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Commercial Use of Non-Timber Forest Products: Can the Poor Really Get Benefits?

Although the markets for NTFP is increasing, local harvesters have not been able to reap fair benefits. This is mainly because of non-conducive policy environment, imperfect market structure and complex socio-economic system that weakens the position of local communities in NTFP business. Citing the cases and figures of income disparity from NTFP trade in western Nepal, the author contends that policy is the overarching factor responsible for the situation. Any move to improve the situation should start from policy and provision of market and social services capable of elevating the position of local communities' bargaining power and share of benefits.

Introduction

A significant percent of Nepal's poor, especially those who live in high mountains are engaged in collecting, trading and selling non-timber forest products (NTFPs) of social, cultural and economic values. Despite their untiring efforts, they have not been able to get fair returns from the ever-expanding trade of NTFP. Local people, the primary producers, get only a small fraction of value of end sales in international markets. In view of this situation, discussions among forestry sector institutions have intensified as regards how these marginalized groups can raise their benefits. This paper seeks to examine the effects of policy, market structure and social systems on the distribution of benefits between NTFP business stakeholders, with particular reference to the local communities engaged in NTFP business.

The current pattern of benefit distribution is highly inequitable. Based on an average of 13 products traded from catchments in the far west, central and east Nepal, Edward (1996) found that harvesters of NTFPs receive only 32% of the final price in India. Likewise, in a recent NTFP sub-sector analysis of Karnali zone of the country, regional traders (usually based in Nepalgunj) followed by airport traders (in the mountainous districts) generate the largest profit (Subedi, 1999). It is astonishing that one village trader's profit is 58 times higher than that of a harvester (Subedi and Ojha, 2001). The same analysis showed that a road-head trader earns more than 1000 harvesters or 17 village traders can earn; likewise, a regional trader's profit is 4307 times higher than that of a harvester, 73 times of a village trader or 4 times of road-head trader.

Three points that explain the inequity and exploitation are as follows. First, local harvesters represent poor community groups with limited accessible opportunities and the income from NTFP is critical to their livelihoods. Second, they are engaged in resource conservation creating a wide array of external social/environmental benefits, which go unpaid. Third, when local harvesters and/or forest user groups (FUGs) are considered legitimate owners of forests, the prices they obtain from their NTFPs should also include the value of the resource, not merely the cost of extraction. Community based NTFP harvesters can therefore demand a fair return to compensate for their costs in producing social benefits and to cover the value of the resource owned. This

is not only a social justice but also creates added incentives to preserve the natural resource base, upon which the incomes of other business stakeholders depend.

Why the Poor's Benefit is low?

Three main groups of factors responsible for the inequity include: non-conducive policy environment, imperfect market structure and complex socio-cultural systems. These factors, with varying degrees of alterability, work in isolation or in interaction to determine the poor's share of benefits from NTFP trade. A brief explanation of them is given below.

a. Non-conducive policy environment

A list of current policy provisions that affect the poor's access to benefits from NTFP is given in the table below. The present NTFP related regulations consist of a set of complex and restrictive procedures for collection permits, trade and export of products. Often the good policy and regulatory provisions are distorted at being implemented. Inconsistencies and contradictions found within and between the Forest Act, Regulations, Executive Orders and Circulars also complicate the situation. The restrictive regulations are apparently by-passed, generally not enforced, and grant power to the regulating authorities to extract rents (Olsen and Helles 1997; Kanel 1999). Under such conditions only the resourceful and influential giant traders are able to manage the business tactfully at a good profit.

An analysis on the effect of ban on distribution of income using the case of Kutki roots (permitted products at the time the of study) and the Jatamasi rhizomes and roots (banned for export without processing) showed that Kutki trade yielded better returns than the semi-banned products (Subedi, 1999). As Jatamansi and Sugandhawal roots were banned for export in their unprocessed form, it is very difficult for small traders to enter this illegal business.

b. Imperfect Market Structure

The existing NTFP market structure is imperfect when judged in terms of infrastructure, the nature of competition, demand and supply characteristics, and availability of business services. These market characteristics are associated with the distribution of benefits between poor community members and other stakeholders. Examples of how these factors affect equity are briefly outlined below:

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Table 1: Some Policy and Regulatory Issues and Their Equity Implications

Policy Issues	Implications on business of harvesters and local traders
Arbitrary royalty rates for NTFPs and absence of well-developed system of determining royalty	Increased business costs
Lengthy and costly export formalities	Limited access to direct export
Ban on collection and trade of commercially valuable NTFPs that can be harvested on a non-destructive basis	Illegal trade continues that is inaccessible to local communities
Contradictions between forest acts and local governance acts regarding control over NTFP use and management	Multiple taxes by local as well as central government and increased business costs of small producers
FUG rights for NTFPs withheld in forests where DOF has separate agreements with other companies	Reduction in incomes of local communities
Absence of NTFP management directives and guidelines for community forests	NTFPs controlled centrally and permits given to big contractors, reducing local access and incomes
Inadequate fiscal incentives to community based NTFP enterprises	Business opportunity goes untapped at local level
Impractical enterprise registration and establishment formalities	Local groups are disproportionately more disadvantaged in establishing enterprises than big traders
Bureaucratic harassment on commercial use of community forest resources	Lost or reduced income of local communities
Distorted implementation of regulatory provisions – e.g. royalty for NTFPs from private forests and cultivation, mis-	Individual cultivators discouraged to grow and earn

Source: adapted from Ojha(2000)

Marketing infrastructure (such as communication, storage, transportation facilities) in mountain areas from where most of the NTFP originate, is very poorly developed. The local harvesters and traders do not get reliable market information, and lack storage capacity.

Usually there are many suppliers with small quantities of products. This reduces the bargaining power of the poor harvesters supplying the products to a few buyers.

Competition is a positive force that helps balance the market, but the lack of access to information and capital found in the NTFP sub-sector results in inefficiencies, most often to the detriment of poor producers.

Difficulties in matching market requirements by suppliers due to several uncertainties such as production fluctuation, decreased collection due to early snowfall, inconsistent quality of products coming from many sources, are also contributing to the low profit margins of local harvesters and local traders.

The traditional collectors and local traders are marginalized when the business becomes more profitable as the value of product goes up. It is generally the poor section of society who collects NTFPs when the price is very low in order to cope with their livelihoods. But other members of society may exploit most of the business opportunities, as these products become more valuable.

Poor community members do not engage in NTFP business if they do not get instant payments. In some of the transactions, they have to wait for a considerable time before they get payment. In other cases, as they ask for advances from the traders in times of severe need of cash for buying foods or other critical services, their position for

negotiating prices becomes weaker.

These conditions not only weaken the positions of the collectors and local traders in Nepal to increase their share of the final selling price, but also reduce the total output generated by the sub-sector as a whole.

c. Complex Socio-cultural Systems

Community composition and degree of homogeneity/heterogeneity, leadership, values and perceptions, and business culture are strongly associated with the potential of local harvesters to get benefits from the NTFP trade. These factors are briefly discussed below.

NTFP business operates in complex regulatory and imperfect market structure. To do a successful business requires an immense ability to influence these conditions. The business in forestry products, therefore, is accessible to people who can mobilize immense political and financial forces. Local members are generally not capable of doing this, and they have to rely on the prices offered by powerful business persons who can penetrate through such hurdles.

The availability and access to business services (such as finance, technology, information etc.) also vary greatly with the stakeholders' position, with an obvious trend of increased availability to the downstream participants outside the local community.

Some examples indicate that where local leadership is strong, committed and participatory, the enterprise benefits to disadvantaged section of the community are enhanced. Better leaders manage external business services, facilitate participation of deprived community members and volunteer tremendous community works to create equitable distribution of benefits

Local communities have much stronger traditional values (which are not conducive for an enterprise) than the other stakeholders, who place business principles higher than the traditional beliefs in case the two contradict. Communities in Bajura and Mugu, for example, have a strong feeling for boiling honey before they sell or distribute. Boiling honey severely degrades the quality and hence cannot be marketed. This and several such social values in other communities have limited the scope of local benefits from the trade of NTFPs.

Local harvesters and village traders generally lack business orientations and skills in improving the quality of business which would provide more return to them. This lack of entrepreneurship culture also limits their ability to capture profits. Traders downstream make decisions more on business basis and hence are in a position to tap better returns.

Community members vary in terms of wealth, income, education and beliefs, and the more a community is homogeneous in these parameters, the more they are likely to devise equitable mechanisms.

Nature and application of technology also affect equity. Most of the available technologies are not appropriate for increasing the share of benefits to locals. They usually require high level of skills, investment and maintenance, which is not usually affordable to local entrepreneur. The bulk of NTFPs are exported, mostly to India, in raw form. As their function is limited to move the products without any value addition, local harvesters and traders are compelled to receive only a small portion of the total benefits.

Conclusion

The expanding market opportunities for a wide array of NTFP has not yet been the boon to poor people living close to the resource base. This is primarily due to the restrictive policy and regulations, inadequate institutional development inputs to cope with complex social structure and limited interventions to transform the prevailing imperfect marketing structure. Above all, the local collectors tend to be paid a labor charge only, and not a value of the resource in a socially just manner.

The analysis indicated that an innovative policy (local, national or international provisions as well as their implementation) and the provision for external technical and business inputs could create favourable equity impacts. Identifying appropriate policy options should be an on-going process with an in-built mechanism for participation of representatives of poor community members engaged in NTFP business along with other relevant stakeholder groups. Policy is indeed the overarching factor and therefore it should be so designed to facilitate delivery of critical institutional, technical and financial services to empower, strengthen and equip the local traders, collectors and FUGs to get better returns from the NTFP subsector. Such a policy framework can result only from more interactive and participatory processes.



A remote hill-based Vaidya (traditional healer) woman looking for Jadibuti (medicinal plant product) buyers in a far-western Terai city of Nepal.

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