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Forestry Sector and GDP

Nepal is committed to mitigate environmental problems such as air and water pollution, soil erosion and depletion of natural resources. Of these problems, deforestation and forest degradation have probably received the most attention, both nationally and internationally. The population of Nepal has grown during the last decades at a rate of 2.2% per year where as forest has decreased at an annual rate of 1.7%. This indicates an increased pressure on forest resources of Nepal. Human induced activities like forest degradation and deforestation has caused many problems such as erosion, river bed rise, river drying, landslides, reduced agricultural productivity and increased cost of electricity production. These negative trends are well recognized but are not yet adequately quantified, and neither there is a commonly accepted accounting system for their effects at the macro-level. A substantial financial resource is required to halt deforestation and to develop forestry sector in Nepal.

The official Gross Domestic Product (GDP) estimates are available only for agriculture and forestry together and are about 40% of National GDP. Only about 10% of this figure is calculated as from the forestry sector. The present official accounting system does not account fodder production (42% of total fodder production), timber and fuelwood from forests that are locally used (non-marketed) or marketed which are non-included in official statistics produced from the Department of Forests. A 1991 study estimated forestry sector's contribution to national GDP in Nepal as 14.6% by valuing the marketed and non-marketed timber, fuelwood and fodder. No study has been conducted on the topic in recent years. Similarly, a recent study has valued economic benefits of community forestry alone as Rs. 72.9 billion (includes value of environmental benefits). These facts reveal that positive contribution of forestry to the economy of Nepal and derived environmental benefits are undervalued.

The contribution of the government has not significantly increased in recent years for forestry sector development in Nepal. One of the

probable reasons is lack of any scientific and systematic study on the basis of which valuation of economic and environmental benefits derived from the forestry sector can be made. The present monitoring and evaluation system for GDP accounting is traditional and many of the benefits derived are directly accounted as the contribution of the agricultural sector or in industrial outputs. The Tenth Plan (2002-2007) has identified the need of a study to quantify forestry sector's contribution to the national GDP. This is an opportune moment to conduct such a study that will help attract increased attention and additional fund, both from government and donor agencies, for the forestry sector development in Nepal.