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EWV/ANSAB Annual and Final Report (with Lessons Learned)
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Nepal Site**



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Introduction

This annual report presents the progress of the “Enterprise-Based Biodiversity Conservation” project, supported by USAID’s Global Conservation Program (GCP), for the period of October 1, 2004 to September 30, 2005, sixth year of the project (no cost extension period). This document also serves as the final report for the Nepal project under GCP and includes lessons learned. Implemented by EnterpriseWorks/VITA (EWV) and Asia Network for Sustainable Agriculture and Bioresources (ANSAB), the overall project goal is to conserve the globally significant mountain biodiversity of western Nepal through community forest management linked to enterprise development. The project aims to bring 30,000 hectares under improved management in five years (this is an addition to 13,352 ha already under improved management) and strengthen and improve policy implementation in community forestry nationwide.

The priority regions for this project are the subtropical, temperate, and alpine forests of Nepal’s western Himalayas, which contain strong botanical diversity both in terms of species richness and endemism, but suffer from a high level of anthropogenic disturbance. The project area, which includes the districts of Humla, Bajhang, Jumla, Dolpa, Mugu, is considered a global “hotspot” of biodiversity based on Norman Myers’ conservation setting priorities.

The project works with local partner NGOs in all project districts: Humla (Humla Conservation and Development Association), Bajhang (Social Development Center), Jumla (Rural Development Group Program), Dolpa (Dolpa Sarbangin Bikash Samaj) and Mugu (Rural Community Development Center). This implementation arrangement with local partner NGOs is practical and effective. The local partnership promotes local capacity building, long-term sustainability, local level coordination, and smooth implementation of project activities particularly given the present security situation.

A mid-term evaluation took place in June of 2003 to assess progress towards ecological, social and economic sustainability with regard to the overall project goal of biodiversity protection. The Nepal work is the only GCP project to date to have an external evaluation as part of GCP sponsored activities. Three external evaluators visited and evaluated three out of the five project districts and concluded that strong biodiversity conservation measures are taking place by the communities. The key evaluation recommendation was to streamline the biodiversity monitoring. A peer review process of the monitoring plan was completed in 2004. The plan was reformulated in 2005 with revisions that incorporate almost five years of actual field use with communities, NGOs, and government officials. The revised components are being used at the field level. Final publication of the document is expected in late 2005.

Summary Accomplishments on Life of Project Work Plan

The 2003 annual progress report indicated that 90% of planned project activities were completed and the project had exceeded its major target goals in hectares brought under improved management and CFUGs assisted. 2004 therefore concentrated on strengthening the biodiversity conservation support structure at the community level and nationwide, as well as adding four new groups and 3,039 hectares to the project. The five year cumulative total is now 39,039 hectares under improved management and 66 Community Forest User Groups (CFUGs) assisted. A no cost extension to conclude lessons learned (lessons at end of document), complete and publish the revised biological monitoring plan, and provide limited phase out and/or bridging technical assistance to some groups was granted by USAID in 2004. The project therefore operated through September 2005 and completed the target outputs. Table 1 summarizes progress by activity.

Although political conflicts continued during the reporting period (and perhaps one could argue got worse as the cease fire agreement expired), the project activities were not significantly affected. This was due to three factors.

- 1) The communities and their associated enterprises and federations have gained organizational strength to be able to implement biodiversity conservation and enterprise activities with limited technical assistance.
- 2) A partnership strategy that involves local partners in project review, planning and the implementation process. Local partners could keep work going even when other partners had to modify their activities due to security considerations.
- 3) The tangible project results in institutional strengthening, economic development, and biodiversity conservation directly benefiting local communities and the poor (i.e. strong grassroots support for project). In 2004 the project economically benefited 35,227 small-scale producers and generated US \$1,479,000 an eight percent increase over 2003. In 2003 the project economically benefited 31,830 small-scale producers and generated over US\$1,370,000 in direct economic benefits for these community members (compared to \$40,000 in 2002). The increased economic benefits were accomplished while implementing biodiversity conservation plans that the communities recognize promote long-term forest ecosystem health and economic security.

Table 1 – Activity Status at Close of Project

Activity Number	Activity Title	Status*
Objective 1 Expand and institutionalize participatory resource management and conservation under Nepal's forestry policies and legislation		
1.a	Prioritization of geographical area and community groups	Completed Year 4
1.b	Community forestry phase our planning**	Completed Year 5
1.c	Community forestry best practices workshops	Completed Year 5
1.d	District community forestry federation support	Completed
1.e	National level workshop	Completed Year 4
1 f	Exchange visits and study tours	Canceled due to security
1.g	Production and distribution of extension materials	Completed
Objective 2 Enhance knowledge and skills of community forest user groups in sustainable use and conservation of biological resources		
2.a	Staffing and training	Completed Year 5
2.b	Conflict resolution for community forest mapping	Completed
2.c	Technical and logistical support to communities for CFUGs registration	Completed Year 5
2.d	Promotion of community forestry agenda	Completed Year 5
2.e	Post-formation support to CFUGs	Completed
2 f	Conservation education	Completed Year 5
Objective 3 Promote use of natural products in an ecologically sustainable and socially equitable manner		
3.a	Business development services to communities	Completed Year 5
3.b	Business plans for community-based enterprises	Completed Year 5
3.c	Business management training	Completed
3.d	Securing enterprise start-up capital	Completed Year 5
3.e	Provide marketing support	Completed
Objective 4 Generate scientific information for the sustainable management of biological resources		
4.a	Biodiversity conservation monitoring system implementation	Completed Year 5
4.b	Harvested species regeneration status	Completed Year 5
4.c	Information dissemination	Completed
4.d	Biodiversity monitoring data collection and analysis formats	Completed Year 5
4.e	Growth and yield studies	Completed Year 5
4 f.	Biodiversity monitoring methodology development	Completed
4.g	Exploration and dissemination of indigenous knowledge and practices	Completed Year 5
4 h	GCP cross learning	Completed

*Status may include activities that are Completed, On-track, Delayed, Mixed Performance, or Canceled.

Details are available on each activity including number of trainings held, number of participants, and specific outputs upon request. Table 2 below summarizes the resulting key target outcomes - forest user groups (CFUGs) organized or reorganized and hectares brought under improved management – that resulted from the above activities.

Table 2: Achievements on key targets by year

	Year One	Year Two (cumulative)	Year Three (cumulative)	Year Four (cumulative)	Year Five (cumulative)	Year Six (cumulative)
Planned	6 CFUGs/ 2500 ha	30 CFUGs/9,990 ha	40 CFUGs/21,000 ha	53 CFUGs/28,855 ha	68 CFUGs/36,000 ha	66 CFUGs/39,039
Actual	18 CFUGs/ 2990 ha	27 CFUGs/13,765 ha	45 CFUGs/23,355 ha	62 CFUGs/34,857 ha	66 CFUGs/39,039 ha.	66 CFUGs/43,630

Table 3 summarizes the project’s major accomplishments vis-à-vis the project’s goals and objectives.

Table 3: Overall Project Goal and Objectives Vis-à-vis Major Accomplishments

PROJECT GOAL AREA UNDER IMPROVED MANAGEMENT	PROJECT ACHIEVEMENTS – YEAR SIX AREA UNDER IMPROVED MANAGEMENT
36,000 hectares; 68 Community forest user groups in five districts PROJECT GOAL EXCEEDED	<ul style="list-style-type: none"> • Goal exceeded in hectares; 43,630 hectares, 66 community forest user groups in five districts – Humla, Jumla, Dolpa, Mugu, and Bajhang • Other project funds were leveraged to expand the approach to other districts in Nepal. A total of 108 community forest user groups covering 76,092 hectares now have improved management of their forest resources. The project approach is now being adopted by the national level CFUG organization – The Federation of Community Forest User, Nepal (FECOFUN) and other community forestry assistance efforts in Nepal.
Project Objectives	Major Accomplishments
1) Expand and institutionalize participatory natural resource management and conservation practices within the framework of community forestry in Nepal	<ul style="list-style-type: none"> • As of September 2005, a total of 43,630 hectares of forests and meadows (130% of the overall project goal) have been handed over to 66 CFUGs (110% of the overall project goal) representing 6,452 households and are now classified under improved management. • Planned training, workshops, seminars, and other extension activities, with the exception of exchange visits between districts, all completed. Exchange visits canceled due to security concerns. • The federating process for the five districts’ CFUGs and linkages to Federation of Community Forest User, Nepal (FECOFUN) resulted in continued institutionalization of district level FECOFUN chapters in all five districts. In year five increased linkages with the district level chapters and the national level of FECOFUN on nontimber forest products policy and Forest Stewardship Council (FSC) linked the GCP beneficiaries with other forest conservation efforts (part of GCP phase out strategy). • As a result of ANSAB’s coordination of the NTFP stakeholders, His Majesty’s Government of Nepal (HMG/N) has prepared a separate NTFP policy for the promotion of the sub-sector. In drafting and finalizing the policy document, ANSAB is continuously involved and officially represents the NGOs. The policy document (Herbs and NTFPs Policy 2004) was approved by the cabinet in September 2004 and officially recognizes the link between Nepal’s globally significant biodiversity conservation and sound NTFP promotion policies. Success story reported in 2004 annual report.

<p>2) Enhance knowledge and skills of Forest User Groups (CFUGs) and local harvesters in sustainable use and conservation of biodiversity.</p>	<ul style="list-style-type: none"> • All planned activities under this objective completed, including conflict resolution for community mapping; formation and reformation of community forest user groups (CFUGs); and preparation or revision of community forestry operational plans. The project also leveraged this objective's activities with the Nepal NTFPs Promotion Public Private Alliance (PPA) project; IDRC's Conservation of Medicinal Plants for Sustainable Livelihoods in Nepal project; and the USAID Business Development Services-Marketing, Production and Services (BDS-MaPs) project. Specifically under the PPA project, community forest user groups through FECOFUN were trained on Forest Stewardship Council (FSC) management standards for sustainable forest management. • In year six, three Mugu community forest user groups (CFUGs) - Chankhali Buga, Hariyali Bikh Pani, and Bhadali received conflict resolution and community forest management and planning support which resulted in development of operational plans and constitutions for these CFUGs. Operational plans were improved and the CFUGs received legal services and negotiation assistance with the District Forest Office during the community forestry handover process. This had been done last year, but the District Forest Office in Mugu was destroyed and the process had to be redone this year. <p>NTFP Management Training was organized for the CFUGs supplying raw material to the Rara Soap enterprise in Mugu. A total of 16 participants including seven female participated the training. An account and fund mobilization training was provided to four CFUGs in Mugu. The training was participated by 16 participants including 2 female, mainly the chairpersons and secretaries of the CFUGs. Rara enterprise developed technical skills in resin tapping and also received support of accessories for collection of resin of pine tree, which is used in soap making. A total 400 sets of resin collection materials were provided to the enterprise.</p> <p>A discussion program for management of raw materials, especially Panger, was organized among the CFUGs of the enterprises area, which was participated by 20 participants including 2 female. Technical support was provided to manage Samedo (a major raw material of soap enterprise) to the CFUGs of Mugu. With the support, communities developed trail to Samado collection area. Before the trail development, collection of Samado was risky job.</p> <ul style="list-style-type: none"> •
<p>3) Promote commercial use of natural products in an ecologically sustainable and socially equitable manner.</p>	<ul style="list-style-type: none"> • Continued technical support to nine community based forest enterprises (CBFEs) – 1) Malika Handmade Paper Pvt. Ltd. (MHPL) in Bajhang; 2) Tripurasundari in Dolpa; 3) Humla Oils Pvt. Ltd. (HOPL) in Humla; 4) Bhagwati Oil Milling enterprise in Jumla; 5) Rocha NTFPs Trading enterprise in Humla); 6) Rara Soap enterprise in Mugu; 7) Shree HERBIL NTFP trading cooperative in Bajhang; 8) Jadikausi NTFP trading in Humla; and 9) Majhphal CFUG consortium for NTFP production and trade. • EnterpriseWorks' annual impact tracking system documented that 35,227 small scale producers economically benefited from project activities and generated over US \$1,479,000 in direct economic benefits for these community members in 2004. This is an eight percent increase over the 2003 figures (31,830 producers and US \$1,370,000 in economic benefits). The increased economic benefits were accomplished while achieving improved biodiversity conservation.

	<ul style="list-style-type: none"> • Forest Stewardship Council Sustainable Forestry Certification Awarded. Rainforest Alliance/SmartWood awarded the first community based nontimber forest products (NTFP) Forest Stewardship Council (FSC) certification in Asia. This certification, one of only five in the world is awarded to the Federation of Community Forestry Users Nepal (FECOFUN). FECOFUN's members supply NTFP ingredients to the international herbal and medicinal products industry. FSC promotes responsible forest management by evaluating and accrediting certifiers, encouraging the development of national and regional forest management standards, providing public education and information about independent, third party standards, and by ensuring the world's forests are protected for future generations.
<p>4) Generate scientific information required for the sustainable management of the biological resources.</p>	<ul style="list-style-type: none"> • Biological monitoring plan was peer reviewed. The document was revised and revisions are now being used at the field level. The document is currently in publishing and will be disseminated by the end of 2005. CFUG groups continuing their biological monitoring after the end of GCP activities. • Continued follow up of experimental plots in Humla, Bajhang and Jumla. Jatamansi yield tables completed from detailed observations of Humla Jatamansi research plots. • Continued to follow-up on experimental nurseries of Sugandhwal. Enterprise and forest user group data on resource use continued to be collected and analyzed for input back into sustainable management practices of the community.

Success Stories 2005

GCP funded work helped establish model for effective community forest user group (CFUG) management in Nepal that is expanding after project period

This project has improved local governance structure for resource management and economic development while conserving globally significant biodiversity in Nepal. Work started at the grassroots level with assistance to individual community forest user groups (CFUGs). Next, the federating process at the district level and explicit links with the national level body of CFUGs – Federation of Community Forestry Users Nepal (FECOFUN) was facilitated. At the same time, extensive linkage development with the government, local NGOs, other donors and the private sector was formalized through networks like the Nepal NTFP Network (NNN).

Emphasis on strategies to improve a key economic sector within Nepal - nontimber forest products (NTFPs) - helped to bring the parties together and raise the need for greater attention for biodiversity conservation to preserve this vital sector. Project interventions, such as including nontimber forest products in forest operational plans, and lobbying for a rational royalty and tax structure for nontimber forest products are producing benefits far beyond the GCP funded sites. The organizational structures supported through GCP are ready to continue and expand the effectiveness of the CFUG model in support of biodiversity conservation.

Significant progress was made in leveraging donor support to continue and expand the enterprise-based biodiversity conservation work in Nepal. Over U.S.1.5 million dollars have been secured for six projects from five donors. Leveraging these other funds has already allowed the approach to expand to other districts in Nepal. A total of 108 community forest user groups covering 76,092 hectares now have improved management of their forest resources. These continuing efforts will help ensure that there is conservation impact beyond GCP funding. This only reflects the direct efforts of ANSAB and not other NGOs that are starting to adopt the approaches used in this project.

Economic Benefits to poor rural producers again take significant jump while local biodiversity conservation improves

Last year the project reported substantial income gains for poor rural producers that have implemented forest operational plans under Nepal's Community Forest User Group (CFUG) program. In 2003 the project economically benefited 31,830 small-scale producers and generated over US \$1,370,000 in direct economic benefits for these community members (up from US \$40,000 the previous year). The increased economic benefits were accomplished while implementing biodiversity conservation plans that the communities recognize provide for long-term forest ecosystem health. The data compiled for 2004 showed that the project economically benefited 35,227 small scale producers and generated over US \$1,479,000 in direct economic benefits for these community members, an eight percent increase.

Majority of economic benefits are going to remote poor villages and disadvantaged constituencies within the villages (women, lower castes, etc.)

The GCP project has included areas of Nepal where the majority of the villagers live below of official poverty line of US \$59 per annum. The 2004 impact tracking system (ITS) figures documented that the majority of economic beneficiaries were the poor rural nontimber forest products collectors. Fifty-three percent are women. In many of the enterprise, a frequent comment from the women is "We did not expect to get a local job when this enterprise was planned. We thought only men would be employed, but we are happy to have the job now and so close to home." In all the villages where the enterprises have been established, the NTFP processing enterprise is the only non-farm industry.

Forest User Groups Recognized for Meeting Highest International Standards of Sustainability - National Level CFUG Body – FECOFUN, is awarded Forest Stewardship Council Certification for Sustainable Forest Management

The GCP project activities helped to organize community forest user groups (CFUGs), institute sound resource management practices that the CFUGs could implement, and develop viable enterprise that create incentives for biodiversity conservation. The project has done well in achieving these objectives, but still it was hard to convince the highest end buyers that the social and environmental results were real. The areas where the CFUGs are located are unlikely to be visited by foreign buyers and with the Maoist insurgency even well traveled foreign buyers were not trekking into the mountains. Through a USAID Public-Private Alliance project, third party certification was sought to be able to translate the enterprise-based biodiversity conservation success story into additional value in export markets. First, the Nepal stakeholders had to be educated on what certification could and could not potentially do for them and decide for themselves to apply or not. Next, Rainforest Alliance, a Forest Stewardship Council (FSC) certifier, had to do intensive evaluations to see if the Nepal groups would qualify for FSC certification. The following is taken from a press release done in early 2005 when FSC certification was awarded.

"Rainforest Alliance/SmartWood awarded the first community based nontimber forest products (NTFP) Forest Stewardship Council (FSC) certification in Asia. This certification, one of only five in the world is awarded to the Federation of Community Forestry Users Nepal (FECOFUN). FECOFUN's members supply NTFP ingredients to the international herbal and medicinal products industry. FSC promotes responsible forest management by evaluating and accrediting certifiers, encouraging the development of national and regional forest management standards, providing public education and information about independent, third party standards, and by ensuring the world's forests are protected for future generations. FSC has certified over 42 million hectares of forests around the world in 60 countries.

While FSC has been extremely successful, the number of community-based certifications is small, while the community forestry model has grown tremendously in the past 15 years with 25% of the world's forests in developing countries under community forestry. In Nepal, there are over 13,000 forest user groups (people living in or near the forest) across Nepal that include almost a third of Nepal's population and cover 25% of the biodiversity rich forests. For most of these communities, NTFP trade is the only livelihood besides subsistence agriculture. Nepal receiving this certification is momentous and hopes to be a model for the rest of the world. In addition to the economic benefits, Bholu Bhattarai, Member Secretary of FECOFUN said "FECOFUN sees this as an opportunity to bring forest management advancement and consistency to its membership."

FSC has 10 principles and about 60 criteria, but allows the local context to indicate how the criteria are met. Many of the methods, documentation, and monitoring for the way the FSC criteria are being met were developed under the GCP project.

The FSC certification is already producing new sales. A prominent essential oils distributor in Europe has completed its FSC chain of custody certification so it can represent and sell the Nepali oils coming from the CFUG enterprises. It will be the first time FSC certified essential oils are available in the market.

Lessons from the Enterprise-Based Biodiversity Approach in Nepal

The enterprise based biodiversity approach has been on the defensive for years. For many in the conservation community combining enterprise development and biodiversity conservation is an oxymoron. This project has been working to test the hypothesis that if communities have clear tenure rights, resource management expertise, and technical assistance to shift away from low value resource destructive activities, they will work to conserve biodiversity. After ten years of work, including substantial expansion with GCP support for the past five year, in Nepal the hypothesis is holding up.

The project work in Nepal had multiple interventions that:

- empowered communities with improved resource management skills;
- facilitated conflict management and provided access to tenure rights;
- assessed and worked on policy reforms and established ongoing and organized dialogues between community, private sector, and government;
- provided detailed biological monitoring that integrated villagers subsistence and commercial needs with biodiversity conservation; and
- implemented economic interventions - value added processing, product quality control, market price information, trade and management skills, and market linkages in the context of sound subsector/value chain analysis.

These components contributed to the overall success. Below is a brief discussion on interventions within these components and how they have been essential in achieving enterprise-based biodiversity conservation in Nepal. More detailed lessons on the enterprise and policy components of the project follow.

- Communities must have clear tenure rights and the ability to exclude outsiders and impose enforceable punishment on community resource offenders. Linking communities through federations with other like-minded communities and government officials strengthens and expands biodiversity conservation efforts.
- Trade dynamics and product attributes must be well understood. The remoteness of the communities and poor communication and transportation infrastructure used to mean outsiders could easily exploit communities on price paid for raw materials. Poor community members could not take their products to outside markets easily due to high transportation costs. It was not uncommon for traders to encourage villagers to over harvest an area to the point that the product supply collapsed. The traders moved on, while the community was left with the depleted resource base and lost income. Now with organized price information, technical information on product and forest management, and marketing and transport services the communities earn more per unit of raw materials which provides them with the incentive to manage the resources for the long term. The raw materials are wild harvested and difficult to cultivate, which means over-harvesting mistakes can not be corrected in the next growing season like cultivated crops. Increased prices for forest products do not have to lead to overexploitation when positive economic incentives and harvesting restrictions are combined effectively.
- Resource use plans must understand and consider the subsistence and commercial needs of all the community members and devise use plans that are equitable, but not necessarily equal. Degradation of the resource does not just come from commercial activities. Prohibiting commercial use can sometimes mean more destructive subsistence activities are expanded resulting in greater biodiversity loss.

- The threats based tool is useful for communities in prioritizing threats, devising activities to counter the threats, and monitoring threat abatement progress. Allow the communities to actively participate in the threat assessment and they are more likely to take sustained ownership of the threat abatement activities.
- Technical assistance must not promote more of the same economic activities (which typically are a threat to the biodiversity). Instead, look for value addition for existing activities that will allow communities members to shift away from more damaging activities. Promotion of completely new economic activities is more risky and should only be attempted if value addition to existing activities cannot produce increased benefits and communities are interested and able to undertake the required activities.
- Economic gains do not have to be large to provide biodiversity conservation incentives. Small income gains that are perceived as steady from year to year and/or provide seasonal income at critical times in the year provide long-term incentive to conserve overall biodiversity. Communities that have heavy subsistence-based needs from the forest will value improved fuel wood management, fuel efficiency, and fodder management interventions even if they do not generate cash income.
- A growing non-timber forest product promotion/biodiversity conservation coalition has gained the attention of policy makers and has access to government decision makers. The enterprise-based biodiversity approach in Nepal is working because it enjoys grassroots and high level support.

Enterprise Development Lessons

“In enterprise development, you can do nine out of ten things rights, but still fail if the tenth thing is not addressed” – Enterprise staff of ANSAB

Small enterprises worldwide more often fail than succeed. Still, small businesses are also the primary job creators and contribute vast sums to GDP. In other words the world of small businesses is a dynamic, every changing environment. The lessons highlighted below are only a sampling from ten years of enterprise development experience in the nontimber forest products sector (NTFP) sector of Nepal that has specifically targeted rural poor producers.

Lesson One: Do Not Forget “Business School 101”

It is recognized that any business needs to address the basics (production, marketing, finance, etc.). While this seems like common sense, it is remarkable that so many “project” initiated enterprise efforts forget the basic requirements for enterprise success (see box below). In the thick of project implementation that often has other activities (e.g. community organizing, policy work, biological monitoring), the enterprise success basics have to be a priority. Enterprises are in their natural setting within a private sector structure. Therefore enterprises need to be established and promoted within the private sector and not as “projects” of NGO efforts. Box 1 gives a simple list of requirements for enterprise success in the context of nontimber forest products and enterprise-based biodiversity conservation. This list and some basic corresponding training materials have been used extensively in the project to maintain a focus on enterprise basics.

Box 1

Requirements for Enterprise Success

- ✓ Raw material availability – A long-term biologically sustainable supply of the targeted natural product in sufficient quantities is necessary for the enterprise activity to be financially viable.
- ✓ Legal access to and control over the natural resources – Collectors should be able to manage natural products harvesting and incorporate the enterprise activity into their overall forest management plans. Enterprise activities must comply with a range of legal requirements.
- ✓ Equitable distribution of benefits - If community members do not feel the benefits are being distributed fairly there will be less incentive to protect the natural resources. The overall raw material source could become threatened as well as the commercial activity and the ecosystem's biodiversity.
- ✓ Appropriate processing technology – Is the technology compatible with the prevailing infrastructure and human resource conditions at the chosen location? Conditions to be considered include: transport and storage facilities; equipment/machinery availability; power or fuel required for the processing activity; and technical skills available.
- ✓ Good management — People with knowledge of, and experience with managing proposed activities should be available to run the enterprise or they should be closely involved in its operations.
- ✓ Commercial sustainability (also known as economic or financial viability) - Commercial Sustainability is a simple concept. Sell the product at a price and volume that covers all the costs associated with the natural product enterprise with enough money leftover as profit.
- ✓ Access to financing – Start-up capital and ongoing working capital is needed for the enterprise.
- ✓ Available and accessible market for the products - Is there a market for the available quantity and quality of product? Is there adequate demand at the expected selling price? Who will buy the products?

Lesson 2: Understand the Subsector and Value Chain the Enterprise Operates Within and Design Interventions Accordingly

Enterprises operate in a given sector. Subsector or value chain approaches are useful in analyzing the sector dynamics an enterprise operates within. The GCP project in Nepal targeted nontimber forest products (NTFPs), as a sector. The project identified a number of intervention required in the sector to enable target enterprises to increase incomes, create jobs, and have a more secure supply of nontimber forest products based on conservation of local biodiversity. Offering multiple interventions in the value chain is often required to attain stated goals. Phasing in of interventions may be required. This is fine, but must always keep in mind what opportunities and constraints the sector presents to an individual enterprise. Based on the subsector/value chain studies, the GCP project initial enterprise interventions were:

- introduce value adding processing to the raw NTFPs,
- provide training in enterprise management skills,
- facilitate legal access to resources through CFUG tenure instruments to enable sustainable management the natural resources, and
- institute biological monitoring to assure long term raw material availability.

Later market pricing information services and wholesale marketing services were phased in to be able to expand economic benefits to more actors in the NTFP sector. When the project started all groups, if already active in NTFP products, were only harvesting and selling products in raw form. After completing subsector/value chain analyses, the first interventions concentrated on moving these collectors up the value chain through first stage processing (essential oil production) to finished product processing (paper example). Enterprises included:

- Essential oil distillation - four essential oil enterprises were supported. These enterprises distill essential oils from Jatamansi, Anthopogon, Juniper berry and leaf, Sugandhwal, Wintergreen, Abies, etc.
- Lokta Bark paper making - four Lokta bark paper making enterprises were established.
- Soap production - one soap production enterprise was established. This enterprise produces soap from mostly local raw materials, such as Pagar, pine resin, and clay, for the local market.
- Edible oil processing - one edible oil processing enterprise. This enterprise expels edible oil from Dhatelo fruits. The enterprise provides oil processing services to the local villagers and reduces the women drudgery.

Still, many producers due to lack of investment capital and/or enterprise skills could not move up the value chain. To assist these producers a marketing information system (MIS) that provided pricing and other market information about Nepal and India was instituted. The MIS gave the raw material collectors a way to negotiate higher prices for their raw plant products they traded. The MIS collected and disseminated information through various channels including radio broadcast, email circulation, bulletin boards, publication in newsletters, such as Lahara, Ukali and Karnali, and interaction programs including buyers' sellers meetings, workshops and trainings, and market visits. The types of information disseminated include:

- Price trend analysis for different products in different markets

- Demand analysis of different products in different markets
- Quality requirements of products
- Technological information: production, harvesting, post-harvesting, processing, and manufacturing of products
- Contact information for major NTFP buyers and other service providers

Initially, ten products and five major markets in Nepal and India were identified for regular market price monitoring and information update services. Gradually, the list of products has grown to include 31 nontimber forest products and high value crops. During the collection and peak trade season, information on Yarshagumba (*Cordyceps sinensis*) is also collected. Market places for information collection have been expanded to eight (Nepalgunj, Kathmandu, Birendra Nagar, Tanakpur, Lucknow, Delhi, Mumbai, and Kolkata). Expansion of products and markets coverage is ongoing with the development of district and regional MIS centers.

Other services provided by the MIS include advisory services and market linkages. Advisory services and customized business information services were provided to entrepreneurs and communities from various parts of the country who seek information on new enterprise development, installation of processing unit (essential oils and handmade papers), and cultivation of NTFPs in their area. Different NGOs working in the districts also contact MIS centers asking for support in designing NTFP management and marketing trainings and sourcing NTFP seeds and seedlings. At the local level, linkages between local producers, collectors, traders, and enterprises were facilitated through interactions between buyers and sellers, and formation of NTFPs trade networks in Banke, Shurket, Dolpa, and Darchula. The NTFPs trade networks, which meet once a month to discuss relevant issues related to NTFPs production and trade, comprise local collectors, producers, traders and enterprises. In order to promote markets, Nepali companies were supported in establishing linkages among Nepali enterprises and also with the US and European companies.

The MIS services contributed to a significant increase in the income of thousands of grassroots participants from the sale of NTFPs and high value crops. It was reported that a large number of target clients have increased access to information since the information is customized to suit their needs and disseminated through multiple channels. Increased local people's access to NTFP marketing information improved their bargaining capacity. With the awareness and information, they explored new market places, which provided more lucrative prices for their products. For example, collectors of Darchula who used to sell Yarshagumba at Rs. 30,000 to 40,000 per kg became able to sell the product for Rs. 60,000 to 90,000 per kg in 2004. Local collectors in Bardiya got 45% higher prices for amala (*Phyllanthus emblica*) with a marketing linkage to buyers in Nepalgunj. Collectors and traders in Dolpa found border markets in India (Tanakpur) more lucrative for some products than their traditional market in Banke. Similarly, in Ilam producers and collectors gained in their sales price when they established contacts with Indian buyers.

Third, for processed products, the producers needed a way to access markets outside Nepal and consolidate products among processing units. ANSAB facilitated networking among forest user groups, community based enterprises, and national enterprises. The producers and processing enterprises in the districts were linked to the national level enterprises. The capacity of the national level enterprises was also strengthened with training, product development services, market information, trade fairs and market visits, and international market linkages. This helped consolidate the products and manage NTFP supply

chain, both processed and unprocessed. This also directly linked the micro and small-scale enterprises based in the villages with the small to medium scale private sector enterprises that were urban based and closer to the markets. For example, Himalayan BioTrade consolidates and markets essential oils, handmade papers, and dried herbs in national and international markets. Gorkha Ayurved Company (GAC) produces Ayurvedic medicines and food supplement from various medicinal herbs, and markets these products to national and international markets. Alternative Herbal Industries (AHI) produces herbal teas, juices, and personal care products and markets these products in national and international markets. In 2004, these companies linked to the CFUG enterprises marketed NTFP products worth over US \$400,000.

Lessons on implementing policies effectively on the ground so biodiversity is conserved while alleviating poverty

Policy and governance issues play a critical role in stakeholders' ability to conserve biodiversity. Even when sound policies are enacted, the goals are often not realized due to weak and ineffectual implementation. The lesson that passing a policy is only a first step to achieving improved biodiversity conservation is well known. Less is known and documented on the policy implementation steps, their timing, and participation of stakeholders. The chart below summarizes the steps and timeline the Nepal GCP project took to help make the community forest user group legislation in Nepal an effective mechanism to achieve biodiversity conservation and improve the welfare of the communities that manage this globally significant biodiversity.

Timeline and Significance for Policy Milestones in Community Forestry and the Nontimber Forests Products Sector in Nepal

Year	Policy milestone	Significance
1995	Establishment of Nepal Non-Timber Forest Products Network (NNN)	Overharvesting of nontimber forest products (NTFPs) was one of the top threats to biodiversity in the Nepal GCP sites, since NTFPs were the main source of cash income for the communities. The NNN provides multi-stakeholder forum for networking on NTFP policy, research, management and enterprise and market development activities; includes over 50 institution and 300 individual members representing government, development organizations, private, academia, and researchers.
1997	First CFUG to have high altitude forest management that incorporate NTFPs GCP project works with a community to get all CFUG documents approved by District Forestry Official to include NTFPs. This became a model for other groups to implement	Previously the CFUG implementation did not consider NTFPs, even though nothing in the legislation prohibited their inclusion. Recognized that 100% of forest products coming from high altitude are NTFPs and not timber. Previously CFUG agreements only covered timber. Set the standard for high altitude CFUGs, demonstrating that the CFUG model is also applicable to high altitude and not just mid hills. Created model CFUG plan with community to included NTFPs. Thali CFUG in Humla worked out a management plan for high land forest (including alpine meadows) and included commercial NTFPs, such as Jatamansi, Kutki, and Sugandhal into their management plan. Allowed District Forest Offices to complete similar plans with other CFUGs in multiple districts.

1998	First CFUG to be able to collect conservation fee from NTFP trade	Operationalized CFUG legislation intent of giving forest management responsibility to communities by providing tangible monetary resources to implement conservation and forest guarding activities. Thali CFUG in Humla collected Rs. 300,000 as conservation fee from trade of Jatamansi, Kutki, and Sugandhwal in 1998.
2001	Forest User Group (FUG) developed forest based value adding enterprise. District Forest Office gives support to the FUG enterprise development and is used as a model within government for balancing resource management and economic development goals.	Provided a model for developing NTFP based forest enterprises in mountain regions of Nepal. The NTFPs were already being harvested and sold by the tens of thousands of tons in raw form, mostly unregulated. Consolidating raw material supply in remote areas at enterprises that added value (paper making, essential oil processing, etc.) allowed for more effective resource management and control of the harvesting while increasing incomes and jobs. Encouraged government and other key stakeholders to support forest user group enterprises by extending forest areas and policy support. Shree Binayak Pimi Danda FUG developed Malika Handmade Paper Pvt. Ltd. to produce handmade paper from Lokta bark and extended their communal forest area to supply sufficient raw materials to their enterprise. The 240 member households of the CFUG are the shareholders; the first of this type of enterprise in Nepal. Biodiversity monitoring data indicates improved biodiversity condition with controlled harvesting linked to the value-added enterprise in contrast to the previous situation of under-guarded forest with “free-for-all” access and harvesting.
2001	Lifting of collection ban and reduction of royalty rates	Raised the voice of local communities and initiated policy dialogue among multi-stakeholders to bring about policy changes. With ineffectual enforcement of the existing policy all sides were losing. Biodiversity was been threatened, people ignored the ban resulting in free for collection and the government collected almost no royalties since the trade was driven underground. Through the Nepal NTFP Network the project encouraged policy makers to look for scientific basis and assess the implications of different policy options in conservation and local livelihoods. The ban on Yarsagumba collection was lifted and the royalty rate was reduced. The previous policy was not enforceable given the remote areas where Yarsagumba grows and royalty rate was unrealistic given market structure. By passing a sensible use and royalty policy, the harvesting is now regulated and policed by the local communities resulting in more secure trade of the product while conserving the habitat where it grows.
2001	Establishment of Himali Jadibuti Sarokar Samuha (HJSS)	Provided a forum and brought together Himali key stakeholders to identify, discuss, and coordinate NTFP policy and development activities. HJSS is a network organization to coordinate NTFP policy and development activities in Nepal. It includes members of house of representatives, chairpersons from district development committee, and FECOFUN mainly from 15 Himali districts of Nepal. While the HJSS complements the Nepal NTFP Network, it was founded to be able to focus more directly on policy and development work in 15 Himali districts of Nepal.

2002	Incorporation of NTFPs as important product category in 10 th Five Year Nation Plan to reduce poverty in mountain region	<p>Raised importance of NTFPs for rural poverty alleviation and promoted biodiversity conservation, especially in mountains. Policy makers, development organizations, and key stakeholders recognized NTFP as a priority product category for poverty alleviation.</p> <p>ANSAB, through the NNN, provided NTFP subsector strategies and recommendations to HMG and the national planning commission included NTFPs in the 10th Five Year Plan.</p>
2003	Develop district federations of CFUGs in Karnali and Bajhang	<p>Provided a forum for FUGs to lobby on policy issues and learn from each other.</p> <p>Expanded networking among FECOFUN members and increased their influence on policy and development issues.</p> <p>Federation building completed in four districts of Karnali and Bajhang</p>
2003	Establishment of Herbs and NTFPs Coordination Committee (HNCC)	<p>Provided a formal, high level policy forum to review and develop national policies on herbs and NTFPs.</p> <p>Developed a mechanism to coordinate NTFP development activities among different line ministries, private sector, and civil society.</p> <p>Building on the NNN experience and contributions, HNCC was established (headed by Minister of Forest and Soil Conservation) to coordinate NTFP development activities and develop favorable policies.</p>
2004	Abolishment or reduction of taxes on incomes of CFUGs from forest products	<p>Removed policy barriers and encouraged CFUGs to manage trade on forest products and invest in forest conservation.</p> <p>Increased incomes available to CFUGs to invest in community development activities, such as building of schools and trails.</p> <p>ANSAB worked with FECOFUN, HJSS, and Alliance for Natural Resources Nepal, among others, to convince the government of Nepal to remove 40% tax on sale of timber from their community forests (now only 15% tax is applicable to trade of Sal and Khair by CFUGs to their non members)</p>
2004	Herbs and NTFP Development Policy 2061 promulgated by the government of Nepal	<p>Provided opportunities to multi-stakeholders to participate in policy development increasing ownership of the policy provisions and facilitating its implementation.</p> <p>Set a transparent policy development process which incorporates the perspectives and issues of different stakeholders and is based on research findings.</p> <p>Based on the recommendations provided by the national policy development task force coordinated by ANSAB and active involvement of ANSAB in the policy drafting sub-committee, a national policy on herbs and NTFPs was developed, which is the first national policy for herbs and NTFPS in Nepal.</p>
2005	FECOFUN receives Forest Stewardship Council (FSC) forest management certificate and community based enterprises receive FSC chain of custody certificate	<p>Developed interim NTFP certification standards which set a basis for NTFP certification in Nepal. Developed a group forest certification model appropriate for Nepal. Developed an exemplary CFUG forest management plan which provides a uniform protocol to assist CFUGs to promote sustainable forest management.</p> <p>The public private alliance coordinated by ANSAB improved the operation plans and CFUG management systems in the spirit of FSC principles and criteria. FECOFUN receives FSC forest management certification on behalf of 21 CFUG with 16,417 hectares forest and 23 products. Eight processing and marketing enterprises receive FSC chain of custody certificate.</p>

Some of the lessons that can be drawn from the Nepal project on policy issues and the role of stakeholder participation are:

- The need to facilitate stakeholders to exchange views and concerns is essential. Even the best thought out policies cannot be implemented effectively if there is not understanding, commitment and buy-in from the stakeholders. Forums need to be held at the grassroots level as well as in the capital city. Bringing community members out of their element to contribute is less effective than working with them at the field level. Conversely, capital-based policy makers often are unable to go to the field, so their input needs to be collected from city-based meetings. A local NGO that facilitates and attends both field and city forums and cultivates other stakeholders to attend both forums is an effective way to get multiple stakeholder input. This is why both the Nepal NTFP Network (NNN), which tends to hold its meetings in Kathmandu and the Himali Jadibuti Sarokar Samuha (HJSS) which focuses on a specific geographic area in Nepal have proved to be an effective combination.
- Incentive structures need to be worthwhile for the local communities. Sanctions for violating the policy need to rely on low cost local capacity. Countries like Nepal that have limited government resources to invest in enforcement cannot be expected to use enforcement as the primary means to get compliance. Simple adjustments in the implementation guidelines, allowable under the community forest user group (CFUG) policy, translated into strong incentives for biodiversity conservation at the local level. Examples of this include: incorporation of nontimber forest products into CFUGs management; collection of conservation fees from NTFP trade by the CFUGs; and abolishment or reduction of taxes on incomes of CFUGs from forest products.
- Economic analysis that looks at impacts on subsistence and commercial use for forest resources is needed to inform policy. The taxation and royalty study work done through the project on various nontimber forest products helped to inform rational policy adjustments. The analyses were put in the context of conservation, local development, and impact on industry dynamics within Nepal. In the context of wild harvested forest products, controlled by local communities, each of these three elements has to be balanced to achieve biodiversity conservation.