

Policy Brief

Policy Provisions, Gaps and Challenges of Community Based Forest Enterprise in Nepal

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Key messages

- Establishment and development of large and small scale community based forest enterprises through sustainable management of forest can be profitable for local communities and the nation as well.
- Policy barriers in establishing community based forest enterprises in Nepal should be dissolved quickly.
- An enabling environment in favour of community based forest enterprise need to be created through policy guidelines, institutional commitments, awareness rising and its' proper implementation.

1. Background

Nepal is a small country with tremendous geographic diversity; it rises from as low as 59 masl in the tropical Terai in the south-eastern alluvial plains to 8,848 masl at the peak of Mount Everest. Because of unique geography with drastic changes in elevation, Nepal is rich in biodiversity. Forest area including other wooded land in Nepal is 6.61 million ha which comprise 44.74% of the total area of the country (DFRS/FRA, 2015). Among developing countries, Nepal is one to manage forest in an innovative based concept known as community based forest management which has been a priority program of the forestry sector. Community forest is handed over from 1976 onward and has increasingly recognized as a means for promoting sustainable forest management, restoring degraded forests, contributing social development, enhancing the livelihoods of low income people and forest dependent communities, promoting community rights to forests, enhancing forest sector governance, promoting the forest based enterprise and local democracy. Out of the total forest area of Nepal, CF represents about 30%. At present, about 1,813,478 ha of forest area is under community forest management with 19,361 Community Forest User Groups (CFUGs) (CFD, 2017). Community forest user group have more opportunities (i.e. timber, NTFP, medicinal plant, tourism, livestock farming, etc.) to develop the forest based enterprises that can generate employment, income, support livelihood of poor and disadvantaged groups and finally contribute to achieve the nation's major goal of poverty alleviation. But still, CFUGs are not aware of the available potential forest resources in their forests which are valued for the enterprise establishment and business prospective. Micro-enterprises comprise a major source of income in the rural and urban areas of Nepal and are equally important too. According to the previous studies, CBFEs in Nepal is not very satisfactory and successful

in term of employment creation, poverty reduction and economic development of local communities and nation as well. In CFs, efficient utilization of forest resources and economic growth through sustainable forest management is still lacking at this point. Lots of forest resources are decaying because of lack of proper use of these resources, as well as policy constraints. On the other hand, 82% of the Nepalese living in rural areas (World Bank, 2013) relies on natural resources for their livelihood, especially the forest resources. For this, there is a need to identify the CFs which has a potential for enterprise establishment as well as sustain it.

2. Community based forest enterprise: policy provisions

Different forest policies of Nepal highlighted the forest based enterprise development for poverty alleviation through sustainable forest management. The Master Plan for the Forestry Sector (1989) has given priority to timber based enterprise. Forest Act (1993) and Forest Regulation (1995) have given rights to CFUG for forest protection, management and forest resources utilization. Additionally, the legislation fixes the prices of forest products for subsistence needs and sale. Furthermore,



Forest Policy (2000) and Nepal's Tenth Five-Year Plan (2002–2007) focuses on the sustainable use of potential forest resources for poverty alleviation as well as income and employment generation through the promotion of forest-based micro enterprises. The Herbs and NTFPs Development Policy (2004) has emphasized private sector participation for NTFPs expansion, local processing, and conservation of high value herbs and NTFPs. It has clearly mentioned that community based forest enterprises are the means for rural employment creation, poverty reduction and sustainable resource management. The Micro-enterprise Act (2007) has given priority to forest based enterprise, which has less than 2,000,000 NRs economic transition annually. Industrial Act (2011) has emphasized micro-enterprise and cottage and small industry especially focus on herbal and other NTFP based industries. This policy document has also highlighted to support the program for skill and technology development, market linkage and research on herbal and other NTFP based enterprises. Forest Act (2015) also highlighted the establishment, development and promotion of forest-based enterprise and business through the investment of government, community, private and co-operative sectors. Not only this, It has also emphasized on private sector involvement for the promotion of forest based enterprise in order to achieve multiple products and creation of employment through marketing and value addition of those products. Forestry Sector Strategy (2016) focuses on the endorsement of forest based enterprise for economic growth and poverty reduction of poor and marginalized people. Similarly, it has also highlighted Public Private Partnership (PPP) and Public-Community-Private (PCP) co-operation model for the promotion of forest based enterprise. Likewise ,National Biodiversity Strategy and Action Plan (2014-2020) has also given the priority program for NTFP and other green enterprises promotion in community forests for the improvement of local people's living standard. Guidelines for Community Forest Development Program (third edition 2015) also highlighted different activities for the development of forest based enterprise. These are:

- List the name of potential enterprises which can be run through the use of forest based raw materials.
- Study and selection of benefit oriented forest based enterprise.
- Define enterprise establishment and development processes.
- Marketing of the products produce from enterprises.
- List the name of different stakeholder who can support for enterprise development and collaboration with them for physical, economic and technological support based on their expertise.
- District Forest Officer has authority to approve the eco-tourism development program in potential CFs based on their approved work plan.
- Build the network among the forest user groups' which have similar objectives for their collaboration.

- Promote the concept of one enterprise in one CF
- Poor, women, Dalit, Indigenous and marginalized people are given priority for enterprise establishment and to promote their traditional knowledge.
- Community forest user groups can make the collaboration with private sector for enterprise establishment and development.
- CFUGs can invest the share of their poor user during the establishment of forest based enterprise.

3. Overall challenges of community based forest enterprise

In Nepal, although there is potential of forest resources and have policy provisions for the establishment, development and promotion of community based forest enterprises, still many challenges and issues are prevailing. The community forestry policy of Nepal is regarded as a progressive method for establishing rights of local people over forest resources; however, the promotion of forest-based enterprises has been limited. Controlling policy environment and no full implementation of the approved policies is hindering the development of forest based micro enterprises which are forced to follow legal procedures that are mainly performed for the sake of large production enterprises and high investment projects. Financial investment for forest enterprise development by the government and private sectors are found very less although there is high potential for economic growth through the establishment of FBEs. The policy environment for community based forest enterprises is control-oriented rather than facilitative for the access and promotion of the market at both national and international levels. The overall policy challenges and issues related to the development of community based forest enterprises are:

- Absence of specific non-timber forest products (NTFP) management directives and guidelines.
- No clear procedure on inventory and sustainable management of forest are developed and suggested for valuable and marketable herbs/ NTFPs which create a problem in the collection of raw materials and their export.



- No land tenure security of community forest user groups.
- Impractical government bans and restrictions. Some species such as *Jatamansi*, *Silajit*, *Sugandhawaal*, *Sugandhakokila*, etc. are restricted from exporting before they are processed locally.
- The regulatory mechanism for the collection and transportation of forest products are enforced by many institutions (forest offices, check points, police posts, DDC, VDC, municipalities on the way, tax offices, etc.) without proper co-ordination.
- Complex and confusing registration process of CBFs.
- Irrational royalty rates and multiple taxations.
- Lack of financial investment for CBFs development by the government and private sector.
- Preparation of an Initial Environmental Examination (IEE) and Environmental Impact Assessment (EIA) report is compulsory for forest based enterprise registration. But, small scale entrepreneurs are not able to afford the costs for IEE/EIA.
- Location and distance requirements from nearby forest is a barrier for establishing forest based enterprises.
- Control on green felling and commercial use of timber resources
- Delay to renew the community forest operational plan that creates a problem for the harvesting of forest resources.
- Lack of branding, certification and recognized standards for products to ensure that products are produced organically, traded fairly and are environmentally sustainable which creates difficulties in meeting market requirements.
- Problems in mass scale production due to insufficient investment, lack of practical knowledge and insufficient access to modern tools and technology at the local level. Thus, unable to compete with market products.
- Technology of production and processing of NTFP and medicinal plants is not easily available.
- Lack of infrastructures at community level for production, storage, cooling, etc.
- Lack of marketing information and business capacity among forest users, such as knowledge of market prices, available volume and projection of future demand and supply.

4. Way forward

Community based forest management is an essential component to enhance socio-economic and ecological functions that is also potential to establish diverse FBEs. Community based forest enterprises have the potential to create local economic growth, ensuring social well-being, and promoting sustainable management of forest resources. But, there is urgent need to dissolve the policy



hurdle and make a more policy-enabling environment from the government to better ensure its success and sustainability. Therefore, following recommendations have been proposed to dissolve the policy gaps and address the challenges of community based forest enterprises:

- Government should promote CBFs for sustainable resource consumption, job creation, livelihood support to local community and economic growth of forest users and nation as well mention the budget and program in their annual plan.
- Enabling policy guidelines in favour of community based forest enterprise development should be developed, revised and implemented properly. Unnecessary controls in forest resource collection, trade, and export should be removed.
- Species specific non-timber forest products (NTFPs) management directives and guidelines should be developed and implemented properly.
- Preparation of EIA report should be omitted to establish the community based micro-enterprise.
- The distance barrier for establishing forest based enterprises should be addressed properly.
- Government and private sector should support to forest users in resource management, feasibility study and entrepreneurship skill development.
- Market-driven strategy should be adopted in the process of CBFs development. The important factors for such strategy should consider efficiency, product quality, production volume, promoting measures, and economies of scale.

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The objective of this paper is to explore the policy provisions, gaps and challenges of community based forest enterprise for its’ sustainability through the consultation with multi-stakeholder, research papers and policy review.

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