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# Investing in Community Managed Forestry for Poverty Reduction in Nepal: A Scoping of Investment Opportunities

By

Hemant R Ojha, PhD  
Ghanashyam Pandey

Sindhu Dhungana

Sandesh Silpakar

Naya Sharma, PhD

ForestAction Nepal

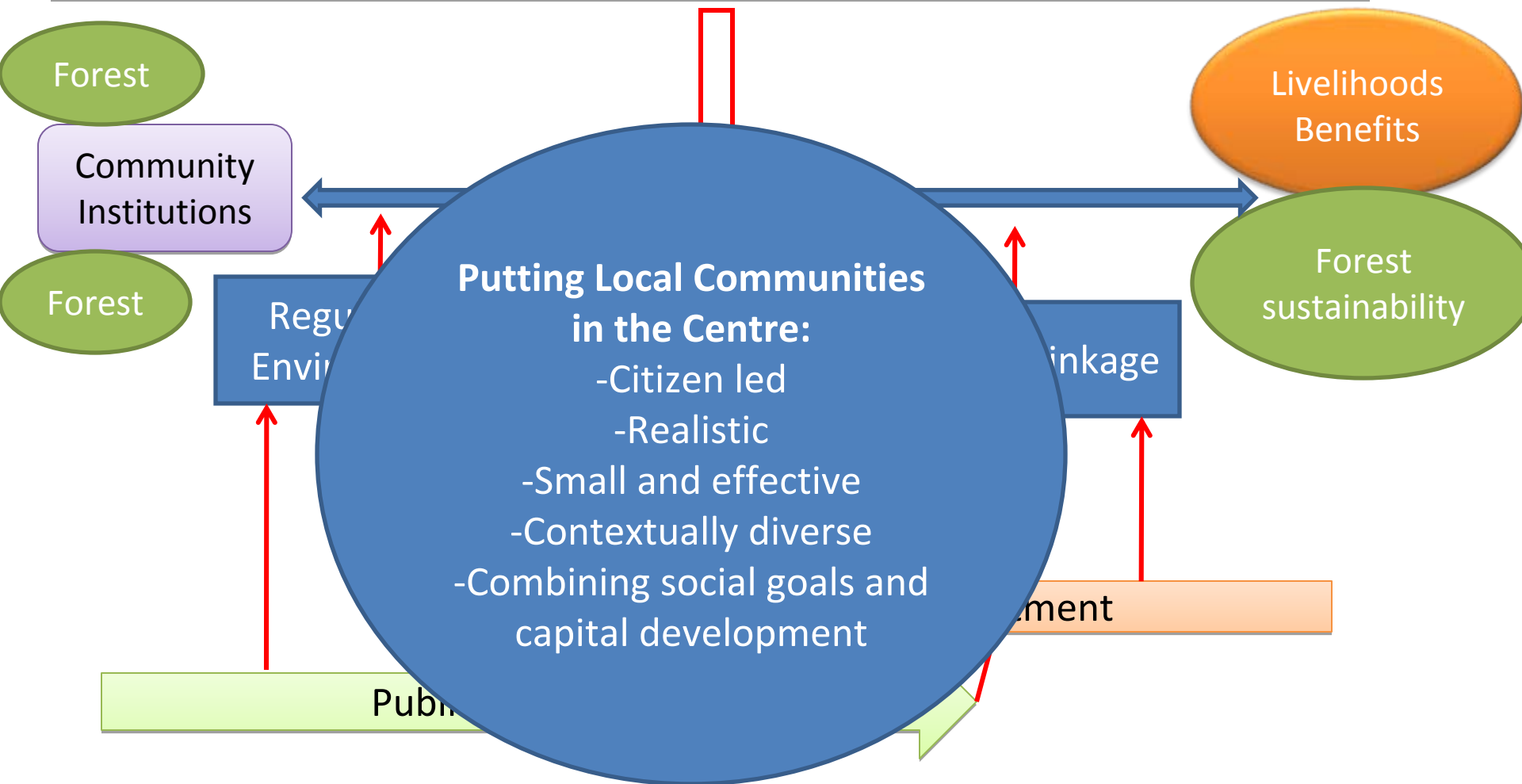
# Scoping Questions

1. Are community forestry groups **institutionally capable and innovative in mobilising resources** for poverty reduction and achieving environmental sustainability at local level?
2. Can communities reap **benefits from forest products markets**? Under what conditions and policy frameworks?
3. What are the **relative strengths and unique advantages** of community organizations (vis-à-vis government and private sector) towards generating equitable and resilient livelihood outcomes?
4. What are **challenges and opportunities** faced by community institutions in advancing the goals of poverty reduction?
5. What are the potential **investment opportunities** to further expand community-led poverty reduction and environmental outcomes?

# Conceptual Scoping for Investment

## External Drivers:

Global financial crisis, climate change, consumer preferences on green and equitable products, capital flight



# Community: Institutional Potential

- Community Groups have mobilized tremendous amount of institutional capacity and resources to enhance livelihood opportunities of some of the World's poorest groups.
  - Over 16 thousands groups nationally, one-third of the total population
  - Over 50,000 local activists and agents of change nationally
  - Local and traditional knowledge: use, management, collective action
  - Networking and federation building: innovative model of direct democracy in forest governance.
  - Reversed the past trends of deforestation
  - Management of one-fourth of forest area
  - Generating over Rs 893 million finance for local development

# Innovative Actions of Community Groups

- Creating **equitable rules** of benefit sharing
- Processes and mechanisms for **intra-group democratisation**: e.g. tole/hamlet meetings, monitoring sub-committees
- Supporting the local **development works** – schools, drinking water, old age pensions, scholarships etc
- Setting up **enterprises**
- Establishing forest **monitoring** plots
- Setting up special **biodiversity** zones
- Development of local **resource persons** and professional facilitators
- **Leasing** parts of forest land to the poor groups



- Most fundamentally, we all need to recognize that local communities have re-emerged to assert self-governance and undertake local development in response to the failures of three alternative approaches to development – failure of the state, failure of markets and failure of post War development industry.



# Challenges

Communities have to address **five key challenges** to be successful in achieving poverty reduction goals and sustainable forest management.

1. Enterprise and marketing
2. Influencing policy and regulatory environment
3. Inclusion and equity - gender, caste, ethnicity
4. Ecosystem management (including ecosystem services)
5. Adapting to climate change



# Challenges: Enterprise and marketing

- A number of policy and **regulatory hurdles** constrain communities and their business partners to market forest products.
- Community forestry is still considered as a **subsistence level activity** and many institutional and regulatory constraints hinder community groups to engage effectively in community based forestry enterprises.
- Communities have **limited entrepreneurial capacity** to promote forest products and services in the market.
- Communities and their small scale private business allies have **limited access to necessary capitals**, knowledge and technologies.



# Community and Market- Progress and Issues

- Hundreds of self-initiated and supported **small scale forestry enterprises** established and operated by local communities over the past several years.
- **Multiple models** of enterprises involving communities evolving, including linkages with private sector (but with limited success)
- Glorification of NTFPs without bringing **timber governance and trade issues** into the debate.
- Despite growing markets, community production has failed to meet demand **quantities, quality and timeliness** of delivery.
- Limited public **infrastructure** such as roads and communication, human capital,
- Culture of **entrepreneurship** entails major shifts from traditional subsistence agriculture
- Limited access to business development **services**
- Forestry business is still **not a reputed profession**, and limited private sector interests in the sector



# Challenges: Policy Influence

- The processes of policy and programme development is **often not responsive to community demands**.
- Continued **tenurial insecurity** over forest and natural resources affect motivation and engagement in effective forest management.
- **Absence of enabling local governance** hinders communities to build stronger support in technical and institutional development community groups.
- Lack of independent and quality technical and institutional development **services** that local communities can choose and access outside of the government system.
- Communities are still **poorly networked** to create stronger policy influence on specific policies issues.
- **Limited linkages with policy researchers** and hence weak argumentative influence over policy related deliberative processes.

# Challenges: Creating Democratic and Inclusive Community Institutions

- Leadership and decision-making processes in community forestry groups are **yet to be fully democratic, participatory and inclusive**.
- Community groups face **challenges in addressing deep structural processes of exclusion** in terms of gender, ethnicity and caste.
- Community groups are still short of **critical mass of locally based change agents** who can make decisive influence on equity and distributive justice in the management and utilization of forest resources.
- Communities have developed a wide array of innovative models on resource management, enterprise development and institutional development practices but there is **weak community to community dissemination (scaling out)** of such innovations.
- Community institutions have yet to devise deliberative and adaptive governance strategies that can incorporate diverse interests, views, ideologies and perspectives in forest governance and management.
- Limited attention to **meso institutions**

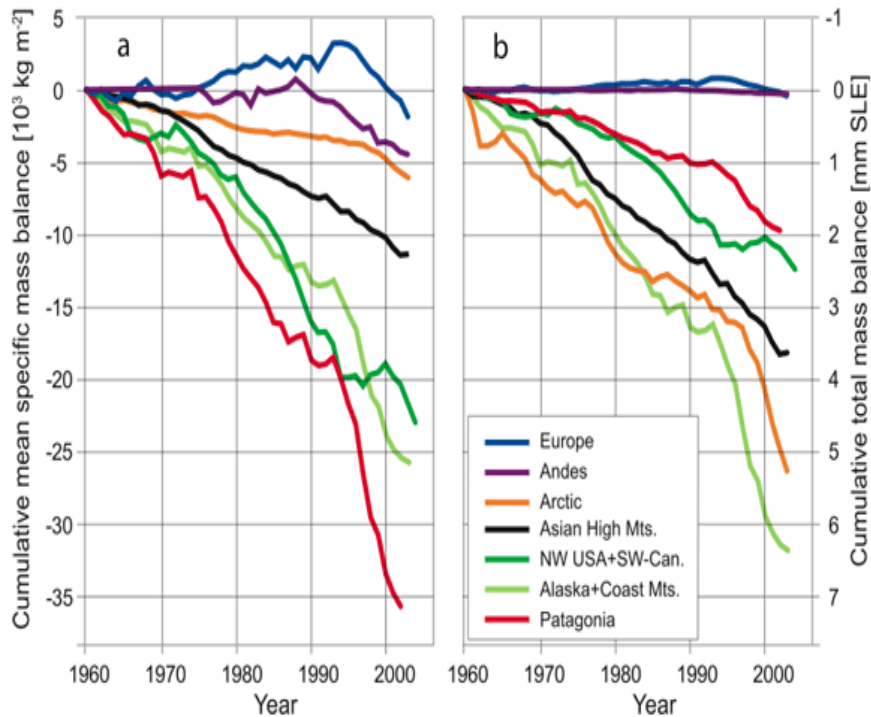
# Challenges: Ecosystem management and environmental services

- Communities are not pro-active in demanding accounting of environmental services, due to **lack of awareness and scientific evidence**.
- Communities still lack sufficient **institutional capacity** to undertake resource assessment and monitoring that underlie sustainable management of forest ecosystems.
- Communities **lack professional services** to move from passive management to active management effective utilization of forests.
- Communities lack resources and capacity to forge **landscape level management of forest landscapes** and watershed beyond community-focused management (leading to fragmented management of bio-physical system)
- Lack of rewards on biodiversity conservation has at times prompted communities to **provide selective preference** to certain species at the expense of ecosystem approach to forest management, sometimes leading to biodiversity degradation (e.g. Sal, Sissoo, Champ etc.)
- **External threats** to forest ecosystem – such as encroachment, conversion of forest land, biodiversity loss

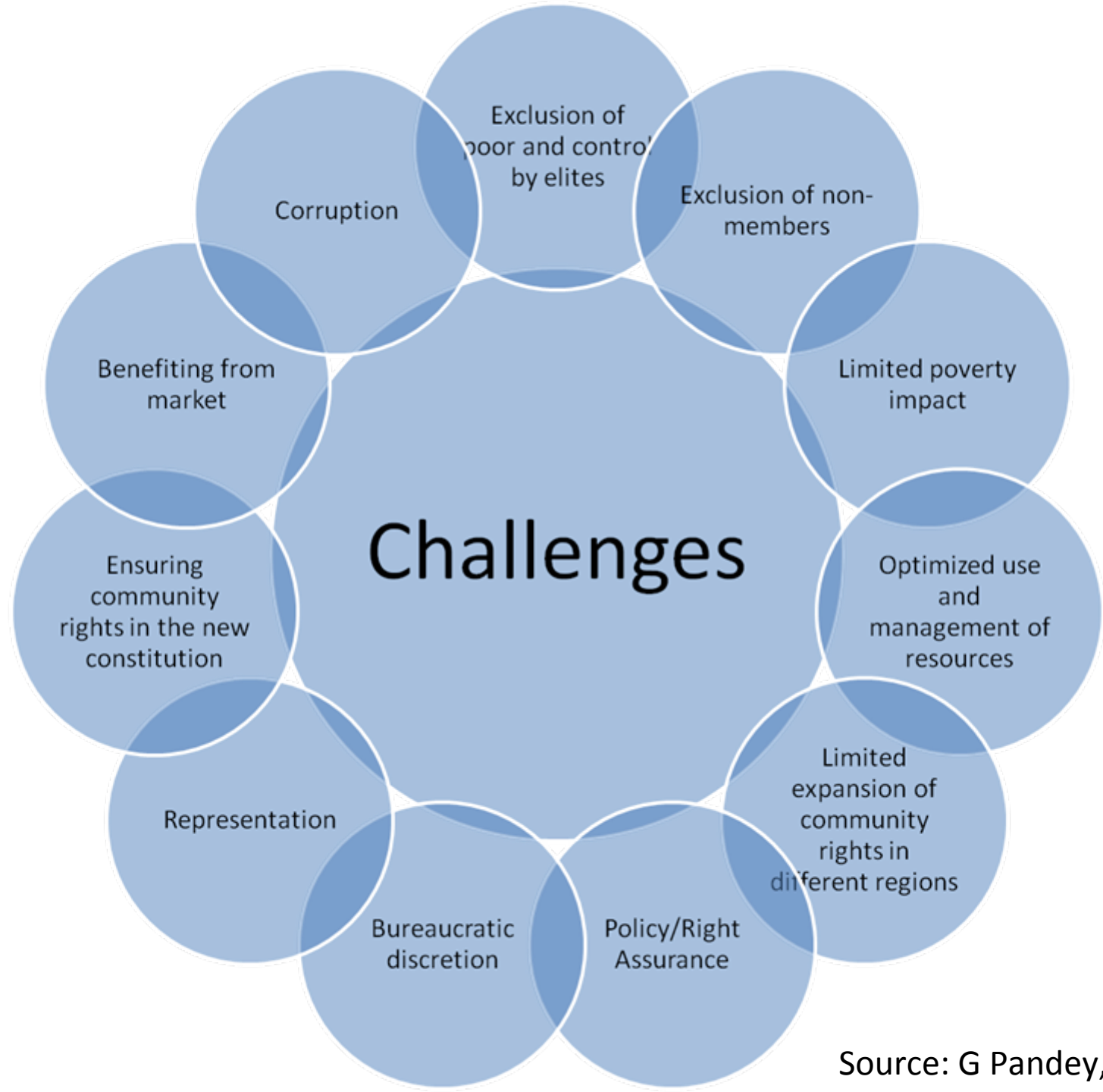
# Challenges: Community-based adaption to climate change

- Communities lack **awareness** on the basics of climate change and how it affects their local socio-ecological systems and livelihoods.
- Communities have not yet been able to work effectively as a network at **different scales to influence adaptation processes** and strategies.
- Communities are **not aware and equipped** to develop community-based adaptation strategies and demand support as per the identified needs.
- Communities lack idea and capacity in setting up locally based **climate change monitoring systems** by combining scientific and local knowledge.
- Forest management strategies and plans do not explicitly consider **adaptive strategies for climate change**.

# Climate Change and Environmental Services are emerging as the new and influential agendas, while the communities are struggling for basic rights and for improving benefits through markets.



- **Adaptation** challenges are immense as the glacial melting in the Himalaya is fastest in the world, and monsoon change are likely to be significant. Again community based adaptation strategies are the key.



Source: G Pandey, FECOFUN



Part of the problem is quite fundamental – there is still a lack of consensus on the role of local community vis-a-vis local government, central government line agencies, and other development organizations.

Opportunities

**International/non-local civil Society**

- Criticism of elitism
- finding synergy in empowering communities



**Market**

- Big market model is failing
- Small is emerging



Expanding Role/Space of Local Community in Forest Governance and Marketing



**State**

- Failure to protect forests through state-alone mechanisms
- State becoming responsive to citizen demand for deliberative governance



**Donor Led Development**

- Depoliticization through donor-led development being recognized
- Donors taking catalysing roles, pressures growing to support local agendas

# Investment: Enterprise and marketing

- Development of **entrepreneurial capacity** of communities and their networks
- Development of business **partnerships with private sector** – capacity, agreements, share capital
- Hiring expert services in undertaking **analysis** of constraints and opportunities in various product lines.
- Establishing market **information centers** including electronic networking of community and joint venture (with private sector) enterprises
- Creation of revolving **seed capital** fund.
- Inventory of **raw materials** and assessment of supply potential.

# Investment: Policy Influence

- **Awareness** campaigns and **empowerment** of community networks in policy influence.
- Community responsive expert **analysis** of policy issues and options (including policy intelligence)
- Undertaking issue based **lobbying** and networking among community groups and other allies.
- Organizing issue based policy **dialogues** and public hearings.
- Influencing **multi-stakeholders** policy and institutional processes.

## Investment: Democratic and inclusive community institutions

- Nurturing, training, and coaching **local change agents** with commitment to work towards transforming and innovating local level institutions and practices.
- **Cross site learning** - promoting cross-site visits/study tours among community groups.
- Technical and institutional develop support services to community groups and networks to:
  - **Engage media** in the policy and practical issues.
  - **Promote innovations development** around economic institutions and entrepreneurial management of forests.
  - To create **networking for landscape level management** of forest landscapes and watershed.



# Investment: Ecosystem management and environmental services

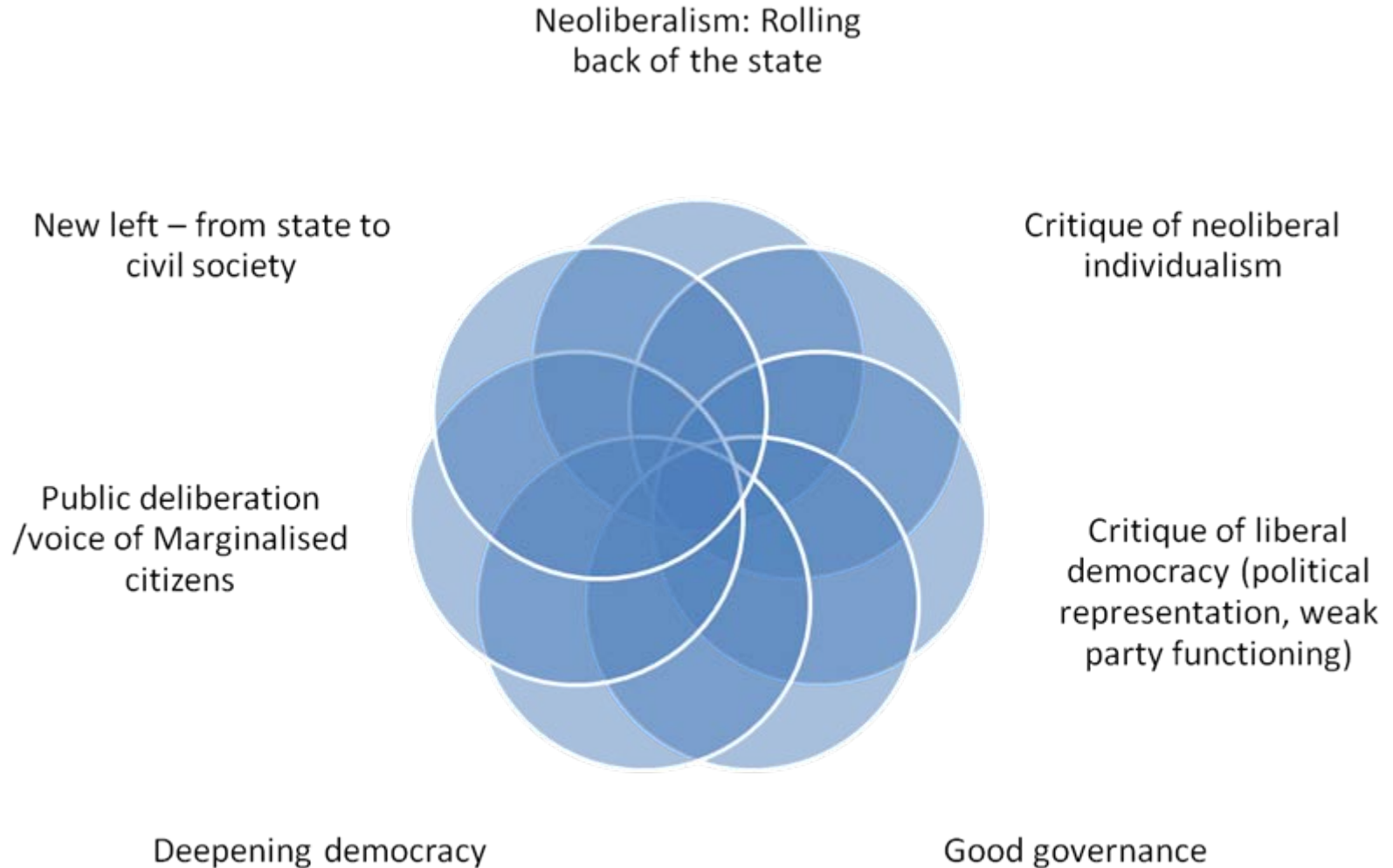
- **Awareness raising** activities on the environmental services and possible strategies for accounting of such services as Payment for Environmental Services (PES)
- **Landscape level institutional model development** through action learning (zoning biodiversity corridor across CFs).
- Community-based **eco-tourism** initiatives.
- **Upstream-downstream dialogues and negotiation** on sharing the costs and benefits of ecosystem management.
- Developing locally applicable **standards of certification** and verification of forest products and environmental services.
- **Influencing markets and standards agencies for ‘environmental services with poverty reduction co-benefits’.**
- Lobbying for **compensation/rewards** to local communities from **protected area** systems of global significance.
- Rewarding **silvicultural innovations** leading to improved forest management and biodiversity conservation.
- Influencing process of developing mechanism to channelize **benefits from REDD to community level.**
- Community-responsive feasibility studies on **volunteer carbon markets.**
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# Investment: Community-based adaption to climate change

- Basic climate change **awareness campaigns** and information market place.
- Community-led **vulnerability assessment**.
- Community-based **adaptation planning and model development**.
- Participation and influencing policy debate around National Adaptation Programme of Action (NAPA).
- **Revise/develop forest management Operational Plans** incorporating specific adaption strategies.
- Installing **meteorological equipments/devices** at community level – for evidence and compensation
- Developing **models of climate resilient integrated farming** (organic farming, IPM, agro-forestry models etc.)



# Expanding Local Community Space in Forest Governance



# Private investment

- Generally, business in environmental sector is **considered second grade profession**, partly because of the prevailing feudal political legacies within which business entities have to operate, and partly because of the lack of credible records of socially responsible environmental business.
- **The fear of the 'Private'**: Communities have yet to develop workable strategies through which they can synergise their actions with the private sector to invite much needed technology, entrepreneurial efficiency to capture emerging global markets for natural products, including non-timber and medicinal plants.
- Growing appreciation of the need for **community-private partnership** in forest enterprises.
  - Private capital a must for benefitting from the markets.
- **Confidence building innovative actions** are required before large scale initiatives can be undertaken.

# Conclusion

- Community institutions have demonstrated **enormous capacity** and potential to citizen-led development and democratic governance.
- More public investment is required to create **enabling environment** for community-led small scale forestry business can make significant impacts.
- Development approach – **seriously put the last first** - to harness community power from below is absolutely necessary to achieve change that benefits the poor and deprived communities.
- Developing **workable modalities of community-private partnership** in forestry enterprise require more action, experimentation and analysis
- Formal regulatory arrangement is not enough; we need deeper, wider and constant **democratic civic engagement** with all levels of government

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Frontiers of Dialogue

