

# Institutional strengthening in leasehold forestry through cooperatives

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The concept of cooperative in agriculture was introduced about three-decade ago, but for the first time it has been introduced in forestry sector. Intergroups and cooperatives of the leasehold groups is an attempt to institutionalise and strengthen the small farmers' groups in Nepal. This is an apex level body of the small farmers' group, which has been created to give sustainability. The result of the intergroup and cooperative formation is very encouraging at initial stage in terms of regularising group meeting and saving and its mobilisation. The cooperative will remain at infant stage and take some years to gain maturity. Their capacity building has been done through training, workshops and cross-visits. The capital of cooperative is very small, however, small amount of loan requirements are met from the fund, which has been created by saving of shareholders and sale of shares.

**Keywords:** cooperatives, leasehold forestry, intergroup, microcredit

**L**easehold forestry for poor families - a *de novo* concept of poverty alleviation and environmental conservation - is successfully operating in ten hill districts of Nepal. The poor families have been, at first, organised into small-functional groups, and small patches of barren forestland have been leased to them maximum for forty years. The average size is seven families in a group and five hectare forestland per group - though size of a group varies from 5 to 10 families. This is an integrated concept involving forestry, livestock and credit sectors to give services and support to the groups of poor families. Since 1993 a total of 1549 leasehold groups have been formed and 6336 hectares of barren forestland have been leased to 10571 poor families (Singh, 2000).

The studies found that some leasehold groups have been gradually discontinued the group meeting and monthly saving in their group fund, which are considered very basic functions to keep them alive. Year 2000 Group Site Information Sheet (GSIS) of the Project shows that one percent (13) groups were disrupted which was a serious threat to the leasehold forestry. Observation in small groups formed with the facilitation of other organisations such as Women Development Group, Small Farmer Groups of Agricultural Development Bank (ADB/N), Goat Groups, Sheep Groups, Buffalo Groups and many others supported by I/NGOs, revealed some problems such as group

disappearing; group disfunctioning; internal and external conflicts in groups; lack of group solidarity and so on. However, the ADB/N with the support of GTZ has started institutional strengthening process converting Small Farmer Development Project (SFDP) into Small Farmer Cooperative Limited (SFCL). The SFDP is operated by the ADBN whereas SFCL is managed by the selected body of small farmer groups of local people.

The present paper deals with the institutional strengthening process mainly in the small farmers' groups of leasehold forestry through intergroup and cooperative formation. It shares experiences of the institutional strengthening process of small farmer groups. The vision is that, it will give them sound institutional footing for its sustainability to run programme after the termination of the project.

## Process of cooperative formation

Since 1993, a total of 1549 leasehold groups have been formed in ten districts of Nepal. About 45% leasehold groups formed under the SFDP and loan service are provided by the SFDP, which is considered satisfactory. About 55% groups, which fall outside SFDP are entitled to get loan service from the nearest ADBN branch office. But they have difficulties to loan access because of their far distant location from the ADBN branch office. Loan amount taken by the leasehold group members is very small compared to big farmers;

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there is shortage of staff at branch office especially to look after leasehold forestry programme; ADBN staff are not trained on group dynamics on how to deal with small farmers. Therefore, priority has been given to institutionalise the leasehold groups outside SFDP. This institutionalisation process has been started in Dhading, Tanahu and Makwanpur districts. For this purpose, extension materials have been developed, field staff of the line-agencies oriented; and Development Project Service Center (DEPROSC), a NGO has been contracted for the formation of leasehold forestry cooperatives.

### Awareness on concept of intergroup and cooperative

In the next step, leasehold groups are made aware on concept of intergroup and cooperative through interaction in group meetings, workshops and providing extension materials, etc. Some of the leasehold groups have already expressed their feeling to make broader umbrella, as an apex level body, for marketing of the products. The field staff of the line agencies and NGO staff are main actors to inject the concept of intergroup and cooperative and clarify the confusions among the leasehold group members.

### Intergroup formation

This is an important step in the institutionalisation process of the leasehold groups. The basic criteria for selecting the leasehold groups into an intergroup are: (i) at least 50 households of poor families (leasehold members) covering 9 to 15 groups; (ii) the meeting place of intergroup members should be within two hour walking distance. For this purpose, an assessment and analysis of group distribution is made involving leasehold group members. This gives a vision to include leasehold groups to form an intergroup. The distribution of leasehold groups ranges from 1 to 50 groups in a Village Development Committee (VDC). Therefore, the situation is that *an intergroup can cover more than one VDC or more than one intergroups can be formed in one VDC*. Ultimate purpose of the intergroup formation is to register it into cooperative.

A member of each group represents in an intergroup. Authorities (such as chairperson, secretary, treasurer) in the intergroup is generally selected unanimously; some norms and rules are formed to function the intergroup such as regular

meeting; monthly saving in the intergroup fund; operation of intergroup fund, etc. The role of field staff (Ranger, JT/JTA, Group Organiser, NGO staff) is simply to facilitate (but not dictate) in decision making. The executive committee of the intergroup acts as *ad hoc* committee of the cooperative. The role and responsibility of intergroup is vital for background preparatory works in the registration of its cooperative such as prepare draft constitution of the proposed cooperative, to make workplan, organise meetings, etc.

### Draft constitution preparation

The intergroup authorities and members with the facilitation of field staff prepare a draft constitution, and workplans of the proposed cooperative. The constitution of the cooperative, including others, covers mainly following topics:

- name and address of the cooperative;
- working area of the cooperative (territory);
- objectives;
- membership criteria;
- source of income and its management process;
- share and share-holders;
- general assembly and its rights and responsibility;
- executive committee; and rights and responsibility of its authorities;
- financial management;
- miscellaneous e.g. election, constitution, amendment, dissolution process, mediator, etc.

### General meeting and decision to make the cooperative

This is an important meeting of all the members in which key decisions are made in order to register the proposed cooperative. Decisions are taken mainly on following topics:

- approve unanimously the constitution and workplan of the cooperative;
- make at least 25 shareholders;
- authorise at least one or two persons for the registration of the cooperative;
- identification and signature of the authorised person;
- assign a person for the shareholder's deposit amount in his/her responsibility or denote the bank where the amount is deposited

### Submission of formal application

In order to get official registration of the cooperative, the following documents are required to be submitted at the District Cooperative Office:

- formal application in a format developed by the Department of Cooperatives;
- decision minutes of the general assembly meeting;
- citizenship (both photocopy and original) of all the shareholders (at least 25 shareholders);
- authorisation letter by the general assembly;
- evidence of shares.

### Registration of the cooperative

After official investigation and inquiry, the cooperative is registered, and the District Cooperative Office issues an official certificate. Then, function of the cooperative comes into action as proposed in workplan. In the leasehold forestry each group has some amount of group saving fund, which is at first, brought at intergroup level and a PASSBOOK is made available to each of the shareholders. Within three months, General Assembly Meeting is called and a formal Executive

Committee (EC) of the cooperative is selected dissolving the *ad hoc* committee.

### Formation of sub-committee

Different sub-committees have been suggested to be formed in the leasehold forestry cooperative. They are:

- (i) saving and credit sub-committee;
- (ii) livestock development and insurance sub-committee;
- (iii) marketing and income generation sub-committee;
- (iv) forestry development sub-committee;
- (v) social development sub-committee; and
- (vi) audit and supervision sub-committee

These sub-committees are functionaries and advisory body of the cooperative. Each sub-committee is constituted by at least three members including one from the Executive Committee and two from the general shareholders. As far as possible, one female member should be there in each sub-committee. Selection of a member in each sub-committee is based on his/her area of expertise. For example, a person trained as village animal

**Table : Registered leasehold cooperatives at three districts**

Name of Leasehold Cooperatives	Date of formation	Number of	
		Leasehold groups	Shareholders
<b>Makwanpur District</b>			
Ganesh LHC, Mamdamar, Chhatiwan— 4	2056/5/1	9	47
Chandra Jyoti LHC, Karamchuli Chhatiwan - 8	2056/8/15	7	35
Kalika MPC, Handikhola - 7	2057/1/7	4	28
Bhairab MPC, Sisnery - 6	2057/1/8	11	85
Kalidevi MPC, Gogane - 6	2057/1/9	9	50
<b>Tanahu District</b>			
Raghubhanjyang MPC, Bhimad-2	2056/5/1	8	48
Maibal MPC, Arbhanjyang - 1	2056/9/29	17	98
Nabrunj MPC, Barbhanjyang - 6	2056/1/9	17	96
Lali Gruans MPC, Vyas Municipality - 3	2057/1/27	11	63
Buldi MPC, Vyas Municipality - 9	2057/1/26	10	107
<b>Dhading District</b>			
Annapurna MPC, Jogimara -9	2056/4/30	11	76
Basaha MPC, Nilkantha-4	2056/10/28	10	64
Mahadev MPC, Pida-4	2056/10/23	10	64
Kalika MPC, Naubise - 5	2057/1/21	9	52
Bageswari MPC, Jogimara - 2	2057/2/10	6	36
Chitwan Shakti MPC, Shaktikhore - 6	2057/5/9	50	42
<b>Total</b>		<b>196</b>	<b>991</b>

LHC: Leasehold cooperative; MPC: Multipurpose cooperative of the leasehold groups. It is noted that Department of Cooperative later registered the leasehold groups only into multipurpose cooperative.

health worker is kept in livestock development and insurance sub-committee; and the other trained on account and record keeping is kept on saving and credit sub-committee and so on.

### Capacity building of the cooperatives

Capacity of the leasehold forestry cooperative is gradually strengthened through training, cross-visit, experience sharing in the workshops, etc. Training on account and record keeping; village animal health worker training; nursery management training; seedling production training; vegetable and fruit species; stove promotion, etc. has been given to a few members to build their capacity and confidence. The leadership training has been given to the chairpersons. Furthermore, capacity of members will be developed through training them on forest management and marketing of products. Gradually, all the services to the leasehold groups are being channeled through cooperative.

### Progress

Under the institutional strengthening programme, cooperative formation in the leasehold forestry has been started since 1999. Sixteen leasehold cooperatives, five each in Dhading, Tanahu and Makwanpur districts and one in Chitwan have been registered. The basic information of the registered cooperatives has been given in Table. It is hoped that all the 1549 leasehold groups will be gradually registered into cooperatives. Support programme for the leasehold forestry cooperative has already been made as a regular programme of the government.

### Problems and constraints

All the shareholders of the leasehold cooperative are poor families who are living in remote rural settings. The cooperative is quite young, about a year or so. Therefore, there are many critical problems and constraints in the cooperative which are described below:

**Low literacy rate:** The literacy rate of leasehold members is very low and hence, task to extend the programme of cooperative to the leasehold forestry to illiterate mass is challenging.

**Low education level:** The education level of leasehold members is very low. Sometimes, it is very difficult to find a person among cooperative shareholders, who has passed class ten. In order to

maintain financial records, an educated person who can easily pick up during account training course, is needed which is very difficult to find. Also it takes a long time to make aware on concept, procedures and benefits of cooperative to all the leasehold members.

**Small saving amount:** Every month leasehold group members contribute Rs 5 to 25 in its group fund. The group saving varies from Rs 1000 to 25,000, which has been, at present switched on at intergroup level. Currently, each cooperative has fund amount ranging from Rs 40, 000 to over 100,000. This amount is considered very small to run a cooperative. On the other hand, loan demand is very high compared to the saving. It is very difficult to pay the salary of a person from the saving amount who is responsible for maintaining financial records.

**No citizenship:** It is an unexpected problem the leasehold forestry is facing in the cooperative formation. Many poor families living in remote rural setting do not have their citizenship card, therefore, it is difficult for them to purchase the share of the cooperative and also to be selected in executive committee. The problem of citizenship is acute in *Praja* ethnic group in Jogimara VDC of Dhading District.

**Lack of confidence:** Due to lack of training, still many members of the leasehold cooperative lack confidence to run its cooperative smoothly.

**Lack of trust:** On financial matters, many members still see the lack of trust on authorities of the cooperative.

### Lessons learned

In the past, some of the groups have discontinued the group meeting and monthly saving, both very crucial activities to keep a group alive. Leasehold forestry cooperatives has shown that the groups which discontinued the monthly meeting and saving have regularised after being monitored by cooperative authorities themselves.

Though the fund in the leasehold forestry cooperative is very small, it has been found that this amount has been well mobilised among group members and loan requirement of poor families has been fulfilled to some extent even in remote rural areas.

## Conclusion

The leasehold forestry programme is meant to organise poor families into small functional groups and further federate them into intergroups and finally into cooperatives. Institutional strengthening process of the leasehold groups of poor families is to make a self-sufficient cooperative. Through, the cooperatives of leasehold forestry remain at infant stage, but they have found it very beneficial. They have activated many groups, which were lagging behind. Group meetings and savings have been regularised. Saving has been mobilised to meet their local financial requirements. However, reaching at maturity and building up of confidence takes some more time. It is hoped that in later stage, the cooperative will

cater effective livestock and marketing services for the products from the leasehold forests and private land.

## References

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