

Economics of Non-Timber Forest Products and Services¹

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As we gather in this International Conference on Community Forest Management and Enterprises: Global Issues and Opportunities, we have with us a repertoire of experience and learning from around the world that can be useful in shaping our future in 21st century. At this moment, let us focus on identifying lessons learned from community forest management and enterprises with specific reference to non-timber forest products and services (NTFPS) for developing more sustained policy, planning and management solutions to grand global environmental issues – global climate change, biodiversity loss, and the widening gap between rich and poor.

Let me start with three key questions:

- Can NTFPS generate income and employment to local communities? And address the issue of poverty?
- In what conditions income and other benefits generated from the products and services serve as economic incentives for conservation? and how it can be done?
- How can success cases be scaled up for wider impacts and to address global issues?

The scope and potential: With the increasing realization of worrying trend in the global issues, the NTFPS sub-sector is recently getting more and more attention from governments, donor agencies, development organizations and private sector. In several cases, the subsector together with the development of community-based forest enterprises (CBFE) is seen to provide products and services for local subsistence and income and employment opportunities to local communities while contributing to poverty reduction, national economies and conservation of biodiversity.

Clearly, the scope and potential is huge and the following facts can give some idea on it.

- a) The promising market and its growth: The FAO (2005) estimates that every year US \$19 billion worth of NTFPs is traded globally. In another estimate, the global sales of botanicals, natural personal care and sports products, and homeopathic remedies alone topped US \$45 billion in 2002 (Nutrition Business Journal 2003) and the growth rate from 3% to 20% per annum, which is much higher than the GDP growth rates of most developing countries.
- b) A significant number of people are involved around the world in using and earning income through NTFPS. Nearly 80% of the world's population uses traditional medicine and medicinal plants, and approximately one billion people in the tropics make some use of NTFPs (Vedeld et al. 2004, Schreckenber 2006) which also accounts for as much as 25% of the income of close to the same number of people (Molnar et al. 2004).
- c) The coincidence of the resource abundance, remoteness and poverty together with evidence of positive outcomes in conservation in cases where organized local communities are able to gain economically from the NTFP enterprises. This is usually true where the community has access to resources and capability to benefit.
- d) The positive experience of over thirty years of community-based natural resource management and policy reforms in several countries showing unique advantages of community based forest management and enterprises.

These potentials are coupled with existing social capital of the community along with their uniqueness in terms of long term vision and interest towards the development of this sector.

There are variations in terms of the economic contribution to the rural household income from these products. In many cases it is found to serve as safety nets providing needed cash or products in difficult times and circumstances and in many other cases as

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gap fillers complementing the income need with farming and other activities. Only in some cases, it has served as stepping stones helping the communities to come out of the poverty and in some other cases, sadly it is actually serving the rural poor as poverty traps providing very little income. Also the strategies adopted by farmers vary from subsistence activities to production of commercial products relying on diversified portfolio of activities to more specialized commercial production of a NTFP.

The unwanted outcomes and challenges to primary producers: However, the realization of the potential is limited in terms of scales, geographical coverage, and the number of people benefiting from it. Studies and observations suggest that the commercialization of non-timber forest products and services do not automatically result into economic incentives to local communities and in favor of conservation. Extraction and production models for biodiversity conservation are not effective when they promote more of the same activities and simply link producers to a market. On the contrary, in many situations, the poor are getting poorer and destroying the only source of their livelihood - the biodiversity rich forest.

There are several reasons why this might be happening. Primary producers/harvesters are often unorganized and isolated and manifest acute poverty being forced to live under day-to-day subsistence strategies. They are constrained in economic activities with several policy barriers - especially tenure rights, trade barriers, bans and restrictions. They also lack access to market information, market infrastructure, technology, finance, and business development services making them rely heavily upon traditional exchange relations that are often exploitative.

Although shift in policies in many countries favor community-based forest enterprises (CBFE), there is still inadequate recognition at operational level, especially in regulatory mechanisms, programs, strategies, and resource allocation. These businesses often operate in small scales further reducing their competitiveness and efficiency. They face difficulties in meeting quality, quantity and other standards required in international trade which decreases their opportunities to be a part of premium and niche markets.

Emerging opportunities and ways forward: Significant conservation and socio-economic gains are possible if the plethora of knowledge generated in relation to property rights - especially common property resources management, access, collective action and cooperation, and social capital is properly applied in this sector in combination with more recent approaches of value chain and subsector development. There are emerging opportunities at all levels. At local level, paradigm shift is taking place from subsistence oriented, state control to enterprise oriented community-based resource management. At national level, shift towards policies in favor of community based natural resource management is evident in some countries. This has resulted in experimentation on community based enterprises development and providing us the successful and innovative models of community organization and community based forest enterprises. Even in small number, the successful community-based enterprises that have been able to harness the opportunities as building blocks for commercially viable and sustainable long term livelihood option offer us the ways forward. At global level, consumer trends shows increase in natural products industry, "green marketing" and responsible businesses practices. Most of the rapid growth in recent years can be attributed to the 'Green awakening' among consumers in the West, especially since mid 1980s which has acted as a catalyst for growth. With all these development, community crafted products are making their own niche in the market place.

Evidence gathered from enterprise-based biodiversity conservation programs in Asia¹ suggest that it is possible to create economic incentives for conservation under certain

¹ *Community Based Ecosystem Management for Humla, Nepal through Local Enterprise Development (1995-98); Biodiversity Conservation Through Small Producers' Enhanced Commercial Utilization of Natural Resources in The Garhwal Himalayas of India (1995-98); Enterprise Based Biodiversity Conservation Project in Nepal (1999-2004).*

conditions. Communities that are not getting meaningful benefits from forest resources were found to be indifferent to the conservation practices. In Nepal and Indian Himalaya, the program changed the conservation dynamics of the harvesting and processing of valuable NTFPs and income of the local harvesters. In Humla, Nepal local people used to burn their forest and pasture, destroying valuable medicinal and aromatic plants, such as Jatamansi (*Nardostachys grandiflora*), to promote growth of grasses for their livestock grazing. Despite several temptations from the government and project rangers they were not interested in community forestry. With the introduction of a community based enterprise in their locality, due to which they got opportunity to sell NTFPs harvested from adjacent forest, they became interested to get tenure of forest so that they can be assured of regular income from the sustainable collection of NTFPs. The enterprise oriented community forestry allowed them to exclude outsiders and manage their group members. It was worthwhile to establish enterprises that added value to the resources and allowed communities to perceive they were making economic gain from their biological resources.

Analysis and understanding of threats to biodiversity showed that the activities leading to the threats, like slash and burn and overgrazing, are driven and perpetuated by economic necessity required economically inspired solutions. If such factors not considered in the community-based resource planning and management, the situation would lead to further degradation of resources, and ultimately produce poverty. Therefore, economic incentives are necessary for community based biodiversity conservation.

On the other hand, the experience with outside commercial interest in collecting NTFPs has not been encouraging. In both Nepal and India, a practice is to use outside laborers to collect NTFPs. The outside laborers had no vested interest in conservation and the result has been the virtual extinction of many plant species.

The primary reasons for the success have been the transformation of primary producers/harvesters from the position of mere suppliers of raw materials to participants more engaged in local level value addition activities and resulting remuneration. Thus, organizing producer groups into cooperating economic entities and linking them into rewarding value chains is both possible and the key to achieve conservation and economic development. Organizing such producer groups enhances their capacity to increase production efficiency by reorganizing production process or adapting new technologies. It helps producing superior products to command greater returns. In addition, it facilitates community to expand and move up in the business function, building valuable social capital along the way. As our experiences show, community organizing and linking them to value chains would include the following key elements:

- a) Organizing producers/harvesters for enterprise-oriented resource management,
- b) Developing community-based enterprises and expanding their participation in the value chains,
- c) Understanding end market and marketing (meeting market requirements, design, branding),
- d) Developing clusters, networking, alliance building, and learning mechanism, and
- e) Facilitating to the access to business development services (BDS).

For these key elements to succeed there has to be in place broader set of supporting systems especially in terms of technical assistance and in creating enabling policy environment. Although shift in policies in some countries favor CBF, further work has to be done in order to increase access of local communities to these products and services. This has to go hand in hand with the increase in their opportunities and capabilities to utilize these rights and manage forest based enterprises and hence enhancing their ability to harness greater benefit and maintain its continuity.

Integration of primary producers into rewarding value chain is possible only if there is access to markets for the CBFs (removal of barriers, environmental service markets,

and responsible and fair trade practices). There is a need to develop policies, institutions and standards that look after the interests of producers/harvesters. Access to finance and financial management capacity of CBFEs is equally important.

ANSAB's experience in Asia shows that such opportunities and environment cannot develop on its own and needs external catalysts in the form of both community membership and support organizations that can provide critical support ranging from capacity building, technical assistance and market access to advocacy and lobbying. The insights and learning from various case study presentations in this conference also guide us for further planning. Building on all these successes and learning, immediate pilot actions at community, national and global levels would be designed and tested in different regions. The publication of the case studies and broader guidelines for the pilot initiative based on the learning to date would be useful. The guidelines would provide a framework with expected outcomes and principle based conditions and advice on what to take and what to avoid, but enough flexibility to be innovative and adaptive for the effectiveness.

In conclusion, it is clear that through organized primary producers/harvesters and innovative community-based enterprises that are integrated to rewarding value chains, there is a huge potential of non-timber forest products and services in generating enough economic incentives to local communities for sustainable forest management contributing to the national economy, poverty reduction, biodiversity conservation and environmental restoration. Conscious integration of conservation efforts and enterprise development should be considered rather than each of these issues being tackled in isolation. This gives a great hope in saving world's remaining forest and bringing the forest dependent communities out of poverty. Finally, for harnessing the full potential in a meaningful way a concerted effort from donors, governments, development organizations and private sectors in refining the models and scaling up the activities is needed.



Bird Conservation Nepal (BCN) is the largest and oldest civil society organization dedicated to the interests of ornithologists, birdwatchers and conservationists in Nepal. It seeks to: promote an interest in birds among the general public; encourage research on bird biology and ecology; identify the major threats to birds and act to conserve birds and their habitats. It also provides the most authentic information on birds and their habitats across Nepal.

BCN is a membership organization at present supported by a Founder President, 16 patrons, 98 life members and several ordinary members. The major strength of the organization is the varied membership, which includes students, teachers, professionals, bird enthusiasts, conservationists, and the general public.

BCN recognizes the value of birds and promotes the participation of people as future stewards to attain long-term conservation goals. We do this through a variety of projects. If you would like to learn about what we are doing please visit our website.

BCN presently has 9 core staff and 12 project staff but relies on the invaluable work of volunteers and supporters. Bird Conservation Nepal would appreciate and welcome any kind of help that one can offer. For further information please contact us at:



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