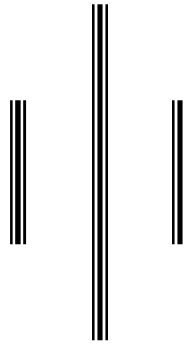


An Assessment of Socio-economic issues of Forest Based
Micro and Small Enterprises and their Contribution to Rural Development
An Anthropological Study from Kabhrepalanchowk District, Nepal



A Dissertation Submitted to:
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EXECUTIVE SUMMARY

The primary motives to introduce Community Forestry were to fulfill the basic forest product needs and to conserve forest resources. This scenario has now changed to guarantee the promotion of social, economic and environmental welfare of rural communities through the proper implication of resource based enterprises in their rural settings. The backbone of rural development in sustainable basis depends upon the effective implementation of timber and non-timber forest products based enterprises with inclusive participation of women and ultra-poor of community. Poverty has become dithering factor of development and it is recognized as a major problem of rural development. Pro-poor focused enterprises within community forests could be the viable means of poverty reduction and eventually rural development. However, development of the forest-based enterprises has been facing a number of socio-economic hurdles and impracticable policies and legal procedures. Thus this research entitled "An Assessment of socio-economic issues of forest based enterprises and their contribution to Rural Development" was carried out with the specific objectives of exploring existing and potential forest based enterprises, assessing the users perception towards enterprises development, analyzing simple cost and benefit of forest based enterprises and recommending appropriate and viable enterprises in the Community Forest User Group (CFUG) studied.

This study was conducted in Hilejaljale 'ka' CFUG, Tukucha – 6, 7 of Kabhrepalanchowk district. Primary data were collected using various Participatory Rural Appraisal (PRA) and Rapid Rural Appraisal (RRA) tools such as Group Discussion, Household Survey, Key Informant Survey, meeting with committee members, Direct Field Observation, Matrix Ranking. Supplementary secondary data were collected from various sources e.g. MEDEP Library, District Forest Office, Kabhrepalanchowk, ANSAB Library, DFRS Library, ICIMOD Library, Reviewing of Community Forest Operational Plan and Constitution etc. Quantitative data were analyzed by using simple statistical tools such as mean, average, percentage and economic tools such as Net Present Value (NPV), Benefit Cost (BC) ratio. Qualitative data were analyzed by illustrating in the meaning of categories, ranking and other descriptive manners.

The Pine Timber Enterprise and Bio-briquette Enterprise were the existing enterprises in this CFUG. The other potential enterprises were Bamboo Enterprise, Agricultural Implement Production Enterprise (AIPE) and Dhasingare Oil Production Enterprise (DOPE). The major source of raw materials for Pine Timber

Enterprise, Bio-briquette Enterprise, AIPE and DOPE was Community Forest. In contrast to these enterprises Bamboo Enterprise should have to depend on private lands for raw materials. The study also reveals that the users were very positive towards developing forest-based enterprises (FBEs). In the views of users, developing FBEs were highly productive to improve their socio-economic status and highly significant for rural development.

The research revealed that the major income source of CFUG is Pine Timber Enterprise. This enterprise was the most supportive source of rural development and forest development activities. Those developmental activities were school building construction and maintenance, temple construction, road/trail construction and maintenance, salary to school teachers, wage for forest guard, scholarships to students, demonstration plot establishment and support to poorest of the poor people for improved grass plantation. It also bears annual capacity to generate employment opportunities of more than 3500 man days in local level. The Bio-briquette enterprise created very low employment opportunities in comparison to Pine Timber Enterprise. However, it was totally pro-poor focused enterprise. There were 13 individuals from underprivileged groups especially dalits and women. This enterprise has initiated to produce bio-briquette in small scale due to lack of proper market linkage. It has not created enabling environment to accelerate their production.

Likewise the market scope of AIPE and Bamboo Enterprise was high in local and national level as well. The bitter fact was that the individuals having skills and capacity to operate such enterprises could not produce in organized way through operating enterprises. They were bound within households' uses and sometimes produced according to the demands of buyers. On the other hand, there was not sufficient raw material for DOPE, so as to establish oil production plant. The collaboration with neighbouring CFs was only the viable means for sustaining the production plant.

The simple cost and benefit analysis of two existing forest based enterprises (FBEs) namely Pine Timber Enterprise and Bio-briquette enterprise revealed that benefit accrued was more than cost incurred. Consequently, it resulted the positive Net Present Value (NPV) and Benefit Cost (BC) ratio more than unity. Thus, cost benefit analysis demonstrates the economic viability of both enterprises within this Community Forest.

Some recommendations have been made for the effective implementation of forest-based enterprises and to tap optimal benefits for the investment to rural development. For effective implementation of forest-based enterprises, CFUG should focus on the formation of sub-groups considering the inclusiveness of underprivileged groups of the community. FBEs should be focused to uplift the socio-economic status of poorest of the poor section of community. CFUG should coordinate with neighbouring CFUGs to control the excessive flow of product such as pine timber at the same time which creates the problems of price reduction.

Similarly, Service Providers such as District Forest Office (DFO), Micro Enterprise Development Programme (MEDEP), District Cottage and Small Industries Office (DCSIO) should assist CFUG in proper identification and implementation of forest based enterprises which could generate more income and help increase participation of women, underprivileged groups and ultra-poor people of the society. They should facilitate to launch any income generating activities (IGAs) considering the ethics of demand driven strategies. In addition to that concerned institutions should facilitate for proper and reliable market linkages. Service Providers should create awareness about the environmental impact resulting from various forest-based enterprises. Users/entrepreneurs should be well informed about the method of prevention and precaution to minimize the impact on forest resources.

As the forest-based enterprises are always guided by forest policy and industrial policy, users and entrepreneurs should be informed about the changes in policies. Monitoring and evaluation of Community Forest and forest-based enterprises should be done regularly. DFO should facilitate to simplify the existing harvesting/logging and trade procedures. Forest management and entrepreneurship skill development training should be provided to users so as to produce local resource person for proper implementation of forest-based enterprises and for sustainable management of forest resources. Service Providers should also focus for closer integration between forest, agriculture and rural development.

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ACRONYMS

AFO:	Assistant Forest Officer
AIPE:	Agricultural Implement Production Enterprise
ANSAB:	Asia Network for Sustainable Bio-resources
ASCENT:	Asia Centre for Entrepreneurial Initiatives
BBE:	Bio-briquette Enterprise
BCR:	Benefit Cost Ratio
CBA:	Cost Benefit Analysis
CBOs:	Community Based Organizations
CF:	Community Forest
CFOP:	Community Forest Operational Plan
CFT:	Cubic Feet
CFUG:	Community Forest User Group
CIFOR:	Center for International Forestry Research
DCSIO:	District Cottage and Small Industries Office
DDC:	District Development Committee
DFO:	District Forest Office / District Forest Officer
DFRS:	Department of Forest Research and Survey
DoF:	Department of Forests
DOPE:	Dhasingare Oil Production Enterprise
FAO:	Food and Agriculture Organization
FBEs:	Forest Based Enterprises
FECOFUN:	Federation of Community Forest Users Nepal
GoN:	Government of Nepal
GOs:	Governmental Organizations
HHs:	Households
HMGN:	His Majesty's Government of Nepal
ICIMOD:	International Center for Integrated Mountain Development
IGAs:	Income Generating Activities
ILO:	International Labour Organization

IoF:	Institute of Forestry
IRR:	Internal Rate of Return
ITK:	Indigenous Technological Knowledge
Kg:	Kilogram
LRMP:	Land Resource Management Project
LSU:	Livestock Unit
MEDEP:	Micro Enterprise Development Programme
MoFSC:	Ministry of Forest and Soil Conservation
NGOs:	Non-Governmental Organizations
NPV:	Net Present Value
NRs:	Nepali Rupees
NSCFP:	Nepal Swiss Community Forestry Project
NTFPs:	Non-Timber Forest Products
PPI:	Potential Pareto Improvement
PRA:	Participatory Rural Appraisal
PTE:	Pine Timber Enterprise
RRA:	Rapid Rural Appraisal
SFM:	Sustainable Forest Management
SGOP:	Second Generation Operational Plan
MSEs:	Micro and Small Enterprises
VDC:	Village Development Committee
WFGs:	Women Focused Groups