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SHREE BINAYAK PIMIDANDA COMMUNITY FOREST: MARKETING HANDMADE PAPER

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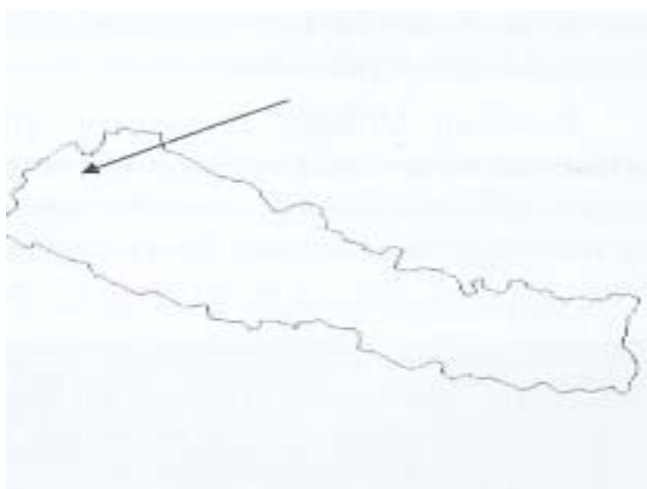
SUMMARY

This article presents the case of Malika Handmade Paper Industry, a community enterprise under direct management by members of the Shree Binayak Pimidanda community forest user groups. The company processes tree bark harvested from sustainably managed forests and collected by poor households in a remote region of Nepal. This case shows how the transfer of users' rights from government to local communities for the sustainable management of forest resources and the development of community enterprises that can distribute a share of benefits to their smallholder owners has enabled poor isolated households to increase their incomes, develop sustainable forest management practices and to set up local community development institutions that benefit men, women and the young. A participatory systems analysis shows that the community development services are the main factors influencing the decision of producers to join such groups. The delivery of a Forest Stewardship Certification to Malika Handmade Paper Industry and its producer owners has recognized the relevance of this model of helping producers to move away from a pure spot seller position within markets when sustainable management of natural resources is concerned.

1. INTRODUCTION

The Malika Handmade Paper Industry is located in Kailash Village, high in the mountains of the Far Western Development Region of Nepal. The surrounding forest of Shree Binayak Pimidanda, from which the company draws its raw materials, covers an area of 912 hectares. Shree Binayak Pimidanda Forest has more than a dozen different tree species. Non-timber woody species include the commercially important lokta (*Daphne* spp.). The mountain forest, which extends to an elevation of 3 660 metres, also provides habitat for various wildlife including the endangered musk deer and birds such as pheasants. Kailash Village is located about 20 kilometres southwest of Chainpur, the principal town in Bajhang District (see Figure 1). Forests surround the village on all sides. The major sources of income for the community include farming, animal husbandry, collecting non-timber forest products and seasonal manual labour.

Figure 1: Location of Bajhang district in Nepal



Source: see footnote 1.

In 1978 the Government of Nepal adopted a new strategy aimed at promoting the participation of local people in the regeneration, protection and management of forests. This new “community forestry” strategy initially emphasized people’s involvement in reforesting degraded lands. By the late 1980s however, community forestry had embraced broader participatory forest management approaches and rural development issues. Nepal’s forest policy envisaged handing over control of forests to groups of local residents with recognized rights to use the forests. Village people who agreed to use and manage community forests to support their farms and households were organized into Forest User Groups (FUGs), with the possibility of constituting rural enterprises managed by the FUG.

2. FOCUS GROUPS ON PARTICIPATION IN KAILASH PAPER COMPANY MARKETING CHAIN

2.1. Stakeholders involved

Binayek Pimi is the village where a participatory systems analysis was implemented. This village hosts 204 households representing Brahman and Chhetri casts and 36 households representing the Dalit cast. These communities are the main users who have been involved in the marketing chain to Malika Handmade Paper Industry. The company employs local people for production operations and they have a marketing connection with Kathmandu-based paper products manufacturers. These customers provide the company and FUG members benefiting from its development activities with information about customer requirements, feedback on paper quality, and sometimes technologies and finance. The Malika Handmade Paper Industry produces 508 × 762 mm-size paper, which is an industry standard. The weight of a paper sheet, however, varies from 5 to 40 grams. The major actors involved in this *lokta* tree paper marketing chain are: *Lokta* collectors – Community FUGs that manage *lokta* production – Paper producers – Paper craft producers – Exporters.

The company also buys *lokta* bark from other villages but there is a difference in prices for *lokta* bark between suppliers located in Kailash Village (NPR30 per bark) and those suppliers located outside the village (NPR35 per bark). In total, the company sources 1.5–2 tonnes from the local communities and 1 tonne from outside villages. Binayek Lahare is the closest village from where collectors also sell *lokta* bark from another forest to the company. There are a total 392 households living in this community; all are Bhraman and Chhetri. They are not directly involved in the management of the marketing chain and do not have access to the other community development activities led by the company. The stakeholders in this marketing chain include: Dedicated and casual *lokta* bark harvesters – Paper sheet producers (microproducers and paper producing companies) – Paper products manufacturers – Exporters.

The collectors qualified as dedicated live near the forest and possess traditionally *lokta* collection skills. They spend about six weeks per year in *lokta* collection; the maximum period of collection is limited to about eight weeks as determined by the growth and harvesting season of *lokta*. On the other hand, casual collectors spend on average one week per year in *lokta* collection, which they often combine with other activities, such as cattle grazing and firewood collection. As they live at a distance from the forest and are not as skillful as the dedicated collectors, *lokta* collection does not make great economic sense except for occasions when they combine it with other activities or are in need of cash as safety net or gap filler to their farm incomes. The collectors sell their dried *lokta* inner bark mostly to local production units and local paper microproducers. There are a few exceptions where *lokta* bark traders move the bark out of the districts, especially from accessible areas, mainly to Kathmandu.

2.2. Methodology for focus groups

Four focus group discussion meetings were conducted: two discussions with farmers who were involved in FUGs managing Malika Handmade Paper Industry and two with farmers who are not part of FUGs managing the company. The latter farmers were selected from neighbouring villages to Kailash. For each discussion, the groups were segregated by gender so the results of the focus group give a specific insight into the different perspectives of men and women. The question asked to launch the discussions was “Why have you decided to participate – or not to participate – in the FUG managing the marketing chain of the Shree Binayek Pimidanda Community forestry paper company”.

2.3. Findings

The four focus group discussions identified various factors impacting on the decision to join the FUGs that are closely linked with the company. These factors are of a social, economic, ecological, capacity development and policy nature.

Reasons for participating in the FUGs with a direct management of the marketing chains of the Shree Binayek Pimidanda Community forestry paper company:

1. Increase in household income. Handmade paper in the community has been a unique economic opportunity for the poorest of the poor farmers living in the Kailash village, where agricultural expansion is limited. Handmade paper offers cash income for farmers.
2. Distribution of shares of the Shree Binayek Pimidanda Community forestry paper company. FUG members are linked to the management of the forest and of the factory, with each member becoming a shareholder of the company. Each share is valued at US\$1.50. A total of 5 000 shares were distributed to the FUGs directly linked to the company and divided among members.
3. Market linkages provided. Hand-made paper is crafted from *lokta* bark. Sheets of natural paper are transported from the paper enterprise to Himalayan Bio trade's Kathmandu-based facility where a wide range of paper products are assembled and printed. Himalayan Bio trade (HBTL) is uniquely positioned to provide traceability or chain of custody information on all its paper products and this has ensured the FUGs with sustainable market linkages and low market risk.
4. Enabling community forest policy. By joining the FUGs, producers fall under the Forest Act of 1993, Forest Regulation 1994, and guidelines developed by the Government of Nepal which give rights to the forest user groups as managers of the forest resources. The regulation encourages establishment of agro-industries and linking forest producers with markets.
5. Long distance to markets allows daily labour opportunities with the company. The paper company is located about 60 kilometres from the location where bus services are available. This has provided an opportunity for the FUG members in Kailash (mainly men) to gain a daily wage from the transport of the paper products to the road.
6. Employment related to the company. Women, the young and men have found employment in the paper company, while other members of the Kailash FUGs work to collect supplies of *lokta* from the forest. This has become an important source of livelihood for villagers.
7. More sustainable use of forest resources. Based on the management plan of the forest, which is approved by the District Forest Office, FUG members have been utilizing the forest resources sustainably.
8. Establishment of community groups. After the establishment of the company, it organized informal groups of *lokta* collectors who then played a role to work for their community's development work through water groups, health post, livestock groups and vegetable farming groups. These additional groups have offered FUG members several local and district market linkages. Women's groups were also created.

The focus group conducted with women FUG members directly linked to the company identified that women were the main beneficiaries of new labour opportunities provided by Malika Handmade Paper Industry, whether through direct employment or through *lokta* bark collection. The company has been providing support through an adult literacy programme; this was an incentive for women to join as literacy rates among women in rural areas are generally very low. The women focus groups also identified that the company and FUGs had become important points for the villagers to receive information in order to help them take decisions for local development. All these elements were then

classified as motor elements that played a strong role in their decision to join the FUGs related to the paper company.

Reasons for not joining FUGs closely linked with the Shree Binayek Pimidanda Community forestry paper company:

1. Long distance to the paper company. The paper company is located about 5 km away from the forests that they use. Therefore although they may be part of their own village FUG, they do not have regular access to the company to participate in the activities organized by the FUGs in Kailash village; so they only deal with the company for selling the bark of *lokta*.
2. Low price for the bark. The price of *lokta* proposed by the company is too low in comparison with the time and labour needed to collect the bark and transport it to the company. These villagers have no further incentive to join the FUGs directly linked to the Shree Binayek Pimidanda Community forestry paper company.
3. No access to company shares. Only FUG members in Kailash receive shares from the company. As the collectors coming from other communities are not eligible to the extra benefits from the marketing, there is no purpose of getting involved more in the marketing chains.
4. No access to training. The company only provides training to the FUG members located in its village, so there is no incentive for outsiders to join the Kailash FUGs.
5. No access to diversification options. The company develops opportunities for income generation for Kailash village FUGs but the outside FUG members are not allowed to join these diversification groups.
6. Lack of networking between FUGs. Although the outside communities have also formed FUGs, the paper company has focused on developing Kailash village FUGs only. There has not been any networking among FUGs whose members sell *lokta* bark to the company. So there is no incentive to join the special marketing chains of the paper company.

The participatory system analysis (PSA) graphs for both participating and non-participating groups are presented in Figures 2 and 3.

Figure 2: PSA graph for participating group in Malika Handmade Paper Industry marketing chain

Coordinates of elements			
No.	Elements	Activity ratio	Degree of inter-relationship
1	Household income	1	90.25
2	Share distribution	1.09	26.94
3	Market linkages	0.85	49.4
4	Community forestry policy	0.85	50.82
5	Distance to markets	0.71	26.23
6	Employment	0.53	34.4
7	Use of forest resources	1.9	51
8	Community groups	1.4	32.9

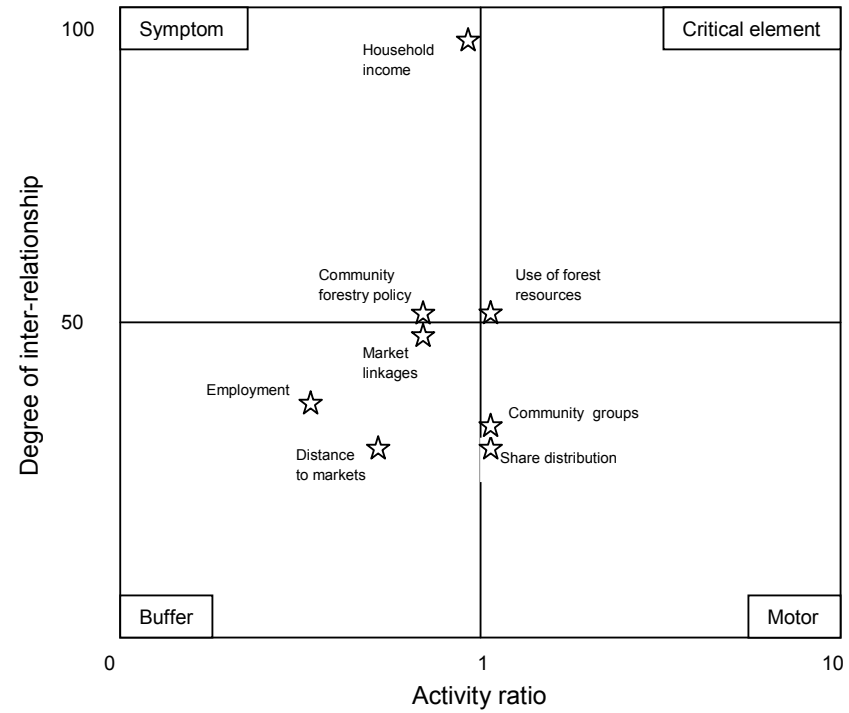
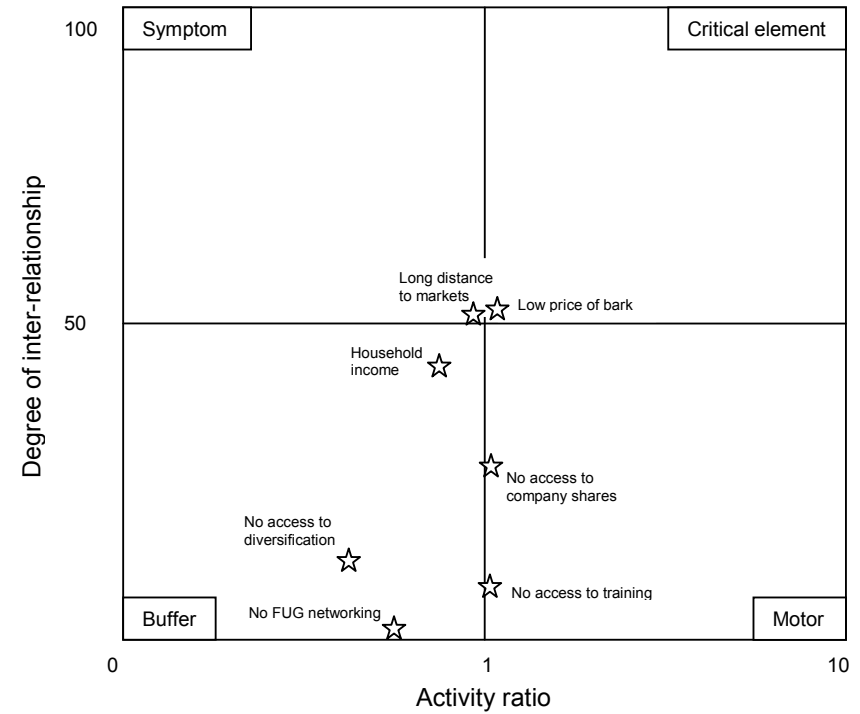


Figure 3: PSA graph for non-participating group in Malika Handmade Paper Industry marketing chain

Coordinates of elements			
No.	Elements	Activity ratio	Degree of inter-relationship
1	Long distance to company	0.91	57.0
2	Low price of bark	1.12	56.8
3	No access to company shares	1.8	25.9
4	No access to training	1.26	16.65
5	No access to diversification	0.67	21.28
6	Household income	0.92	40.25
7	No FUG networking	0.8	3.2



2.4. Analysis of PSA

FUG members directly involved in the management of the Shree Binayek Pimidanda Community forestry paper company identified household income as a symptom element; this indicates that the opportunities for increasing household income were not as strong as other factors influencing the decision of villagers to join the FUGs linked to the company. On the other hand, the constitution of diversification groups (this factor was highlighted by women in particular) and the distribution of shares from the proceeds of the paper sales to the villagers were the motor elements that had a strong impact on the decision to join the FUGs linked to the paper company. It is worth noting that participating groups identified utilization of forest resources and economic opportunities from the paper company as critical elements. This suggests that the provision of users' rights in managing community forestry resources has been a major factor for the successful establishment of enterprises such as the Shree Binayek Pimidanda Community forestry paper company and other micro-enterprises which contribute to increasing household incomes in forested areas.

The communities not participating in the FUG linked with the paper company classified the lack of access to the company's extra services of group formation, literacy classes and share distribution as the motor elements that influenced them not to become a member of an FUG linked with the company. The relatively low price of the *lokta* bark from the company appears to be a critical factor for not joining the marketing chain of the company if there is no access to the other services detailed above. Indeed, the remote location of the company has been a major concern for the members of FUGs from other villages because the long distance is hampering them from participating in the community development activities of the paper company and it also creates more workload for women transporting *lokta* to the company.

In short, the FUGs closely involved with the paper company are more focused on diversifying their household economy while members of FUGs who are not closely linked to the company are keen to get more of the additional benefits from the relationship with the paper company. For this they are asking for an effective networking between participating and non-participating FUGs.

3. CONCLUSION

The Malika Handmade Paper Industry is one of the first people-oriented forest enterprises in Nepal that is dependent on raw material from a locally managed forest: the Shree Binayak Pimidanda Community Forest. The Kailash Village community manages the paper factory and the forest in a highly sustainable manner, for the benefit of its inhabitants. Notably, this enterprise is the first instance in Nepal, in which local people have been allowed to harvest *lokta* in state forests, and where management responsibilities have also been entirely and effectively devolved to the local community.

This increased access to resources for the villagers created a favourable environment for the development of village-based enterprises, which contributed to local value addition in remote locations. With community-based enterprises, poor *lokta* collectors have also become owners of enterprises; this has created additional employment and more opportunities for many Kailash collectors to sell their harvested *lokta*. The enterprises have also provided employment to poor and disadvantaged community members. Malika Handmade Paper Industry has been providing relatively fair shares of marketing benefits to the harvesters and village-based paper producers, who are the main stewards of the forests through their membership in community forest user groups. There is a further scope to increase the production of paper by the company by increasing the capacity of the existing paper producers, to expand *lokta* collection and paper production in new areas, and to promote the establishment of new enterprises. Facilitating common branding of Nepali handmade paper and setting up consortia to improve the marketing capacity of the small manufacturers and exporters together with further improvement in technology, efficiency, quality, and marketing capacity of the actors would generate further benefits. This is a good example of involvement of all forest users including women and low-caste households in decision making and the planning process of the handmade paper company within the context of sustainable forest utilization and equitable distribution of benefits. Based on the factors outlined in the PSA, the community development activities were extremely important to allow FUG members to develop their confidence to plan and organize local level institutions.

However, the fact that the company only provides extra development activities and distributes shares to FUG members located in Kailash village is resented by other forest users who deliver *lokta* bark to the company but do not have access to the extra services. Mechanisms should be identified to enable the company to set up these extra activities for FUG members who are located in neighbouring villages. Another proposal was to allow networking between FUGs from different villages for lessons from Kailash to be reproduced elsewhere. Otherwise, there is a risk for Malika Handmade Paper Industry to develop an unequal footing with suppliers located outside of Kailash, although their share of the raw material delivered to the company is not negligible.