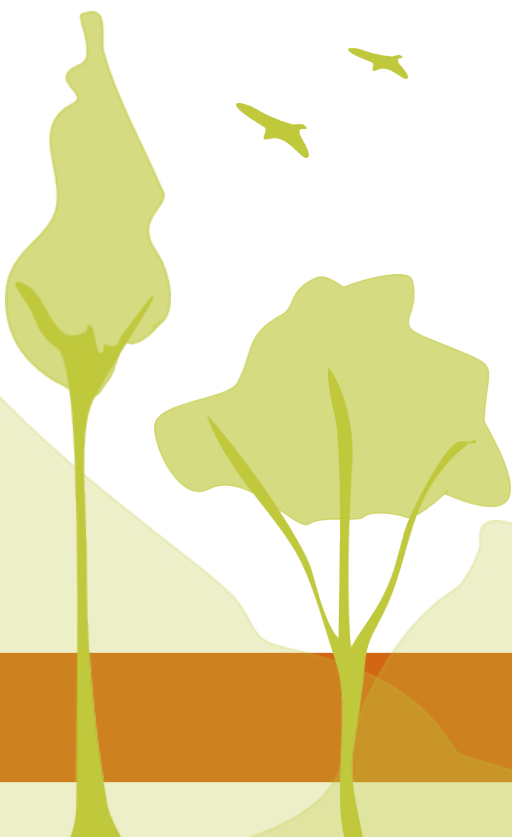


Supporting small forest enterprises

Reports from the field



Nepal




This research was part-funded by UK aid from the UK Government, however the views expressed do not necessarily reflect the views of the UK Government.

A report on

Forest Connect in-country experiences in Nepal

Name of the National Hub Organisation in the country:
Asia Network for Sustainable Agriculture and Bioresources (ANSAB)

Submitted to
The Food and Agriculture Organization (FAO) of the United Nations
Contact: Ms. Sophie Grouwels
Forestry Officer, Community-based Enterprise Development (CBED)
Tel (39)06 570 55299



Contents

1. Institutional history	2
2. Achievements and outcomes	2
a. Diagnostic study on SMFEs and their associations within Nepal	3
b. Web directory of SMFEs	3
c. Directories of critical services and service providers for SMFEs and CFUGs	3
d. Value chain study of Jatamansi	4
e. Forest Connect Nepal website	4
f. Examination of the major issues faced by SMFEs	4
g. National-level association of producer groups and community enterprises	4
h. Networks between facilitating organisations	5
i. Strategic inputs on SMFEs and NTFPs to the government	5
j. Information sharing through ANSAB's website and newsletter	6
3. Benefits of the alliance	6
4. Future prospects and sustainability	7

1. Institutional history

Asia Network for Sustainable Agriculture and Bioresources (ANSAB) has been implementing Forest Connect Initiatives in Nepal since August 2007. ANSAB has completed the three years of the Forest Connect Nepal (FCN) programme.

Since its establishment in 1992, ANSAB has been working in community-based forest enterprise (CBFE) development and promoting their value chain linkages. It has developed and strengthened a total of 1,166 economic entities involved in the collection, value addition and trading of forest products and high value agriculture crops. It has also brought a total of 100,672 hectares of forest and meadow areas under better community management with 393 Community Forest User Groups (CFUGs). ANSAB's involvement in Forest Connect occurred as a result of its many experiences working in the CBFE sector and its relationship with FAO, developed during the conducting of a Marketing Information System (MIS) study in Lao PDR in 2005. The goal of Forest Connect is "to substantially reduce poverty for forest dependent people in key partner countries by increasing the number of successful and sustainable small forest enterprise associations". This fits well with the principle and expertise of ANSAB's Pro Poor Economic Development programme. Based on ANSAB's expertise and long experience in the CBFE sector, FCN's efforts are directed to strengthening small and medium forest enterprises (SMFEs), increasing the visibility of SMFEs in Nepal, and promoting improved organisation and connectedness of SMFEs between each other and with markets, service providers and policy processes. FCN aims to support and strengthen SMFEs and their connectedness to ensure their long-term sustainability.

The Forest Connect programme in Nepal is being implemented by ANSAB with different working partners in government, community-based organisations, local enterprises, CFUGs, research institutions and other organisations relevant to CBFE. As a Forest Connect hub in Nepal, ANSAB shares the FCN activities and programmes in Nepal NTFP Network (NNN) meetings. NNN is coordinated by ANSAB and consists of 50 organisational and 250 individual members representing government, community, business, donors, the Federation of Community Forestry Users, forest enterprises, NGOs and development agencies from Nepal, China, India, Uganda, the UK and the USA. ANSAB also coordinates the NNN meetings with participants from the Government of Nepal, the Federation of Community Forestry Users Nepal (FECOFUN), community forest enterprises and Nepalese business organisations. NNN meetings focus on discussing issues and identifying effective means of collaboration and coordination among the supporting organisations. Final decisions for the FCN activities are verified by the NNN meetings.

2. Achievements and outcomes

Brief context

SMFEs have traditionally served as a means of sustaining rural livelihoods in Nepal. Most of the rural people, especially in the hills, depend on the collection of NTFPs to sustain their livelihoods. SMFEs are being established to help reduce poverty through employment generation, both through self-initiation of local communities and through technical and financial support from government agencies, and bilateral and multilateral projects. The majority of SMFEs are associated with community forest user groups (CFUGs) that have formed under Nepal's three decades of community forestry programmes. At present, there are over 18,000 CFUGs, and approximately one third of the population is participating in the management of 21 per cent of the country's forest area. In addition to NTFP-based SMFEs, wood-based enterprises, such as furniture making, agricultural tool manufacturing and wood depots are increasing in local market centres.

SMFEs exist in Nepal in various modalities, which can be described according to eco-region, ownership and management structure. A study by ANSAB found that the majority of SMFEs in Hills and Himalaya regions are operated informally by CFUGs, and only a few are wood-based enterprises such as timber depots and small furniture enterprises. Enterprises such as community goat keeping, NTFP collection and processing, beekeeping, community-based milk production, allo and nettle processing, and bio-briquette production are more abundant. These enterprises are commonly found in small villages, operated locally, and contribute significantly to rural employment and livelihood generation. Another study in Tarai region shows a dominance of private-entrepreneur run wood-based enterprises, such as private sawmills, veneer producing plants, resin processing plants, timber and fuel wood

depots, and NTFP wholesaling firms, . Some CFUGs are involved in community cultivation of medicinal and aromatic plants. They have established community distillation units, which are registered by the District Cottage Industry. In addition, community and private cultivation of medicinal and aromatic plants such as Kurilo, Tulsi, Citronella, chamomile, and palmarosa are cultivated on community forest lease land.

ANSAB has been promoting SMFEs in Nepal with a comprehensive range of activities, including entrepreneurship development, enterprise planning and development, business development services, marketing information services, value chain promotion and market linkages, and product certification. In 2010, ANSAB developed and strengthened a total of 1,166 economic entities (subgroups, micro and small enterprises, and so on) involved in the collection, value addition and trading of forest products and high value agriculture crops, including 68 regional and national processing and marketing enterprises. These economic entities generated total monetary benefits of US\$7.66 million in 2010, benefitting 78,828 economic participants. ANSAB, with the help of partners, aims to continue supporting SMFEs to create an enabling policy environment, to strengthen SMFEs – including producer groups – and to develop linkages both between themselves and with responsible buyers and service providers, to ensure their long-term sustainability.

FCN has been an important initiative in this regard, providing the required leverage for the promotion of SMFEs in Nepal. Activities carried out by the Forest Connect initiative since its inception in 2007 have resulted in: improved accessibility of information to SMFEs and stakeholders; improved understanding of linking SMFEs to policymakers, markets and service providers; and a strengthened network between facilitating organisations.

The achievements and outcomes of FCN so far are summarised below.

a. Diagnostic study on SMFEs and their associations within Nepal

FCN carried out a diagnostic study on small and medium sized forest enterprises in Nepal in April 2008. Information was collected on successful enterprises, field practices and lessons learned from previous studies in Nepal. Field-level activities were designed to collect project relevant information and to align data collection with other ANSAB projects wherever possible. A comprehensive review focusing on five major NTFP species, one timber species and associated enterprises was conducted to explore the relationships between forests, poverty and livelihoods. The diagnostic study was published as a book, *Challenges and opportunities for Nepal's small and medium forest enterprises*, by FAO in 2009. The publication has also been uploaded to the FAO website and has further improved the accessibility of the information on SMFEs in Nepal.

b. Web directory of SMFEs

FCN developed a web directory of the SMFEs in June 2009. The directory consists of detailed information on 872 SMFEs such as SMFEs' name, contact details, location, product classification and other general information. The directory will continue to be updated as new SMFEs are documented. The enterprises in the directory are categorised under twelve major product classifications: ayurvedic clinic, essential oil, furniture, handmade paper, health and beauty care, input supplier, natural fibre, NTFP trade, resin and turpentine, spices, silk, and unspecified. The directory can be accessed at <http://www.ansab.org/fcn/smfedatabase.php>.

c. Directories of critical services and service providers for SMFEs and CFUGs

FCN prepared a draft list of the critical services required for SMFEs and CFUGs, and the potential service providers of those critical services in 2010. Information in the draft directory was verified and finalised in the 34th NNN meeting. The directory of critical services provides information for SMFEs, CFUGs and stakeholders working in the SMFE sector on critical SMFE related services in seven categories, namely: input supply and raw material sourcing, enterprise development planning, enterprise operation and management, technology and product development, legal and policy, marketing, and finance. The list of service providers and facilitating organisations provides detailed information, including a contact person, address, website, the focal services provided. The directories of the critical services and service providers can be accessed at <http://www.ansab.org/fcn/CriticalServices.pdf> and http://www.ansab.org/fcn/ANSAB_directory.pdf. With these directories, SMFEs and CFUGs can easily access information on service providers as per their specific service need, which was not easily available before and would otherwise take more of their time and effort.

d. Value chain study of Jatamansi

FCN developed a document on the application of the value chain approach in SMFE development and promotion in Nepal in June 2009. It includes the value chain analysis (VCA) process and lessons learned from the value chain of an essential oil, Jatamansi (*Nardostachys grandiflora*). The study mapped the nature, wealth and power dynamics of the essential oils sector in Nepal, using Jatamansi as an example product. The study found that transactions costs within the value chain would be reduced by improved coordination among Nepali regulatory bodies; a reduction in overlapping jurisdictions among Nepali agencies with regards to NTFP promotion, harvesting, and processing; and more reasonable tax rates. This would promote more enterprise start-ups and help to make Nepali essential oils more competitive in world markets. The study also suggested that VCA could be useful in examining other SMFE sector products.

VCA has now been widely used for designing programme intervention in SMFE and other smallholder sectors in Nepal. In 2010, ANSAB, in partnership with International Centre for Integrated Mountain Development (ICIMOD), conducted a project on enhancing livelihoods and poverty reduction of mountain people by linking value products and services (HVP) to value chain development. In 2011, the Nepal Economic Agriculture and Trade (NEAT) Activity, a USAID funded contract that is being implemented by Chemonics International Inc., used a value chain/market assessments conducted by ANSAB of four commodities – Orthodox Tea, Ginger, Lentils and Off-season vegetables – for their intervention design and programme implementation in the sectors.

e. Forest Connect Nepal website

FCN created its website (www.ansab.org/fcn) in September 2007. It has been regularly updated with programme information, reports, the SMFE database, the MIS pricelist, NNN meeting minutes, and other resources for community-based forest enterprises (CBFEs), including a list of CBFE service providers, books, manuals and research relevant to them. In 2010, the website was updated with the directories of the service providers relevant to SMFEs and CFUGs. Also during this year, FCN linked the MIS pricelist and the Nepal NTFP Network (NNN) minutes from ANSAB's website to the FCN website, and added 'subscribe' features for them. The MIS pricelist consists of monthly price information for 32 products in six different markets in Nepal and India. The addition of 'subscribe' features has given subscribers access to the pricelist and the NNN minutes as soon as they are posted on the website. Currently, there are 35 verified addresses subscribed for the MIS pricelist and seven verified addresses subscribed for the NNN minutes.

f. Examination of the major issues faced by SMFEs

FCN has examined the major issues faced by SMFEs in Nepal by organising meetings and workshops involving stakeholders related to SMFEs in Nepal. FCN organised a roundtable meeting on May 28, 2009 to identify, prioritise and find ways forward on major issues faced by SMFEs in Nepal. The meeting involved fifty-three participants representing government agencies, services providers, national and international organisations, market actors, local entrepreneurs and traders. It identified major issues for SMFEs at three levels: policies, services, and market constraints. Strategies were developed for the identified issues, indicating specific activities and roles for various institutions in addressing them. The meeting highlighted the importance of SMFEs in economic development and sustainable resource management, and it was agreed that coordination between various actors and stakeholders is needed for SMFEs to advance from their current situation.

FCN detailed proceedings of the roundtable discussion and disseminated them to the participants and other related stakeholders in August 2009. The findings from the meeting have been taken positively from the stakeholders, including the Government of Nepal, who revived the Herbs and NTFP Coordination Committee (HNCC) based on the recommendation from the meeting. ANSAB has also used the meeting findings for their programme development.

g. National-level association of producer groups and community enterprises

In 2010, FCN initiated a national-level association of producer groups and community enterprises by expanding the institutional system and capability of the Nepal Herbs and Herbal Products Association (NEHHPA). NEHHPA is a business membership organisation made up of Nepali enterprises producing or processing natural products. ANSAB, as the Forest Connect hub in Nepal, has closely worked with the executive members of NEHHPA since designing the FCN activities for the third year. The activities and roles of FCN and NEHHPA were also shared in a project inception meeting on January 20, 2010. FCN further assisted the association to expand its membership

to producer groups and community enterprises in the Dolakha district of Nepal. It then facilitated the development of a sub-committee of producer groups and community enterprises within NEHHPA to deal with those members. FCN supported NEHHPA to develop its national secretariat office for improving its efficiency and effectiveness in service delivery. It also supported NEHHPA's executive committee to review NEHHPA's documents and promotional materials, including the strategic plan, presentations, guidelines and constitution to streamline the organisation's business promotion and network development. A workshop was conducted for NEHHPA's members and secretariat staff to develop the organisation's strategic plan on business service development and network expansion.

After FCN's assistance to the NEHHPA, the association submitted 20 recommendations to the National Planning Commission on July 2010 to better link the NTFP sector to national policies and markets at national and international levels. The planning commission has mentioned that they will consider the recommendations while designing policies and allocating budgets for the sector.

h. Networks between facilitating organisations

Along with active participation in established platforms such as NNN, HNCC and the Public Private Alliance (PPA), FCN increased networking with different organizations. Due to these events forming part of the FCN activities, ANSAB designed new collaborative programmes and activities with organisations such as NEHHPA and Himalayan Naturals for the joint promotion of CBFEs in Nepal. The forums were also critical for enhancing networking between stakeholders of SMFEs and CFUGs, as they facilitated the identification of critical needs for the sector and sought coordination and collaboration between them. Furthermore, discussion and development of strategies for the SMFE sector, and their final verification during the NNN meetings, has strengthened the network between the organisations working in the same sector. These platforms are also helpful to avoid duplication of work about the sector.

i. Strategic inputs on SMFEs and NTFPs to the government

FCN has provided strategic inputs on SMFEs and NTFPs to the government through different forums. This has helped to foster improved understanding amongst government officials and policymakers, and for linking SMFEs to policymakers, markets and service providers. FCN mainly used NNN meetings for sharing its activities and verifying information collected from FCN activities in Nepal. FCN also used the high-level forum – HNCC – to share its ongoing activities with the government.

NTFP Network (NNN) meetings: FCN hosted four NNN meetings to discuss and prioritise the identified critical services to SMFEs and CFUGs and the supporting organisations providing those services to them. The 31st NNN meeting, the first of the meetings organised by FCN in 2008 created a seven-member Advisory Steering Committee for SMFEs with key stakeholders that would meet regularly to discuss FCN activities and progress. This formation of the steering committee within NNN has resulted in a body for verifying the information collected from FCN activities. The subsequent NNN meetings identified and discussed the challenges faced by SMFEs and the findings were shared with the government representatives. During the 33rd meeting, held on March 06, 2009, the challenges for SMFEs were identified as falling under three themes: policy, services and markets. The 34th NNN meeting, held on April 21, 2010 discussed crucial linkages between SMFEs and development organisations, government programmes such as the Micro-enterprise Development Program (MEDEP), and insurance companies; development of information-sharing tools for better market, policy and service providers; and preparation of courses on business development and management of CBFEs..

Herbs and NTFP Coordination Committee (HNCC) meetings: The HNCC is a high-level public-private forum chaired by the Minister for Forest and Soil Conservation, to coordinate and frame herb and NTFP-related policy issues in Nepal. FCN used the forum on March 24, 2009 to share its ongoing activities with the stakeholders, including the government. In the same meeting, ANSAB made policy recommendations to review and amend existing policies related to SMFE growth and development in Nepal. The meeting thereafter assigned ANSAB to coordinate a task force for technical issues on NTFPs. In coordinating the task force, the organisation reviewed existing guidelines and manuals on NTFP cultivation, sustainable harvesting and inventory, and made recommendations for the development of guidelines and a manual for NTFP promotion and NTFP zoning in Nepal.

j. Information sharing through ANSAB's website and newsletter

FCN used ANSAB's established platform – the website and newsletter – to share news, events and issues related to SMFEs and related organisations working in the sector. As mentioned in section 2.e, FCN also linked ANSAB's website to its own website for NNN meeting minutes and monthly price information of 32 products in six markets of Nepal and India. FCN's effort in this regard has contributed to the expanded access to marketing information for local collectors and traders. This access has resulted in increased bargaining power amongst traders and local collectors, with higher prices for their products, and improved relationships between traders and producers.

The first three years of the FCN initiatives in Nepal were successful in meeting the objectives laid out during the FCN planning phase. Moreover, FCN has shown that the Forest Connect initiative can add value to the work of organisations working in the SMFE sector by assisting in the formation of a national-level association of producer groups and community enterprises. FCN has been successful because, since its initiation, it has been implemented using holistic approaches. ANSAB, as the Forest Connect hub, combines both indigenous and modern scientific methods for project implementation, and works through a multi-stakeholder approach, involving all relevant actors in programme planning and implementation. It has also worked harmoniously with communities, government, NGOs and various stakeholders since its establishment, and does not raise false expectations in stakeholders and communities. FCN has always raised concerns of equity with the members of the CFUGs and CBFs in forums, and has used ANSAB's experience of involving the poor, women and other disadvantaged people in micro and small enterprises for their livelihood improvement. FCN has also utilised the well-established networks and meetings as NNN, HNCC and PPA to raise and discuss issues recognised during its implementation.

3. Benefits of the alliance

In addition to meeting the objectives laid out for the promotion of SMFEs in Nepal by the FCN initiative, the FCN programme and ANSAB itself have benefitted from the international Forest Connect alliance. For the organisations and programmes working for the promotion of the SMFE sector, tools such as the online social networking website, international Forest Connect meetings, and relevant documents such as the facilitator's toolkit developed by the Forest Connect alliance, have proven to be beneficial.

International Forest Connect website: FCN and ANSAB staff often use the international Forest Connect website <http://forestconnect.ning.com/> to find news, tools and documents on SMFEs around the world. The website provides a space for networking between professionals from the same and similar sectors and activities. It also provides quick link to the Forest Connect partners' websites. The discussion forum within the website is good for sharing news, success cases, experiences and other relevant information. With most of the features of a good networking site, the current website is successful as a networking site, for which the users gets access to important documents and discussions for promoting the SMFE sector. Regarding the websites of the country specific Forest Connect programme, they could be updated more often.

Contribution to the facilitator's toolkit on supporting small forest enterprises: FCN has contributed to the development of a contribution for Module 14 (*Strengthening community enterprise governance and structure*) of 'Supporting small forest enterprises – a facilitator's toolkit' developed by the International Institute for Environment and Development (IIED), FAO and PROFOR. Based on its experience working in the SMFE sector in Nepal, ANSAB also prepared three case studies for modules 7 (*Participatory value chain analysis*), 11 (*Product development*) and 15 (*Building on ecological sustainability*) of the toolkit and presented them in the second Forest Connect workshop in Ethiopia. This year, ANSAB will contribute additional case studies for Module 9 (*Designing communication strategies*), Module 14 (*Strengthening community enterprise governance and structures*) and Module 16 (*Policy research for change*).

The toolkit is a practical tool for use by facilitators working to support SMFEs in the field, arranged in a series of self-explanatory modules providing step-by-step guidance on different elements of SMFE support. The current structure of the toolkit helps the facilitators to choose the content according to their purpose. In Nepal, all 16 modules of the toolkit are relevant for a range of actors working in SMFE sector; the 13 modules developed for the national facilitators being directly applicable for the national-level organisations. The current draft of the toolkit also provides

a good list of references with web addresses, which makes it of great importance for the facilitators when used online. For production of the hard copy of the toolkit, the references (especially web addresses) could be limited to prevent it being bulky in size. The toolkit could be developed with efficient size and volume printed in durable paper to be carried by facilitators in field.

International Forest Connect meetings: FCN programme staff members participated in the first and second international Forest Connect workshops, organised in Edinburgh, UK and in Addis Ababa, Ethiopia. FCN shared the experiences and practices of the programme on the SMFE sector with other members of the Forest Connect international alliance, giving presentations on the opportunities and constraints in supporting small forest enterprises in Nepal. FCN found these meetings useful and informative, as they established relationships and had discussions with counterparts from Forest Connect alliance countries and the members from FAO and IIED. FCN representatives discussed Forest Connect in-country experiences and opportunities for mutual collaboration with counterpart representatives. For example, FCN representatives discussed with members of the government-led Malawi Forest Connect, how well the programme can run with other government programmes. FCN participants also discussed mutual challenges and opportunities for the promotion of the SMFE sector in their context with Burkina Faso Forest Connect members. FCN staff also talked with the participant from China about the role of the research organisation in promoting the SMFE agenda. In group work and discussions, the members discussed how the Forest Connect programme can be linked to emerging issues, such as climate change and REDD, and the possibility of replicating one member country's performance in another member's country, having similar resources.

4. Future prospects and sustainability

As mentioned in previous sections, the past years' FCN activities have been successful in improving accessibility of information to SMFEs and stakeholders, improving understanding for linking SMFEs to policymakers, markets and service providers, and strengthening networks between facilitating organisations. The FCN initiative in Nepal has also been successful in initiating new activities in the CBEF sector and in gaining recognition among government and relevant stakeholders in the sector. On this basis, FCN aims to strengthen SMFEs in Nepal to ensure their long-term sustainability, focusing on the vision of Forest Connect to promote their linkages to national forest programmes, emerging markets and service providers.

ANSAB has been working with different partners to implement projects. Joint proposals with FAO are in development for the FCN initiatives in Nepal, and work has been carried out with other partner organisations, including the Ford Foundation, the Blue Moon Fund, IDRC, USAID, EWV and the Global Development Network, to support SMFE related projects in Nepal. ANSAB also has a good network with the Government of Nepal and national partner institutions working in the SMFE sector. FCN, as an initiative, aims to use the networks and partnerships developed by ANSAB at national and international levels to strengthen the SMFE sector in Nepal, by developing and implementing joint programmes.

The results of ANSAB's work in the SMFE sector in Nepal has shown that SMFEs are a promising option for poverty reduction and forest management because they have positive impacts on local economies, social equity and the natural resource base. Similarly, ANSAB's experience with FCN has shown that FCN is a good initiative for the promotion of the SMFE sector in Nepal, having provided good leverage and programme support for ANSAB, which is working to promote SMFEs in the country. FCN plays an important role in improving the accessibility of information; strengthening networks; building capacity of national-level producer associations; and improving understanding to better link SMFEs to the policy arena, markets and service providers. In addition, the information generated and networks established during the FCN initiative in Nepal have provided a strong foundation for ANSAB to design and develop programmes in partnership with different organisations, including the government, for the promotion of the SMFE sector. Initiatives like FCN are important in Nepal, where forests are important for livelihoods for a significant number of people. It is also important for an organisation like ANSAB, which is promoting SMFEs for the sustainable management of forests and for livelihood improvements of forest-dependent people.