systems – policies, laws, regulations, markets, and norms.

Focal region: Nepal.

Operational context: Community forestry in Nepal has been exceptionally successful in reducing deforestation and forest degradation and improving the livelihoods of local communities. Over the three decades since Nepal began to formally recognize community forests, more than 22,000 CFUGs have become registered and have legal rights to manage and protect the more than 2.2 million hectares of forest land (over one-third of Nepal's total forest area). However, the legal rights of CFUGs remain tenuous, vulnerable to subjective interpretations by local Divisional Forest Offices, and conditioned on the fact that the ultimate governance of forests lies with the State. Recently, the Federal Forest Act (2019) and Forest Regulations (2022) have included rollbacks on community forest rights, with the resulting legal and regulatory uncertainties³ limiting many CFUGs – and their communities – from fully benefiting from the forests they steward.

How it works: FECOFUN's ultimate authority is its National General Assembly (NGA), which periodically meets to, among others, agree upon and approve the vision, strategies, and programs to be implemented. To implement these, FECOFUN is structured with offices at all administrative levels, across the entire country. The national-level office is in Kathmandu, and other offices are at Provincial-level (seven), District-level (seventy-seven), and local-level (five-hundred-thirty). Each office has economic, administrative, and managerial autonomy; but all operate under an integrated and uniform policy.

The national-level office leads on fund-raising and provision of guidance for the implementation of NGA-approved programs. Provincial and District-level FECOFUN units support implementation, playing a more direct role than that of the national office. Local units are charged with project implementation via the Local Coordination Committee (LCC). The LCC is, in turn, coordinated by the local government's Forest and Environment Committee, highlighting the close relationships and responsibilities of FECOFUN and government authorities in project implementation and governanceⁱ. Roles of FECOFUN units at different levels are detailed in Figure 1.

Governance: Being a member-based organization, FECOFUN is ultimately responsive and accountable to member CFUGs. To this, FECOFUN's Organizational Policy (1998)ⁱⁱ requires the adoption of inclusive, participatory, and democratic governance systems that ensure transparency and provide equal opportunity

² For example, leasehold forestry groups, religious forestry groups, buffer zone groups, and traditional forest management groups.

³ For example, government forest authorities promulgate regulations and administrative requirements that constitute barriers to CFUG's use and productive management of forest resources. In many instances these requirements can contradict with the rights given by the existing Forest Act and Regulation.

to all members to participate in the decision-making process. This is achieved through the multiple committees established at each level to govern the organization, each with specific roles and responsibilities.

- National level: the organization is governed by a national council, national executive committee and an eleven-member steering committee. Every four years a National General Assembly is held, and elections are held to select the members of each national committee. There are three special committees at national level: Monitoring, Judicial and Election committees.
- Provincial level: the Provincial committees, of which there is one in each province, oversee the activities of CFUGs at provincial level and maintain coordination with government agencies and other stakeholders within their jurisdiction. Every four years a Provincial Assembly elects the Provincial committee members.
- District level: The District committees are responsible to oversee the programs at that level and for maintaining coordination with stakeholders. Here also, a District Assembly elects new committee members every four years.
- Local level: Local committees are formed in each municipality (rural and urban). These units are directly responsible to deal with the issues related to community forest user groups and provide support to implement operational plans and other activities related to forest management and realizing the rights of IP & LCs as provided for in the existing legal framework. Coordination with local government and other agencies that extend support to its CFUG members are among the local FECOFUN's key roles. Here too, a Local General Assembly is organized every four years to select new members of the local committee. See Figure 2.

FECOFUN follows a democratic and bottom-up approach for selecting national level committee members. To be selected for the National Steering Committee, individuals come through by having first won local, district or provincial level office. There is a provision that men and women must be equally represented (50:50) at all levels. A special reservation quota is held at all levels for *dalit*, poor, minority groups and other disadvantaged members of communities to ensure their representation in leadership positions at all levels.

Priorities: At each level of FECOFUN, the majority of decisions and setting of priorities are made at the General Assembly meetings where, additionally, all financial matters are shared and receive approval. At the national-level, in addition to the General Assembly, all financial reports must be submitted to the Social Welfare Council (SWC)⁴ and to the national council meeting which held in every two years period.

FECOFUN's current priority areas are:

- Proactive engagement/advocacy with relevant policy actors in the political, bureaucratic, civic, private, research and academic spheres. Within the changed political and administrative contexts of the federalization of governance⁵, authority was devolved to local governments to enact laws that recognize and secure the community forest rights of IP & LCs, making engagements with local government/municipalities as major priority.
- Establishment of multi-stakeholder partnerships for advocacy at national, provincial, district and local levels in favor of local forest laws and policies that support community forest rights, reduce onerous regulatory burdens, and improve the authority and capacities of IP & LCs to govern and manage their forests and land resources.
- Integration of biodiversity conservation and climate change mitigation/adaptation, and implementation of REDD+ schemes within community forests.
- Internal governance reform, leadership, and capacity building of FECOFUN units, especially women and youth, for them to take lead roles in policy advocacy and forest governance.

⁴ The Government of Nepal established the Social Welfare Council in 1992 to provide for the Social Welfare by means of different activities relating to the social welfare work. To support the overall development of the country they may operate social welfare programmes through the relevant Ministry and social organizations and institutions.

⁵ A federal governance structure was introduced in 2015 with the New Constitution of Nepal. FECOFUN has restructured its organizational to match the government's structure.

- Financial self-reliance, including development and approval of special plans at General Assemblies, National Council, and National Executive Committee to develop internal funding sources so as to avoid overdependence on project funding from external donors.
- Strengthen partnerships with private sector, government and CSOs to maximize the possibility of generating economic/livelihood benefits from harvesting, processing, and marketing of forest products (timber and non-timber) from community forest areas.
- Continue to function as an international knowledge hub that provides practical training to international actors interested in the establishment and advancement of community forestry.

Primary Outputs/Outcomes: FECOFUN has been the primary organization supporting CFUG rights and capacities in Nepal since 1995, with now some seventy-three percent of Nepal's almost twenty-three-thousand CFUGs and other community-based forest management groups as dues-paying members. Examples of their notable achievements include:

- Since 1995 FECOFUN has implemented over thirty major, collaborative projects and programs with funding support from a wide range of donorsⁱⁱⁱ in furtherance of its mission of support for the development of community forestry and the advancement of the forest and land rights of IP & LCs.
- Capacity building for CFUG operations (incl. financial transparency, marketing, communication and outreach), sustainable forest management, legal awareness and conflict resolution, forest-based enterprises, gender and inclusion trainings, and climate change mitigation/adaptation/PES; expansion of community forest rights; creation of strong political/policy support network at all levels of government;
- Advocated for the application of principles of gender equality, inclusion of marginalized groups, and participatory and democratic decision-making across all levels/units of FECOFUN. One-thousand-seven CFUGs are women-only groups and thirty-eight CFUGs with both men and women have a woman as chairperson;
- Influenced policymakers at all levels of government, CSOs and their networks to create supportive environment for community forest rights for IP & LCs in Nepal;
- Supported CFUGs to follow sustainable forest management and establish local enterprises through processing, value addition and marketing of timber and non-timber forest products. Today more than two-hundred-fifty forest-based enterprises and around five-hundred eco-tourism enterprises are managed by CFUGs;
- Translated global environmental efforts into action via collaboration with government agencies, donors, international actors, and the private sector to develop climate change adaptation plans and mitigation actions for selected CFUGs. FECOFUN provided inputs to government on behalf of communities while developing national climate change and conservation policies and strategies (e.g., Environmental Protection Act) and creating awareness and building capacity amongst CFUGs for REDD+, participation in forest carbon markets, strengthening tenure security, PES and benefit-sharing mechanisms for emission reduction programs.

Funding source: Since FECOFUN's inception, it has relied on membership fees from CFUGs, donations from CFUGs, private foundations and NGOs, and donor agency grants for projects. Since 2015, key funding partners for projects have been FAO's Forest and Farm Facility, USAID, and the Tenure Facility.

Financial mechanism: FECOFUN has a well-established system of financial management at all levels, with clear rules and regulations in place, and which meets Government of Nepal standards and requirements. Financial reports are submitted regularly to its own National Executive Committee's council meetings and to the Social Welfare Council annually. Internal auditing is done annually, and external audits by independent auditors every three years. Annual budgets and expenses are published in its magazine "*Ban Awaj*" as a transparency measure. Financial reports are submitted annually to the Government's Inland Revenue Department annually; a requirement to maintain their government registrations. In sum, their financial mechanism is transparent and monitored and reviewed regularly by multiple actors. Equally, CFUGs are regularly audited, and both their and FECOFUN's budgets and expenses are published and publicly accessible.

When project funding is available (e.g., through donor grants), a national coordination committee (NCC) is established⁶ to provide overall project guidance and direction. Funds flow directly from national to local FECOFUN for implementation. The provincial and district FECOFUN offices only play supporting roles but are not otherwise involved in fund flows or the implementation. However, national FECOFUN provide necessary information to these units about the project and its periodical progress update. At local level, implementation of the project is governed through local coordination committee (LCC)⁷. The LCC is responsible for overall planning and implementation of the project in coordination with local stakeholders.

Disbursement and fund management is the responsibility of local FECOFUN. By working closely with the forest and environment committee of the local governments (municipalities), the local governments' budgets for forest and environment development can be leveraged and synergies created with FECOFUN's local project investments. Local FECOFUN units also maintain relations with local and regional Forest Offices to leverage in-kind technical and legal support for implementing their projects.

In terms of fund allocations, for donor funds received by national FECOFUN that are destined for direct financing to the local level (i.e., CFUGs), the local FECOFUN will receive 10 percent overhead to finance their cover coordination, management, and administration costs. For projects which require Provincial and District FECOFUN to either implement or play an active role in the implementation, there is an allocation of 10 percent of the total budget to finance their roles. In addition, a review of available audit reports^{iv} showed that in two consecutive years (FY2074/2075 and FY 2073/2074) that Institutional Fund costs represented 10% and 12.7%, respectively, of total expenditures for those fiscal years.

Annual turnover: Over USD 5 million turned over between 2018-2022, or an annual average of approximately USD 1 million. This level of funding has been consistent since the period beginning in 2010.

Absorption capacity: High in relative and absolute terms. Strong, transparent governance and clear priorities and strategies are in place to orient and direct funds to over 16,000 constituent CFUGs, or by extension, more than 22,000 local groups. FECOFUN has significant financial experience and systems to receive, administer, manage, and disburse funds from donors. Its long track record provides a basis for trust and confidence in its capacity to ensure the appropriate use of funds. In addition, many of the CFUGs themselves have capacity to leverage funding in support of their priorities, and local FECOFUN units' collaboration with local governments provides concrete opportunities to complement and leverage the public funding allocated by the national government for local governments' forest and environment development.

What works:

- FECOFUN is an established, mature organization with a clear social purpose.
- Being a membership-based organisation, FECOFUN is directly accountable to its more than 16,000 CFUG across Nepal.
- FECOFUN's transparent, accountable, participatory governance at all levels underpins its legitimacy within Nepal and the trust from its external supporters.
- A well-established governance structure across all levels – from local to district to province to national – provides a functional institutional structure that enables FECOFUN to operate effectively and apply principles of good forest governance (transparency, accountability, participation, inclusiveness, integrity, and rule of law).
- The organization currently has multiple revenue sources to support sustainable operations.
- FECOFUN has a very good track record on efficient use of donor funding; excellent working relation with local government, private sector, government agencies, international agencies, networks of IP & LCs and civil society groups at all levels; and of being both a pioneer and ongoing key forest sector

⁶ The NCCs are coordinated by national FECOFUN and comprise representatives from the Ministry of Forest and Environment, National Dalit Association, Nepal Federation of Indigenous Nationalities (NEFIN), and NGO Federation.

⁷ The LCCs are coordinated by the local governments' Forest and Environment Committees, with the local FECOFUN functioning the Secretary of the committee. Other members of the LCC include representative from the local or regional Forest Offices, local NGOs, local units of NEFIN, and local units of the Dalit Federation.

actor for upholding the agenda of forest land tenure security and sustainable forest management that contributes to fulfilling economic, environmental and social needs of IP & LCs.

- The organizations multi-level structure and dispersed geographic presence facilitates donor access and communication to local-national stakeholders.
- FECOFUN's strong promotion and implementation of social agendas in the community forestry sector – gender, equity, inclusiveness, and pro-poor support – have resulted in FECOFUN's CFUG members applying these same principles in practice through transparent provision in their operational plans and organisational guidelines.

Strategic Insights

Organizational maturity and depth are crucial assets for donors. FECOFUN has considerable experience with donor funding over the past 25 years. As an organization it is fully accountable to its member groups, and it operates across Nepal at multiple levels (federal, provincial, district and local). Given the physical presence of FECOFUN offices and staff and the strength of its member network, donors have ready access to FECOFUN and its member groups.

A national environment of collaboration helps ensure financing targets IP & LCs and their priorities. In a general context of heterogeneous community composition and close collaboration between Indigenous Peoples and local communities, Indigenous People's rights related organizations such as the Nepal Federation of Indigenous Nationalities (NEFIN) and the Centre for Indigenous Peoples Research and Development (CIPRED) are closely collaborating with FECOFUN to secure the rights of IP & LCs over land and forest resources. This creates an enabling environment for donor funding to ensure that forest guardianship funding is well allocated to IP & LCs.

FECOFUN's strong social agenda ensures forestry sector initiatives are also gender, equity, inclusiveness and pro-poor support programs. All community forest user groups are applying these principles in practice, for example, by having clear provisions in their operational plan and organizational guidelines, including that male and female must represent equally (50:50) at all levels. Gender equality is mainstreamed in all plans and programs. There are provisions for nominating representatives from highly marginalized groups and ethnic minorities so as to achieve greater diversity and social inclusion. FECOFUN empowered the voices of forest communities, indigenous people, marginalized groups such as women, Dalits, and Madhesis and applied the principle of equitable benefit sharing. As of now, there are 1007 CFUGs managed only by women, and 38 CFUGs having women as the chairperson (leadership position).

Good governance provides a stable foundation for impact. FECOFUN has been practicing good governance and transparent and participatory decision-making process at all levels. For example, public auditing; highly visible decision-making of important matters, including finance, in a participatory manner at the general assembly; regular internal and external auditing of the financial transactions; and compliance with anti-corruption rules, procurements, and administrative and financial regulations. FECOFUN takes immediate action against its members if the rules are violated, and funds are misused. FECOFUN's well-established good governance enables the organization to operate effectively and work with local government, the private sector and CSOs to uphold its agenda to secure forest tenure and sustainable forest management for IP & LCs and society's benefit.

Capacity building of FECOFUN and CFUG members supports forest management and livelihoods. Capacity building is one of the key aspects of institutional development of FECOFUN at all levels. FECOFUN extended support to the members CFUGs by providing a number of trainings such as: facilitator training, gender mainstreaming, women empowerment, climate change, leadership development, legal pluralism, FPIC, conflict resolution, good governance, and institutional development. Facilitators developed by FECOFUN are currently helping CFUGs in the revision of their operational plans and creating awareness on contemporary issues such as climate change, REDD+, and sustainable forest management. Vital areas for further capacity strengthening across the FECOFUN network and structure include conflict resolution, climate change and REDD+, payment of environmental services (PES); and agroforest-based enterprise development and marketing.

Fiscal sustainability is supported by internal fund generation. FECOFUN generates revenues by membership fees and annual renewal fees of member CFUGs. CFUGs, in turn generate revenue by the operation of forest-based enterprises, Payment for Environmental Services, etc. Having diverse income generating activities enables FECOFUN and its constituent CFUGs to mitigate the financial uncertainty of external funding sources to fund operating expenses, institutional development and implement projects/activities more reliably.

Scalability

Replicability. Low – Given FECOFUN’s national scope and network consisting of the majority of Nepal’s community forest user groups, replicability is most relevant in other countries that do not currently have well-resourced membership organizations with demonstrated capacity to support a broad, consensus agenda of IP & LC, collective forest users. However, the capacities of organizations like FECOFUN take decades to develop, and even significant donor effort in the short-medium term will likely not be able to build out institutions with the national influence and capacity to support communities at this level. Indeed it is even questionable that donors could intentionally replicate a FECOFUN in the absence of there already existing a legitimate, reasonably mature umbrella/membership organization whose growth they might help to support. In the absence of other contexts where these organizations are already present/developing (e.g., AMAN in Indonesia), and given these limitations, expansion of FECOFUN would seem the more important possibility.

Expansion: High – Of the some 22,266 CFUGs⁸ in Nepal, approximately 16,186 are already affiliated with FECOFUN, implying modest potential to expand its grassroots network to more communities. However, there is some potential and capacity within FECOFUN for the further expansion of efforts and activities to support IP & LCs and CFUGs.

CFUG’s can leverage their own funding to promote activities that are helpful in securing tenure rights and furthering their forest conservation and livelihood agendas. In addition, local FECOFUN units’ collaboration with local governments creates opportunity for synergies between their public funding and FECOFUN funding, greatly increasing the potential for well-tailored, strategic local interventions to promote and sustain tenure security of IP & LCs across the country. In the long run, a successful effort at scale for CFUGs to leverage their tenure security for local economic development (e.g., financially viable, community forestry enterprises) could allow donor funding to be more strictly focused on capacity building, technical assistance, regulatory reforms, and organizational development of CFUGs and of other stakeholders whereas costs for local investments and interventions in support IP & LCs might be met by internal funding from CFUGs/local FECOFUN and local governments.

References

ⁱ https://fecofun.org.np/downloads_other/FECOFUN-Profile.pdf

ⁱⁱ FECOFUN. 1998. Organizational Policy.

ⁱⁱⁱ FECOFUN’s key funding agencies and projects list

^{iv} Federation of Community Forestry Users. 2019. Financial Statements Fiscal Year 2074/2075. Independent Auditors Report. A.B.S. & Associates Chartered Accountants.

⁸ And other community-based forest management groups. See <https://www.fecofun.org.np/introduction>