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Acronyms

ADB/N	Agricultural Development Bank/Nepal
ANSAB	Asia Network for Sustainable Agriculture and Bioresources
CARE/Nepal	Cooperative Assistance of Relief Everywhere, Nepal
CDO	Chief District Officer
CECI/CBED	Community Based Economic Development Project of Canadian Center for International Studies and Cooperation, Nepal
CF	Community Forest(ry)
CSIDB	Cottage and Small Industry Development Board
DADO	District Agriculture Development Office
DDC	District Development Committee
DFO	District Forest Office(r)
DPP	District Partnership Programme of SNV
EWV	EnterpriseWorks Worldwide
FECOFUN	Federation of Community Forestry Users, Nepal
FUG	(Community) Forest User Group
GCP	Global Conservation Program of USAID
HBTL	Himalayan BioTrade Pvt. Ltd.
HCDA	Humla Conservation and Development Association
HJCG	Himali Jaributi Concern Group
IEDI	Industrial Enterprise Development Institute
IOF	Institute of Forestry
MFSC	Ministry of Forests and Soil Conservation
MHPL	Malika Handmade Paper Pvt. Ltd.
MIS	Market Information System
NACRMP	Nepal Australia Community Resource Management Project
NGO	Non-Governmental Organization
NNN	Nepal NTFP Network
NTFP	Non-Timber Forest Product
OP	Operational Plan
SDC	Swiss Development Cooperation
SFDP	Small Farmers Development Program
SNV/Nepal	Netherlands Development Organization, Nepal
UMN	United Mission to Nepal
USAID	United States Agency for International Development
VDC	Village Development Committee

I. SUMMARY OF ACTIVITY STATUS AND PROGRESS

a. Introduction

This report presents the progress of the “Enterprise-Based Biodiversity Conservation” project of USAID’s Global Conservation Program for the period of October 1, 2000 through March 31, 2001, first half of the second year of the project. A portion of this reporting period (October 1, 2000 – December 31, 2000) overlaps with the previous technical report (July 1, 2000 – December 31, 2000).

Implemented by EnterpriseWorks Worldwide (EWW) 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 in addition to 13,352 ha already under effective management), and strengthen and improve policy implementation in the area of 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 and suffer from a high level of anthropogenic disturbance. The project area (which includes the districts of Humla, Jumla, Bajhang, Dolpa, Mugu, and Kalikot) is considered a “hotspot” based on Norman Myers’ conservation setting priorities.

Project implementation started in three districts, Bajhang, Humla and Jumla, at the beginning of the project. The second year of the project commenced in October 2000 extending the activities to two additional districts, Mugu and Dolpa. Work in these districts is on-track overall and the political tensions to date have not seriously impeded project progress this year. Kalikot remains on excluded status due to increased political instability in this area.

Experiences at the field level indicate that it is more effective to partner with local NGOs for project implementation. This local partnership promotes local capacity building, long-term sustainability, local level coordination, and smooth implementation of project activities particularly in the present security situation in the project area. While the project is already working with a local NGO in Humla (HCDA), partner NGOs for Jumla, Dolpa and Mugu are being selected (see Annex 1 for the District Level Program Implementation Arrangement of the project with local NGOs). This process has delayed implementation of some activities in Dolpa and Mugu.

b. Highlights for October 1, 2000 – March 31, 2001

Major accomplishments include:

- Strengthened 20 community Forest User Groups (FUGs) in Humla, Jumla, and Bajhang. The formation or post formation support to these community groups resulted in 2,996 ha of forestland being handed over to communities and classified under improved management. An additional 10,495 ha of forests were surveyed (along with the preparation of management plans). If the government authorities approve the surveyed land and operational plans, the project will exceed this year's target of 9,990 ha handed over to FUGs.
- Expansion of activities into the district of Mugu, specifically Srikot and Seri Village Development Committees (VDCs). Also, the project area in Humla expanded to 10 FUGs

total during the last six months. This added to the further solidification of a community forest federation in Humla.

- Completed enterprise options and feasibility studies for Jatamansi oil distillation and Dhatelo oil extraction in Jumla.
- Publication and dissemination of the Manual on *Enterprise Development for Natural Products*. ANSAB has sold over 350 copies since September 2000 both domestically and internationally. Design of extension materials on four important NTFPs is in progress.
- Provided business development services to FUGs in Humla, Jumla and Bajhang for enterprises in essential oils, papermaking and other natural products.
- Organized and participated in several forums discussing policy and program issues, including the Nepal NTFP Network (NNN).
- Biodiversity Monitoring Plan implemented and adapted at the field level. Data on baseline biological characteristics were collected and are being analyzed. Data output formats are being refined and the plan is being updated based on field experiences.

c. Table of Activity Status

Table 1 – Activity Status for Year Two

Activity Number	Activity Title	Status*	Page
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	On-track	7
1.b	Community forestry orientation and training design	Delayed (Mugu) On-track (other Districts)	9
1.c	Community forestry best practices workshops	Delayed (Mugu) On-track (Humla)	10
1.d	District community forestry federation workshops	Delayed (Mugu), On-track (Humla)	10
1.e	National level workshop	Not planned	11
1.f	Exchange visits and study tours	On-track	11
1.g	Production and distribution of extension materials	On-track	12
Objective 2 Enhance knowledge and skills of forest user groups in sustainable use and conservation of biological resources			
2.a	Staffing and training	On-track (NGO partner identification)	13

		Delayed (Staff hired)	
2.b	Conflict resolution for community forest mapping	On-track	13
2.c	Technical and logistical support to communities	On-track	14
2.d	Promotion of community forestry agenda	On-track	18
Objective 3 Promote use of natural products in an ecologically sustainable and socially equitable manner			
3.a	Business development services to communities	On-track	19
3.b	Business plans for community-based enterprises	On-track	20
3.c	Business management training	On-track	21
3.d	Securing enterprise start-up capital	On-track	21
3.e	Provide marketing support	On-track	22
Objective 4 Generate scientific information for the sustainable management of biological resources			
4.a	Biodiversity conservation monitoring system implementation	On-track	22
4.b	Harvested species regeneration status	On-track	23
4.c	Information dissemination	On-track	24

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

II. DETAILED DESCRIPTION OF SITE PROGRESS

a. Key Short and Long-term Program Objectives for the Site

Long-Term Objectives

The project's four key long-term objectives are to:

- a) Expand and institutionalize participatory natural resource management and conservation practices within the framework of community forestry in Nepal,
- b) Enhance knowledge and skills of FUGs and local harvesters in sustainable use and conservation of biodiversity,
- c) Promote commercial use of natural products in an ecologically sustainable and socially equitable manner, and
- d) Generate scientific information required for the sustainable management of the biological resources.

Short Term Objectives

The objectives for year two of the project are to:

- Work with 30 communities in the districts of Jumla, Humla, Bajhang, Dolpa and Mugu to develop and implement conservation and resource management plans,
- Bring an additional 7,490 hectares under improved management through the community handover process,
- Improve policy development and implementation to enhance biodiversity management by communities in all five districts,
- Facilitate communities in the project area to establish and operate 3 enterprises that are linked to *in situ* biodiversity,
- Enhance community capacity through extension, training, study tours and exchange visits, and
- Document preliminary lessons from the implementation of the Biodiversity Monitoring Plan.

b. Activity Description

Activity 1.a: Prioritization of geographical area and community groups

Summary of major achievements

Three district stakeholder meetings, one each in Bajhang, Jumla and Humla, and an inception workshop in Mugu were held to finalize project locations and activities for year two. These meetings increased coordination among district forestry officials, community members, FUG members, and district-based NGOs staff in the respective districts. The results of this process are summarized in the previous technical report (June 1, 2000 – December 31, 2000). In these districts, geographic areas adjacent to the existing project area have been selected to ensure ecological connectivity, achieve economies of scale in joint enterprise undertakings, and

minimize resource use conflicts including the pressure on non-handled over forest areas close to community forests.

Work has also been started in Mugu and Dolpa. This includes delineation of project sites, assessment of overall socio-economic and biodiversity characteristics and ideas on enterprise options for the project areas. Activities by district are given below.

Humla - Last year community forestry activities were supported in Mimi and Darma VDCs. In addition to the concentration of the activities in Mimi and Darma, Melchham has also been receiving support this year.

Jumla – The project has continued its work in Patarasi VDC this year. The project activities have been extended to the neighboring Chhumchaur VDC. Dillichaur VDC will also benefit from enterprise related activities.

Bajhang – While the work has continued in Kailash, Hemantwada, Kotdewal and Gadarya, some support has also been expanded to Kalukheti VDC this year.

Mugu - A one-day district level inception workshop, held December 10, 2000 at Gamgadhi with all major district stakeholders including DDC, DFO, CDO, DADO, DPP, and ADB/N, identified and prioritized the project location and activities for year two. In the workshop, ANSAB staff also shared project goals and objectives and possible working modalities in relation to target communities and other stakeholders.

Mugu district is broadly divided into four main regions- Soru, Karan, Khatiyad and Gam. Among them, Khatiyad region has been prioritized for the project activities. This region has five VDCs (Srikot, Seri, Khamela, Rara and Kalai). The program will be initiated at Srikot and Seri VDCs in the beginning and will then be extended to the other three VDCs. As in other districts, the program area was selected based on the ecosystem vulnerability, ecological connectivity, abundance of NTFPs, poverty status of the communities, lack of services from other facilitating organizations, priority of the DDC and DFO, community interests, and enterprise opportunities.

Dolpa - A district level inception workshop was originally planned for April through June. Efforts are now being made to identify and select a suitable local NGO partner. Discussions with Ban Udhyam (a joint undertaking of BSP/New ERA funded by the USAID) and the USAID Nepal were held regarding the possibility of linking and giving continuity to the Ban Udyam's phasing out activities in Dolpa. With these developments, the inception workshop is now planned for May 2002.

Table of progress in meeting key activity benchmarks

Benchmark/Output for Objective 1.a	Status
Inception workshop and coordination in Mugu to prioritize FUG development	Completed
Inception workshop and coordination in Dolpa to prioritize FUG development	On-track
District stakeholders meeting in Humla to prioritize FUG development	Completed
District stakeholders meeting in Jumla to prioritize FUG development	Completed

District stakeholders meeting in Bajhang to prioritize FUG development	Completed
List of villages/settlements and map of resource areas to be included in the project for all districts	Completed and On-track

Key management issues

The security situation (increase in Maoist activities) continues to be a concern for project staff when traveling to the field, however no direct interference has been experienced.

Coordination with DFOs continues to be a challenge, particularly with respect to handing over adequate forest areas containing commercial NTFPs.

Activity 1.b: Community forestry orientation and training

Summary of major achievements

Orientation to community leaders as part of FUG formation and reformulation process.

This included broad but closely related topics ranging from policy provisions to roles, rights and responsibilities of FUGs in the use and management of community forests. This was done in six sites total in Humla, Jumla and Bajhang prior to the process of forming or reformulating FUGs.

District level review and planning workshop. Preparations for district level review and planning workshops are underway. The outcomes of this activity will be fed into the program level workshop planned in August 2001 in Nepalgunj.

Hands-on training to staff. Experienced ANSAB staff provided a 19-day field level hands-on training on forest resource inventory for the forestry facilitators of Humla and Jumla from 6 February 2001 to 24 February 2001 in Bajhang. As part of the training, two community forests with 257 ha were inventoried. The training has enabled the participants to share experiences as well as expose them to new inventory methodologies and related Government guidelines. A training package is being prepared to guide future orientation and/or refresher training.

Table of progress in meeting key activity benchmarks

Benchmark/Output for Objective 1.b	Status
Community forestry orientation in Bajhang	Completed
Community forestry orientation in Jumla	Completed
Community forestry orientation in Humla	Completed
Community forestry orientation in Mugu	Delayed
Community forestry orientation in Dolpa	On-track
District level annual review and planning workshop	On-track
Planning and review workshop in Nepalgunj	On-track

Key management issues

Originally the mid hill portion of Mugu was intended to be the main project area in the district because it is accessible in winter months. After beginning work in Mugu, it was determined that activities could be more efficiently implemented through partnership with a local NGO. Activities in Mugu have been delayed until during this partnering process. See Annex 1 for the NGO-partnership plan.

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Activity 1.c: Community forestry best practices workshop

Summary of major achievements

Last year's practices workshop in Jumla provided an opportunity to pool learning of successes and failures experienced in the district as well as elsewhere, and open a window of innovative ideas for the local stakeholders. Building on Jumla experiences, such workshops in Humla and Mugu are being planned, and people with innovative forestry experiences will be invited to share their knowledge with the participants. Necessary preparation, including program design, has been completed. The workshop in Humla is on-track but in Mugu it is postponed to September due to the delay in implementation of community forestry activities.

Table of progress in meeting key activity benchmarks

Benchmark/Output for Objective 1.c	Status
Community forestry best practices workshop in Mugu	Delayed
Community forestry best practices workshop in Humla	On-track
Workshop report	On-track

Activity 1.d: District community forestry federation workshop

Summary of major achievements

A workshop of district level Federation of Community Forest Users, Nepal (FECOFUN) each in Mugu and Jumla was planned this year. The activity is on-track in Jumla and delayed in Mugu for the same reasons as in 1.c. The executive body of FECOFUN, is meeting in June 2001 to finalize the upcoming workshop details. The project support in institutional strengthening and technical capacity building of FECOFUN continued in Humla, Jumla and Bajhang.

Bajhang FUGs were assisted in networking and organizing into a district level federation. Since the inception of the federation, the project staff have been interacting with the federation members on an on-going basis to help them with technical issues. This year, FECOFUN has planned a general assembly to be held on April 10, 2001. ANSAB is providing technical and logistic support for that assembly. 195 existing and 50 potential FUGs are expected to participate in the assembly. In addition to FUGs, other forestry stakeholders like DFO, DDC, and CARE will be invited in the workshop.

Table of progress in meeting key activity benchmarks

Benchmark/Output for Objective 1.d	Status
FUG federation workshop in Mugu	Delayed

FUG federation workshop in Jumla	On-track
Dissemination of lessons learned to establish and strengthen federations in other districts	On-track

Activity 1.e: National level workshop

One national level workshop was held in year one using counterpart funds. No national level workshop is planned for this year.

Activity 1.f: Exchange visits and study tours

Summary of major achievements

Three types of study tours or site visits were planned this year: a) a study tour for FUGs, FECOFUN, rangers and entrepreneurs; b) a project site visit for MFSC and other line ministries officials related to enterprise development; and c) 2-3 site exchange visits for DFOs, DDCs and other relevant district stakeholders.

The study tour planned for February was delayed to accommodate the timing of all participants. Now the detailed planning of the tour is completed. FUG members, FECOFUN representatives, and entrepreneurs and districts forestry officials will participate for 14 days from April 5, 2001. The overall objective of the tour is to expose the participants to forest management issues focusing on NTFPs, enterprise development, marketing, and institutional development. This tour will also provide an opportunity to share ideas and experiences among the participants, and reflect upon and analyze the field observations collectively to bring practical lessons back home.

Specifically, the study tour will enable participants to:

- Share commercially important forest species, specifically NTFPs, and their marketing dynamics
- Share experiences about institutional and local capacity building in community forestry and enterprise activities
- Observe fund management (record keeping, collection of money, uses etc.) activities within community forest user groups
- Create awareness in management, cultivation and domestication of select non-timber forest products

The study tour will cover the four Terai (Kailali, Banke, Rupendehi and Chitwan) and five hill districts (Gorkha, Kaski, Kathmandu, Kavre and Dolakha) of Nepal. The participants will visit and share with eight FUGs implementing best practices in forest management and forest enterprise development sector.

FUG organized enterprises will also be observed. The study tour plan is found in Annex 2.

Similarly, a project site visit to Dolakha for representatives from policy making and enforcing institutions has been planned to facilitate policy improvement in biodiversity conservation and the forest enterprise sector. This site visit will occur in the late summer or early fall. Although the planned visit location is outside the GCP project area, it reflects a similar approach and offers a good example of ANSAB assisted conservation and enterprise development activities of local

communities. This activity is delayed because the targeted policy makers were overextended with a scandal within the MFSC. An outline of the site visit plan is found in Annex 3.

Finally, exchange visits for DDCs, DFOs, and community based enterprise officials of Mugu, Jumla and Humla are being planned.

Table of progress in meeting key activity benchmarks

Benchmark/Output for Objective 1 f	Status
Study Tour for FUGs, FECOFUN, DFO and Entrepreneurs	On-track
Project site visit for MFSC and other line ministries officials	Delayed
2-3 Exchange visits for DDC, DFO and community-based forest officials	On-track

Activity 1.g: Production and distribution of extension materials

Summary of major achievements

In working with communities and local stakeholders, it was clear that collectors, local traders and FUGs were having difficulty managing their initiatives effectively. This management problem was a lack of access to marketing and resource management information and knowledge in suitable forms. In packaging the available information in understandable forms to these groups, four species of NTFPs (Kutki, Atis, Jatamansi and Lokta), which were mostly traded from Karnali and other parts of Nepal, were selected as examples.

The species were selected based on commercial potential, and the potential impact of information on the business position of local collectors and traders. The information need of the users and outline of the extension materials have been finalized. The planned extension materials will give a general description of the species, habitat and the silvicultural characteristics; resource management and sustainable harvesting; and processing and marketing of the products. This will be produced in Nepali and widely circulated in the project districts to collectors, FUGs, local traders, NGOs and DFO staff.

Table of progress in meeting key activity benchmarks

Benchmark/Output for Objective 1.g	Status
Design/concept of extension materials prepared	Completed
Extension materials prepared	On-track
Extension materials printed and distributed	On-track

Activity 2.a: Staffing and training

Summary of major achievements

ANSAB central staff and field staff from Jumla, Humla and Bajhang initiated project activities in Mugu and Dolpa. In the context of the current political situation and in light of past ANSAB experience, ANSAB reevaluated the project implementation modality in Dolpa and decided to partner with a suitable local NGO to implement the project activities in the field (see under

Activity 1a). Initial visits to potential, local NGOs are complete and ANSAB is now in the process of assessing these groups. Since partner NGO selection and office set-up is on going, staff recruitment and training has been delayed. In Bajhang, the scope of work has increased enough to merit one full time staff person (forestry facilitator) based in the district. In staffing, ANSAB places technical experts with experience in community forestry, group formation, and mountain communities. Since many experienced persons have shown interest in the project activities in all districts, staffing and training will be done in coordination with local partners soon.

Table of progress in meeting key activity benchmarks

Benchmark/Output for Objective 2.a	Status
Staff Hired for Dolpa	Delayed
Staff Hired for Mugu	Delayed
Staff Training	Delayed
Partner NGOs and office set up	On-track
Sub-Field Offices Opened	Cancelled

Activity 2.b: Conflict resolution for community forest mapping

Summary of major achievements

During this reporting period, 11 FUGs received conflict resolution skills in Humla, Jumla and Bajhang as part of FUG formation and reformulation process. This covered issues related to forest policy, traditional rights, and local institutions and facilitation skills for conflict resolution.

In addition, DFO, VDC and FECOFUN are also apprised of the conflict processes, outcomes and related issues, as strategies and options of resolution. DFO and FECOFUN can be expected to play more active roles in mediating conflicts related to community forestry. As a result of such project inputs in conflict management, retention of critical indigenous rights in forests and pasture management has been ensured.

Table of progress in meeting key activity benchmarks

Benchmark/Output for Objective 2.b	Status
Boundary and land use conflicts resolved for targeted FUGs in Humla so that their resource management plans and constitutions can be approved.	On-track
Boundary and land use conflicts resolved for targeted FUGs in Jumla so that their resource management plans and constitutions can be approved.	On-track
Boundary and land use conflicts resolved for targeted FUGs in Bajhang so that their resource management plans and constitutions can be approved.	On-track
Boundary and land use conflicts resolved for targeted FUGs in Mugu so that their resource management plans and constitutions can be approved.	Delayed due to delay of project activities

Boundary and land use conflicts resolved for targeted FUGs in Dolpa so that their resource management plans and constitutions can be approved.	On-track
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Key management issues

Poor institutional capacity of DFO and FECOFUN, who are supposed to facilitate community forestry, is a critical issue in handling and resolving conflicts.

The current political situation in the project areas is very challenging. The project staff must address conflicting expectations of all political groups who are not the direct proponents of the project activities as such but have much influence in peoples' participation in the project activities.

Activity 2.c: Technical and logistical support to communities

Summary of major achievements

In this reporting period, the project strengthened 20 forestry user groups (FUG) in Humla, Jumla and Bajhang. While a total of 2,996.7 ha of community forest has been handed over to date since the beginning of the project, an additional 16,195 ha has potential to be handed over. Of this 16,195 ha, 10,495 ha have been surveyed, draft operational plans have been finalized and negotiations with DFOs are underway. This will exceed this year's target of 9,990 ha if the hand over is approved. Table 2 gives an overview of the 20 FUGs assisted this year and the types of technical assistance being provided.

Humla- This year, the project has been providing technical support to 10 FUGs (existing or potential) that were identified and organized last year. Of these, three groups received the group formation support, three received reformulation and post formation support, and the other three groups are in the process of group formation. Raniswara Women FUG, a new FUG has been identified and is receiving group formation support this year. Out of 9,531 ha of potential CF identified, 5,031 ha have been surveyed and are in the process of handover.

Jumla – In the current project area, 3 FUGs are receiving technical support to expand areas of community forests and strengthen their capacity in forest management. In addition, one new group (Mathachaur) is being formulated with the project support. A total 5,375 ha of CF have been surveyed and are in the process of handover this year.

Bajhang - Five existing FUGs were provided needed post-formation support in forest management and institutional development. The reformulation process for the Matuwa FUG in Kalukheti VDC has also been started; this is a new FUG for the project. Out of 688 ha of potential CF identified, 88 ha have been surveyed during this reporting period and are in the process of handover.

The formation or post formation support to 20 community groups resulted in improving the conservation and management of a total of 2,996 ha of handed over and 10,495 ha of surveyed (along with the preparation of management plans) forests in the three districts. Seven FUGs are at the stage of negotiation with DFOs for the handover.

In Mugu and Dolpa, direct logistical support to communities is delayed as described in 1a and 2a. In the two districts, activities will be intensified in next six months.

Table 2- Status of Community Forestry in GCP Project Area as of March 31, 2000 and Technical Assistance Provided and Planned

Name of FUG	No. of HH	Current CF Area (ha)	Status as of March 2001	Planned	
				Est. Area for CF expansion	Activities
Bajhang					
Binayak Pimidanda (Kailash 1-7)	217	912.22	Change in legal status, local site assessment completed, management actions designed with appropriate participation FUG reformulated, human and institutional capacity developed, management actions being implemented.	-	Technical support in resource management and enterprise operation
Hemantawada (Hemantawada 1-9)	440	1293.53	Change in legal status, local site assessment completed, management actions designed with appropriate participation FUG reformulated, human and institutional capacity developed, management actions being implemented, ongoing monitoring and evaluation initiated.	-	Technical support in resource management and NTFP marketing
Lahare (Gadaraya 8,9)	81	231.72	Local site assessment completed, human and institutional capacity developed, management action being designed.	100	Technical support in OP preparation
Binayak (Gadaraya 8,9)	79	118.6	Local site assessment completed, human and institutional capacity developed, management action being designed.	68.64*	Technical support in OP revision
Matuwa (kalukheti 5-7)	179	6	Local site assessment completed, human and institutional capacity developed, management action being designed.	20*	Facilitating negotiations with DFO on OP approval, implementing OP
Ranada (Kotdeval 1,2,3)	121	40	Management actions (Operational plan) being refined.	500	Technical support in OP preparation
District Total	1117	2602.07		688.64	
Jumla					
Phurkisalla (Patarasi 1,2)	121	62.75	Local site assessment completed, management actions designed	2572.25*	Facilitating negotiations with

			with appropriate participation FUG reformulated, human and institutional capacity developed.		DFO on OP approval, implementing OP
Lamteli (Patarasi 3-6)	163	56.16	Local site assessment completed, human and institutional capacity developed.	2802.84*	Facilitating negotiations with DFO on OP approval, implementing OP
Bhaleni (Patarasi 8,9)	116	5.48	Local site assessment completed, human and institutional capacity developed.	500	Technical support in OP implementation
Mathachaur (Patarasi 6)	-	-	Forest users identified	100	Technical support in Group formation and OP preparation.
District Total	400	124.39		5,975.09	
Humla					
Jadikausi (Darma 7-9)	81	-	Local site assessment completed, management actions designed with appropriate participation, human and institutional capacity developed	2142*	Facilitating negotiations with DFO on OP approval, implementing operational plan
Baghedhunga (Darma 1,2)	101	-	Local site assessment completed, management actions designed with appropriate participation FUG formulated, human and institutional capacity developed	1896*	Facilitating negotiations with DFO on OP approval, implementing operational plan
Syali Kocheni (Mimi 3,4)	38	-	Local site assessment completed, management actions designed with appropriate participation FUG formulated, human and institutional capacity developed	993.33*	Facilitating negotiations with DFO on OP approval, implementing operational plan
Basaldhara (Mimi 5-9)	106	-	Local site assessment completed, FUG formulated, human and institutional capacity developed	400	Technical support for OP preparation, CF handover and implementation
Gairipatal (Darma 5,6)	56	-	Local site assessment completed, FUG formulated, human and institutional capacity developed	100	Technical support for OP preparation, CF handover and implementation
Rocha (Mimi 1,2)	33	50.25	Local site assessment completed, FUG reformulated, human and institutional capacity developed	1450	Technical support for OP preparation, CF handover and

					implementation
Melchham (new) (Melchham 1-9)	130	-	Local site assessment completed, FUG formulated, human and institutional capacity developed	1500	Technical support for OP preparation
Rani Swara (Rimi Women) (Darma 7-9)	81	-	Local site assessment completed FUG formulated	50	Technical support for OP preparation, CF handover and implementation
Malika (Melchham 7,8)	39	120	Change in legal status, local site assessment completed, management actions designed with appropriate participation, human and institutional capacity developed, management actions being implemented	600	Technical support for ongoing monitoring and adaptive management
Melchham (Melchham 3-6)	55	100	Change in legal status, local site assessment completed, management actions designed with appropriate participation FUG formulated, human and institutional capacity developed, management actions being implemented, ongoing monitoring and evaluation initiated. Local site assessment completed	400	Technical support for ongoing monitoring and adaptive management
District Total	720	270.25		9,531.33	
Totals					
20 FUGs	2237 HH	2,996.71 ha		16,195.06 ha	

* indicates area surveyed and operational plan designed that the DFO is considering for handover. The total land surveyed with draft operational plans is 10,495 ha.

Table of progress in meeting key activity benchmarks

Benchmark/Output for Objective 2.c	Status
A total of 30 operational FUGs by the end of year two	On-track
A combined total of 9,990 ha under improved management by end of year two	On-track

Key management issues

The Nepali Government has recently issued resource inventory guidelines, which are insufficient for scientific management of NTFPs and grazing land. The DFO's inventory requirements for tree species as well as reluctance to hand over a sufficient amount of forest are making the hand-over process unnecessarily complicated.

Activity 2.d: Promotion of community forestry agenda

Summary of major achievements

Biodiversity conservation and management issues are shared among the members of the NNN (Nepal Non Timber Forest Network). The national level NNN workshop held on November 3, 2000 in Kathmandu also helped to disseminate the conservation issues through the participants to their colleagues. With support from the Ford Foundation, the NNN plans to publish and distribute the *Himalayan Bioresources* newsletter covering conservation and enterprise issues at the community and international levels in June 2001.

ANSAB participated and presented a joint paper with BSP/New ERA and USAID Nepal in a national NTFP workshop organized by EFEA in March 2001 in Kathmandu. A paper on policy and regulatory environment for the conservation and utilization of medicinal plants was presented in a Nepal-Japan joint symposium in November 2000 in Kathmandu. A paper on commercial use of biodiversity and equity was presented in the IDRC organized conference on medicinal and aromatic plants in Pokhara in January 2001.

ANSAB field staffs continue to facilitate district level networking and sharing among various concerned parties.

The Himali Jaributi Concern Group (HJCG), formed at the review and planning workshop held August 2000 in Nepalgunj, is planning to meet June 2001 to discuss the NTFP policy environment in Karnali and develop appropriate recommendations for policy makers.

Table of progress in meeting key activity benchmarks

Benchmark/Output for Objective 2.d	Status
Nepal NTFP Network Meeting to promote community forestry agenda	On-track
Operational Himali Jaributi Concern Group	On-track
Publish or present at least two papers for wider sharing	Completed
Policy support for FUG efforts throughout Nepal, especially Karnali	On-track

Activity 3.a: Business development services to community

Summary of major achievements

Exploration and use of appropriate and efficient technology: The project worked directly as well as in collaboration with other relevant agencies to provide technological services related to Dhatelo oil extraction, energy use and overall enterprise management. The following activities have been undertaken during the reporting period.

- Dhatelo oil extraction technology in Jumla: A preliminary review of the traditional technology showed that the process of oil extraction is inefficient and very labor intensive for women. An improvement in technology could enhance oil yield and reduce women's drudgery. The feasibility study done by ANSAB showed that an oil expeller of bigger capacity could be more useful as a community enterprise at Patrasi VDC in Jumla. The possibility of integrating an oil expeller with micro-hydro was assessed and found reasonable. Water turbine without generating electricity is very expensive. Similarly, generating micro-hydropower only for this oil expeller is not financially viable. Considering this, efforts are being made to influence other agencies that may support the construction of a micro-hydro-electric plant in the project area (Jumla District Development Committee, Energy Sector Assistance Program and Agriculture Development Bank). The concerned communities are actively involved in the whole process.
- Fuel-wood efficient technology for the hand-made paper enterprise in Bajhang: A fuel-wood efficient technology for community enterprises was identified and provided to hand-made paper enterprises and distillation units. The application of this new technology will decrease the fuel requirement of these enterprises. ANSAB has been collaborating with Intermediate Technology Development Group (ITDG) and Center for Rural Technology (CRT) for identification and development of such technologies.
- Improvement of overall enterprise management of Malika hand-made paper: The main points of improvement were 1) output based incentive package to employees, 2) book keeping, 3) production efficiency by minimizing wastage and improving quality, and 4) transparency among the stakeholders through public auditing.
- Exchange visits and sharing meetings: To share enterprise development and management experience with many other FUGs and forest based community enterprises in Nepal, an exchange visit for the manager of the Malika hand-made paper enterprise is planned for 15 days in April.

Several sharing meetings were held to establish a collaborating team between the district office of Cottage and Small Industry Development Board (CSIDB) and FECOFUN for facilitating the enterprise development activities in Bajhang, Jumla and Humla. Several meetings were held with the Senior Industry Officers of CSIDB to discuss potential NTFP-based enterprises and their support for legal, technical and financial aspects of the enterprises. The meetings have identified a business development opportunity to make incense sticks from Jatamansi marc. This new product can be integrated with the Jatamansi distillation enterprise in Humla for which training support from CSIDB will be available.

- Community mobilization: A series of meetings were held with the communities of Bajhang, Jumla and Humla for the improvement of existing enterprises and establishment of potential

enterprises. These interactions were fruitful in creating the feeling of community ownership for the enterprise and resource management.

Table of progress in meeting key activity benchmarks

Benchmark/Output for Objective 3.a	Status
FUGs in Humla provided with business development services	On-track
FUGs in Jumla provided with business development services	On-track
FUGs in Bajhang provided with business development services	On-track
FUGs in Mugu provided with business development services	On-track
FUGs in Dolpa provided with business development services	On-track
Workshop in Mugu on identification and assessment of NTFP enterprises	Delayed
Workshop in Dolpa on identification and assessment of NTFP enterprises	On-track
Two natural product, community-based enterprises developed	On-track

Key Management Issues

The Mugu workshop is delayed until a local NGO partnership is established.

Activity 3.b: Develop business plan for community based enterprises

Summary of major achievements

Revival of Jatamansi distillation enterprise in Jumla: There are two Jatamansi distillation enterprises in Jumla, both of which have been closed for more than 3 years. The community of Dillichaur with the help of Small Farmers Development Program (SFDP) managed one of these enterprises. This community is very interested to revive this enterprise after the rise in oil market prices. To address the needs of the community, the process of business plan preparation has been started for this enterprise. Despite the effort of the project staff and communities, the enterprise could not start operations due to the delay of a raw materials procurement plan. The enterprise is planned to start its operations in Jatamansi processing this harvesting season (September onward).

Pre-feasibility study of Dhatelo oil extraction enterprise in Jumla: The Dhatelo plant, a domesticated plant for fencing purpose, is one of the important traditional sources of cooking oil in the district of Jumla and the Karnali region. Having tremendous potential for area expansion, Dhatelo can be promoted for economic uses and ecological benefit. It is a hardy plant that can survive even in poor soils and in diverse climatic conditions. Since the traditional extraction technology was found inefficient and troublesome, an alternative technology coupled with a micro-hydro project has been identified for oil extraction for the Talfi Patarasi community in Jumla. Preparation of a business plan for this enterprise will be started soon.

Table of progress in meeting key activity benchmarks

Benchmark/Output for Objective 3.b	Status
Business plans development for two enterprises	On-track

Activity 3.c: Business management training

Summary of major achievements

Although formal training was not organized during this period, community members took part in the feasibility study of the Jatamansi oil distillation and Dhatelo oil extraction enterprises in Jumla. Community members actively participated in the identification and selection of enterprise options, estimation of raw materials, selection of energy sources, and identification of and familiarization with agencies concerned with enterprise support services and regulation.

Similarly, enterprise operation and management skills of the employees of Malika Hand-made Paper Pvt. Ltd. (MHPPL) have improved through hands-on training. This training focused on production efficiency through improved fireplace technology and minimized wastage of raw materials and chemicals. The enterprise management also appreciated the hands-on training for book keeping.

Table of progress in meeting key activity benchmarks

Benchmark/Output for Objective 3.c	Status
Operation and management skills training for MHPPL	Completed
Business management training to other enterprises	On-track

Activity 3.d: Securing enterprise start up capital

Summary of major achievements

Although financial institutions are generally not enthusiastic about providing loans to the community in groups, communities are in process of building trust with the local banks. There is also potential for joint implementation of program work with other development agencies such as DDC and ADB/N, and CARE-Nepal in Bajhang and UMN in Jumla. The following agencies were consulted and/or have shown interest for supporting enterprises in various ways, including financial support.

Enterprises and potential sources of funds

Existing and potential enterprises	Potential sources of funding
Jatamansi Distillation Enterprise, Jumla (potential)	ADB/N, HBTL, ANSAB Equity Fund
Dhatelo Oil Extraction Enterprise, Jumla (potential)	Energy Sector Assistance Program, DDC, ADB/N, ANSAB Equity Fund

Table of progress in meeting key activity benchmarks

Benchmark/Output for Objective 3.d	Status
Assistance in securing start-up capital for 1 enterprise	On-track

Activity 3.e: Provide marketing support

Summary of major achievements

ANSAB has been networking and coordinating community enterprises, fair trade companies and market information providers to raise the bargaining power of the local enterprises, ensure product quality and improve resource management. With the support from ANSAB, Himalayan BioTrade Pvt. Ltd. (HBTL) has been providing market information to several communities including those in the project area. In addition, ANSAB has been mobilizing its Business Service Center, and Market Information System (MIS) Unit to serve this purpose.

- *Marketing support:* HBTL provides easy access to needed market information for various community enterprises and collectors. HBTL also guaranteed market and working capital for Humla Oil Pvt. Ltd, a community-owned enterprise in Humla. Further, other community enterprises and collectors outside the project area were also provided marketing support.
- *Jatamansi distillation enterprise in Jumla:* Relevant market information was very important for the Jatamansi Distillation enterprise in Jumla. The Jatamansi distillation enterprise was closed since 1998 due to a sharp decrease in market oil prices. Though the price of Jatamansi oil increased to more than Rs.6,500 per kg, the enterprise was still closed due to the lack of market information, working capital and managerial skills. This information was shared with the community, which encouraged the community to gain the market knowledge and skills to revive the enterprise. An enterprise revival plan is being developed.
- *Malika hand-made paper enterprise in Bajhang:* Market information, including the price of hand-made paper, was shared with the community in Bajhang. This transparency has increased the community forest group's bargaining power to gain from the increased price.
- *Marketing support to NTFP entrepreneurs as an on-going activity:* With the funding support from Swiss Development Cooperation (SDC) and the Netherlands Development Organization (SNV) Nepal, ANSAB has initiated information collection, analysis and dissemination of market information for NTFPs through a recently established MIS unit.

Table of progress in meeting key activity benchmarks

Benchmark/Output for Objective 3.e	Status
Establish linkages between community-based enterprises and fair trading companies and market information providers.	On-track

Activity 4.a: Biodiversity conservation monitoring system

Summary of major achievements

Maps: Using topographical maps as well as intensive field survey and verification, maps for 7 community forests (totaling an area of 10,495 ha) have been prepared. These maps delineate community forest boundary and management blocks. More detailed biophysical information,

such as land cover types (mainly vegetation stand) altitudes, slope, soil condition and regeneration, is collected and presented in sketch maps for participatory planning and management of community forest. Efforts are being made to incorporate information captured in sketch maps into CF maps for monitoring purposes.

Baseline: The draft Biodiversity Monitoring Plan is finalized and data collection formats have been adapted and refined as a result of its implementation (see Annex 4). A baseline status has been assessed using the six criteria and their indicators (see Biodiversity Monitoring Plan) for each FUG that will provide a basis for on going monitoring of any changes in biodiversity status as a result of project and FUG interventions. A baseline report will be prepared that summarizes the findings by the 3 criteria. The 7 FUGs formed or reorganized this year (see Activity 2c) have assessed their respective biodiversity baseline. The outcomes of the biological baseline assessments are used by the FUGs to prepare the resource conservation and harvesting plans. The process has generated the data required for assessing growth rate, yield and sustainable harvesting systems for select products, as well as informing the project participants about the general situation. This will be a base for measuring the impact of project activities on biodiversity along with the project intervention.

Table of progress in meeting key activity benchmarks

Benchmark/Output for Objective 4.a	Status
Biological and selected social baseline data collected and analyzed for all FUGs formed or reorganized	On-track
Hands-on training to FUG members and sharing with other members	On-track
Baseline report	On-track
Biodiversity monitoring system put in place	On-track

Activity 4.b: Harvested species regeneration status

Summary of major achievements

Staff working in Humla, Jumla and Dolpa have been observing and documenting traditional harvesting practices. The collected information will be analyzed to identify options and strategies for promoting sustainable harvesting system. Species for the assessment include Jatamansi, Atis and Kutki. Field staff in Jumla plans to establish experimental plots for Jatamansi in one of the community forests supported by the project.

Table of progress in meeting key activity benchmarks

Benchmark/Output for Objective 4.b	Status
Document sustainable harvesting issues and prospects of sustainable harvesting in Mugu, Dolpa, Jumla, Humla	On-track
Design experiment and establish plots for two to three species in Jumla	On-track (for one species)

Activity 4.c: Information management and dissemination

Summary of major achievements

Project staff, Sushil Gyawali, was trained on GIS to effectively manage the geographic database electronically. Organized in January, 2001 by Tribhuvan University of Nepal, a one-month GIS training covered resource base mapping, development of database, and analyses of data to identify options for sustainable resource management. This will enhance the ANSAB capacity to provide required technical support services to FUGs and others.

The training strengthened ANSAB's information management system. ANSAB has already started developing a database system for forest inventory and preparing forest maps. Two types of databases, one for biological monitoring and the other for inventory analysis, are being designed.

Another staff member, Sama Shrestha, is planning to participate in a training on Enterprise Planning for NTFPs, including resource inventory and management April 9-13, 2001 in Institute of Forestry (IOF), Pokhara. The training is being organized by the Institute of Forestry (IOF) in-collaboration with Lakehead University, Canada.

ANSAB staff participated in various national workshops, meetings and forums and shared the project approach and outcomes with others (also see Activity 2d). Poster presentations were made, illustrating the project's target audience and beneficiaries, geographic coverage, and a sample of activities.

Benchmark/Output for Objective 4.c	Status
Develop electronic database management system to record, manage and analyze both the quantitative and qualitative information from the field	On-track
Participate in one national level workshop to share the project approach and outcomes, and raise policy issues	Completed
Two staff trained on biodiversity assessment or inventory	On-track
Lessons from biological monitoring shared through different media	On-track

III. SUCCESS STORIES

Wider recognition of ANSAB's community forestry and enterprises related innovations

ANSAB has demonstrated successful community-based forestry enterprises in various locations. As these enterprises entered into the markets with initial batches of production, community households have started to receive their first incomes from the natural resources. These innovative cases have elicited wider interests in institutions working in the NTFP, natural resources, community forestry and rural development sector.

- Malika handmade paper enterprise is the first FUG owned company in Nepal that employs 12 local people directly and benefits hundreds of households through seasonal employment and investment of the profit in community services. Similarly, several enterprise initiatives in Dolakha district with support from Ford Foundation have provided innovative examples and lessons to a wide range of stakeholders in forestry and rural development. Some specific cases of institutions and events through which the expanding interests in such initiatives have been reflected include:
- ANSAB staff has received requests on sharing enterprise registration procedures and experiences from the Nepal Australia Community Resource Management Project. They are supporting some community groups in Sindhupalchowk district to establish an enterprise for processing pine timber.
- The Bajhang district program coordinator of CARE Nepal contacted ANSAB staff to share their experiences regarding the process of community based enterprise development. They have closely observed the on-going processes and results being facilitated by ANSAB in the Malika region, and were able to visualize the pathways and outputs of a concrete NTFP related intervention that can contribute to local incomes and promote sustainable management of forest resources. Also, the central office of CARE Nepal has asked for collaboration with ANSAB for conducting trainings and workshops in NTFP related activities. Although no concrete activity is planned with CARE at the district or national level, ANSAB has a lot to share with CARE and other similar agencies working the sub-sector which can take place through formal collaborative mechanisms at various levels.
- In the Joint Technical Review Workshop organized by Ministry of Forests and Soil Conservation (MFSC) in November 2000, community based enterprises linked with forest resource systems was one of the issues discussed within the broader framework of commercialization of surplus forest products. ANSAB-initiated enterprise cases were referred to during some of the technical sessions.
- Independent journalist groups (such as Nepal Forum for Environmental Journalists) selected ANSAB-supported community groups (in Jumla and Dolakha) for the production of video documentaries of innovative forestry practices in the country.
- Increasing recognition of the enterprise approach by the DFOs and other development organizations in the project districts. The DFO in Bajhang has included enterprise and marketing into the annual training program. The DFOs in Bajhang and Humla have handed over large portions of CF considering the enterprise-based conservation initiatives. DFOs in Dolpa and Mugu are enthusiastic to work together with ANSAB in this innovative program

that produces visible impacts to local communities and conservation. Bagmati Watershed Management Project, Nepal Agroforestry Foundation, IUCN Nepal, SNV Nepal, SDC Nepal, International Fund for Agriculture Development, among others have consulted ANSAB and are trying to adapt the enterprise approach in their project programs.

In future reports, EWW and ANSAB will try to get impact information (hectares under improved management, number of CFUGs and number of community members) from projects and organizations that are learning from the GCP supported experiences.