

## Opportunities, Challenges and Issues for Sustainable Forest and Farm Based Enterprise Development in Selected Districts of Nepal

### Key messages

- Development of community based forest and farm enterprises through sustainable management of forest and farm resources can be a bridge toward increasing the economic status of the poor, women and disadvantaged groups at the local level.
- Presently, there is urgent need to address the challenges in developing community based forest and farm enterprises for social-well being.
- Community-private partnerships provide one of the best models for the sustainability of community based enterprise.
- Policies should be favourable for community based enterprises development and a community's practices should be promoted to become more business oriented.

### 1. Background

Nepal, within a distance of 193km, has an altitude which varies from 60m to 8848m above sea level, thus representing a variety of unique geographical conditions and diverse socio-ecological features (Nandargi and Dhar, 2010). Due to its great variation in altitude, Nepal is rich in a variety of resources. Additionally, being a predominantly agriculturally based economy, Nepalese people are producing varieties of agricultural products such as crops, vegetables, fruits, etc. Being a lesser-economically-developed country, about 82% of Nepalese people live in rural area (World Bank, 2013); subsequently, most are dependent upon forest and farm resources for their subsistence and livelihood. Since the emergence of community forestry (CF) in Nepal (1976), rural people have utilized major forest products such as timber, fuelwood and fodder for their subsistence needs. Presently, 18,324 community forest user groups (CFUGs), including 2,260,688 households, are involved in 1,717,811 ha of community forest management in Nepal (CFD, 2014). Though the CF program was launched more than 3 decades ago in Nepal, much emphasis has been placed on the social processes of forest protection and efficient utilization of forest resources through sustainable forest management is still lacking to this point.

On the other hand, different forest policies of Nepal focus on users' rights and forest based micro-enterprise development for poverty alleviation. Although forest policies have been favourable, government initiatives have focused mainly on the promotion of community-based conservation and the fulfilment of subsistence

needs. Despite the seemingly strong potential of these diverse resources to create business motivation for these community groups in Nepal, not much attention has been given to the promotion of forest and farm based enterprises for the economic growth of local communities through sustainable management. In short, the promotion of forest and farm based enterprises seems underdeveloped.

In this context, generating forest and farm resource based employment opportunities has progressively been a major concern and priority for rural communities in Nepal. The establishment and promotion of community based forest and farm enterprises have become one of the major intervention points in poverty alleviation. This development can play a crucial role in generating employment opportunities and alleviating poverty in Nepal. Guided by this motivation, the Forest and Farm Facility (FFF) programme has supported forest and farm based enterprise in coordination with the International Union for Conservation of Nature (IUCN) and implemented by the Federation of Community Forest User Groups' Nepal (FECOFUN) as well as the Federation of Nepalese Cottage and Small Industries (FNCSI). Program activities are held in two districts (i.e. Nawalparasi and Kavrepalanchok) of Nepal, starting from 2014. FECOFUN has been the leader for policy advocacy throughout the project and FNCSI works on business development. The main aim of this FFF program is poverty reduction of poor, women and DAGs through proper management and utilization of forest and farm resources, ultimately creating employment opportunity at local level.

## 2. Outcomes

Within a short period of time, forest and farm based enterprise-oriented projects supported by FFF programme have demonstrated remarkable successes in generating social and economic capital at the local level in addition to proper use of forest and farm resources. The major outcomes from the working area were identified based on the field study and multi-stakeholder interaction. These include:

**a) Employment opportunities at local level:** With the initiatives of FFF programme, local people, especially women and poor households, are getting jobs at the local level. A total of 155 people are engaged in community based forest and farm enterprises. Out of them, 50 women are engaged in Babiyo grass collection and rope production from Bandevi CF; 35 women and poor people are engaged in Bel collection from the Bissasya CF and engage in Belsquash production; 20 poor households are engaged in poultry farming in both Bandevi and Bissasya CFUGs (10 household in each group); and 50 people from Dhaneshwor CFUG are engaged in vegetable farming, Lapsicandy making, spice production and Amriso and Bamboo farming.

**b) Skilled human resource development at local level:** Entrepreneurship and skills- development trainings for Babiyo rope making, Bel squash production, poultry farming and vegetable farming were conducted at three working sites (two in Nawalparasi district and one in Kavre district) to increase entrepreneurship and business skills among community members. A total of 105 women and poor people were trained in different kinds of entrepreneurship and skill development activities (i.e. 20 for Belsquash production, 15 for Babiyo rope making, 20 for poultry farming, and 50 for vegetable farming) in the two districts.

**c) In-active communities become active after realising the proper use of previously 'un-usable' forest and farm resources:** After the FFF programme began implementation in three CFUGs, people became motivated and empowered through engaging in income generating activities, realizing the proper use of potential forest and farm based resources. For example, un-usable forest resources such as Bel, Babiyo and Lapsi were used for income generation following the development of a micro-enterprise. Bandevi CFUG is providing Babiyo grass free of cost to womens groups within the community, meaning that the income of the Babiyo grass collectors only depends on how much they can collect grass from CFs. Bel and fruit processing companies for poverty reduction of poor people from Bissasya CFUG has begun functioning as a community-

private partnership model, where CFUG and 10 entrepreneurs jointly invested in the business, better ensuring its sustainability. In addition, in Dhaneshwor CFUG, different groups of farmers were engaged in vegetable farming, Lapsi candy preparation, spicy production, Amriso and Bamboo cultivation. These practices support the alleviation of poverty at the household level through proper utilization of 'un-usable' forest resources and sustainable farm management.

### **d) Income and market expansion:**

**Bandevi CFUG in Nawalparasi** - 15 women engaged in Babiyo rope production and with sales projected to total nearly 800,000 NRs annually. The income of the Babiyo grass collectors (35 women) only depends upon their collection capacity. India is the main market of Babiyo rope, as few of the ropes produced are sold at local and district markets in Nawalparasi. Additionally, 10 poor households engaged in poultry farming. Each of 10 households raised 30 chicks, earning about 50% net-benefit after selling them at the local level.

**Bissasya CFUG in Nawalparasi** - 10 women and poor individuals are projected to annually produce around 12,000, 700mL bottles of Belsquash. The net-benefit to the Belsquash producer is projected to be about 2,50,000.00 NRs annually. Belsquash is mostly sold in the big cities of Nepal like Kathmandu, Pokhara, Nepalgunj, Dang, Dharan, Dhankuta and Narayanghat. In addition, 10 poor households engaged in poultry farming. Each of 10 households



raised 30 chicks and earned about 50% net-benefit after being sold at the local market.

**Dhaneshwor CFUG in Kavrepalanchok** - Annually, about 30,000 NRs is the net-benefit of each household (50 household) from vegetable farming and Lapsi candy production. Users are selling potatoes in Kathmandu and vegetables in the local markets of Kavre district.

**e) Sustainable forest management:** Three CFUGs from Nawalparasi and Kavrepalanchok districts are sustainably managing a total of 401.3 ha (Bandevis: 135.0 ha, Bissasya: 191.3 ha and Dhaneshwor 75.0 ha) of forest area. Besides the 191.3 ha CF area, Bissasya CFUG has also conserved 500 ha Government forest, collecting Bel fruits from the area. Moreover, Bissasya CFUG planted 500 seedlings of Bel species in the CF area to support their enterprise.

Out of the major achievements from the FFF programme described above, local communities are awakened to concepts of entrepreneurship, gender equity, farming and sustainable forest management and related knowledge and techniques; this has built unity, trust and transparency among the users. Indirectly, this has also led to better education for children because of parent's income, forest fire control because of proper use of Babiyo grass and local people do not need to go far for work to earn a proper income. These are just a sampling of the numerous and multiplying benefits of the FFF programme.



### 3. Challenges and issues for community based enterprise development

Although, there are some amazing achievements made by the FFF program in Nawaplarasi and Kavrepalanchok districts, many challenges and issues were also found during the development of enterprises. The major challenges and issues from the working area are as follows:

- No financial investment from the government sector.
- CFUGs and farmers have problems with financial investment during enterprise establishment.
- Problems in scaling production due to insufficient investment, lack of practical knowledge and insufficient access to modern tools and technology at the local level.
- Insufficient training on entrepreneurship, skill development and cultivation practices at the local level.
- Lack of infrastructure (i.e. cooling houses, community buildings for product production and storage, and transportation)
- Lack of marketing information and business capacity among CFUGs, such as knowledge of market prices, available volume and projection of future demand and supply.
- Resources from only one CF are not sufficient for sustainable production, thereby, people can only be engaged on a seasonal basis.
- Unable to compete with other market products because of small scale production and people often hold the belief that imported juice is better than locally produced bio-Belsquash.
- Lack of awareness about the advantage and importance of community bio-products.
- Lack of branding, certification and recognized standards for products to ensure that products are produced organically, traded fairly and are environmentally sustainable.
- Lack of quality assurance facilities at the local level, thereby creating the problem of having to carry the product to another place to have it inspected.
- Lack of local technicians (i.e. farm and livestock based technician).
- Lacking of soil and weather inspection during feasibility study for enterprise establishment.
- No clear policy for community based enterprise development. The Government may want to classify community based enterprises separately from CF, although CFUGs are self-governing organizations.
- Unnecessary policy rules and regulation for community enterprise registration, production, transportation. Un-fair taxing by the Government.



#### 4. Way forward

Both forests and farms are integral parts of livelihoods in Nepal. Therefore, community based forest and farm enterprises have the potential for creating local economic growth, ensuring social well-being, and incentivizing the sustainable management of resources. Still, there is a need for active the engagement of the Government, supporting agencies and entrepreneur communities for its success and sustainability. Thus, the following activities are the key recommendations to ensure an enabling policy environment for poverty alleviation in rural communities through the development of forest and farm based enterprises:

- Government and private sector investment should be enhanced for community based forest and farm enterprise development, allowing for the mass production needed to address market demands and ensure business sustainability.
- Quality support services (i.e. entrepreneurship training, modern technology, quality standard and certification of the products) should be enhanced through the development of human resource trainings, quality products, insurance and infrastructure.
- Special attention must be given to ensure that women, the poor, disadvantaged groups and the youth are benefiting from community based forest and farm enterprises.
- A feasibility study on the choice of proper species to utilise based on soil testign and local climatic conditions should be conducted before an enterprise is established in order to better ensure environmental and business sustainability.

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**The objective of this paper is to explore the challenges and issues of sustainable management of forest and farm based enterprise through the consultation of multi-stakeholder interaction in FFF programme area.**

#### For further information:

Federation of Community Forestry Users, Nepal (FECOFUN)  
 Duwakot, Bhaktapur  
 Tel No.977-1- 6616408, 6616421; Fax: 977-1-6616427  
 G.P.O. No. 8219  
 E-mail : fecofun@wlink.com.np; www.fecofun.org.np

