Overall Gaps and Challenges of Community Based Enterprise in Community Forests in Nepal

Key messages

- Enabling policy guidelines in favour of community based enterprise development in community forestry should be developed and implemented effectively.
- Development of community based enterprises in community forests through sustainable forest management can be a bridge towards increasing the economic status of local communities and the nation as well.
- Policy hurdles in establishing forest enterprises in community forests should be dissolved soon.

1. Background

Nepal has long been acknowledged as being a leader in community-based forest management. Community forestry has been a priority programme of the forestry sector in Nepal over the last three decades. In 1978, the state initiated a Community Forestry (CF) programme and started to hand over the accessible national forests to the surrounding communities by giving community members full rights for the protection of forests, preventing further degradation as well as allowing for sound management and sustainable utilization of forest resources (Shrestha et al., 2010; Joshi 1997). So-far, 18960 community forest user groups (CFUGs) including 2,392,755 households are involved in the management of 1,798,733 ha of community forest land in Nepal (CFD, 2015). In all, about 30 percent of the total national forest (i.e. 5.83 million ha) has been managed under the community forestry program which includes about one third of the national population. As such, Nepal has wide-ranging experiences in recognizing the contribution of local communities in conserving and sustainably managing forest resources. The Forest law (1993) and Regulation (1995) clearly mentioned the rights and responsibilities of Community Forestry User’s Groups (CFUGs) in detail by changing the role of forestry staff from controller to facilitator.

Community forestry is the dominant Community Based Forest (CBF) regimes followed by the buffer zone forests and protection forests. Community forests alone cover nearly one third of forests land of country and more than 90% of forests land under CBF regimes. Community forestry in Nepal is often cited as a successful model for increasing forest coverage, restoration of soil, promoting environmental well-being, fulfilling the subsistence needs of local people and strengthening social processes (i.e. leadership development and local people’s participation in forest protection, management and utilization). Although we have a very dense forest with valuable timber and non-timber species (Sal: Shorea Robusta, Sissoo: Dalbergia Sissoo, Bel: Aegle marmelos, Lapsi: Choerospondia saxillaris, Babiyo: Eulaliop sisbinata, Lokta: Daphne papyracea, Amriso: Thysanolaena maxima, medicinal plants etc.) in CFs, efficient utilization of those forest resources and economic growth through sustainable forest management is still lacking at this point. Lots of forest resources are decaying because of a 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.

In the present context, annually about 150 million cubic feet timber can be produced through sustainable forest management in Nepal which can provide employment to about 1,400,000 people. And the total annual timber demand in Nepal is about 100 million cubic feet (Pandey, 2012). The analysis of timber production potential in 40 earthquake affected districts of Nepal showed that total 3,059,587 cubic meter timber can be produced through proper forest management annually (MoFSC, 2015). Similarly, because of unique geology, varieties of biodiversity and diverse socio-ecological features, CFUG have more opportunities (i.e. NTFP and medicinal plant, tourism, livestock farming, etc.) to develop the forest based enterprise for employment and income generation. In this context, community based enterprise development in CF has progressively been a major concern and priority for employment opportunity rural communities, enhancing the social, economic and environmental growth of community forest user groups as well as of the nation through efficient utilization of forest resources.
2. Policy provisions in favor of community forest based enterprise

Some forest policies of Nepal highlighted both forest users’ right and forest based micro-enterprise development for poverty alleviation. The Master Plan for the Forestry Sector (1989), Forest Act (1993) and Forest Regulation (1995) have given rights to CFUG for forest conservation, management and resource utilization; additionally, the legislation fixes the price of forest products for subsistence needs and sale. Furthermore, Forest Policy (2000) and Nepal’s Tenth Five-Year Plan (2002–2007) and Nepal’s Forestry Sector Strategy (2016-2025) 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. Moreover, the Herbs and NTFPs Development Policy (2004) has emphasized private sector participation for NTFPs development, local processing, and conservation of high value herbs and NTFPs. It has clearly mentioned that forest-based enterprises (community and private) are the means for rural employment generation, 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.

3. Gap and challenges of community based enterprise development in CF

In Nepal, promotion of forest based enterprises in CFs for economic growth and poverty reduction has been one of the most important programs produced through the modern developmental paradigm. Although some forest policies have been favourable for income generation through micro-enterprise development, government initiatives have focused mainly on the promotion of community-based conservation and the fulfillment of subsistence needs. Such a controlling policy environment is hindering the growth of small-scale enterprises which are forced to follow legal procedures that have been developed for the sake of larger production enterprises and high investment projects. 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. Despite of the challenges, among other CBF regimes, community based forest management have relatively higher effectiveness in sustainable forest management and enhancing livelihoods. The enabling environment in Nepal however requires further improvement in order to empower communities. The overall gap, challenges and policy issues related to the promotion of community-based enterprises in CFs are:
Registration of CBF enterprises is complex and confusing because no specific legal provision/policy has been developed.

Absence of specific non-timber forest products (NTFP) management directives and guidelines.

Discouraging environment for tree harvesting and commercial use of timber by the government sector. This affects on sawmills and furniture industries at local level.

According to Environment Protection Act 1997 and Environment Protection Regulation 1997, preparation of an Initial Environmental Examination (IEE) and Environmental Impact Assessment (EIA) report is mandatory for enterprise registration, yet the small scale entrepreneurs are unable to afford the costs for IEE/EIA.

Forestry regulations clearly mention that there must be an inventory of forest products to determine the total stock and annual harvestable quantity prior to getting approval for raw material collection. However, no clear inventory and scientific forest management methods are developed and suggested for valuable and marketable herbs/NTFPs; this creates a problem in the collection of raw materials and their export.

As per the Import and Export (Control) Act, 1957, some species (Jatamansi, Silajit, Sugandhawal, Sugandhakokila) are restricted from exporting before processed locally.

Illogical royalty rates and multiple taxations: there are clear provisions under VAT Act, 1995, Income Tax Act, 2001 to exempt micro-entrepreneurs and forest based NTFPs enterprises from paying different taxes.

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, tax offices, etc.) without proper co-ordination.

According to the government policy, the distance from nearby forest is a barrier for establishing forest based enterprises.

Marketing of the forest products in an international market is difficult for micro-entreprises due to the small quantities produced, lack of communication as well as access to buyers in an international market, lack of quality standards, insufficient capacity to comprehend exporting procedures and complicated export regulations of forest products.

No financial investment for CBF enterprise development by the government sector.

CF operational plans are prepared without proper study of potential forest resources.

Delay to renew the community forest operational plan that creates a problem for the harvesting of forest resources.

Lack of forest and land tenure security regarding forest products use of CFUGs.
4. Recommendations and way forward

Community based enterprises in CF have the potential to create local economic growth, ensuring social well-being, and promoting the sustainable management of forest resources. Still, there is an urgent need for a more enabling policy environment to better ensure its success and sustainability. Thus, the following recommendations have been proposed to close existing gaps and address the challenges of community based enterprise development in CF:

- Enabling policy guidelines in favour of community based enterprise development should be developed and implemented properly.
- Species specific non-timber forest products (NTFPs) management directives and guidelines should be developed and implemented properly for optimum utilization & marketing of NTFPs.
- Sustainable forest management (SFM) should be promoted for socio-economic and ecological growth through community based enterprise development such as establishment of sawmills, furniture industries, handicraft enterprise, handmade paper, etc.
- Intense research should be needed before deciding the provision of EIA/IEE. And simple criteria should be developed while conducting IEE/EIA on micro-enterprise in CF.
- Government and private sector investment development should be enhanced for CBF enterprise development for economic growth.
- The distance barrier for establishing forest based enterprises should be addressed properly.
- Establishment of and support to multi-stakeholder, multi-sectorial district platforms where FFPOs, private sector and district sector-governmental officials meet and discuss and solve problems related to livelihoods and businesses of forest and farm producers.
- Foresters should be trained in market analyses and development and oriented towards helping establish sustainable forest based enterprises.
- Extension services should be enhanced to provide business development, financial management, marketing and processing skills to CFUG members.
- CF operational plans should be prepared through the proper study of potential forest resources. And to renew the community forest operational plan on time.
- Forest and land tenure right of community forest user groups for forest products use should be ensured.

REFERENCES


This policy brief is part of “Forest and Farm Facility (FFF)’ Programme, which is a partnership between FAO, IIED and IUCN. In Nepal FFF programme is implementing jointly by IUCN Nepal, FECOFUN and FNCSI.

The objective of this paper is to explore the overall gap and challenges of community based enterprise in community forest through the consultation of multi-stakeholder interaction and policy review.