

Intervention on Livelihood Management through Community-Based Organizations: Evidence from Rural Nepal

Arun KHATRI-CHHETRI¹, Narendra Mangal JOSHI² and Keshav Lall MAHARJAN³

^{1,2}Graduate Student, ³Professor

Graduate School for International Development and Cooperation,

Hiroshima University

1-5-1 Kagamiyama, Higashi-Hiroshima, 739-8529, Japan

E-mail: arunkc002@yahoo.com

Abstract

The role of local institutions has been significantly recognized in the rural development that enhances the rural livelihoods. Community-based organizations (CBOs) are local groups of people legitimized by customary and/or formal institutions acting in the community for the betterment of its members. The evaluation of these groups in order to support the rural livelihood demands wider dimension. This study tried to evaluate the potential impacts of CBOs on the livelihood of people in rural areas of Nepal considering several variables. The methodology undertaken for this study was mainly group appraisal considering those variables that can influence the group performance. In total, 19 groups were considered and categorized into three main groups, such as, farmers' multipurpose groups (FMGs), credit and saving groups (CSGs) and forest users' groups (FUGs) for the purpose of evaluation. This study indicates that, at village level, local people are facing many problems in agriculture production, credit facilities and are more dependent on the use of forest resources for their livelihood. The service delivery from governmental and non-governmental organizations is very weak. This indicates that institutional approach to help each other and coordinate with governmental and non-governmental organizations is necessary to support their livelihoods. In the group evaluation, it is found that participation of the local people in different activities is excellent. The groups have developed some kinds of linkages with governmental and non-governmental organizations in the rural region. The group members are able to improve their overall social welfare through participation in different activities of the groups. The share of inputs and information in farming activities, efficient saving and credit services, and conservation and use of forest in sustainable way are main outcomes of group approach that pertain to enhancement of their livelihood. The women's participation is also found high in the group activities. However, the transparency of program development, independence of the groups and coordination with other institutions were found not performing so well. Therefore there is a need to improve further the linkages of CBOs with different sectors to support livelihood of rural poor and disadvantaged people.

1. Introduction

The focus on the role of institutions is evident in recent works of development economists (North, 1990; Ostrom, 1990 and Lee, 1992). The World Bank's World Development Report (WDR, 1997) emphasized on the role of the state in designing appropriate institutions to facilitate more participation in resource mobilization. The local institutional approach, that is through community participation, consider market limitation in local resource management as a result of transaction costs from inadequate information, incomplete definition and enforcement of property rights, and barriers to entry from new participation due to physical and social constrains (North 1995, WB 2002). The participation is expected to lead to better designed projects, better targeted benefits, more cost effective and timely delivery of project inputs and more equitable distribution of project benefits with less corruption (Mansuri and Rao, 2004).

The institutional approach of livelihood management is not entirely new but the recent shift of government's decentralization policy and concept of participatory rural development is the result of the failure of both the market and the state to control and command the local resources. After the publication of Garrett Hardin's influential article, "The Tragedy of Commons," in 1968, there has been a great deal of research on institutional approach of development particularly in common property resource management. Hardin (1968), in his article recommends that the state control most resources to prevent degradation. There are others who have argued that privatizing those resources will solve the problem of over exploitation and degradation (Johnson, 1972 and Smith, 1981). However, research in the late 1980s showed that CBOs and decentralization process is necessary for natural resource management and rural development. More importantly, local people formulate their own rules, thus generating local institutions/rules that both in use and patterns of activity could diverge widely from the legislator's and bureaucrat's expectations (Gibson, *et al.*, 1998). According to Ostrom (1990), if resource users are given the right to devise their own institutions without being challenged by external authorities, they would enforce the rules themselves and this in turn would permit the development of their own internal governance mechanisms and formulas that would effectively allocate costs and benefits to the members.

Furthermore, institutional approach has been implemented in different sectors of rural development in many countries. The rural credit program in Bangladesh, community forest program in Nepal and India, and cooperative movement in different countries are some of the successful institutional approaches in local resource management and rural development. Governments have been implementing the principles of sustainable development at different paces according to local needs and circumstances. The Ninth and Tenth Five Year development plans of Nepal have emphasized on the role of CBOs for the better livelihood of rural people. In the local level, there are thousands of CBOs working in different sectors and coordinating with governmental and non-governmental organizations with participation in different development activities, all with an aim to enhance the livelihood of the members. The evaluation of these groups in order to support the rural livelihoods demands wider dimension. Understanding the relationship of different factors to the sustainability of institutions provides us with ways to intervene in the system for desirable outcomes. Therefore, a sound assessment is necessary to evaluate the impact of CBOs on the livelihood of the rural people.

In this context, this study tries to evaluate the potential impacts of community-based organization on the livelihood of people in rural areas of Nepal considering several related variables. Hence, the objectives of this paper are (i) to discuss the linkages of CBOs to other organizations, (ii) to discuss the role of CBOs in agriculture production, rural micro-finance and forest management in the study area, and (iii) to evaluate the CBOs performances based on different criterions. The methodology undertaken for this study was mainly

group appraisal. For the purpose of study, in 2002, 19 different groups were selected (8 farmers multipurpose groups, 6 saving and credit groups, 5 forest user's groups) from two villages (Lalikanda and Dadaparajul) in Dailekh District of Nepal. The group discussion was based on 8 main variables and 45 sub-variables (see Appendix A). All of 45 variables were marked by numbers 1 to 5, in which, 1 regarded as worst, 2 as bad, 3 as fair, 4 as good and 5 as excellent. Other information related to this study was also collected during the group appraisal.

The rest of the paper is organized as follows. Section 2 and 3 briefly discuss institution and rural livelihood and the concept of CBOs. Section 4 is about the evolution of concern on CBOs in Nepal. Section 5 deplores the linkages of CBOs with other organizations. Section 6 includes the discussion on CBOs under this study and the evaluation of different group is in section seven. Section eight lays out the conclusions.

2. Institution and rural livelihood

There are several approaches to analyze and intervene for sustainable livelihood management in rural areas. A livelihood comprises the capabilities, assets (stores, resources, claims and access) and activities required for a means of living: a livelihood is sustainable which can cope with and recover from stress and shocks, maintain or enhance its capabilities and assets, and provide sustainable livelihood opportunities for the next generation; and which contributes net benefits to other livelihoods at the local and in the long and short terms (Chamber and Conway, 1991). Before discussing about the role of institution on sustainable livelihood management, this paper briefly highlights the different components of livelihood model. Chamber and Conway (1991) and Soussan *et al.* (2002) describe five components in livelihood model. These are capital assets, livelihood strategy, livelihood activities, income, and the vulnerability context. Capital assets are what Chambers and Conway refer to as resources. Similarly, Sen (1981) defines capital assets as household's endowments. Soussan *et al.* use five types of assets, namely human, natural, financial, physical and social. The particular choices and decisions made on how to employ available assets out of the range of options is a livelihood strategy. Livelihood activities are what people do to earn a livelihood, such as farming and non-farming activities. Livelihood activities earn people in the form of goods, services and/or cash. Individual or households must make decisions about how to use the products of their livelihood activities strategically to make a decent living. They will also need to encounter strategically the final component in Soussan *et al.*'s model; the vulnerability context, or the set of external factors that influence livelihoods and that can create shocks and stress, to sustain their livelihood.

Our focus in this paper is on the management of individual or household's livelihood through group approach. The groups discussed here are regarded as the transforming structures acting in the community to facilitate the individual or households to change their initial resource bundle (endowments) to food and income through resource allocation (Figure 1). The household's decision to allocate initial resource bundle is influenced by the policies and plans of other transforming structures acting in that community. Transforming structures here would include governmental and non-governmental organizations (GOs and NGOs), private sectors, CBOs and other organizations operating therein.

The interaction between household's endowment and transforming structures and processes determine the livelihood strategies or activities set by the particular household. Broadly household's members engage in two kinds of activities viz. natural resource based (farming and forest resource use) and non-natural resource based (wage labor in off-farm sectors, professional's jobs, and saving and credits). Household's endowment

and its allocation in activities jointly determine livelihood of the households. The local institutions available in different levels reflect the household's endowment, transforming structures and processes. Hence, CBOs can fill the gap where local communities are lacking the services from other institutions. Participation of local people in development of rules and regulation, programs selection and implementation, operation and maintenance, transparency of over all programs, group leadership, independency and coordination of the CBOs effects the group performance to enhance the livelihood of the members.

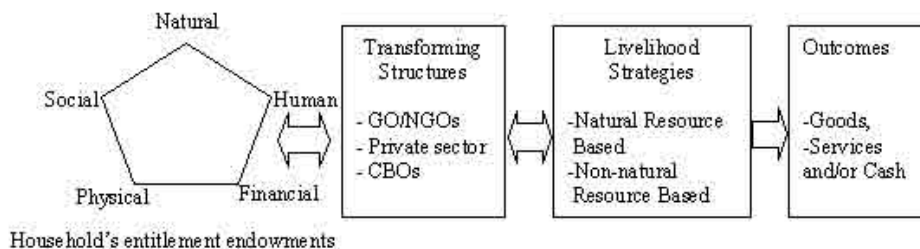


Figure 1: Linkages of institutions and livelihood management (Source: Ellis, 2000)

3. Community-based organizations

Different persons have defined the (CBOs) in different ways. Edward and Hulme (1992) define CBOs as grassroots organizations managed by members on behalf of members. CBOs are also known as 'people's organization' (van Heck, 1979), 'community organization' (Korten, 1980), and 'participatory organization' (Galjart and Buijs, 1982), most often operated by local residents and share a basic mission: to improve the quality of life in their community. Legally, CBOs are viewed as the part of non-governmental organizations (NGO) in most country, which serve a specific population in a narrow geographic area. World Bank distinguishes CBOs from NGO in term of scope of their services. CBO serves directly to its members only but NGOs serve to other than their members. The CBOs are distinct than NGOs and other local organizations with following characteristics:

1. Grass roots in nature: A community-based organization focuses on issues and concerns at the local level not on a national scale. They are often organized around a particular purpose or cause and tend to be grass roots in nature, working from the ground level upward to address issues. CBOs may also participate in regional coalitions with similar groups in support of an issue such as forest management, water quality, or rural saving and credit management.
2. Membership based organization: CBOs have their own members and rules to define the members. These rules could be customary or formal, state or local government enforced. They hold regular meetings for a specific period of time where they discuss the issues of common concern. Participation on CBOs is generally voluntary and is meant for welfare or livelihood of the members.
3. Participation is the key: Participation is a process of equitable and active involvement of all stakeholders in social and development activities. Participation in development is also seen as an organized effort within organizations to increase stakeholder access and control over resources and related decision making that contributes to sustainable livelihoods. Participation is the key to sustainable livelihoods initiatives, since it will lead to:
 - Building on existing potentials and capacities

- A greater sense of ownership on the part of the stakeholders
 - Increased commitment to the objectives and outcomes
 - Longer term social sustainability
 - Increased self-help capacities
 - Stronger and more democratic institutions and partnerships
4. CBOs are distinct in nature and purpose from other NGOs: While national and international NGOs are "intermediary" organizations formed to serve others; CBOs are normally "membership" organizations made up of a group of individuals who have joined together to further their own interests.
 5. CBOs represent the public at the local level: Since community based groups are created by the public; they can exhibit power in numbers and have strong credibility and standing and well-developed connections within the community. They work directly with the public and is aware of their basic goals, needs, issues, and concerns. If the community has an issue that needs to be addressed, they would tend more to go to the local level for assistance than a regional, state, or national level. Not only do CBOs represent the public at the local level, they can also be the voice for a particular community or neighborhood regarding regional, statewide, or national issues. CBOs can encourage participation and involve members of the community who may not otherwise participate.

The spontaneous community participation determines the sustainability of community development (Maharjan, 2003). According to Maharjan the spontaneous CBOs can be perceived as of two broad types: general and ad hoc. General ones are mostly social in nature, with long-term perspectives and with in-built regenerative characters with regard to their organizations and function. They cover all the traditional organizations and groups in Nepal, such as *guthi*, *dhikur*, *mana-pathi* system and end tier of development interventions i.e. cooperatives, associations and groups; undertaking credit and savings programs, training and extension programs, users groups and others. Ad hoc type will be problem-specific and loosely time bound in nature, formed according to perceived needs of the people e.g. CBOs for tackling natural calamities and other social problems. They are self-ending as they cease to function once the problem at hand is solved. Furthermore, spontaneity in forming the CBOs may exist: feeling the need for group approach to solve the existing problems and induced from the external world (GOs, I/NGOs, private sector, etc.) for the name of development of the community. Spontaneity is very important in the formation and management of CBOs. They can help to improve social welfare of the members in terms of enhancing the mutual understanding among each other and developing new habit of helping each other (Maharjan, 2003). They can also act as intermediaries between local residents and both government agencies and private commercial sectors (Esman and Uphoff, 1984). CBOs can affect the performance of the whole institutional framework of a country, serving to make central institutions more effective and responsive and filling an operational gap between the state and private enterprises.

4. Evolution of CBOs in Nepal

Nepal has a long-standing history of informal CBOs acting in the community. Traditionally, these groups were based on institution like kinship, ethnicity, religions and other social institutions. Such CBOs are based on customary and social institutions. Although there is limited documented history of these informal

organizations, they have been running for generations. Some of these institutions have been officially legalized in due course of time.

The seed of induced CBO was started after 1955 with *Tribhuvan Gram Bikash Karyakram* (Tribhuvan Village Development Program) in the central planning and development processes. This policy helped the people to organize in a group on community-based development. In the 1970s, Small Farmers Development Program (SFDP), Productive Loan Development Program (PLDP) and other regional relevant programs were operated as key Intergraded Rural Development (IRD) programs in Nepal with the assistance of external support. This program aimed at making the local people capable and self-reliant for undertaking various socio-economic activities by developing local self-help and self-managed small farmers' organizations. The SFDP was an initiation of formation and development of local institutions to manage their resources with the assistance of Agricultural Development Bank (ADB) and other developmental institutions. In the 1980s, the slogan of "Self-reliance for Rural Development" emerged. The focus was to make rural communities more independent for their livelihood support. This approach emerged during the period to avoid different characteristics of rural poverty through analyzing local community characteristics, needs, situation, and dividing them into different groups through mobilizing local CBOs. In the beginning of 1980's, a new generation of community based savings and credit groups began to emerge in Nepal. Most of these groups were promoted by local and international NGOs as a part of their community development activities. Numerous models were introduced, but most widely adopted was the credit union model in which local saving and credit groups grew into viable single purpose financial cooperatives.

After political change in 1990, decentralization of planning processes and participatory development programs have got high priority in national development efforts. The new constitution states decentralization as a state policy to maintain "conditions suitable to the enjoyment of the fruits of democracy through participation of the people in the governance of the country." The promulgation of three separate acts; District Development Committee Act, Village Development Act and Municipality Act in 1992 assigned increased responsibilities and functions to local bodies for local development interventions. Furthermore, the Local Self-Governance Act (LSGA) 1999 and its Rules in 2000 provided legal instrument that endorses decentralization of authority and resources with local governance at the district, municipality and village levels. These bodies are well empowered to plan/project development activities and mobilize resources in their jurisdiction.

The importance of CBOs in the development process in Nepal was reemphasized after promulgation of Social Welfare Act 1992 with the mandate to facilitate, promote, mobilize and coordinate the activities of CBOs. LSGA 1999 have given more power to local governmental bodies to decide themselves in diagnosing problems, determining priorities, implementation and evaluation of programs coordination with local level non-governmental institutions. In the mean time, the Ninth Plan also emphasized decentralized governance focusing on poverty reduction, productivity increment by promoting people's participation, strengthening institutional capacity of the local bodies, and the employment generating projects which were formulated and maintained by the users' group³. The current Tenth Plan has considered the role of I/NGOs and CBOs in the social sector development including management of common property natural resources, public

³ The user's group is the grassroots level organization that ensures people's participation in development work. User's group is formed from the mass meeting of the local beneficiaries of the concerned project with the assistance of DDC and VDC members and officials. After project is completed, the users' group is responsible for maintaining the system, whether it is a drinking water supply system, irrigation projects, roads or other projects.

infrastructures, health and education, personal saving and so on. Furthermore, government has initiated Poverty Alleviation Fund (PAF), which is implementing as an umbrella program in order to strengthen target-oriented programs. The PAF is increasingly utilizing CBOs as support groups for the livelihoods of the local people.

5. Linkages of community-based organization

In the previous section, the linkage between local government bodies and CBOs was briefly discussed. Figure 2 indicates the linkages of CBOs with other organizations in grassroot level. Local level development projects are first initiated through the wards (lowest administrative unit) and discussed in the Village Development Committee (VDC) and developed into the projects, working together with their local organizations and private sector to enhance better service delivery. After approval of project from District Development Council (DDC) at district level and National Planning Commission (NPC) at central level, such project/plans are implemented through ministries of different line agencies, users' groups, NGOs and CBOs. Local government's sectoral offices, i.e., agriculture, forest, irrigation and drinking water, health, education, road, and so on, actively coordinate and deliver their services at the village level according to the projects approved by DDC and NPC.



Figure 2: Interlinkage of CBOs with other sectors at local level

The Participatory District Development Program (PDDP) is another program, which also emphasized the role of CBOs in the community development. The PDDP is a follow-up to the Decentralization Support Program (DSP) of NPC/UNDP project, which works primarily at the district level to enhance the upward linkages, from community to VDC, DDC and on to the center. The program aims to improve and institutionalize participatory planning and management of development activities from the community to higher levels by mobilizing private sector, NGOs, CBOs, and other local authorities. At the village level, PDDP has been implementing through Village Development Program (VDP). The social mobilization to promote self-governance is the main focus of the program. The formation of CBOs, generation of capital through saving and credit activities, skill development and investment in productive sectors are some of the

main emphasis of PDDP. However, coverage of PDDP is limited only to certain selected districts of the country.

Many local, national and international NGOs work in partnership with CBOs - either channeling development resources to them or providing them with services or technical assistance. Such NGOs can play a particularly important role as "intermediaries" between CBOs and international donor agencies or government. In Nepal, INGOs have been working with local NGOs, CBOs, local governance and line agencies. Some of the international development agencies, for instance, Helvetas, DFID (Department for International Development, UK), GTZ, (German Technical Cooperation), JICA (Japan International Cooperation Agency), SDC (Swiss Development Cooperation), and Care-International are supporting local CBOs to strengthen their capacity, enhance cooperation and coordination with VDC, DDC and line agencies, and increase social mobilization in participatory development processes.

The development of private sector and their coordination and cooperation with the networks of government agencies and local institutions is important for the community development. The notion of private investment through public-private partnership (PPP) is coming up gradually in Nepal. The goal of the partnership is to strengthen the impact of development assistance by mobilizing the ideas, efforts and resources of the public sector in concern with private sectors and CBOs. The major roles of private sector and market-based institutions in community development are investment in industrial sectors and linking communities to the market. For instance, farmers' groups are benefiting from the efficient inputs delivery and access to market for their products, local and regional traders facilitating forest users' group to sale forest products, and private investment in the marketing of milk is helping the development of dairy cooperatives. In this viewpoint, private sectors also can play significant role to improve the living standard of the members of CBOs and the local people.

CBOs are not free from the influence of social and cultural organizations acting in the same locality. Nepal is a small country characterized by socio-cultural diversity (multi-racial or multi-caste/ethnic, multi-lingual, multi-religious and multi-cultural). Each group has their own traditional CBOs functioning for the betterment of its members. Traditionally, local communities are used to rely on voluntary local governance systems. Local governance, therefore, helped to fulfill the needs of the community and to be self-reliant. Several widely known religious and social public spaces were formed for rational contest of ideas and action in the society. The social and cultural organizations sustaining voluntarily seek to stimulate collective consciousness of the community as well as to broaden an individual's connections with the society and the state.

CBOs are also coordinating their activities through their district, regional and national level federations. The federation of community forestry and saving and credit groups provide leadership and communication channels which empower CBOs to engage in negotiations about their rights and democratic decision-making processes at the local, district and national levels.

6. CBOs focused under this study

The focus of this paper is on the contemporary CBOs of Nepal acting in the rural communities. The farmers' multipurpose groups, saving and credit groups and forest users' groups are taken into consideration in this study. Before the detail evaluation of each group, some characteristics of these groups and problems faced by rural people are discussed briefly.

6.1 Farmers' Multipurpose Groups (FMGs)

Farmers' multi-purpose groups (FMGs) are CBOs related to farming and farm products. The farmers' group approach is originally developed based on the decentralization concept in order to objectively facilitate, motivate, and encourage farmers to "come together" primarily in rural areas. The farmer's multipurpose groups mainly deliberate on crop and livestock production. Their main concern is to increase farm production and generate some income through better marketing. They help each other through extension of knowledge among group members, share of inputs and facilitate marketing of farm products. In the study areas, most of the farmers are facing problems in crop and livestock production and marketing of their farm products (Table 1).

Table 1: Farmers problems in farm production and marketing in study areas.

Sector	Problems
Crop production	<ul style="list-style-type: none"> - Lack of Manure/fertilizers - Lack of quality seeds - Insects/pests - Lack of irrigation - Traditional method of farming - Lack of training
Livestock production	<ul style="list-style-type: none"> - Animal diseases - Lack of veterinary facilities - Lack of training related to livestock production
Farm products marketing	<ul style="list-style-type: none"> - No easy access to market for farm products - High marketing costs - Lack of bargaining power

Source: Household survey, 2002

On the other hand, farmers' multipurpose groups also coordinate with government line agencies and non-governmental organizations to get help in their different activities. The government institutions and I/NGOs are working as facilitators. The major program activities launched at the group level through governmental and non-governmental organizations to help all the members of the CBOs are presented in the Table 2. The program includes training and visit for group members, support for institutional development, animal health care and breed improvement.

Table 2: Major program activities launched at the group level

Major program	Activities
1. Training and visit	- Farmers' training on forage production, animal husbandry, animal feeds and feeding, farmers' visit, sites supervision, village animal health workers, block competition, forage conservation, nursery management and land development, improved stove promotion
2. Institutional development	- Farmers' group formation, seed bins distribution, establishment of group fund, follow-up program, inter-group competition, establishment of veterinary medicine fund, equipment distribution (measuring tape, watering pipes, watering cane, spades, Burdizzo castrator*, soil testing box)
3. Animal health and management services	- Vaccinations, primary treatment, parasite control, animal castration, <i>trabies</i> ** construction
4. Animal resource management	- Selection of the best local breed and distribution of improved: buffalo bull, cow bull and goat

Source: Household survey, 2002. * Equipment for castration of male animal breed, commonly used in castration of male goat. ** Small construction from wood or iron roads to control animal for treatment, artificial insemination or other purposes.

6.2 Savings and Credit Groups (SCGs)

As discussed earlier, Nepal has a long history in the operation of traditional savings and credit associations, often referred to in the literature as a rotating savings and credit associations, but known locally as *dhukuti* or, *dhikur*. These tend to be non-registered, but quite formally structured in terms of membership rights and obligations. Informal savings and credit groups (SCGs) have their own importance although they are not legal entities. There are two ways to legalize these informal groups, either as social organizations or as cooperatives. There are tens of thousands of unregistered SCGs in Nepal, some of which are quite large even though they are not registered either as NGOs or as co-operatives (in Council of Social Welfare or Department of Cooperatives). The vast majority of these SCGs grew out of assorted development initiatives into which a savings component had been introduced. In most of the CBOs, saving and credit activity has becoming one of the important components for the sustainability of that group.

Table 3 shows that about 45% of households were taking loan from different sources and the main sources of loan were informal, i.e., businessmen (34.1%), relatives (19%), villagers and local moneylenders (16.4%). Only 7.4% and 6.7% of households took loan from banks and SCGs, respectively. The interest rate is very high (> 50% per year) when rural people visit to local moneylenders, villagers, relatives and businessmen for loan. They may not need collateral to take loan but are compelled to pay higher interest rate. Although coverage of SCGs was limited, group members were benefited more and they could save their small amount of money in daily/monthly basis. This helped to develop the saving habits among the villagers. Most interestingly, many of the SCGs were developed by women's initiatives. The SCGs have greater role to empower the rural women economically and socially. Many researches have found that women have greater role to maintain household food security through food production and other income generation activities. Therefore, the empowerment of rural women can affect the food security management in poor and food insecure households better.

Table 3: Sources of loan and interest rate (% per year)

S.N.	Source of loan	No. of households	Percent	Interest rate (% per year)			
				Min ^m	Max ^m	Average	S.D.
1	Businessmen	217	34.1	15	60	38.92	12.97
2	Relatives	121	19.0	24	60	56.23	8.41
3	Villagers	104	16.4	14	60	56.20	9.61
4	Money lender	104	16.4	24	60	51.29	9.95
5	Bank	47	7.4	12	36	21.85	6.81
6	Group	43	6.7	18	36	24.00	3.72
	Total	636	100	12	60	46.57	15.0

Source: Household Survey, 2002, Note: Number of households taking loan for different purposes are 620 (total households 1372). But some of the households were taking loans from more than one source.

Table 4 shows that main purpose of borrowing was to maintain household food demand. About 63% of households were borrowing for household's expenses (mainly to purchase food items). Similarly 8.5% of households were borrowing for agriculture purposes and to buy land. Only about 28.6% of households were borrowing for other purposes such as marriage, treatment, study, buy land, build house, businesses and so on. In terms of landholding, small farmers were borrowing loan from different sources than medium and large farmers. This was due to the less food self-sufficiency status of the small farmers. This reflects the importance of group saving and credit activities in the rural areas to maintain rural livelihood.

Table 4: Percentage of households according to purpose of loan and farm size

Item	Particular	No. of households	Percent
Purpose of loan	Household expenses (Food + Clothes)	402	63.2
	Marriage	25	3.9
	Treatment	39	6.1
	Buy land	26	4.1
	Agriculture purposes	28	4.4
	Study	13	2.0
	Build house	14	2.2
	Business	25	3.9
	Paper making (Cottage industry)	13	2.0
	Purpose not indicated	51	8.0
	Total	636	100
Farm size	Small	354	55.7
	Medium	276	43.4
	Large	6	0.9
	Total	636	100

Source: Household survey, 2002

6.3 Forest Users' Groups (FUGs)

Community level indigenous forest management institutions were evolved in due courses of time without inputs from outside by way of imposition, inducement or extension. Under indigenous forestry, local knowledge is fully utilized and villagers formulate new rules and regulations based on their past experiences. This system combines traditional authority and self-regulations in order to organize informal institutions. Households cooperate in such a way that individuals manage and minimize damage to the resources they rely on in order to meet their long-term needs.

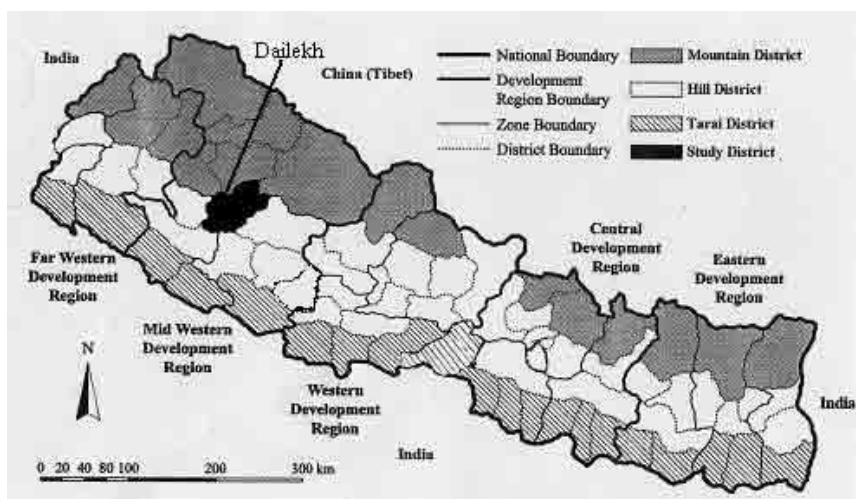
The Master Plan of 1988 and the Forest Act of 1993 are the key foundational policies for community forestry in Nepal (Maharjan, 2005). The Forest Act of 1993 categorizes forest into private and national forest, which includes community forest, leasehold forest, religious forest, protected forest, and government forest. According to this act, community forests are those that have been handed over to a users' group with the entitlement to "develop, conserve, use and manage the forest and sell and distribute the forest product independently by fixing rules and regulations according to work plan". This Act also gives the priority to community forestry in national forests that are suitable to handover to users' groups. Because of this act, millions of hectares of national forest were handed over to community groups to manage in a potentially more effective way. The Forest Act of 1993 and Regulation of 1995 successfully promoted democratic processes at the village level. These policies have enabled the formation of community forestry users' groups, and there are now 13,749 FUGs managing 1,134,372 ha of national forest under community forestry arrangement (MOFSC, 2004). The entire FUGs under this study were community forests that were legally registered to district forest office. Previously, these community forests were managed with informal FUGs with mutual understandings. Later, government's interest on community forestry in hill regions enforced them to register formally as a community forests. The community FUGs has the legal rights to collect and sell of the forest products, including timber. The groups are generating fund and investing in many development activities, such as, road construction, irrigation development and maintenance, school, health and sanitation.

7. Evaluation of CBOs

In this study all groups were evaluated based on eight main variables and forty-five sub-variables (Appendix A) as used by Maharjan (2003). The eight main variables are participation, transparency, leadership, independence and coordination, social welfare, independence and sustainability, self-confidence and empowerment, and health. The group appraisal was undertaken in 19 different types groups (Table 5). Total number of group includes 8 FMGs, 6 SCGs and 5 FUGs in two VDCs. The number of households in FMGs and SCGs range from 10-20, while in FUGs all the households in the village who use to collect forest products were members of the FUGs. The interview was undertaken from the members of the group and asked to evaluate their group performance regarding the 45 different aspects of the group in five stages; worst, bad, fair, good and excellent. The performance of each type of group was somehow similar; therefore, the average values of the each variable within the groups were used for the discussion.

Table 5: Number and types of group in two village development committees

VDC	FMGs	SCGs	FUGs	Total
Dadaparajul	4	3	-	7
Lalikanda	4	3	5	12
Total	8	6	5	19



Map 1: Map of Nepal indicating Dailekh district

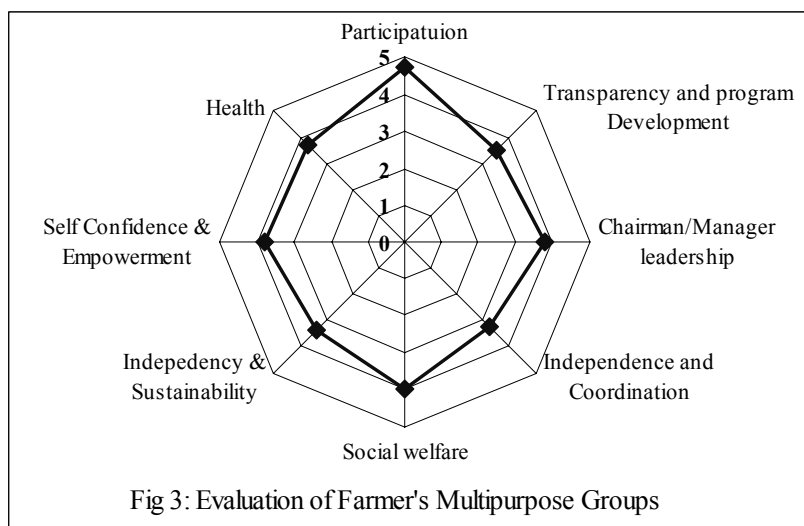


Map 2: Map of Dailekh district indicating two VDCs and settlements are indicated by black marks.

7.1 Evaluation of Farmers' Multipurpose Groups (FMGs)

The octagonal graph in Figure 3 shows the average value of FMGs in each aspect. The overall participation of group members in program selection, implementation, operation and maintenance, and rules and regulations formation were found near excellent. Despite the high participation, the transparency and program development is not excellent. This was partially due to the lack of knowledge and experience and less coordination with other governmental and non-governmental organizations. Although the members responded the leadership was good so far, there was no excellent performance of group leader, which ultimately affects in the transparency and program development and coordination with other institutions. The average responses of all the members on different variables related to social welfare were between good and excellent.

This indicate that group approach was able to build mutual understanding, helping one another, develop new custom and behavior, minimize conflict and quarrels among the villagers, alleviation of untouchable feelings, inspiration for group mobilization and enhancing skill and capacity development. The responses on four variables viz. leadership, work operation, economy stage and availability and adoption of technology were considered to find out the independency and sustainability. The average response indicates that independency and sustainability were between fair and good. Some of the FMGs were not fully independent and self sustained because of lacking of excellent leadership and work operations, poor economic stage and technology.

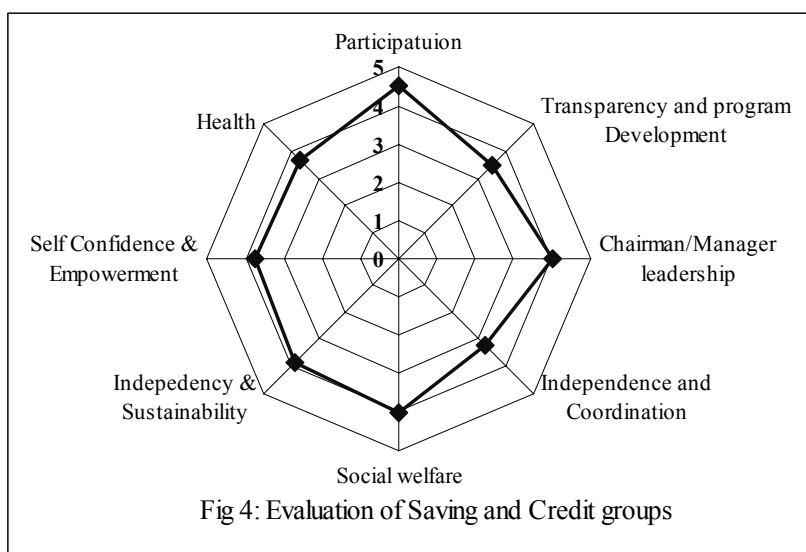


The self-confidence and empowerment indicates that the FMGs were able to develop self-confidence among the members and empower them through mobilization of their available resources. Through group approach, all members were able to generate some income, got access to credit, minimize the role of local elites and more importantly they were able to recognize their rights. Another important outcome of FMGs was to improve the health status of household's members. The increase in food production and extra money through different income generation activities helped to improve the nutritional status of household members. Besides, group members were aware of family planning, improving access to drinking water and started to

use sanitary latrine. This indicates that the group approach has positive impact to improve the food security status in the household level. The dependency and coordination with other CBOs, VDC, DDC, other government's offices and district line agencies was not so good. Due to this lack of coordination, FMGs were not able to show excellent performance in all aspects. This indicates that the lack of adequate support from the government and non-governmental organization to strengthen their competence through mobilization of small farmers.

7.2 Evaluation of Saving and Credit Groups (SCGs)

The octagonal graph in Figure 4 shows the average value of SCGs in 8 aspects of group performance. The level of participation was high among the 8 variables. All members have the compulsion to deposit certain amount of money weekly/monthly. The committee members meet every month to discuss the program and loan distribution within the members. Although the transparency and program development in some of the saving and credit groups was excellent, the average responses on transparency and program development were still between fair and good. The group members were considered between good and excellent performance in manager's leadership, social welfare, independency and sustainability, and self-confidence and empowerment but the values for independence and coordination and health were slightly lower than above variables. This indicates that there was lack of coordination between SCGs and governmental and non-governmental organizations.



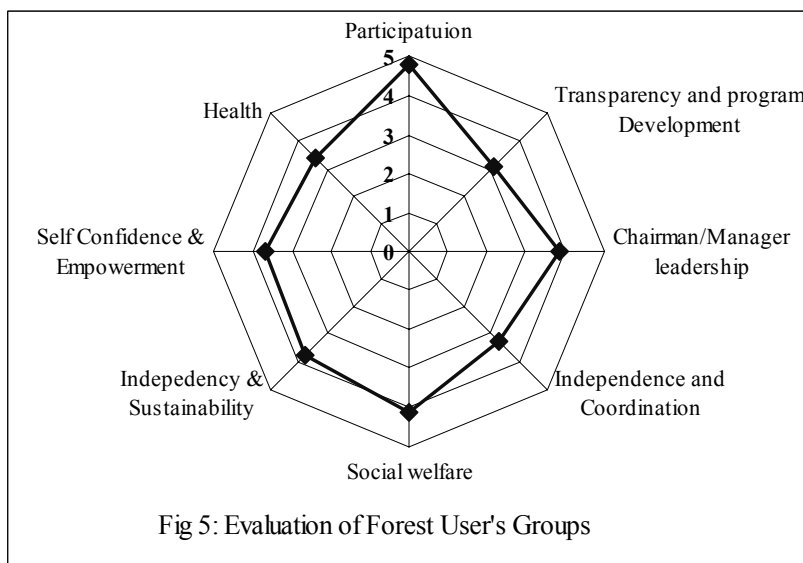
The most important outcomes of these groups's activities were to motivate and develop saving habit of village people and inclusion of women in group activities. Some of the SCGs include women only and their performance was better than mixed and men's groups. The group members were able to save small amount of their income in regular basis and take loan to invest in different income generation activities. The SCGs extend loan for its members in the area of fruit, vegetable, cash crops & food crops cultivation, agricultural implements, cottage industries, agro-business, and biogas and irrigation development. The borrowers can

repay the loan on installment basis. Therefore, these SCGs have direct role to increase food production and income generation providing loan in farming activities. The final outcome of these activities is to improve livelihood and reduction of vulnerability to by dispersal of the risks through different income generation activities.

7.3 Evaluation of Forest User’s Groups (FUGs)

The FUGs are the groups directly related to local farmers who are dependent on forest resource use to sustain farming practices. The FMGs include certain farmers within the village but FUGs include all the villagers who are dependent on forest for their livelihood. The FUGs control and manage the local forests, including independent harvesting of all forest products. An executive committee elected at the FUG assembly governs forest management activities. Before community forestry, state-owned forests were utilized often on the basis of open access to collect forest products. In FUG-managed forests, access rules (flow management) and conservation rules (stock management) are defined adequately during FUG registration in the district forest office.

The management practices mostly consist of control when it comes to the collection of timber as well as non-timber forest products through the definition and control of user rights. In such cases, only the members of a FUG are allowed to extract forest products. Other people living in the area regard these rights as legitimate. The user groups can decide to close forest products collection for a certain period. In such instances, the forest user committee fixes the opening date. The user group committee has a right to decide the punishment for illegal collection of forest products and cutting of trees and poles. The watchmen, employed by the FUG, monitor the forest year round and receive a monthly payment from the FUG. The participation of all the members in formulation and imposition of rules and regulations, program selection and implementation, and operation and management of community forest through group approach was excellent (Figure 5).



In contradictory, the response on transparency and program development was found just fair. In some of the FUGs transparency and program development was not good. The respondents indicated that there was some misuse of power by user committees in program development and use of incomes generated from the sale of forest products. The average value indicates that the overall performance of forest user committee's leaders was good. They were honest, devoted, responsible and efficient. The level of social welfare was good but the level of independency and sustainability and self-confidence and empowerment was between fair and good. The average value for health between fair and good indicates that FUGs were not improving their nutritional status so far. Unlike FMGs and SCGs, FUGs include majority of poor and small farmers in the villages. They are more motivated towards the conservation of degraded forest through seasonal ban in collection and reforestation programs. It can be expected that the long term effect of participatory forest conservation and management efforts will bring positive change in household income generation. The collection and sell of highly valuable non-timber forest products will help to generate extra income for all members of FUGs.

The evaluation of different groups clearly indicates that CBOs are able to mobilize the rural people for their own welfare. The level of participation of local people in all groups was found excellent. Among three group categories, performance of leadership, independence and coordination, social welfare and self-confidence and empowerment were found good. But the transparency and program development and improvement in health status were lower among FUGs than other groups. Similarly, independency and sustainability was lower in FMGs than other groups. However, in overall, CBOs were able to empower the rural people and enhance their social welfare.

8. Development Interventions for Better Livelihood Management

The livelihood management encompasses complex process. A well-designed intervention can set in train a virtuous circle of development, whereby increased income generates greater wealth, which in turn generates higher levels of income, consumption, food security and nutrition thereby better livelihood. After understanding the actual situation in the study villages, it is now possible to uncover the links between development policies (or projects) and livelihood management. To increase the overall welfare of all households, a series of interventions should be designed to improve the broader environments that affect household's livelihood. Figure 6 gives emphasis on the role of CBOs in the management of livelihoods in the rural areas of Nepal.

The resource management policies such as soil, water, and forest management providing an appropriate institutional environment strengthening small farmers associations can enhance the food production and income diversification. Likewise, the development and rehabilitation of irrigation facilities, provision of credit and extension of new technologies can also help to increase the household income. There are some interventions that can increase the human capital. Examples includes literacy program, training or extension services that provide new skills in both agriculture and non-agriculture sectors. Similarly, the interventions that develop the safe drinking water and health services can improve the health environment of the rural people. These are some of the examples that transforming structures, particularly LGOs (local governmental organizations) and I/NGOs can intervene through the inclusion of CBOs at grass root level in different sectors. The internalization of any development intervention will be more sustainable when local people participate spontaneously in different CBOs. Such intervention should be able to retain the traditional mutual aid as the core concept among the members of CBOs functioning as the recipient organizations of

development interventions, and give due consideration to traditional values and social norms wherever necessary.

Beside the inclusion of CBOs in development intervention, this study also recommends the systematization of community participation in development intervention as the concept developed by Maharjan (2003). In order to ensure systematic community participation and, at the same time not to duplicate development intervention services, a community based comprehensive organization (CBCO) should be formed in the village level. Such organization will have representatives from all sectors of the community. Then the horizontal linkages of all CBCOs of the villages level can be federated at the VDC level (village-based comprehensive organizations-VBCO). All the VBCOs at the district level can be linked horizontally and federated further, similar to that of CBCOs at the VDC level. This process will create the vertical linkage of grassroot people to VDC and DDC. All the transforming structures should facilitate CBOs and their federations at different level through software and hardware delivery for their capacity development and to reduce their limitations. This process will insure community participation in the development process so that rural livelihoods can be sustained for a long time in an efficient way.

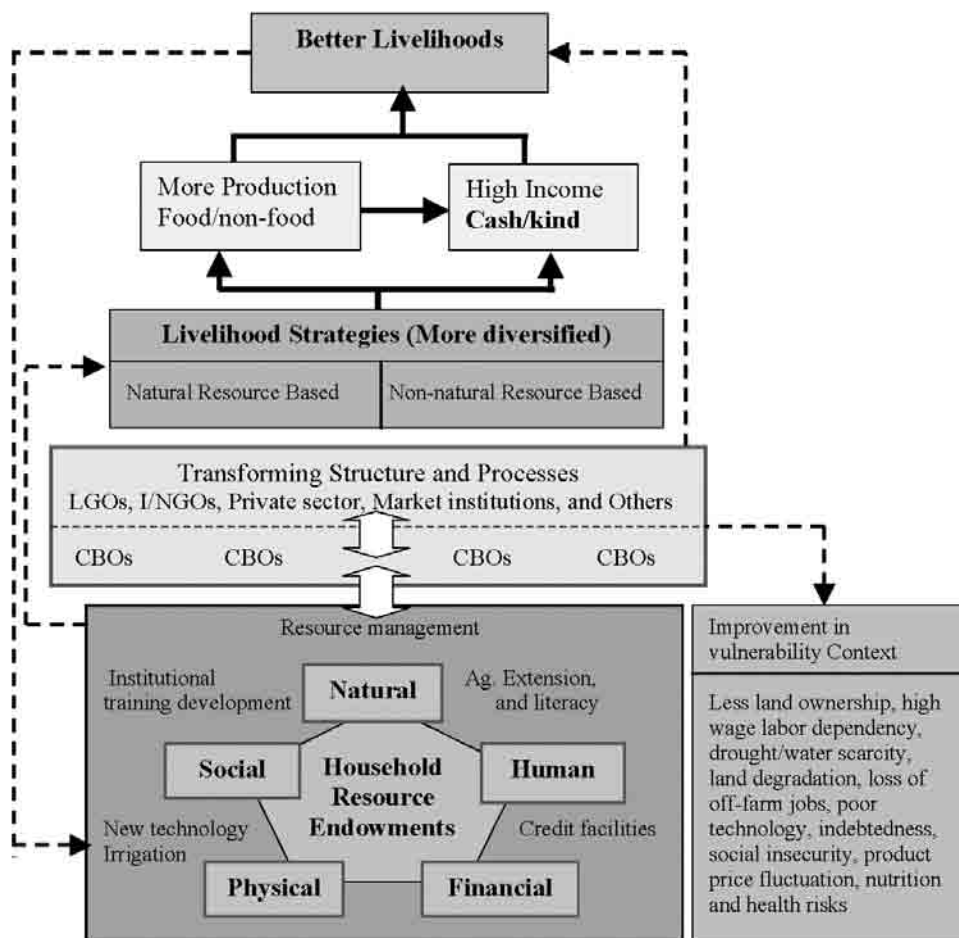


Figure 6: Development interventions for better livelihood management through CBOs

9. Conclusions

Majority of the Nepalese are facing difficulty in maintaining daily livelihood. About 40% of farmers produce less than their consumption requirements and have to sell their services to earn enough for their livelihood. Rural people encounter many problems in their livelihoods. On the other hand, government's support and service delivery systems are weak and many of the people have less access to get those services in time and at desired level. Similarly, rural communities are lacking health services, education, irrigation for crop production, drinking water, and so on. The social and political discrimination is also high in the rural communities. Hence, the inclusion of rural people through group approach is an important rural development issue.

This study indicates that rural peoples are enthusiastic to help each other through the development of community level groups. Recently, government also emphasized on the development and inclusion of CBOs in its development processes. In this context, the responsibility of local people to help themselves is continuously increasing. The evaluation of different groups in the study reflects quite positive and encouraging outcomes of group approach to support rural livelihoods. The participation of rural people in group activities enabled them to empower socially and economically. They are more independent and are building linkages with other development sectors. The CBOs are also able to mobilize and empower the rural women. The FMGs share knowledge and inputs, facilitate marketing of their farm produce and help to increase the food production and income generation among the farmers. Similarly, SCGs encourage savings from their small income on regular basis. The group also extends the loan to invest in different income generation activities with low interest rate. They are able to develop the saving habit among the members in the rural communities. The management of common forest by local CBOs is also found good. All members of FUGs are equally participating in program development, formulation of rules and regulations, operation and management of forests and sustainable harvesting of forest products. The access of poor people to forest resource is increased through group approach and supported their livelihood.

This evaluation of different CBOs indicates that the mobilization of rural people through group approach is an effective strategy for their livelihoods. However the coverage of CBOs often tend to be confined among fairly resource rich households and often tend to be managed by them, focusing their benefit, as they also are the group that provides the leadership in the group approach more often. Hence, further inducement and development of CBOs incorporating poorer, small farmers and disadvantaged people in the communities are essential to enhance their livelihoods. A closely monitored program with the support from governmental and non-governmental organizations will be necessary to achieve this goal. Furthermore, systematization of community participation through CBOs in all development interventions in rural areas, federated at higher administrative levels, such as district, is one of the options for rural livelihood management in a sustainable way. Further indepth studies in this aspect are forthcoming.

References

- Bhattachan, K.B. 2002. "Traditional Local Governance in Nepal," Paper presented in a national seminar on Strengthening Decentralization and Good Governance in Nepal organized by the Political Science Association of Nepal (POLSAN) and Friedrich-Ebert-Stiftung (FES), Kathmandu, April 21, 2002. Retrieved from <http://www.nepaldemocracy.org>

2006/4/3.

- Chambers, Robert and Gordon R. Conway 1991. *Sustainable rural livelihoods: Practical concepts for the 21st century*. IDS Discussion Paper 296. Brighton, UK: Institute of Development Studies.
- Dahal, D. R. 2001. *Civil Society in Nepal: Opening the Ground for Questions*, Kathmandu: Center for Development and Governance
- Edwards, M. and D. Hulme 1992. *Making a difference: NGOs and Development in a Changing World*. London: Earthscan Publication.
- Ellis, F. (2000), The determinants of rural livelihood diversification in developing countries. *Journal of Agricultural Economics*, 51 (2): 289–302.
- Esman, M. J. and N. T. Uphoff 1984. *Local Organizations: Intermediaries in Rural Development*, New York: Cornell University Press.
- Galjart, B. and D. Buijs 1982. *Participation of the Poor in Development: Contribution to a Seminar*. Leiden, Netherlands: Institute of Culture and Social Studies, University of Leiden.
- Gibson, C, M A McKean and E Ostrom 1998. "Explaining Deforestation: The Role of Local Institutions," *Forest Resources and Institutions*, Ed. C Gibson, M A McKean and E Ostrom, Rome: FAO.
- Hardin, G. 1968. "The tragedy of commons," *Science*, 162.
- Jackson, W J, R M Tamrakar, S Hunt and K R Shepherd 1998. "Land-use changes in two middle hill districts of Nepal," *Mountain Research and Development*, 18(3): 193-212.
- Kilander, K. 1987. Cooperatives for the promotion of forestry in rural development. In: Pardo, R. (eds.), *Small-Scale Forest Enterprises*, Rome: FAO.
- Korten, D. C. 1980. "Community organization and rural development: a learning process approach," *Public Administrative Review*, 40 (5): 480-511.
- Lee, J. A. 1996. "Empirical work in institutional economics: an over view" in Lee J. Alston, Thrainn Eggertsson, Douglass North (eds.), *Empirical Studies in Institutional Change* Cambridge University Press pp.25-30.
- Maharjan, K. L. 2003. *Peasantry in Nepal: A Study on Subsistence Farmers and Their Activities Pertaining to Food Security*, Hiroshima: Research Center for Regional Geography.
- Maharjan, K. L. 2005. "Community Participation in Forest Resource Management in Nepal," *Journal of Mountain Sciences*, 2 -1:32-41.
- MOFSC (2004), "Forth-National Workshop on Community Forestry," 4-6 August 2004, Kathmandu, Nepal: Community Forestry Division, Department of Forests.
- North, D.C. 1990. *Institutions, Institutional Change and Economic Performance*, Cambridge: Cambridge University Press
- North, D. C. 1995. "Some Fundamental Puzzles in Economic History/Development," London, UK: Cambridge University Press
- Ostrom, E. 1990. *Governing the Commons: The Evolution of Institutions for Collective Action*, Cambridge: Cambridge University Press.
- Sen, A. K. 1981. *Poverty and Famines: An essay on entitlement and deprivation*. Oxford: Clarendon Press.
- Smith, R. J. 1981. "Resolving the tragedy of the commons by creating private property rights in wildlife," *The CATO Journal*, 1: 439-468.
- Soussan, John, Piers Blake, Oliver Springate-Baginski and Matthew Chadwick 2002. *Understanding livelihood processes and dynamics*. Livelihood-Policy Relationships in South Asia Working Paper 7. London: Department for International Development.

Van Heck, B. 1979. *Participation of the Poor in Rural Organizations: A Consolidated Report on the Studies in Selected Countries of Asia, Near East and Africa*, Rome: FAO.

(2006.8.15 受理)

Appendix A: Variables considered for group appraisal

Main variables	Sub-variables
Participation	1. Rules and regulations
	2. Program selection
	3. Program implementation
	4. Operation and maintenance
Transparency and Program Development	1. Program goal
	2. Saving & disbursement of CBO fund
	3. Seed capital Fund
	4. VDC fund to CBO
	5. CBO's rules and regulations
	6. Transparency and program knowledge
Chairman/Managers Leadership	1. Honesty
	2. Devotion
	3. Responsibility
	4. Efficiency
Dependency and coordination	1. Other CBO's
	2. VDCs
	3. DDC
	4. Other govt. offices
	5. District line agencies
	6. Mother club
Social Welfare	1. Mutual understanding
	2. Helping one another
	3. New habit custom and behavior
	4. Conflict and quarrels among villager
	5. Alleviation of untouchable feelings
	6. Inspiration/Encouragement
	7. Skill and capability enhancement
Independency and sustainability	1. Leadership
	2. Work Operation
	3. Economy Stage
	4. Technology
Self-confidence and empowerment	1. Local elite
	2. Social mobilizer
	3. Access to credit
	4. Irrigation status
	5. Children's education
	6. Adult literacy
	7. Community forestry
	8. Recognition of rights
	9. Capability to put demand pressure
	10. Income generating opportunities
Health	1. Nutritional health
	2. Family planning
	3. Drinking water status
	4. Latrine use