Institutionalising community-based enterprises in Nepalese community forestry

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Outline of presentation

- Research context
- Methodology
- The *Chaubas-Bhumlu* Community Saw Mill
- Research finding
- Conclusion
Context

• Community forestry enterprises (CFEs) as an strategy to address poverty, underdevelopment and environmental degradation (Paredo and Chrisman 2006, Wunder, 2001, Antinori and Bray 2005, Monlar et al, 2007, Gatto et al, 2014)

• Critics question efficacy and sustainability of CFEs (CFEs promote neocolonialism, depend on external support, ignore local priority) Kiss 2004, Manyara and Jones, 2009

• Empirical evidences suggest mix results, success is highly conditional. In Nepal, CFEs are not performing well
Research aim

The research aims to investigate why community forestry enterprises fail and how these enterprises could better respond to market opportunities and become competitive.

Based on case analysis of Chaubas Bhumlu Community Saw Mill, we argue that existing institutional make up of community enterprises require institutional reform, and partnership with private sector could make enterprise competitive in market.
Enhancing livelihoods and food security from agroforestry and community forestry in Nepal

Study area

• Study site is 75KM east of Kathmandu

• Resourceful community forests, mostly pine plantations in 1970s

• Australian government through NACFP supported plantation

• Heterogeneous community (castes, classes and ethnicity)
Chaubas Bhumlu Community Saw Mill

- Nepal’s first community saw mill estd. in 1996, largely with external support.
- Managed jointly by four community forestry user groups
- Processing of timber and round wood, 60,000 cft wood/yr
- Run by mill mgnt committee
- 20% profit for mill maintenance, 80% to communities.
- 36 inch band saw powered by 12 HP diesel motor, disfunctioned in 2006 and reopened in 2011
Methodology

• Critical action research (CAR) (critical, action oriented and focused on research and learning (Ojha, 2012)

• engage in action, critical observation, collect and analyse evidences

• Interviews/group discussions as a part of CAR

• Review of literature and internal documents of the saw mill
Findings of the study
Community’s readiness

- Community forestry enterprises in general, and Chaubas-Bhumlu saw mill enterprises are NOT performing well, struggling for their survival
  - Poor financial performance, it incurred a net loss
  - No running capital and marketing skills
  - Machinery and tools are not properly maintained
  - The mills owns 11,000 sq feet land
<table>
<thead>
<tr>
<th>Income</th>
<th>US Dollar</th>
<th>Expenditure</th>
<th>US Dollar</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sale of products</td>
<td>81,463</td>
<td>Timber purchase</td>
<td>33,269</td>
</tr>
<tr>
<td>Grants received</td>
<td>3,341</td>
<td>Salary/Wage/allowance</td>
<td>29,516</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Fuel/vehicle</td>
<td>12,864</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Maintenance</td>
<td>4,193</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Tax</td>
<td>3,508</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Miscellaneous</td>
<td>2,821</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>84,805</strong></td>
<td><strong>Total</strong></td>
<td><strong>86,174</strong></td>
</tr>
</tbody>
</table>
Community’s readiness...

• 4 founding forest groups are less confident to run enterprises on their own

• Forest groups are trying to revive the mill, and thinking about alternative modality to previous community-only arrangement
Reasons for Mill’s closure

• Complex/Unsupportive policy/regulatory environment (conflicting legal policy)
  ✓ forest law vs environment protection regulation
  ✓ multiple approval for raw material collection
• Time consuming, and increases transaction costs
• No legal status for community enterprises
• Forest user group cannot sell timber directly to their mill, must follow the tender process
### Steps of Sale of timber from CF

<table>
<thead>
<tr>
<th>Steps</th>
<th>Responsibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approval of harvest plan</td>
<td>Ilaka office</td>
</tr>
<tr>
<td>Tree marking/inspection</td>
<td>District forest office</td>
</tr>
<tr>
<td>Collection permit</td>
<td>Ilaka office</td>
</tr>
<tr>
<td>Harvesting/logging/measurement</td>
<td>District forest office</td>
</tr>
<tr>
<td>Grading of logs</td>
<td>District forest office</td>
</tr>
<tr>
<td>Transport permit to Depot</td>
<td>District forest office</td>
</tr>
<tr>
<td>Onsite inspection</td>
<td>Ilaka office</td>
</tr>
<tr>
<td>Final inspection</td>
<td>District forest office</td>
</tr>
<tr>
<td>40% to DFPSB</td>
<td>District forest office</td>
</tr>
<tr>
<td>Approval from DFO</td>
<td>District forest office</td>
</tr>
<tr>
<td>No wages higher than district’s minimum</td>
<td>District forest office</td>
</tr>
<tr>
<td>Sale- open tender + transport permit</td>
<td>District forest office</td>
</tr>
</tbody>
</table>

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Reasons for Mill’s closure

• Despite a good resource base, market demand the mill could not thrive well in competitive market---

✓ Poor management (financial transaction not transparent, lack of ownership, misuse of fund,

✓ High cost of production

  • diesel fueled motor, poor infrastructure
  • low conversion of timber, policy increases transaction costs)

• Lack of capital (investment) and technology and marketing skill
### Prospects of mill revival

**Good Supply of Timber**

<table>
<thead>
<tr>
<th>Source of timber</th>
<th>Potential supply (cubic feet)</th>
<th>Mill’s annual capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fagarkhola</td>
<td>500</td>
<td></td>
</tr>
<tr>
<td>Dharapani</td>
<td>12,285</td>
<td></td>
</tr>
<tr>
<td>Chapani</td>
<td>13,700</td>
<td></td>
</tr>
<tr>
<td>Rachma</td>
<td>4,650</td>
<td></td>
</tr>
<tr>
<td>Private Forests</td>
<td>25,000</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>56,1355</strong></td>
<td><strong>55-60,000 cft</strong></td>
</tr>
</tbody>
</table>
Prospects - Contd..

• Community supportive to revive the mill

• Improving infrastructure
  – Bridge over Sunkoshi river, previously timber hauled across the river manually
  – 17 KM link road to highway is under improvement, now becoming 7 meter wide
  – Rural electrification is underway, so diesel fueled motor can be replaced

Public notice of Saw mill
Experimental operation

- Mill mgnt committee- 4*2=8
- Contracts betn communities/business plan
- Price for saw milling = $1 for one cubic fee
- Timber source= private farm
- Profit= $20 per day
- Support to earthquake victim/local construction
- Looking for 51:49 community-private share holding
Prospects—contd..

• Proximity to timber source and market points
  – Local markets,
  – District and national markets (Dhulikhel, Banapa, Kathmandu, Lalitpur, Bhaktapur in less than 80 km far away)
Conclusion

• The reasons of mill’s underperformance are
  ✓ Unsupportive policy
  ✓ High cost of production
  ✓ Lack of capital (investment) and technology and marketing skill

• Saw milling at local level is feasible, but partnership with private sector would greatly enhance market competitiveness

• Communities require business capacity building
References

Thank you