

## **ECONOMICS OF COMMUNITY FORESTRY IN RURAL LIVELIHOODS IN THE MID-HILLS OF NEPAL**

DHANANJAYA LAMICHHANE

*MINISTRY OF FOREST AND SOIL CONSERVATION.*

### Abstract:

Community forestry (CF) program has played an important role in rural economy. The paper attempts to analyze the impact of CF program implementation on household economy of the forest users in the hilly region of Nepal. A total of four community forest user groups (CFUGs), two each from Kaski and Syangja districts of western Nepal were selected for the case studies. Data were collected using questionnaire survey, field observation and focus group discussion from each of the rich, middle and the poor wealth ranks of the forest users. Monetary value for direct and indirect benefits and costs associated with CF was calculated and analyzed according to the wealth ranks of households.

The flow of direct benefits from CF were calculated by considering five major forest products such as timber, fuel wood, grass, leaf litter and non-timber forest products. Similarly, three indirect benefits namely, increased water supply, soil erosion control, and scenic beauty were considered. In contrast, the cost structures of a household included labor cost, transaction cost, membership fee and collection fees of forest products as direct costs whereas reduced number of livestock and the damages made by wildlife as indirect costs. Surrogate market and other contingent valuation methods such as benefit transfer, willingness to pay (WTP) and willingness to accept (WTA) were applied for valuing such indirect benefits and costs.

The research findings include per household gross benefits and costs, net benefits and costs and their proportions between the users of the three ranks. Moreover, rank-wise per household net (direct, indirect and total) benefits have been separately assessed and compared with each other. Net direct benefits were all positive while net indirect benefits were all negative in the three wealth ranks. However, the B/C ratios of different benefits and costs suggest that the CF implementation had positive economic impact on the rich ( $B/C > 1$ ) but negative on the middle and the poor households ( $B/C < 1$ ). Considering the overall impact in the community, the rich by holding the high proportion of benefits and low proportion of costs have been producing negative externalities to the middle and the poor households of the CFUGs. Other impacts of CF include improved forest condition, cooperation and institutionalization in community, and the development of leadership skills in the forest users as well.