

Cutting edge: how community forest enterprises lead the way on poverty reduction and avoided deforestation

Duncan Macqueen

Avoided deforestation has re-emerged as a tool to curb climate change. But how does paying poor countries to keep their forests intact tally with poverty reduction? Doing both at the same time is a challenge, but a necessary one. Forests are not just crucial in keeping the global environment stable; they are also a lifeline for hundreds of millions of the world's poor. Fortunately, a solution to both aims is already in place. Community forest enterprises, if run sustainably and democratically, can both avoid deforestation and pull people out of poverty. Large industrial concessions, on the other hand, generally do neither. The challenge is to overcome vested interests and pave the way for greater political support.

Seeing the wood for the trees

Avoided deforestation — the concept of richer nations paying poorer ones to halt planned logging or forest clearance — was hotly debated following the Kyoto Protocol agreement. Rejected by the UN in 2001, the concept re-emerged in 2005 under a new name: Reducing Emissions from Deforestation in Developing countries (REDD).

Halting deforestation is a pressing concern. With forest degradation, deforestation now accounts for roughly 20 per cent of global greenhouse gas emissions. Forests meanwhile act as safety nets for some 350 million of the world's poor and potentially provide commercial opportunities to pull them out of poverty.

Forests and poverty are issues of national sovereignty. So with or without REDD, nation states are ultimately accountable for how they channel scarce resources to avoid deforestation and reduce poverty. At this level, pursuing either forest conservation or commercial opportunity to the detriment of forests' 'safety net' functions has political consequences. In Kenya, for example, the subsistence use of, and small-scale trade in, charcoal, fuelwood and other forest products is estimated at US\$94 million a year. Industrial

forest products earn scarcely US\$2 million there. The challenge is to get the balance right — and this means finding the right model.

How not to do it: large-scale logging

Timber values typically lead governments to license and collect revenue from ostensibly sustainable logging. In natural forests, this usually involves allocating concessions — the right to harvest trees — to individuals, companies or communities. Rarely, public authorities manage logging (for example, Perhutani in Indonesia), or allow full privatisation (as has happened in Chile).

Concessions are usually large scale — simple to administer, easily divided into substantial annual blocks within a sustainable harvesting rotation, and attractive to large investors with technology. But the high cost of working large tracts of forest tends to put such concessions into the hands of the rich. They also frequently create unholy alliances between ambitious investors and corrupt government officials.

A few well-managed concessions stand out, but forest degradation and illegality are rampant in countries such as Cameroon and Indonesia, where concessions predominate. Social conflicts and threats to subsistence forest values such as hunting have been widespread. Poor people gain little from the insecure, dangerous and poorly paid manual labour involved. In fact, development indicators generally decline where large concession models are applied.

What does the job: democratic community forestry

In the scramble to find something that works, one model is often overlooked: democratic community forest enterprises.

Small and medium forest enterprises (SMFEs) make up 80-90 per cent of all forest enterprises in many developing countries. Defined as forestry business operations with 10 to 100 full-time employees or a yearly turnover of

KEY MESSAGES:

- Avoided deforestation and poverty reduction are global challenges. Large-scale industrial concessions generally fail to address them, while the small and medium forest enterprises that dominate the sector have variable impacts.
- A visionary strategy for meeting these challenges is to build political support for democratic community forest enterprises.
- Governments can help by investing in such enterprises, channelling scarce resources to expand secure community land and forest tenure, and removing unfair taxes, subsidies and regulations.
- Investment could be channelled to facilitate the growth of community organisations into democratically run businesses, subsidise sustainable forest management, and improve links to business development and financial service providers, market information services and trade fairs.

Where it's working: five case studies

Running a forestry enterprise involves a range of responsibilities, from resource procurement to market intelligence. But community forest enterprises can contract out timber processing or marketing in innovative ways while still maintaining overall control.

These case studies from round the world show the potential of the democratic community forest model. All five involve democratic benefit-sharing structures and Forest Stewardship Council (FSC) certification for sustainable forest management.

- Five communities in Acre, Brazil, pooled their timber harvests to meet demand. They then established a cooperative, Cooperfloresta, to handle processing, stock aggregation, marketing and sales, and contracted a local sawmill to process valuable hardwood. They also negotiated with a local plywood plant to take less valuable species. With a broader range of species to harvest, profitability increased for the communities.
- In Papua New Guinea, 29 community companies joined under the umbrella company Forcert, and aligned themselves to seven central marketing units spread across four islands. The community producers handle logging and transport to the marketing units, which dry, process and export the wood. Forcert itself handles marketing, the management of an FSC group certificate and technical support services. Timber sales mainly go to Australia with both FSC and Fairtrade certification.
- Threats to Kenya's 80,000 wood carvers led to the formation of the Coastal Farm Forest Association (CFFA). This now supplies a large cooperative of carvers who are linked to a dedicated marketing and sales company, Kenya Coast Tree Products. FSC certification of the CFFA has boosted both sustainability and profitability for tree growers.
- In Mexico, forest resources are squarely under community control. Some 2400 community administrative units have forest permits. Communities own all 46 FSC-certified operations in Mexico. Perhaps the most successful is the Ejido Noh Bec in Quintana Roo, with 219 community members, 18,000 hectares of productive forest, extraction equipment, two sawmills and a carpentry workshop. In 2001, it created a separate entity to handle processing and marketing. Annual turnover is now over US\$1.5 million.
- In 1994, community concessions were granted in the Guatemalan Maya Biosphere Reserve on the condition that they received FSC certification. By 2005, a total of 15 community concessions had certified forestry over 560,000 hectares and later opened a dedicated industrial processing facility.

In 2007, the FSC committed to developing fair trade timber within two years – opening up new market possibilities for timber and other forest products coming from communities.

US\$10,000 to US\$30 million, SMFEs also often account for more than 50 per cent of employment in the forest sector. Many SMFEs are simply microcosms of the large industrial model, with much the same outcomes. Community control over forest areas has, however, doubled in the last 15 years. Increasing numbers of democratically and locally run community cooperatives, associations and non-profit companies now marry commercial success with a fair distribution of social and environmental benefits.

The common prejudices against this model are unfounded. Communities are less prone to 'paralysis by committee' or infighting than is often perceived, and can be fertile ground for good business models. Nor are they all technically incapable of managing forests and businesses sustainably. Myriad forest-based associations at community level and beyond are helping to increase commercial efficiency, adapt to new market opportunities, and boost political and market bargaining power. In Uganda alone there are 2000 to 3000 such associations.

Policy implications

Making the most of community forest enterprises requires political will. Paving the way for such enterprises to operate legally without high regulatory or tax burdens is quite feasible. Nor is it impossible to mobilise partners to subsidise

verifiably sustainable forest management and improve links to business development and financial service providers, market information services and trade fairs. But the investment and time to develop the policy framework, organise communities and build capacity may be substantial. Donors spent US\$109 million between 1991 and 2001 on independent support projects linked to the Guatemalan Maya Biosphere Reserve (see box). The current commercial success follows more than a decade of hard work. Whether for timber, other forest products or emerging environmental service markets, strong democratic community forest enterprises are an excellent model through which to channel resources or avoided deforestation and poverty reduction. Investing in them makes good sense.

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The International Institute for Environment and Development (IIED) is an independent, nonprofit research institute working in the field of sustainable development. IIED provides expertise and leadership in researching and achieving sustainable development at local, national, regional and global levels. This opinion paper has been produced with the generous support of Danida (Denmark), DFID (UK), DGIS (the Netherlands), Irish Aid, Norad (Norway), SDC (Switzerland) and Sida (Sweden).

CONTACT:

Duncan Macqueen
duncan.macqueen@iied.org
3 Endsleigh Street, London WC1H 0DD, UK
Tel: +44 (0)20 7388 2117 Fax: +44 (0)20 7388 2826
Website: www.iied.org