

Working with the Private Sector to Improve Rural Livelihoods in Nepal

By Stuty Maskey

Forests play an integral part in the livelihoods of rural communities in Nepal by meeting daily subsistence needs, such as food, fiber, medicine, fodder, and shelter. Forests also are a source of income through the sale and utilization of timber and non-timber products. About 70 percent of Nepal's population of nearly 28 million are forest dependent.¹ Nepal's total area is nearly 57,000 square miles, slightly larger than the state of Iowa; about 40 percent of the nation is covered with forests and woodlands.

In the last few years, the potential of the forestry sector to contribute to the national economic growth (measured through gross domestic product) has been widely discussed, with positive conclusions. Currently, forestry and agriculture together account for 35 percent of Nepal's GDP.² However, since nontangible benefits such as environmental values, ecosystem services, recreation, and so on are not quantified, the figure underestimates forestry's real contribution.³

Perhaps the most striking aspect of forestry in Nepal is the level of participatory and community-led forest management, practiced through several forest-management models, such as the community forestry and leasehold forestry programs. The community forestry program, which was initiated more than three decades ago, is Nepal's flagship program. Currently, more than 18,000 Community Forest User Groups (CFUGs)⁴ are managing about 25 percent of the nation's forests as community forests.⁵

Community forestry has served not just as a forest-protection and management mechanism, but also as a platform to foster local-level change through widespread social empowerment, strengthening local governance and democracy, establishing community rights to resources, and a host of other nonforest benefits. Although these issues continue to be important aspects of participatory forestry management, it has become important to include newer variables, such as the migration of young men to urban areas for employment, which exerts pressure on women to manage not just households but also resources. Last year, about 500,000 migrants moved out of Nepal for employment opportunities, mainly in the Middle East.⁶ Some studies have documented some positive impacts of this migration (in addition to the remittances that help support rural economies), such as an increase in tree growth on fallow lands and a rise in women's leadership in forest management.⁷ However, the situation is alarming and demands a longer-term vision to retain a rural labor force by providing opportunities at home.

How can this loss of human resources be stemmed? How can forestry create economic opportunities for young people? While this has been discussed over and over with a resounding agreement on the

need to harness economic potential from our forests, the process seems to be easier said than done.

A review of literature shows that considerable attention has been given by academicians as well as practitioners to Nepal's micro- and small-forest enterprises as a favorable pro-poor model to achieve "meaningful: income generation."⁸ These are mostly collection and processing facilities of non-timber forest products (NT-FPS) such as herbs, medicinal plants, and essential oils, operated by communities. Whereas large-scale private-sector models are practiced in the developed world, Nepal has embraced micro- and small-scale business models, with significant funding and technical assistance from a range of nongovernmental organizations, as a means of promoting and operating community-based forest enterprises.

One challenge is that many of these micro-businesses, which employ an average of three people, are too small and too fragmented to attain business sustainability and fail as soon as donor funding dries up. A comprehensive study of two bilaterally funded programs in Nepal stated that development of small-scale pro-poor forest-based enterprises has had limited success. They are often constrained by regulatory barriers and inadequate processing technologies, limited market access, uncertain investment environments, and weak linkages to the private sector, among other hurdles. The study also raised concerns about issues of corruption and benefits demanded by government officials from the micro-businesses.⁹

A new wave of development insight indicates that the solution to this challenge of business sustainability is to move away from the traditional NGO funding approach toward a more entrepreneurial approach of finding investors and partners for business. To begin with, domestic private investors should be encouraged to invest. This can help increase product quality, market reach, branding, and marketing, thereby generating financial sustainability. However, this partnership should be carefully assessed. The private sector has long been distrusted for its focus on profits and lack of concern for ecological sustainability. This scenario needs to be examined through research drawn from pilot demonstrations that show how private-community partnerships can ensure fair benefit-sharing between producers and investors and how private companies can impact the dynamics in forest conservation and local forestry governance.

Needless to say, favorable investment-friendly policies are required to attract private investment. In addition, there is a need for information about resource inventories, business registration, infrastructure development, and other factors. But the starting point is to recognize the

private sector as a potential partner and to begin developing and building trust-based relationships. Nepal can learn from examples around the world in which the private sector has played a key role in developing market-based solutions to environmental, economic, and social problems. Such cases prove that the private sector can be an important actor that can contribute finance, support marketing through branding and certifications, shorten value-chains by tapping producers early on, and increase profitability and efficiency through professional management. **FS**

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Endnotes

¹Nepal Ministry of Forest and Soil Conservation, 2010.

²Nepal Planning Commission, 2007.

³A study commissioned by the Ministry of Forest to calculate forest sector GDP contribution, is underway.

⁴Under this management regime, the Department of Forest hands forest over to Community Forest User Group (CFUG), subject to an application and an approved



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management plan developed collaboratively with the CFUG. The CFUG can collect and harvest forest products, providing these are done consistent with the agreed plan. CFUGs have been able to obtain considerable access to forest products under the program.

⁵Department of Forest, 2013.

⁶Department of Foreign Employment, 2014.

⁷Campbell, G. 2012. Development Assistance in Action: Lessons from Swiss and UK funded forestry programs in Nepal.

⁸Commercially viable as well as ecologically sustainable.

⁹Campbell, G. 2012. Development Assistance in Action: Lessons from Swiss and UK funded forestry programs in Nepal.

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