

Investment in Forests: What role for Community Forestry in Nepal?

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Abstract

Forest management in Nepal until the mid-1970s was characterized by systems that helped to reinforce the power of the state over forest resources. It wasn't until the early 1990s that strong political will was shown by the elected leaders to support the tenure rights devolution agenda. With it, strong legal foundations for community-based forest management were introduced. Today, Nepal's Community Forestry (CF) is widely regarded as an archetypal model for halting deforestation and forest degradation. At present, the scope of CF activities has substantially widened from its early focus on forest protection and subsistence use to a more integrated approach to accommodate wider social and economic objectives including leadership development at the local levels. In recent years, the Community Forest User Groups (CFUGs) have been using their proprietary rights to attract investment to help spawn a variety of community forest enterprises (CFEs), including timber processing, tourism activities, and small firms that process, produce and market non-timber forest products. Against this backdrop, this paper examines what role CF can or should play to manage these new responsibilities. Literature review, interviews with twelve CFE operators, and consultations with relevant actors and policy makers across Nepal were conducted for the purpose of this study. It was found that CFEs adopt varied modalities of management. Most are managed by a single CFUG whilst others are borne through a partnership agreement between two or more CFUGs, or function through a partnership with a private entity. Investment in the form of capital support and skilled labor is found to be made by the CFUGs themselves in majority of the cases. Nevertheless, investment by the government and various donor-funded projects in fixed assets such as machineries and equipment along with capacity development cannot be overlooked. However, the poor performance of these CFEs in Nepal with most of them operating in loss suggests that there are drawbacks in the manner in which they are currently being managed and operated. Furthermore, lack of start-up capital is cited as one of the major barriers to establishment of such enterprises. Another common constraint was the lack of adequate capital to sustain the enterprises without external support. Tenure rights devolution in the form of CF in Nepal has created and attracted investment in CFEs. CFEs, however, face serious challenges related to financial viability and performance. Hence, analyses of prevailing investments in the CFEs can help to better understand how to overcome investment barriers in Nepal and thereby, boost community investment in the forests in Nepal.

Key words: 854, community forestry, enterprises, investment, Nepal, tenure

Introduction

The history of forest management in Nepal is characterized by a gradual progression towards diverse types of community-based modalities. In Nepal, the forest management until the mid-1970s was characterized by systems that helped to reinforce the power of the state over forest resources. The state became the owner and custodian of all forest resources that alienated local people from the forests which increased

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the mistrust between state agencies and public at large. As a result, deforestation accelerated throughout the country, primarily in the southern lowlands of Nepal known as the *Terai*.

The late 1970s marked the beginning of the era of decentralization and community-based forest management in Nepal. The introduction of the National Forestry Plan in 1976 brought the idea of 'handing over' management responsibilities of forest patches to the local governments (called *Panchayat*) in the name of '*Panchayat Forests*' and '*Panchayat Protected Forests*' (Fox 1993). The rationale behind such handing over was to halt accelerated deforestation and forest degradation and to improve the access of local communities to forest resources. The emergence of participatory discourses and increased international pressure for the devolution of state authority led to the enactment of the Decentralization Act 1982. This further empowered the *Panchayat* in managing local resources including forests (Regmi 1984). The introduction of these new forest policies attracted many donors to the forestry sector (Hobley 1996). The original enthusiasm with the *Panchayat Forests* and the *Panchayat Protected Forests* were short-lived, however. These experiences helped to convince the early community forestry (CF) leaders to advocate for the transfer of rights directly to the local communities. Consequently, established champions of the participatory approaches advocated for the further devolution of forest management to the community level. Many people from within the bureaucracy were also looking for an innovative approach that would better protect the forests. In the meantime, the first national CF workshop was organized in 1987 to reflect upon ongoing processes and experiences to devise a new policy framework, policies and operational strategies in support of community based forest management. Those voices that advocated for further devolution dominated the workshop (Shrestha and Britt 1998). It was followed by an enactment of the Master Plan for the Forestry Sector 1989.

The tenure reform process gained momentum after the 1990's political change that overthrew the *Panchayat* system, and established a multi-party parliamentary system. The elected leaders strongly supported the devolution agenda along with which strong legal foundations for forest management were introduced. Consequently, the Parliament passed the Forest Act 1993 that formalized and legalized diverse forms of decentralized and community based forest management modalities in the country. The Act recognized community forest user groups (CFUGs) as a self-governing, independent, autonomous, perpetual and corporate institution, so that they could acquire, possess, transfer, or otherwise manage movable or immovable property (HMG/MoLJ 1993: Article 43). According to the Act, the District Forest Office (DFO) can hand over forests to identified user groups 'who are willing and capable of managing any part of national forests' (HMG/MoLJ 1993). The Act was later operationalized by the Forest Regulations 1995 and Operational Guidelines 1995. Along with these legal instruments, CF policies and practices in Nepal are also shaped by the regular National CF Workshops (1987, 1993, 1998, 2004, 2008, 2014), the Government of Nepal's five-year development plans, and donor agency strategies.

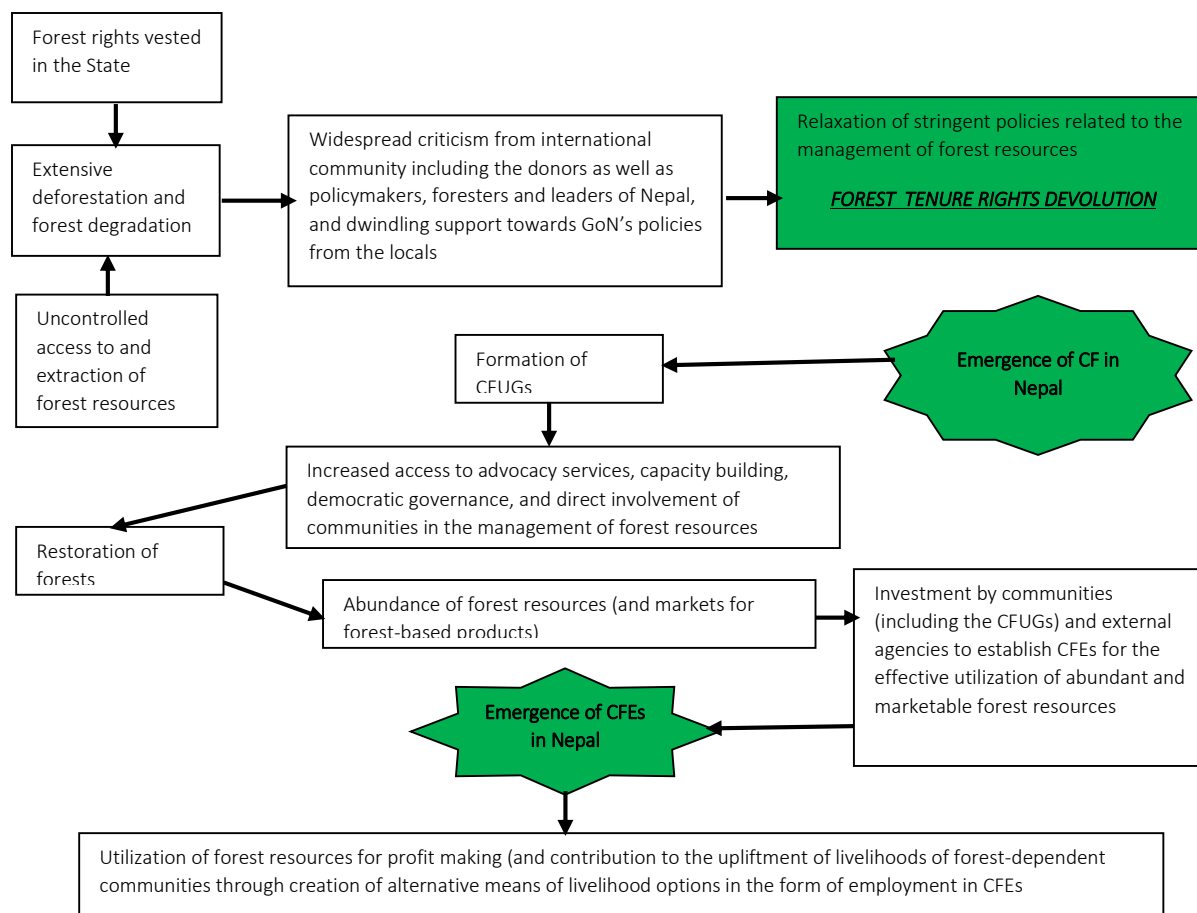


Figure 1. History of forest tenure rights devolution in Nepal and its role in the emergence of CFEs

With the enactment of the Forest Act (1993), the Government of Nepal (GoN) has been gradually handing over portions of national forest, particularly in the mid-hills, to local communities based on an agreed operational plan (OP). Today, Nepal's CF is widely regarded as an archetypal model for halting deforestation and forest degradation (Arnold and Campbell 1986; Acharya 2002; Pandit and Bevilacqua 2011). According to DoF (2017), a total of 1,813,478 hectares (ha.) of national forest have been handed over as community forests. The scale of involvement of people and communities in CF is also significant- about 1.45 million HHs (or 19,361 CFUGs or 35% of the population of Nepal) are involved in the CF management program. In Nepal, the scope of CF activities has substantially widened from its early focus on forest protection and subsistence use to a more integrated approach to accommodate wider social and economic objectives including leadership development at the local level at present. In addition, the role of CF in poverty alleviation, legal advocacy, capacity building, harnessing social equity, and the institutionalization of democratic governance and norms on a wider scale cannot be undermined (Subedi et al. 2002; Timsina 2005; Acharya and Acharya 2007; Thapa 2007; Pandit et al. 2009; Bajracharya et al. 2012; Rasul et al. 2012; Kanel and Niraula 2017). In recent years, the CFUGs have been using their new proprietary rights to attract investment to help spawn a variety of forest-based enterprises, including timber processing, tourism activities, and small firms that process and market non-timber forest products (Figure 1).

With the aforementioned proportion of the population involved in CF, it is of utmost importance that investments be drawn in forests for improved livelihoods of forest dependent communities in Nepal. In the

last few decades, the advent of community forest enterprises (CFEs) throughout Nepal has been perceived to be one of such investments by the community (and external parties such as the government, donors, projects, and international/non-government organizations (I/NGOs)) aimed at uplifting the livelihoods of the forest-dependent communities. Such emergence of CFEs has been attributed to the devolution of forest (and land) tenure rights to the local communities in the form of community forestry (CF) since the late 1980s. Moreover, the GoN's policy environment can be deemed to be more conducive today than in the recent years towards the local management of forest resources with poverty reduction as a common objective. Against this backdrop, this study was conducted to acquire a better understanding of the investment effects of the tenure rights devolution in Nepal with the aim to ascertain what roles CF can play in triggering further investments in forest-based enterprises in Nepal while also analyzing the scale and performance of CFEs against the current policy environment.

The paper outlines the methodology tools that were used for the purpose of this study in the next section. Thereafter, the findings from the study are presented, and discussion on what the role of CF might be in the current context of Nepal is presented. Finally, the paper concludes with acknowledgment.

Methodology

Data were collected through primary as well as secondary sources. The primary sources of data were semi-structured interviews with the CFE managers and members, and observation during field visits to a total of twelve CFEs². In addition to field visits, expert meetings with the government officials, Federation of Community Forestry Users Nepal (FECOFUN), CFUG members (and other local stakeholders), environmental I/NGOs, and Federation of Forest based Industry and Trade (FenFIT) were conducted. On the other hand, the compilation of secondary information was through literature review. The literature being reviewed comprise of the following:

- Review of tenure rights devolution and CFEs in the context of CF in Nepal (legal documents and relevant published and grey literature (such as project reports, review reports, and government commissioned reports) related to CFEs in developing countries, particularly in Nepal);
- Government policy and legal documents (Forest Policy 2015, Forest Sector Strategy 2016, Forest Act 1993, Forest Regulations 1995, Community Forestry Guidelines 2014, Industrial Policy 2011, Environment Protection Act 1997, National Park Act 1973, Buffer Zone Regulations 1996, Procedural Guidelines for the Sale of Forest Products 2004);
- Published and grey material on functioning of key government authorities (DFO, Small and Cottage Industry Office, Company Register's Office); their established institutional practices, issues of misinterpretation, spaces for discretionary decisions, and how these facilitate or obstructs establishment and operation of CFEs;
- Secondary data from relevant government sources, the Central Bureau of Statistics and similar sources.

² The twelve CFEs that were selected for the purpose of this study were: (i) Baghmara Buffer Zone CF (Chitwan), (ii) Binayi-Biocompost Enterprise (Chitwan) (iii) Bishasaya woodapple enterprise (Nawalparasi), (iv) Chisapani Essential Oil Enterprise (Nawalparasi), (v) Kankali Ecotourism and Recreation Enterprise (Chitwan), (vi) Everest Gateway Paper Enterprise (Dolakha), (vii) Deodhunga Multipurpose cooperative (Dolakha), (viii) Piyukharka Bio-briquette Udhyog (Sindhupalchowk), (ix) Tamakoshi Resin Tatha Turpentine Udhyog (Ramechhap), (x) Chaubas Bhumlu Community Sawmill (Kavre), (xi) Gobardiha Kastha Tatha Furniture Udhyog (Dang), (xii) Bhagwati Herbs Processing Industry Pvt. Ltd. (Banke).

Findings

Community Forestry has induced investment in forests

Historically, forest rights were largely vested in the state. Most uses of forested land and products were subject to stringent and direct regulation by government forest agencies. However, reforms pertaining to policies, laws, regulations and institutions have led to granting of a significant range of forest use and management rights to the CFUGs. With large scale of CF operation in Nepal, it is perhaps not surprising to find its influence and impact on improving forest conditions as well as in the upliftment of rural livelihoods through the provision of forest products and establishment of CFEs. The total number of CFEs by the end of the fiscal year 2015/16 was 14,708³ that provided employment to around 85,000 individuals. These CFEs had a total capital investment worth Nepali Rupees (NPR) 9.8 billion with each CFE producing outputs valuing up to NPR 1.3 million.

This also holds true for eleven of the twelve CFEs being investigated for the purpose of this study. Eleven CFEs emerged as a result of the formation of their respective CFs. The case of the Bishasaya wood apple enterprise is an exception and the explanation for this was provided by the Secretary of the CFE who said, “Bishasaya CF has always had wood apples in abundance. We were approached by a multi-donor project to start producing wood apple marmalade juices. They assisted us in getting our CFE registered. However, we couldn’t market our products because of our lack of legal entity in the form of a CF. Hence, we proceeded towards registration of the CF and after our forest was handed over by the GoN, it was a lot easier for us to extract the wood apples and engage in the production of wood apple juice.”

Investment by the local communities

The investment by CF (or the local communities) to CFEs can be interpreted in two facets. Firstly, capital investments in the establishment of CFEs by either the locals or CFUGs are one of such contributions. Secondly, the time and energy invested by members of the local communities in the management and operation of CFEs is another. Table 1 depicts these investments by the local communities in the study sites.

Table 1. Investment by local communities in CFEs

S. N.	Name of CFE(s)	Investment								
		Initial Capital investment (in NPR) (1 USD\$=100NPR approx.)			Investment by the local communities					
		CF/CFUG	Individual, if any	External source(s)	Management committee (in number)	Number of management meetings in the year 2016 (in number)	Laborers			
			Men	Women		Men	Women	Number of days worked in the year		
1.	Baghmara Buffer Zone CF (Chitwan)	200,000	-	-	12	2	20	22	1	365

³ The Department of Industry (DoI) of the Government of Nepal has been collecting and publishing limited data pertaining to various enterprises in accordance with standard industrial classification based on system of national income accounting.

2.	Binayi-Biocompost Enterprise (Chitwan)	100,000	-	550,000	-	-	-	-	22	270
3.	Bishasaya woodapple enterprise (Nawalparasi)	200,000	-	85,715	7	4	5	4	6	45
4.	Chisapani Essential Oil Enterprise (Nawalparasi)	300,000	-	1,700,000	9	2	12	2	65	90
5.	Kankali Ecotourism and Recreation Enterprise (Chitwan)	3,000,000	-	700,000	4	3	10	4	1	365
6.	Everest Gateway Paper Enterprise (Dolakha)	97,500	146,250	81,250	2	9	4	3	4	180
7.	Deodhunga Multipurpose cooperative (Dolakha)	20000	-	180000	5	1	2	3	-	60
8.	Piyukharka Bio-briquette Udhog (Sindhupalchowk)	5,000	150,000	300,000	5	4	8	16	24	180
9.	Tamakoshi Resin Tatha Turpentine Udhog (Ramechhap)	1250000	1250000	-	4	1	2	20	12	180
10.	Chaubas Bhumlu Community Sawmill (Kavre)	250,000	-	1,205,000	4	4	6	5	0	240
11.	Gobardiha Kasta Tatha Furniture Udhog (Dang)	800,000	-	400,000	8	3	7	8	0	365

12.	Bhagwati Herbs Processing Industry Pvt. Ltd. (Banke)	465000	-	568000	9	2	6	3	0	240
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The aforementioned numbers pertaining to each of these CFEs indicate the significant levels of investment made by the local communities. On average, the number of days invested in working for these 12 enterprises is 215. Furthermore, these enterprises held 7.5 (or 8) number of meetings per year (on average). These statistics show the investment of the local communities in the operation of these enterprises. Also, majority of these 12 enterprises had initial capital investment from external sources such as the DFO, donor agencies, projects, and //NGOs amounting to a total of NPR. 5,769,965 (NPR. 480,830 per enterprise on average). However, this figure was exceeded by the amount invested by CF/CFUGs themselves which was NPR. 6,687,500 (NPR. 557291.7 per enterprise). These numbers indicate that whilst finding from external sources were imperative for the establishment of the 12 CFEs, the CFUGs contributed even more on their own.

Modalities of CFEs in Nepal

Table 2 summarizes the different modalities of CFEs currently operating in the Nepalese context.

Table 2. CFE modalities in Nepal

S.N.	CFE Modality	Description
1.	Micro-enterprise	<ul style="list-style-type: none"> • Many CFEs have been registered and are operating as a cottage and small enterprise in Nepal based on the Industrial Enterprise Act (1992). However, the characteristics of such enterprises are similar to those of existing micro-enterprises that have been operating as per the Industrial Enterprise Policy (2010). • The main characteristics and conditions for the establishment of such micro-enterprises, as per Sections 15 and 22 of the (<i>revised</i>) Industrial Enterprise Act (2017), are as follows: <ul style="list-style-type: none"> ○ Fixed capital should be no more than NPR. 5 million (excluding land and house); ○ The entrepreneur him/herself has to be involved in the management and operation of the enterprise; ○ The number of workers should be no more than 9 (nine); ○ Annual financial transaction should be no more than NPR. 50 million; and ○ The use of electric energy should be limited within 20 kilowatt (KW). • Incentives and opportunities for micro-enterprise: <ul style="list-style-type: none"> ○ Registration of micro-enterprise without registration charge; ○ No requirement to submit the recommendation of the local government; ○ The recommendation of ward level local government required for those micro-enterprises that may affect the society and/or the environment;

		<ul style="list-style-type: none"> ○ Income tax exemption for the first five years of operation of the enterprise; and ○ Subsidy and seed grants to establish micro-enterprises in highly remote areas.
2.	Cooperatives	<ul style="list-style-type: none"> ● Forest product-based cooperatives can provide service to their members and can also produce goods from forest products as per their by-laws which are approved by the Cooperative Division Offices as per the Cooperative Act (1992). ● They are also deemed to be more beneficial to poor households, women and marginalized groups because these cooperatives directly engage these groups in forest-based small scale enterprises for employment and livelihood (GoN 2016). Few cooperative societies are also running timber-based enterprises with the involvement of and investment from CFUGs. Such cooperative societies have been generating investment funds from their members and CFUGs for the operation of forest-based enterprises. However, such enterprises are also required to register as an enterprise under the Industrial Enterprise Act (2017). The Income Tax Act (2002) has assured income taxes exemption for these forest product-based cooperative societies.
3.	Companies	<ul style="list-style-type: none"> ● Some CFUGs have solely or jointly established companies to operate forest enterprises, trade, and business based on the legal provisions of the Companies Act (2006). The company model creates opportunity to promote joint venture between CFUGs and individual/private investors for the establishment and operation of forest-based enterprise, trade, and business, and the experiences have shown that such modalities are successful in value addition. ● It is imperative for the company to maintain transparent governance (for example via regular general assembly, audit, payment of all taxes, and submission of annual progress report to the Office of Company Registrar). ● There are no forms of tax exemption to forest product-based companies in Nepal.
4.	Entrepreneur	<ul style="list-style-type: none"> ● According to the Industrial Enterprise Act (2017), CFUGs as well as private forest owners themselves can work as a forest enterprise because the Act has also recognized them as an enterprise⁴. After the registration of these community-based forest management groups, they can operate their forest products-based trade and businesses upon the approval of forest management plans and other legal requirements related to fiscal laws and environmental measures. Section 30(a) of the Forest Act (1993) (second amendment 2016) has also given rights to CFUGs to establish and operate forest-based enterprises based on their approved forest management plans. This is a new opportunity to the CFUGs and private forest owners.

⁴ Annex 4 of the Industrial Enterprise Act (2017).

Community forest enterprises are struggling financially but are resilient

The functioning and objectives of CFEs in Nepal resemble to those of social enterprises whereby they apply commercial strategies to maximize improvements in human and environmental well-being. What differentiates CFEs from other conventional models of enterprises is that their social mission is as core to their success as any potential profit.

Many studies show that the majority of the CFEs, however, are struggling to sustain economically. This was also the case for majority of the 12 CFEs that were examined. Binayi bio-compost enterprise and Bishasaya wood apple juice enterprise are incurring heavy losses while Chisapani CFE has been barely operating on a breakeven. What is interesting to note is that despite incurring losses year after year, these CFEs continue to operate. This is where the role of CFUGs come to play. When CFEs incur losses, CFUGs contribute money and/or capital from their respective CF funds. The Chairperson of the Binayi CFE when asked why the CFUG continued to support the CFE despite incurring losses year after year by saying, *“We acknowledge that our CFE hasn’t made profits. However, there are visible socio-ecological benefits that our CFE generates- management of invasive alien species in our forests which promotes regeneration, utilization of organic manure from our CFE contributing to improved soil health, and employment to the women. Profit-making is definitely important and desirable. And we are hopeful that we will get there one day. But until then, achievement of socio-ecological objectives is as important as making profits as a result of which through the support of the CFUG, our CFE will continue to operate.”* Moreover, Baghmara Buffer Zone CF donated 25-30 per cent of its annual revenues (amounting up to NPR. 20,000,000 in 2016) for conservation-related activities and the remaining funds were invested for the construction of toilets, biogas, and solar energy. Till date, 900 households have been provided with biogas services in the Baghmara locale alone. In addition, the CF also trains individuals in Chinese and English languages to equip them with the skills to effectively cater to the needs of tourists who visit Baghmara. Also, funds are donated to facilitate the provision of veterinary services for the locals.

Discussion

In the past, the forest management plans or the operational plans (OPs) of CFUGs were dominated by plans and activities focusing on forestry-related activities such as plantation, timber harvest, sustainable forest management, and equitable benefit sharing among CFUG members. However, the scope of CF planning has substantially widened from its early focus on forest protection and management to accommodate wider social and economic objectives during 40 years of its history. The new widening objectives of CF management largely aim at poverty reduction and sustainable development while keeping its ecological objectives intact.

CFEs, as depicted in Figure 1, are direct outcomes of CF. Therefore, it is not surprising to find that the objectives of CFEs largely resemble that of CFUGs. In other words, the objectives of CFEs go beyond profit-making- they incorporate elements of forest conservation, plantation, equitable benefit sharing amongst the shareholders, investment of profits in activities aimed at enhancing social cohesion, bridging and bonding such as construction of roads and social infrastructure associated with drinking water, health (clinics and hospitals), education (schools) and temples.

The new Forest Policy (2015), the Industrial Enterprise Act (2017), Company Act (2006) and some provisions of the fiscal laws such as the Bank and Financial Institutions Act (BaFIA) 2017 have created ample opportunities for the establishment and operation of forest enterprises at the local level. The policy and institutional frameworks aimed at maintaining environmental standards of the CFEs have also been

formulated at different levels. The objectives of these environmental standards are to protect the environment from illegal extraction and exploitation of natural resources. However, some of the environmental measures (such as Environmental Impact Assessment/Initial Environmental Examination and distance-related provisions) are creating obstacles for the establishment of forest enterprises including the CFEs throughout the country.

The taxation, royalties, subsidies and insurance related legal provisions can also contribute to enrich the forest enterprises. Therefore, Nepal has formulated some legal provisions to provide tax exemptions to forest-based small enterprises and cooperatives although due to the lack of legal awareness, forest entrepreneurs have not been able to acquire full benefits from such provisions. Therefore, a policy awareness and legal capacity building program is required. The government has established different agencies to provide support to forest-based enterprises though due to lack of coordination and jurisdictional overlapping between and among these agencies, the CFUGs and small scale forest entrepreneurs are facing varied procedural hurdles. In this regard, there is a requirement to establish a single window system for service delivery to the forest-based enterprises.

As the country has adopted federalism, collaborating with local governments in the promotion of CFEs can be a viable strategy as they are also keen to show their contributions to sustainable development with strong emphasis on meeting the ecological, environmental, and social objectives. For all these initiatives to successfully come to fruition, the role of strong leadership from CF and amongst the local communities cannot be undermined.

Since Nepal's CFEs are primarily and largely promoted by donor projects, they tend to focus on inclusion, equity and resource sustainability over profit. While most are not economically viable, and many cease to operate after project support ends, they are still reluctant to bring in private investment and management. At the national level, intense debates regarding private versus community management are ongoing. At the same time, individual CFEs are too small and struggle to gain economies of scale. In this context, there is an urgent need to explore suitable institutional CFE modalities in different contexts. In particular, modalities including private sector partnerships and networking and resource pooling among neighboring CFUGs should be explored through an active research approach.

Most CFEs are run by communities or individuals with relatively limited managerial and technical skills. They face tremendous competition from larger manufacturers in business dealing, quality, and price. A large portion of current investment in skills training has been wasted due to high emigration of youth from Nepal. Serious gaps in skilled personnel and entrepreneurs exist in rural areas. Well-designed capacity development interventions targeting those who are already undertaking initiatives can help sustain and expand current SSFEs and encourage the development of more.

Even till date, CFEs often suffer from excessive bureaucratic intervention, resulting in constrained and unpredictable supply of raw materials. This includes delays as a result of the lengthy and exhaustive permit issuing process, impractical environmental standards, transportation hurdles and sudden harvest cessation. In order to encourage the establishment and operation of SSFEs by user groups and individuals, reforms are required to allow CFUGs to exercise their resource assessment, planning and management rights.

Individual entrepreneurs and CFUGs are in dire need of business development services, along with financial and technological support. No specific government institutions are in place to provide dedicated support to CFEs, such as information, counseling, legal advice, development and branding assistance, marketing

and access to services such as power supply and communication. An integrated mechanism combining these services with appropriate technology and a range of financing options would assist the establishment and operations of CFEs, as well as substantially reduce their transaction costs.

Political instability, weak accountability of state and non-state institutions, rampant corruption and illegal activities have ruined Nepal's investment climate in particular and business environment more generally. This is particularly the case for CFEs. While overcoming these problems seems ambitious, the adoption of small measures, even at the local level, could be beneficial. For example, e-bidding and a single window tax policy could represent a major step towards checking corruption and illegal activities around CFE activities. As the country moves towards fully implementing a federal system, collaborating with the local governments, which are keen to demonstrate their strong performance, could be a viable strategy for the promotion of CFEs. These could include establishing administrative services such as registration and issuing permits, among others.

Lastly, the role of FECOFUN- the umbrella organization representing the CFUGs in Nepal- cannot be undermined or overlooked. At present, the advocacy of FECOFUN seems to be focused on a handful of generic policy issues. For instance, it has been advocating against issues surrounding the distance-related provisions and environmental standards (EIA/IEE requirements) governing CFEs. FECOFUN has also been advocating for provisions allowing the legal registration of forest-based enterprises under community (or CFUG) ownership. At times, FECOFUN has also been advocating to recognize CFUGs as business entities themselves that should not be levied value added tax (VAT) or other forms of taxes. Furthermore, the role of FECOFUN in helping communities to acquire secure access (or tenure security) to resources cannot be undermined. It is because of this tenure security that has enabled the CFEs to have assured access to forest resources for their operation. However, FECOFUN can and should do a lot more for the promotion and smooth operation of CFEs, including attracting investment in such enterprises.

First, capacity building programs or trainings focusing on CFE operation should be one of FECOFUN's core agenda. Unfortunately, there are no such programs currently taking place in any of the 12 CFEs being studied. Second, FECOFUN could/should have taken the lead in establishing a market information system or an online portal (or database) but hasn't. Third, establishment of a collection center for products of CFEs in each municipality or rural municipality throughout the country could help the CFEs to build linkages with potential dealers and customers. FECOFUN has unfortunately not been able to establish such collection centers either. Fourth, FECOFUN can use its vast network to advertise and market products and/or services of CFEs but hasn't done so till date. Fifth, FECOFUN has been strongly advocating for sole CF-based enterprises without involvement of any private entity. It seems to have done so without taking the state of financial health of such enterprises into consideration. Despite FECOFUN's denial and disapproval of involvement of the private sector in CFEs, it was found that all 12 CFEs were either directly partnering with private entity in the form of a shareholder or a lessee, or were in the process of collaborating with the private sector. The sole reason behind this collaboration was to help bring financial viability to CFEs' operations.

Investments in CFEs and community enterprises can provide a wide array of returns – financial, economic, social and environmental. However, investing in commonly held resources often requires longer time frames, continuous engagement and communication with community members, support for capacity building and accountability. The engagement and support of CF along with a wide variety of stakeholders is needed to deliver profitable and sustainable returns in CFEs. Governments, donors and communities

themselves have invested heavily in building technical capacity and governance structures. It is now time for the CF to begin vigorously engaging, so that communities get the support they need to balance environmental, social and economic objectives, and over time develop CFEs and access capital with greater efficiency and scale.

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