

# FOREST POLICY SEMINAR SERIES

FPS (4/2010)



May 14, 2010 at 1500 pm onwards

Training Hall, Forest Complex, Babarmahal, Kathmandu

**ALL INTERESTED ARE INVITED TO ATTEND**

Please confirm your participation to [forestaction@wlink.com.np](mailto:forestaction@wlink.com.np)

**Does current forest products pricing contribute to equitable distribution and livelihood improvement in community forestry of Nepal?**

**Dr. Maheshwar Dhakal**

In general, the decentralized forest policies require three basic conditions for producing desired outcomes viz.: i) political will to devolve power and rights to resources, ii) construction of accountable local institutions, and iii) information management and decision-making capacity. The community forestry of Nepal has adopted these principles since its inception. However, both policy-makers and researchers alike have seldom thought about the question of what outcomes may be produced if the local institutions could not make appropriate decisions on determining prices of and sharing benefits from forest products and services.

This study was conducted at lowland community forests having high-value forest products and managed by local communities having socio-economic heterogeneity. The study aims to answer the following three research questions: i) how is the price of high-value forest products fixed? ii) how does the price affect the equitable benefits sharing and livelihood improvement?, and iii) what kind of pricing strategy would be suitable to achieve the equity and livelihood objectives of community forestry? Questionnaire survey to randomly selected households and individual to group discussions were conducted. Gini-coefficient,  $\chi^2$ -test, and SWOT (Strength, Weakness, Opportunity and Threat) analysis was applied to interpret the results.

The lowland CFUGs consider three bases for fixing the price of timber which are: costs incurred for timber harvesting (or production), office administration costs, and fund required to support poor and marginalized groups. These CFUGs apply low timber pricing strategy aiming to increase the access of socio-economically poor households over the timber benefits. However, the decision has been producing negative consequences concerning the equitable distribution of forest benefits among the user households and their livelihood improvement.

The distribution pattern of timber shows that the better-off households are purchasing quite large quantity of timber than the poor households. Though the low pricing strategy was taken considering equitable access of user households, the access of poor households is found to be very poor compared to the socio-economically better-off households. This study reveals that the better-off households have both higher timber consuming and purchasing capacity than the poor households. This suggests that the better-off households have highly benefited from the low timber pricing strategy in the name of ensuring poor household's access. The timber

price fixed by CFUGs was also compared with the market price and was observed 3-4 times cheaper. As a consequence, inequality in forest benefit sharing is widening further among the user households. Similarly, the low pricing strategy is also found defective when viewed from the CFUG goal to enlarge community's fund, and in fact becomes an impediment to achieve the objectives of livelihood improvement in community forestry program. This is evident in the fact that income from timber sale comprises around two-third of the total community fund even when the CFUGs apply low pricing strategy. Thus, the study discerns contradictory relation between low pricing strategy and community fund collection objectives. In addition, the gap between CFUGs and market price raises a question as to whether the low pricing strategy of high value timber provides subsidy to the users or reduce their potential economy.

Based on the analysis of locally practiced timber pricing strategy at four CFUGs, different pricing strategies can be recommended for the CFUGs. If the timber distribution is governed by users' purchasing power, positive price discrimination based on the social well-being groupings will be effective. But, if the timber distribution is governed by users' consuming power, we can recommend progressive pricing strategy based on the quantity demanded. The high pricing strategy, commensurate with the market price, is another alternative option to collect a large scale community fund and carry out livelihood improvement activities, but it might exclude socio-economically poor households from the important forest benefits. It requires adequate re-distribution measures to the poor households.

Finally, this study opens up avenues for further theoretical and policy questions:

- On what basis the local level common property resource management institutions should take decision about pricing of forest products? Is there any scope of considering users' contribution and marketing intelligence while making such decisions?
- What are the methods of value addition of high-value forest products which are produced from community forests and how the increased CFUGs fund can be available for improving livelihoods of poor households?
- What public policy instruments can be devised to influence CFUG pricing while respecting CFUG autonomy and self-governance?

Dr. Maheshwar Dhakal is currently affiliated to Ministry of Forest and Soil Conservation, Nepal. He has been awarded Ph.D. in Forest Resource Economics from University of Tsukuba, Japan in March 2009. He got Master's degree in Environmental Sciences in 2006 from the University of Tsukuba, Japan and MA in Sociology in 1998 from Tribhuvan University, Nepal. He has published peer review articles, book review, book chapter and attended many national and international conferences. He has also been awarded various research fellowships. His current research interests are on forest policy analysis, institutionalization of collective action, good governance, marketing and trade of forest products and climate change issues including REDD (Reducing Emissions from Deforestation and forest Degradation) and PES (Payment for Environmental Services).

**The Forest Policy Seminar Series is the joint initiative of ForestAction Nepal ([www.forestation.org](http://www.forestation.org)), Nepal Foresters Association ([www.nfa.org.np](http://www.nfa.org.np)), Institute of Forestry ([www.iof.edu.np](http://www.iof.edu.np)), College of Development Studies ([www.cds.edu.np](http://www.cds.edu.np)), Kathmandu Forestry College ([www.kafcol.edu.np](http://www.kafcol.edu.np)) and National Policy Learning Group. The purpose is to facilitate scholarly debate and reflections on forest policy and governance in Nepal. If you have any interesting research findings that are relevant to contemporary forest policy debate, please send a 250-300 words abstract to Dr. Hemant R. Ojha, the Seminar Coordinator, at [ojhahemant1@gmail.com](mailto:ojhahemant1@gmail.com). Currently we plan to organise monthly presentations, but if there is more demand, we can go up to two presentations every month.**