Nepal's Community Forest in the Promotion of Social Solidarity Economy

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ACRONYMS

ACOFUN	Association of Collaborative Forest Users, Nepal
AEC	Agro Enterprise Centre
ANSAB	Asia Network for Sustainable Agriculture and Bioresources
CECI	Canadian Center for International Studies and Cooperation
CITES	Convention on International Trade in Endangered Species of Wild Fauna and Flora
CF	Community Forestry
DCC	District Coordination Committee
DFO	District Forest Office
DDC	District Development Committee
FUG	Community Forest Users Group
FNCCI	Federation of Nepalese Chambers of Commerce and Industry
GIZ	DeutcheGesellschaft for InternationaleZusammenarbeit
GoN	Government of Nepal
HH	Household
HBTL	Himalayan Bio Trade Ltd.
CFUG	Community Forest Users Group
FECOFUN	Federation of Community Forest Users, Nepal
FSC	Forest Stewardship Council
ICIMOD	International Center for Integrated Mountain Development
IUCN	International Union for Nature Conseravtion
LRP	Local Resource Person
MAP	Medicinal and Aromatic Plant
MFSC	Ministry of Forests and Soil Conservation
NGO	Non Governmental Organization
NTFP	Non Timber Forest Products
OP	Operational Plan
VDC	Village Development Committee
RFSP	Revised Forest Sector Plan

CHAPTER ONE: INTRODUCTION

Background

Hariyo ban Nepalkodhan (Green forest is the wealth of Nepal) used to be a popular slogan in the past (period up to mid 20th century) implying that Nepal was highly covered with dense forest. The slogan states that if Nepal's forest is duly managed, there is no difficulty in earning basic livelihood of people that approximately 40% of Nepal's total area is covered by forest. In terms of productivity, above 70% of forest area is good. The survival of many people in rural areas is based on forest that they earn their basic needs by collection and sale of firewood, timber, medicinal herbs etc. So, the rural socio-economy has been thriving at the interface of forest and community.

1.1 Community Forestry in Nepal

High exploitation and privatization of forest during 1846 to 1950 AD resulted to the massive destruction of forest in Nepal. To cope and to lessen the huge destruction, 55 years back (1957AD) government started first and foremost action against deforestation and towards forest conservation. All private forests (PFs) were nationalized at the time envisaging that the action will lead to scientific conservation and sustainable management of forest. Even though misinterpretations in the government's objective among general public accentuated destruction of the forest resources. Other many cornerstones were grafted to reduce deforestation and to increase sustainable utilization of forest resources of Nepal. Meanwhile, Forest Act 1961, National Park and Wildlife Conservation Act (1973), Master Plan for Forestry Sector (1988), Forest Act (1993), Forest Regulation (1995) and many other came into action.

Envisaging and knowing the significance of participation of community in forest management, Forest Act, 1993 divided forests into two main categories (a) Private Forests and (b) National Forests. Further divisions of the national forests as per the act are: Government Managed Forest, Protected Forest, Religious Forest, Leasehold Forest, and Community Forest. The act defines Community Forests a National Forest handed over to an users' group for its development, conservation and utilization for the collective interest. Community forestry (CF) program was specifically formulated with the objectives of meeting subsistence forestry needs of local people and lessen environmental degradation by transferring user rights and letting the use of benefits accrued from forest resources (Gautam 2009).

At present, there are 1,664,918hactares of forest land is handed over to the community. Table below presents different forest regimes and respective management instruments.

Table 1: Different forest regimes and their management instruments

Forest regime	Area (ha)	Percentage	Managers	Policy documents
Leasehold forests	53,572	0.96	Poor and marginalized users	Leasehold forest policy 2002
Community forests	1,664,918	30.08	Local communities	Forest Act 1993, Forest Regulation 1995, Community forest guidelines 2002, Directives 2010
Collaborative forests	71,162	1.28	Government and communities	Collaborative forest policy 2000 and directives 2011
Conservation area,	2,102,795	38.00	Government,	Buffer zone regulation 1996,

Forest regime	Area (ha)	Percentage	Managers	Policy documents
buffer zone forests			communities, and NGOs	guidelines 1999
Protected forests	115,000	2.07	Government and communities	
Protected areas	1,315,700	23.77	Government	National Park and Wildlife Conservation Act 1973
Private forests	2,300	0.01	Individuals	
Religious forests	543	0.003	Local groups	
Government managed forests	207,468	3.74	Government	
Total	**5,533,458**	**99.913**		

Source: Poudyal, 2009, CF and other database from DoF, GoN, 2010, DNPWC 2012, ACOFUN, IYP (2013-2015)

1.2 Social Solidarity Economyin Nepal

The term solidarity economyis interchangeable with social economy, popular economy and labor economy. After the formal advent in1984 AD it takes its pace since 1995 (Neamtan 2002).Social and solidarity economy (SSE) refers to organizations and enterprises that are based on principles of solidarity and participation and that produce goods and social services while pursuing economic, political and economic aims (Fonteneau et al. 2010a).

In Nepalese context, people coming together in an organized form working to serve common vision and interests (development and meeting needs) and form the foundation of various initiatives to institutionalize and sustain their initiatives is termed as social and solidarity economy (SSE). SSE is a collective approach of groups to sustainable development by establishing a link between economy and society, local and global, labor and investment, production and consumption, etc.

Even though the social solidarity economy is emerging in Nepal, its aged long salient features are pre-dominant since time immemorial. Informal ways of exchanging goods and services (barter system), extending unconditional help to helpless, free-of-interest-borrowings among kiths and kins was existed. The collective responsibility of performing rituals such as marriage, funerals and some unavoidable cultural and religious functions still exists in various parts and among various ethnic and tribal groups of Nepal. Collective saving (Dhukuti) for feeding pro-poor of the villages in Thakali ethnic groups of Mustang district, Northern Nepal, employee lending (Parma)among the farmers, collective saving for usage of any kind of feast (veja) in Magar communities and Guthi in Newar communities are prevalent in Nepal (Kunwar et. al, 2013).

1.3 Government Policy on CF Fostering SSE

Before 1926, forest had been taken as granted and the government encouraged converting forest into agricultural land. In 1957, the government brought a policy to nationalize private forest. Then the local people no longer felt ownership over nearby forest which caused rampant deforestation. To correct this mistake to alienate people from the forest, government brought participatory forestry policies in lateseventies. Currently, Nepal's forestry sector operates under a complex policy environment that comprises: a) national level sectoral policies; especially the acts, regulations, directives, guidelines, and circulars; b) cross sectoral laws and policies, including the fiveyear periodic plans; and c) international conventions and treaties (Table 2). All these policies are relevant to the enterprising onNTFPs in Nepal.

RFSP (2000) provides a framework for the systematic implementation of various development programs in the forestry sector. It is an updated version of the Master Plan for Forestry Sector (MPFS) with subsequent amendments. It contains development imperatives, outlines, strategies, and programs, and summarizes the investments required to develop the forestry sector.

The long-term objectives of the revised forestry sector policy are to meet the people's basic needs of people for firewood, timber, fodder, and other forestry products on a sustained basis, to contribute to food production through effective interaction between forestry and farming practices, to protect land from degradation caused by soil erosion, floods, landslides, desertification, and other ecological disturbances, to conserve and use biological diversity and genetic resources in a sustainable way for maintenance of prevailing ecosystems, and to contribute the growth of local and national economies and thereby to improve the quality of life of the people by managing land and forest resources, developing forest-based industries, and by creating opportunities for income generation and employment.

The RFSP emphasizes on the land use planning, conservation of biodiversity, ecosystems, and genetic resources and involvement of private sectors for additional investment in the forestry sector. For the purpose of specific conservation and management, the RFSP classifies forests and protected areas into eight categories namely (a) government-managed forests (b) community forests (c) leasehold forests (d) religious forests (e) private forests (f) protected areas (g) conservation areas and (h) protected watersheds. It encourages the participation of villagers/community, local government bodies such as DDC and VDC and NGOs as collaborators in managing these forests and protected areas. In order to check the depletion and maintain sustainable conservation and management of forest resource in the Terai, Churia and Inner Terai, the GoN has brought a holistic approach of conservation on May 1, 2000. The forest sector policy, 2000 is quite progressive and committed to fulfill people's basic needs for firewood, timber, and other forestry products on a sustained basis, some critiques often reiterate this policy as government’s attempt to establish its domination by reverting back conservation issues in forest management, and poorly address to decentralization of forest governance issues.

The interim constitution Nepal, article 33 states the responsibilities of the state to pursue a policy of providing economic and social security including lands to economically and socially backward classes including the landless bonded laborers, tillers and shepherds. Again article 35 states a policy of making special provision based on positive discrimination to the minorities, landless, squatters, bonded labors, disabled, backward communities and sections, and the victims of conflict, including women, Dalits, Indigenous tribes, Madhesis and Muslims. The interim government of Nepal has come up with three year interim development plan (2010-2013), which aimed at creating a base for socio-economic transition towards a prosperous, equitable and modern Nepal. The TYIP also aims at creating employment and ensuring high economic growth by reducing the number of people living under the poverty line (GoN 2010). However, the country GDP remained 4.4% in 2009, 4.6% in 2010, 3.8% in 2011 and 4.6% in 2012 (ADB 2012). Private sector is taken as the development partner in development. Commercialization of agriculture, promotion of cooperatives, agro-credit, etc. are given priority (GoN 2010).

Table 2: National Policies and International Treaties and Conventions Relevant to CF andSSE

• Interim Constitution of Nepal, 2006 • Master Plan for the Forestry Sector 1988 • Forest Act 1993 • Forest Regulation 1995 • Community Forestry Directive, 1996 • Collaborative Forest Management Guidelines, 2003 • NTFPs Policy 2004 • The Industrial Enterprise Act 1992 • The Company Act, 1997	• The Value Added Tax Act 1996 • Environment Protection Act 1997 • Environment Protection Rules, 1997 • Local Self-Governance Act, 1999 • Food Act, 1966 • 10th Five-year Plan • Treaty of trade between Government of Nepal and The Government of India 1991 • Convention on International Trade in Endangered Speciesof Wild Fauna and Flora (CITES) 1973

CHAPTER TWO: COMMUNITY FORESTRY PRACTICES AND MANAGEMENT APPROACHES

2.1 CF for local basic need supply and biodiversity conservation

Community forest and other community based forest groups are the foundation of grassroot level democracy. They have generated employment at local level obtaining timber, fire woods, grass, leaves, medicinal herbs, etc. through equitable resource management from group formation, selection of working committee, daily work operation, gathering, meeting, training, etc. They have established industries based on their resource. It has led to the maximum utilization of the resources. The vulnerable groups of the community mainly Dalits, women, ethnic groups, and the marginalized community have got employment. On the other hand, there has also been an improvement in the condition of the depleting forest. Similarly, there has been conservation and extension of biodiversity within the forest. It has helped for sustainable forest management.

The Community Forest Guideline, 1995 was formulated in accordance with the MPFS, the Forest Act 1993 and Forest Regulation 1995 which provide a legal framework for the development, conservation and management of forests; harvesting, extraction, sale and distribution of forest products. After the formulation of guidelines it is amended for the first time in 2001 incorporating different suggestions and advices from different sectors. Approved in 2008, the Community Forestry Guideline (second amendment) was prepared for the development of community forestry sector in accordance with the changing political social and economic scenario of Nepal. The guideline is much useful and important for stakeholders who are involved in the development of community forest. The amendment is to support and increase access of poor, dalit, aboriginal, janajati, madhesi, women, marginalized and disadvantaged groups to the community forest resources. For the formation of community forest user groups, preparation of forest operational plan, its constitution, implementation and monitoring and revision processes are mandatory. The most recent Community Forestry Guidelines (2008; earlier versions date back to 1995) by the Department Forests, now in use throughout Nepal, reflect a long term pro-poor thrust in community forestry.

2.2 CF for employment generation and livelihood development

Local forest management communities have generated employment with the collection, processing and marketing of timber and non-timber forest products through private forest, community forest, collaborative forest and leasehold forest. They have carried Nepal’s forest products to local, national and international markets. Forest Management Groups formed for forest management. Nepal’s Community Forest users groups have played a remarkable role in social, economic and environmental sector. These groups have established different industries managing their own resource and have created employment at the local level. Similarly, the income obtained has been equitably distributed.

The group has helped in livelihood providing an opportunity to sell the collected raw materials for the group’s poor and disadvantaged community. An opportunity of work has been provided to local people through training etc. essential for local industries. Industries have been regulated through the share investment of the local community itself.

2.4 CF- A Journey to SSE leading to Green Economy

Forest Users groups have performed many exemplary works such as, building organizations in the social sector, governing with their own constitution and action plan, selecting representatives through mutual agreement/consensus or election process, enhancing the role of excluded communities details, ethnic groups, women, etc. There is also a role of the groups to make the profession of forest workers respectable.A total of about 2,194,350 households (10 million people) have been benefited from community forestry and oriented to manage about 1,652,654 hectares of national forest to generate local economy through right based and equitable benefit sharing approach of collective actions. They mobilize market, volunteer and public resources to achieve their goals. Principles of participation, empowerment and collective responsibility are the major factors of social solidarity economy which is attempted to practice through these SSE organizations. (Kunwar et. al, 2013)

Forest management groups have also been contributing to the works like afforestation for ecological balance, building dams for controlling flood and landslide, conservation of endangered species, etc.

The NTFP based industries is running as per the principle of solidarity economy in Nepal. This aims to improve the socio-economic conditions of marginalized segment of the society through sustainable use of locally available resources in partnership with government and non- government institutions. It has followed the principles of participation, empowerment and collective responsibility and is serving its members in the community not only focusing much for the financial profit. Industries have created the multilevel benefits to its respective partners and stakeholders. This is optimizing the local resource use and has contributed in rural financial transactions in community level, implementing the model community industry to have the demonstration effect in the institutional level and have contributed in basic livelihoods at the individual level. The state has been benefitted from the revenue contribution of the company through the use of locally available renewable resources which used to be collected and/or lost for nothing. Ultimate impact has been to the overall society and the state as this has broadened the scope of solidarity economy.

CHAPTER 3: CASE STUDIES

3.1 Forest users Groups" as Autonomous Organization

Nepal’sCommunity Forest Users Groups (CFUGs) themselves are autonomous, self governing and organized organization. Every activity of such groups formed in participation of all the members in the groups (one women and one man house owner of every family) is fully transparent.Their representatives are selected from General assembly conducted in every six month or one year . All the financial activities conducted by the groups are performed through public hearing and public auditing.

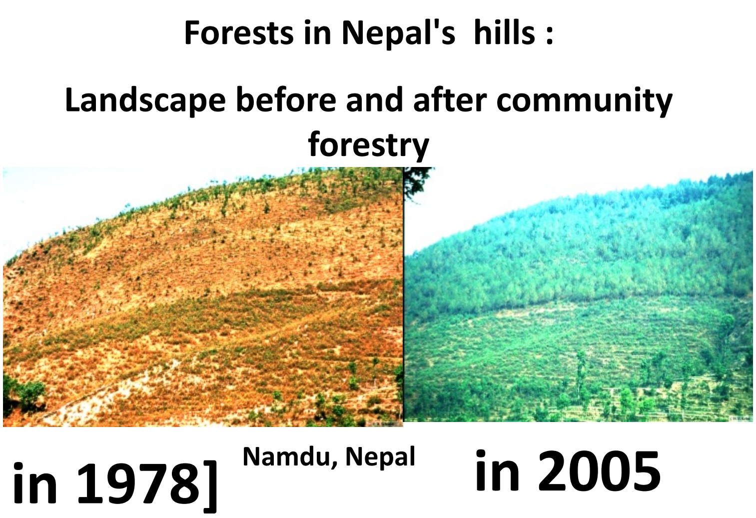
Decision is made through discussions about the issues managing forest,. The groups itself coordinate demand and supply with the analysis of the demands of its group and forest regeneration capacity and sell its goods determining the price of forest products. It is mandatory to include 33% women in the working committee formed for the daily works of the group. Similarly,there is also a provision to include women in the members.

Collaborative forest users groups have been managing productive forest in the Terai (Low land region of the country). Although full authority has not been granted by the law, local communities have conducted various financial activites conducting election from the lower administrative unit (Ward)level of the village and forming main committee.Timber,fuelwoods obtained through forest management is distributed with or without cost to the members away from the forest areas. Some collaborative forest groups have formed women groups and assigned the task of cultivating medicinal herbs.Timber/woods dipo has been opened in the villages.These groups have formed the organizations such as briquette production groups, afforestation groups, private forest owner's group etc and handed over the respective responsibility to them.These works have assisted in sustainable management of the forest resources, increase in member's earning, consodilation of rural loktantra,povertyreduction etc.

3.2Forest Conservation Groups- Towards Industry

The concept of Nepal’s Forest Management groups was initiated for the conservation of forest. This concept was introduced about 35 years ago. According to it, for conserving forest, the forest area itself with minimum legal authority has been handed over to the community. These forest groups with such a legal authority have conserved the forest well. The rate of forest degradation in the community forest area is decreasing. As it is the time to get benefits through resource management, at present,

Figure 1: Community forest promoteingsustainable management of forest.



community forest groups are inclined towards production. Among these groups, some groups have established industries themselves and operated them. Some groups sell the raw materials produced by themselves to the private and public industries. Some forest management groups have established Jadibuti(Medicinal product) Cooperatives in the participation of group members themselves in support from various I/NGOs and have sold the oil of medicinal herbs and other produced goods through cooperatives.

Different kinds of industries have been set up in Community and Collaborative forest area in some districts of mid-terai. In the beginning public awareness through project and special training, w/s were conducted. After public awareness and training, the villagers themselves formed forest group. After the formation of forest group, they managed the forest and established small industries based on forest products. Eighty seven industries, established in 8 districts of terai, have benefited 1 thousand 8 hundred and 83 households, and two thousand seven hundred thirty seven have got employment. These industries have earned 35 lakh, 23 thousand annually.

3.3 Pro poor Entrepreneurship Development a New Concept

Pro people forest entrepreneurship, practiced in Nepal's Community Forest, is a new concept. This concept has helped to generate income and self employment. In the beginning, industries are established by trained poor families. The villagers informed through training in the aspects like probability of industry, availability of raw materials, markets, etc. have established industries.

BinayakPimidada Community Forest is located in Bajhang district in far western hill of Nepal. Nepal government handed over the forest by forming forest group to the community in 1994for the management of non-timber forest products and for poverty reduction. A lot of valuable medicinal herbs are available in the forest. Among them, Lokta is the one that has great commercial value. Knowing this the community forest user group then established a industry that processes Lokta and produce handmade paper (Malika Handmade Paper Industry). Before the establishment of the industry, the villagers used to cut Lokta randomly and sell with out processing. Many contractors earned well. However, the poverty of the people existed without any improvement. At present, the group according to its action plan harvest Lokta only in fixed time and in certain volume. Community people themselves are shareholders, of the industry. It is mentioned in a report published by ICIMOD thatthe model is designed around forestry resources based on the FUG's common property, which provides sustainable income to local communitiesthat secure rights over the resources.

The decision essential for the industry is made through General Assembly of forest users group. Forest Management Committee can make minor decision in case a conflict arise it is solved through the meeting and gathering of the community.Paper produced from this industry is bought by the company named Himalayan Bio- Trade located in Kathmandu. This company purchases goods produced from the community based industries and sells in National and International markets.At present, women fetch and process the raw materials in the industry and earn well. The villagers have shown the example by operating paper industry being the owners themselves through resource management of their village.

There has been a change in the traditional concept of Community forest in Nepal. At present, pro poor entrepreneurship has been rapidly set up. This is a new and a different concept. This concept has emerged for the improvement of the livelihood of poor families within forest users group.

Seven community forests at Jiri area in Dolakha district have translated the new concept of pro poor entrepreneurship into practice. They have set up it with tripartite agreement identifying 126 poor families and private sector's partners within users group. For this, 23 member council has been formed and nine member working committee have also been selected.

A tripartite shareholding mechanism consists of the network of eight CFUGs, 126 identified poor households and private sector partners. A general body of 23 council members and a nine member executive committee are in place to represent these members; all CFUGs, identified poor and private sector investors are members of these bodies. The CFUGs, as a network, have rights over 1,897 hectares of community forests and include 1,393 member households. The CFUGs are either contiguous or are close enough to share Jiri as a sales and processing point and to come to meetings there. The shareholding and the agreed arrangement of benefits of each partner are shown in Table 4, below.

Table 3: Shareholding and benefit sharing in Jiri Enterprise Partners

Category	**Investment**	**Benefit**
7 CFUGs	Rs 323,000 (20% shareholding)	Profit from dividend as shareholder
Identified poor 126 HH	Rs 504,000 (32% share)	• Profit from dividend as shareholder • Employment as collector in processing unit; premium price for forestproducts ,immediatepayment on delivery • Profit from dividend as CFUG member
94 local entrepreneurs	Rs 432,100 (28% shareholding)	Profit from dividend as shareholder
2 national entrepreneurs based in Kathmandu	Rs 321,000 (20% shareholding)	Profit from dividend as shareholder

Source: Khadka (2005)

The CFUG fund is significant (though other investment partners have still been required). Kalobhir and Thulonagi CFUG have contributed the highest share of NRs. 100,000 each, whereasPathibhara has the lowest share of NRs. 10,000. Although Pathibhara has the largest forestland and has great potential to supply forest products, it is poor in terms of its fund size at the moment. This group in fact is located in a remote area with no access to roads and is a one-day walk from Jiri, whereas Kalobhir and Thulonagi are located around Jiri valley, are connected with the road network and are better able to generate revenue. Baisakheswori has selected the lowest number of identified poor households, 14 in total, contributes NRs. 20,000 share from its fund and receives a NRs. 56,000 share from identified poor. Table 5 below shows the breakdown of the investment of the CFUGs and identified poor households.

Table 4: Breakdown of CFUG Shareholding in the Jiri Enterprise

CFUG network partners	**Forest area (ha)**	**Household in CFUGs (No.)**	**CFUG share (NRs.)**	**Number of Shareholder(Iden tified poor households)(No.)**	**Identifiedpoor's share amount (NRs.)**
Baisakeswheri	103	115	20,000	14	56,000

CFUG network partners	Forest area (ha)	Household in CFUGs (No.)	CFUG share (NRs.)	Number of Shareholder(Identified poor households)(No.)	Identifiedpoor's share amount (NRs.)
Thulonagi	240	251	100,000	24	96,000
Hanumanteshwor	252	282	25,000	18	72,000
Kalobhir	545	214	100,000	19	76,000
Pathibhara	710	112	10,000	16	64,000
Namobuddha	29	183	30,000	20	80,000
Kyangesesetup	18	236	38,000	15	60,000
Totals	**1,897**	**1,393**	**323,000**	**126**	**504,000**

Apart from the shareholding arrangement, each CFUG provides access to its community forestthrough CFUG collector groups, identified poor households, supplying raw materials to the company for processing at Everest Gateway Herbs Pvt. Ltd., a company registered under a tripartite share-holding mechanism. The company personnels in Kathmandu, national entrepreneurs, have responsibilities for marketing and business administration, after receiving the processed materials from Jiri. The start-up costs and operating costs are borne by the management partners. The Nepal Swiss Community Forestry Project supports the CFUGs in institutional set-up to ensure pro-poor involvement and for technical aspects of product processing, to match national and international quality standards.

The exact breakdown of the shareholdings, share price, dividends and other costs and benefits has been negotiated based on the business plan. The project provides formal advice and contributes the amount required for shareholding in the name of the 126 identified poor household shareholders.

3.4 Value chain of NTFPs in General

A value chain map presents different supply channels that transform raw materials into finished products and then distribute those products to final consumers; and the different markets or market segments to which products are sold. In NTFPs value chain, there are mainly six entities to function. These are i) input supply, ii) production, iii) collection, iv) whole-selling, v) retailing and vi) consumption. The major market actors in the value chain analysis are i) farmers, ii) collection agents, iii) whole sellers, iv) local traders, v) retailers, vi) consumers and vii) inputs suppliers.

The marketing centers for forest products marketing in Nepal are different, it depends on products. The farmers do either collect NTFPs from natural forest or cultivate in their farmlands and they use to sell products to the local level traders and agents/wholesalers. The collectors/wholesalers do collect it in bulk volume and sell in consecutive larger market centers.

Most of the requirement of the local industry is met through wild collections from the forests. A huge amount of collection has also been exported to India annually. Due to its value and depleting natural resources and increasing demand the need for systematic cultivation has been realized recently. Very few studies have been done on the development of agro-techniques for its commercial cultivation under varying soil and climatic conditions.

Input supply

NTFPs value chain needs various inputs that are provided by several agencies. CFUGs, DFO, DPO, LHFGs, Agro-vet, FECOFUN, NTFP network, Dabur Nepal, lead farmers, bi-lateral, multi-lateral projects and traders are the major input suppliers and service providers for *forest based products* value chain. They provide different support like; technical support, nursery techniques, seeds and other material supply, capacity building, network development and marketing information. However there are so many challenges for extending the production area, sustainable management in the natural forests and their marketing.

Market Function of Forest Products

Production/Collection

In Nepal, *forest products* is produced in all three regions; Terai, Hill and mountain. It plays an important role in rural income as it generates significant income to poor households through its marketing. Most of the farmers collect *NTFPs* for their household as well as commercial purpose.

Marketing of forest products (wholesaling and retailing)

Most of the producers sell the products in district headquarter. There is also group marketing mechanism in the village and community level. Farmers sell the product in local group or markets of the district and so do by some farmers in collection centers. Sometimes, traders purchase the products from the villages or by the nearby markets. Traders or wholesellers export the products to India through several marketing hubs such as Ilam, Birtamod, Kakarvitta, Dhankuta, Dharan, Biratnagar, Birjung, Bhairahawa, Nepaljung, Tanakpur etc.

The price of *products* depends mainly on quality, supply situation, market demand, season and variety. If the local variety collected from nature and has good quality can fetch more prices. *NTFPs* value chain map shows the major actors involved in this value chain, major function taken place and relation between the different level's actors. It seems that it is a directed market value chain and it should be carefully worked with market actors.

Market Actors

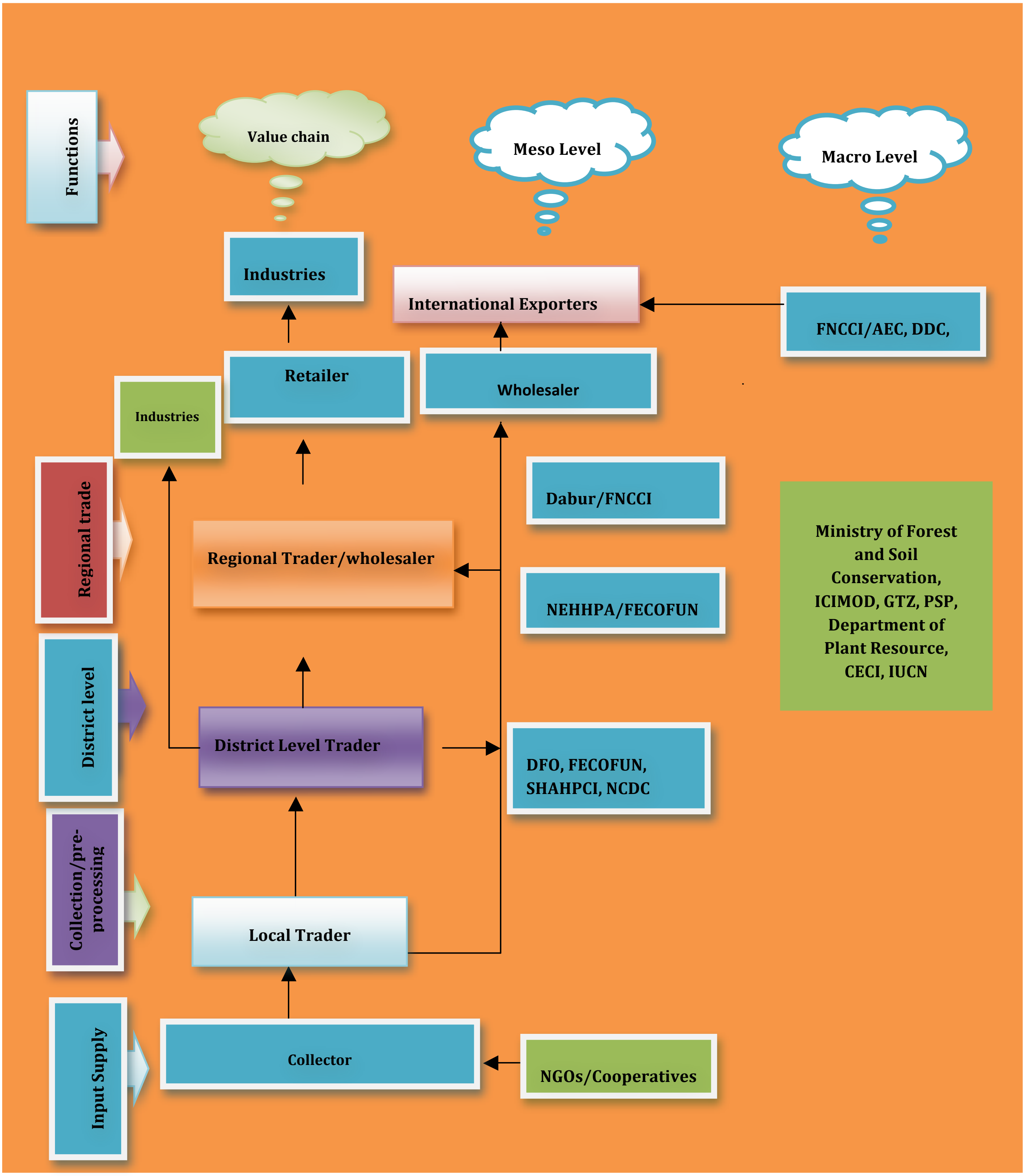
Various actors are involved in the *NTFPs* value chain. They are as follows: i) local collectors/harvesters, ii) cultivators, iii) road head traders and middle man, iv) traders (district traders), v) wholesalers and vi) exporters or Indian traders.

Local collectors/harvesters

The local collectors /harvesters represent the basic unit of value chain and scale of business is the smallest one among all marketing actors. The generalist collectors are children, women, elderly and disadvantaged groups. Yet, the collectors have limited knowledge of marketing and entrepreneurship aspect of the trade,they obtain seasonal employment and additional income to meet their livelihood conditions. The collectors harvest the product from wild while the producers cultivate in farmlands/private lands.

These collectors/harvesters usually receive an advance payment from village traders to collect the product for the next season. This requires a commitment from the collector/harvesters to supply a given product to the same "trader" at a predetermined price. The local "trader" then advances their own funds to the harvester to lock in the supply. Since these amounts are passed on to the collectors/harvesters in advance the rate at which these traders collect the MAPs from them is comparatively lower.

Figure 2: NTFPs value chain map



Cultivators

Yet the indigenous cultivation of *NTFPs* was dated back to the centuries, commercial cultivation was initiated in very recent decades, promoted by agencies/ processing companies as well as Ayurvedic companies - e.g. Dabur Nepal. Cultivation was brought in the area as a consequence of domestication, introduction of exotic species and research and trial as livelihood enhancement program.

Local processors

Few local collectors and cultivators are involved in processing in case of *few NTFPs* with accessible technologies. Local processing such as washing, cleaning, drying and storage before selling are done by local collectors.

Village traders/road head traders

The village traders are typical village elites and well off within community including leaders, shopkeepers. These village traders buy *raw materials of NTFPs* from the harvesters/collectors, collection centres and sometimes they themselves are involved in its collection process. These traders usually buy *materials* in cash and in some cases also provide goods and commodities necessary for the collectors. The village traders – the first in line amongst the traders' category, generally, work in a low profit margin, however, due to access of the Indian agents in the highway area the collectors as well as village traders are able to get good market price. They may also engage in preliminary packaging and drying, and providing skills and techniques (such as harvesting, drying, storage) to producers/collectors.

District traders

They often represent traditional business groups with high investment capacity; have supply linkages with road head traders and also village traders and local harvesters; have high political influence and smooth access to business services/inputs; often form cartels to safeguard their interests. Their main business functions include packaging, storing and trading.

Enabling Environment for NTFPsValue Chain

Consumer trend

Consumer trend analyzes the preferences of consumer towards specific product. It was observed that the *NTFPs* from CFUGs, organic farms and wild crafted possessed the higher preferences. The natural raw materials have high demand and price in markets.

Market trend and competition

The national consumption of *NTFPs* ranged within 5-10% whereas the largest amount trades to international market as crude form. India, Tibet, Germany, Sweden, Italy, Holland, USA, etc. are the international countries buying the Nepalese *NTFps* Marketing of *NTFps*in India is dominant one and it is followed by Tibet market. Its huge market demand is led by its multidisciplinary uses such as domestic uses as veterinary uses, subsistence uses for primary health care and commercial uses.

Royalty rates

According to the Forest Act 1993 and Forest Regulation 1995, any NTFP collectors willing to collect from government forest must give application to the District Forest Office (DFO) with specifying the name, quantity and location for collection. Forest Regulation 1995, Section 3 and its amendment 2008 describes the government royalty for different medicinal plants.

Export regulation

DOF collects royalty from the NTFPs collected from the national forests as per the rates specified in the regulation. However, the current system of determining royalty rates is arbitrary. The rates remain fixed until the rules are changed and the rate varied for a single species under the different names. The rate has to be determined so as to ensure conservation, sustainable utilization and trade of the NTFP resources. Local agencies (DDCs/VDCs) do also pose local taxes on NTFPs and/or their derivatives before they could be exported from respective districts. Uncoordinated taxation under the provisions of different regulations and through different institutions has negative implications over the market and also over those who make a living through collection and trade of NTFPs.

Policy and practices

There are complex exports procedures, the companies that export forest products (crude, semi-processed or finished products) have to go through a tedious process. They need to obtain collection permit, transport permit, certificate of origin and certificate of identification (involving CITES clearance). One has to go to several departments, and each has a lengthy cycle of approval process, so that it is very difficult to ensure timely delivery of orders to clients.

Table 5: Legal Steps for Collection and Export

Requirement	Issuing Agency
Collection Permit	DFO
Royalty Payment	DFO
Release (transit) Permit	DFO
Local Taxes	DDC
Certificate of origin	FNCCI/NCC
Product Certification	DPR/ DOF
Export License	Department of Industries
Export Duty	Customs office

Quality standard

Most of the *NTFPs*is sold to nearby Indian markets, Delhi, Tibet and Europe. There are trivial incentives and interventions on processing the products at local level, so it is sold as crude or semi-processed forms. Washing, cleaning, dryingare basic processing interventions done at local level, but the final grading for marketing purposes is yet to be done. In general, *NTFPs* is sold without grading in Nepal.

Opportunity and Constraints on Value Chain

Many farmers are involved in collection of *NTFPs* because of its abundance in cultivated farms, community forests and national forests. Likewise, it is one of the potential species for cultivation in community forests. Due to current limited bargaining position of primary producers/harvesters/collectors or farmers, there is a need to institutionalize them to form groups or networks such as production and/or marketing co-operatives to effectively channelize the products to the end uses.

Inadequate knowledge of products and market at collectors/producers level impeded their access to higher markets and prices. There was inconsistent/irregular market demand of the MAPs products. The major constraints and opportunities were analyzed through focused group discussion and consultation with concerned stakeholders. The major constraints and opportunities were categorized into seven major aspects (Table6).

The major constraints of the *NTFPs* value chain are: farmers are less aware for commercial production and market information. They do not have more idea about final product and its markets. Processing technology is constrained at local level. The market price of NTFPswas determined by processing companies and middlemen. Villagers have no scientific storages skills and facilities of storage.

Table 6: Constraints and opportunities of *NTFPs* value chain

Category	Constraints	Opportunities
Technology/product development	• Farmers less aware on post harvesting technology, organic farming • No recognized processing technology at local level • Inadequate knowledge on market led production • No product development at local and national level	• Service providers available (DFO, DPO, Local NGOs, INGOs) • Potential to increase production per unit area by applying organic fertilizer and irrigation • Plenty of production area in five districts
Marketing	• Less organized producers group for marketing • Market information is not abundantly available on time • Inadequate knowledge on market requirements especially quality • No demand collection from major market center • Least demand on hybrid varieties.	• Market is in command (Nepaljung, Bhairahawa, tanakpur, Biratnagar). • Value addition scopes in products • Nepal shares 95% of Delhi market and potential to market linkages with lead traders in Kakarvitta. • The largest collection/production from Pachthar, Taplejung, Terhathum
Management/Production and organization	• Less managed CFUGs and other groups • Inadequate coordination among stakeholders and service providers • Lack of detail management and production plans in CFUG operational plan (OP) • No proper cost and benefit analysis in production to marketing.	• Large area potential for cultivation. • Large no of farmers, CFUGs, LHF. • A large number of organizations are working on NTFPs
Policy	• IEE has compulsory over 5000 kg harvesting • Multiple taxation • Royalty to private cultivation	• Potential to policy lobby and trade simplification • Potential to tax exemption for cultivated *NTFPs/species*
Finance	• Inadequate interested financial institutions to provide loan for *NTFPs* production • High interest rate and impractical repayment system	• MFIs available (farmer group, revolving fund, cooperatives) • Probability to convince MFIs for investment

Infrastructure	• Lack of storage facility • Lack of information center • Less aware on quality	• Transportation is available to some extent • Potential to establish information center and storage facility
Input supply	• Cost of inputs supply is high • Lack of proper (local variety) seed to farmer • Less awareness on farmer about using quality inputs • No market oriented service providers especially in production, processing and marketing. • Hybrid product has irregular market demand.	• Opportunity to capacity enhancement to available service providers especially market intelligence • Supply of seed and other production material through private lead farmers • Some innovative farmers have started production of quality seedlings. • Potential to service provision of good quality local seeds supply

The area is reputable for huge *NTFPs* production, and there is more scope of production because of the plenty potential areas. Existing large production, market, institutions for better management of the products, and huge market demand from nearby Indian trade centers, etc. are potential for promotion of *NTFP* value chain in Nepal.

Analysis of Service Providers

There are several service providers for *Chiraito*production to marketing. DFO, District Plant Resource Office, Cooperatives (Leasehold), CFUG, Livelihood and Forestry Projects (LFP), SHAHPCI are major service providers. They provide trainings, technical supports to production and cultivation, but they are not good enough on supply of quality seeds (Table 7).

Table 7:Service providers and services of *NTFP* value chain

Major Service providers	Major services	Gaps
DFO, DPRO, WDO, CFUG, CFM, LHs, Dabor Nepal, FECOFUN, Lead farmers, SHAHPCI	• Training and technical support, • Network building, institutional capacity building • Seed and seedling production and distribution • Develop market linkage.	• Inadequate human resources • Cost of production is high • Less number of collection centers • Unorganized marketing and • No business planning

Market based Solutions of Value Chain

Market based solution addresses the business constraints in sustainable manner so that it is essential. Among them, some issues are selected based on the discussion with district stakeholders, field visit, literatures and voice of farmers. Table 8 provides the issues category and potential market based solution in each category.

Table 8: Major issues and market based solutions

Category	Market based solution

Technology/product development	• Access to appropriate tools and technology for *NTFP* processing for small farmers. • Provision of improved processing technology to meet market requirements. • Provision of training to small farmers and collectors in nursery techniques with seed identification and cultivation.
Marketing	• Access to market demand for local collectors/producers and local traders. • Provision of marketing information systems at district level and community level. • Provision of marketing group and capacity building to the groups. • Provision of involvement of women, poor, Janajati, conflict affected people and Dalit in marketing.
Management and organization	• Provision of coordination and linkages among stakeholders to management activities. • Provision of organizing farmers or small groups for group marketing. • Training to local service providers for organizing groups. • Training to district service providers to prepare business plan including marketing strategies. • Access to strengthen of cooperatives for input supply in the district.
Policy	• Provision of lobbying services to reduce IEE/EIA hassle. • Provision of lobbying to simplify the administrative procedures to private cultivation.
Finance	• Provision of group fund mobilization for cultivation, processing and marketing. • Training to local financial institution for loan provision for poor and Dalit and marginalize group. • Make aware farmers on importance of MFIs.
Infrastructure	• Provision of a market information center in each district. • Access and training to facilitate market information system. • Access to cost-effective storage facility in all districts.
Input supply	• Access to local seed and input supply for local producers. • Training in seed supply, technology to cooperative for technology adoption. • Provision of local seed and cultivation package of local NTFPs. • Training to facilitate improved seed and other processing materials.

CHAPTER 4: OPPPRTUNITY, ISSUES AND CHALLANGES

Community forestry in Nepal is at the centre of participatory forestry and highly prioritized forestry programme. There are best available human resources and facilitators from local to international level.At the same time, community forestry management has been seeking the windows to invite private sector to develop forest based enterprises and and explore the opportunity of generating green jobs in local market.

The great opportunity for SSE in CF regime is that CF has already been mainstreamed in the national development and the legal and policy framework is crystal clear. The opportunity also lies within the entrepreneurship development within the forestry sector. If its not so, still the rural livelihood is based on adjacent forest so the economic affair in CFis significant although the tangible transaction are overshadowed veryoften.

Together with the opportunities there are several issues and challenges embedded in the forestry regime in Nepal and particularly in CF management system. Some of the issues ad challenges are as following:

i. Land tenure: Although the usufruct is within the local community, the land belongs to the government. It has raised many issues while implementing REDD+ in CF. At the same time, the community is not allowed to change the landuse and they are mandated only to deal with forest products.
ii. Participation and/or involvement: Majority of CF members are not involved in the decision making process.The are silent participants in the concensus making procedures.
iii. Product diversification: The communities are managing only what there have been given. Innovative ideas have not been introduced to maximise the products and benefits.
iv. Governance: The governance of CF is under question in many places. The socio-economic, physical and political scenario has been changed within the time period the CF programme was initiated but appropriate changes in the CF policy and guidelines are still awaited. In many CFUGs, elite dominance and lack of inclusive governance has limited the best opportunity for economic and social mobilisation.
v. Stand alone planning: Although the CFUGs functions according to the agreed and approved plans, those plans are not synchronised with local and district development planning which has raised many question of dupplication of development works and dillema in investments.

CONCLUSION AND RECOMMENDATION

A total of about 2,194,350 households (10 million people) have been benefited from community forestry and oriented to manage about 1,652,654 hectares of national forest to generate local economy through right based and equitable benefit sharing approach of collective actions. They mobilize market, volunteer and public resources to achieve their goals. Principles of participation, empowerment and collective responsibility are the major factors of social solidarity economy which is attempted to practice through these SSE organizations.(Kunwar et. al, 2013).

The SSE is all around us and refers to familiar realities for everyone. We are all members of at least one association; the vegetables we buy are often produced or traded by cooperatives, member of cooperatives or mutual banks, etc (Fonteneau et al. 2011). Therefore, SSE refers to specific forms of organizations and enterprises particularly the cooperatives, mutual benefit societies, associations, community-based organizations, social enterprises, foundations, fair trade groups, etc. The SSE is indeed a dynamic and evolving group of organizations.

Nepal's forest groups have earned international fame doing a lot of good works in the promotion of livelihood of the community. However, the following works should get emphasis in the forest groups to promote social economy:

- It seems that additional capacity enhancement is required to attract forest groups in cooperatives based business.
- Broad social mobilization is essential to create a business environment at group level.
- Planning is indispensable to set up industries and to supply raw materials amending management plans of the groups in forest management.
- It also seems necessary to create an atmosphere for the groups to use their own investment extending the relation with various cooperatives and business sector.
- Goods and services should be sold, with the expansion of the relationship of forest groups with other socially accountable business.
- It also seems essential to make a network for community friendly policies and programs and to make an initiative for policy advocacy.

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