

## Roots of success: cultivating viable community forestry

### Policy pointers

- **The notion that sustainable** forest businesses are too complex for community management is outdated, as many successes attest.
- **Community forestry is an** alternative model, showing how shared local ownership delivers significant social benefits when decision-making avoids traditional pitfalls and the right skilled people fill key business roles.
- **Analysing the network of** 'value-adding' activities in forestry, such as production, processing and marketing, can pinpoint those suited to community control, and those best outsourced.
- **By forming alliances,** community forestry concerns can raise investment capital and take on new value-adding activities beyond simple harvesting of forest products.
- **To reduce poverty through** forestry, more forest land and commercial resource rights need to be put into the hands of community forest businesses.

Is community forestry emerging from the shadows? The evidence shows that locally controlled enterprises can be economically viable, and often build on stronger social and environmental foundations than the big private-sector players. Certainly this is an industry in need of a shakeup. Many forests have become flashpoints where agro-industry, large-scale logging concerns and conservation interests clash, while forest-dependent communities are left out in the cold. Meanwhile, governments – driven by concerns over the climate impacts of deforestation – are having to gear up for legal, sustainable forestry production. Community forestry could be crucial to solving many of these challenges. By building on local core capabilities and developing strategic partnerships, they are forging key new business models that could transform the sector.

### The complexities of community forest business

Community forest business is on the rise globally. The share of forests overseen by communities in developing countries doubled between 1985 and 2000 to 22 per cent of the total, and is still growing. Documenting and publicising viable business models — the frameworks for how firms and their relationships are organised to create, capture and distribute economic, social and environmental value — is a priority, but also a challenge.

Community forest businesses are, like the ecosystems they depend on, enormously complex and come in a bewildering array.

Forest businesses may be timber-based, using a myriad of hardwood and softwood species with diverse properties that determine their use as logs, sawn wood, panels, pulp and paper, shaped wood, furniture and, increasingly, renewable energy. Timber may originate from sources as varied as natural forests and plantations to post-consumer waste such as recycled construction materials, furniture, pallets, paper and packaging, even old railway sleepers. The rules governing commercial access rights to each of these sources vary hugely, often involving overlapping sets of customary and formal laws that are not uniformly enforced.

Non-timber forest products are equally varied, including a wide variety of fruit, nuts and seeds, honey, gums and resins, canes, leaves and medicinal products. New markets are also emerging based on payments for environmental services, such as carbon storage, biodiversity conservation or landscape beauty.

Marketing, processing and other 'value-adding' activities in forestry, where communities might compete, are also immensely diverse. Some of these activities are easy to break into, but as a result are highly competitive and so give poor returns. For example, collecting forest fruit requires little more than good health, knowledge of the forest and a container to put the fruit in. Other activities demand a great deal of investment and knowhow, and can offer higher returns as a result. An example is making prefabricated composite wood beams for modern wooden architecture. Finding a realistic entry point where community forest business can start is key.

Forest communities, too, are diverse. Each has its own elites, marginalised groups, decision-making bodies and power struggles. These shape what sort of business models evolve and what kinds of value are thereby created and captured, and by whom. Given this, it is key to define community forest business in a specific way — as commercial exchanges based on forests or trees, overseen by credible representatives who can claim social legitimacy in distributing costs and benefits

within a self-defining ‘community’ determined by geographic area or people groups.

This unique social fabric often involves sets of values that are based on more than monetary income. These broader values — whether security, work, social connectedness, local environmental accountability or cultural integrity — can figure large in decisions

made by community forest businesses.

These enterprises will also inevitably vary in their capacity to do business

sustainably, depending on the circumstances of the community itself. But there is no definitive lack of community capacity that justifies excluding them from commercial forest resource rights. What’s more, successful community forest businesses have been emerging for some time, and viable business models that draw on lessons from these can be identified and replicated.

## Balancing business sense with social values

Viewed through a narrow economic lens, community forest businesses have few advantages in creating profit, although local capture and distribution of those profits can make a significant impact on local livelihoods. But looking at broader social values, the advantage of community forest business becomes clearer.

Collective local ownership, for example, gives security, reducing the likelihood of resource-based conflicts as well as the risk of local jobs becoming hostage to the whims of external forces. There is more chance of decent work, and abusive work terms and conditions are less likely to be tolerated. Social relationships are likely to be strengthened by the sense of being ‘in it together’. Threats to the long-term health of the forest ecosystem are likely to be more closely appreciated and addressed. Local cultural sites and practices are more likely to be respected.

Positive benefits such as these only emerge if the representatives of community forest business do their job well and so build a platform of social legitimacy, listening to the concerns of community members, mediating overlapping resource rights, managing the business efficiently and distributing opportunities and profits fairly. In best-case scenarios, it is entirely reasonable for communities to make claims for the social value of their enterprise through marketing. Using such claims to distinguish products from their competitors could be a source of competitive advantage.

For example, the DIY/home improvements chain Eco Leo in São Paulo, Brazil, features large banners

advertising sawn timber from the Amazonian community timber supplier Comunidade Chico Mendes, albeit without any independent verification of the benefits to the latter.

Earning social legitimacy takes time, however. Canvassing and electing representatives are time-consuming in the first place. But the process becomes potentially disastrous if business managers are elected, as they can be voted out for reasons entirely unrelated to the business – taking with them their accumulated business knowledge. Moreover, it is onerous to mediate between the claims of different forest user groups, and difficult to find acceptable ways of dividing up employment opportunities and benefits from forest exploitation to the satisfaction of all.

If commercial decisions must be taken in the same forum as these weighty social decisions, they can become bogged down. In certain case it may be desirable to separate community ownership roles from business management roles. But separating business management out introduces the risk that profit will be put before all – which may undermine the social values that are the very source of the community forest business’s competitive advantage.

There is a clear need for flexibility in deciding how to balance the social benefits of collective ownership with the need for stable and effective business management. Some Mexican community forest businesses, for example, have opted to keep both ownership and management roles firmly under the democratic control of the community’s elected leadership to avoid the risk that professional managers would take advantage.

Other successful community forest businesses strategically choose to separate out, or even contract out, institutional responsibilities for business management and for decisions on ownership, rights and benefit sharing. In Guatemala, for example, 22 community producers within the Asociación de Comunidades Forestales de Petén (ACOFOP) tackled the disjointedness in their harvesting and processing capacities by forming a communally owned but separately managed Forest Services Community Business (FORESCOM). This business has installed a dedicated facility to produce parquet flooring, planking, decking and folding chairs.

## Growing into new capabilities over time

Beyond the need to carefully balance issues of ownership and management, there are strategic choices to do with capabilities and competition. For which elements of the value network do community forest businesses have a comparative advantage in creating, capturing and distributing value? A simple breakdown

## SOURCING

Produce or source exactly what customers want and how, in terms of tree species and environmental, social and economic guarantees.

## AGGREGATION

Assemble and supply exactly what customers want: product type, volume, quality, specifications, packaging and delivery schedule.

## KEY FUNCTIONS OF SMALL FOREST BUSINESSES

### INTELLIGENCE

Listen, understand and respond exactly to what customers say in terms of current or future requirements and trends.

### MARKETING

Define and sell the qualities customers want (or could want) in terms of economic, social and environmental distinction.

## Key functions of a forest product value network

of the main functions within a value network is shown in the Graphic above.

For relatively unskilled community forest businesses, it is often logical to make the strategic choice to start with sourcing – tree growing, or the simple and sustainable harvesting of forest products. The Thuy Yen Thuong community in the North Central region of Vietnam, for example, has successfully developed a management agreement through which they sustainably harvest trees for local house construction.

At the start, community forest businesses may not have enough experience of technical processing and packaging specifications or delivery requirements to manage more complex 'aggregation' functions, such as advanced timber processing or exports. They may not know end customers well enough to comply with the required labelling standards for more exacting markets or design influential marketing strategies to reach them; and in such cases may also be blind to market intelligence that would enable them to specialise in design.

But a headlong rush for profit that involves an attempt to master all these functions at once can stress the social fabric of internal equity, risk management and empowerment, all fundamental to community forest businesses' broader benefits.

A more cautious approach is needed, so the internal cohesion of the business can keep pace with any acquisition of new value-adding functions such as marketing or intelligence. Building internal capacity or taking on external partnerships to tackle these new functions is a serious investment. Some community forest businesses may be content with the profit accruing from a more limited role in the value network,

as long as the broader social benefits are kept intact. Others may wish to evolve, but have neither the staff time, finance nor negotiating power to achieve it alone.

### Working together to achieve more ambitious ends

This is why many community forest businesses make the strategic choice to join together in some form of association. The larger scale of operation allows the recruitment of dedicated staff to pursue new business linkages with sufficient bargaining power to get results. Uganda's Budongo Forest Conservation and Development Organisation (BUCODO), for example, is an alliance itself owned by a 41-member group of community-based associations (including the Budongo Pitsawyers Association). BUCODO has staff dedicated to mobilising resources for its members, bringing in training and developing new markets.

Through association or on their own, community forest businesses can take more ambitious strategic choices, often to develop aggregation – adding value by collective investment in processing and packaging units. The Coopérative Agroforestière de la Trinationale (CAFT) is a case in point. Created in 2004 in the Ngoyla region of southeastern Cameroon, it includes nine villages and some 200 square kilometres of forest lands. Communities are in charge of their own timber harvesting but CAFT handles the collection, stocking, processing and sales of semi-finished and finished products.

Another ambitious strategic choice is to develop marketing and market intelligence involving either domestic or international markets. For example, the Blantyre woodcarving association in Malawi runs a

market and feeds design information back to those cutting the trees and making the initial shapes from felled timber that are later worked up into finished carvings.

An organisation in Papua New Guinea reveals a more international reach. Here, 29 community producer members and seven central marketing units pay an annual membership fee and a percentage fee on each square metre of shipped timber to their umbrella body, FORCERT. This body both manages group certification for the Forest Stewardship Council and acts as a market development and broker with buyers in Australia and China. It is worth noting that the success of this relationship is hugely dependent on the social and ethical concerns of the main Australian buyer – which gives significant leeway to accommodate community production issues.

Business partnerships, service provision and investors are critical as community forest businesses move beyond simple forest product sourcing, so success stories usually include careful cultivation of those links. For example, Mexican landholding communities (*ejidos*) that run community forest businesses have made good use of links with service providers. A number have turned to the Rainforest Alliance for technical assistance and training in wood processing and product development. Others have linked with the Centro para el Desarrollo de la Competitividad Empresarial (CRECE) to develop community organisation, structure and business skills. In Mexico, as elsewhere, success has usually involved spreading risk over fickle but lucrative export markets, and stable but lower-value domestic markets.

## Forging policy in a new green economy

Community forest businesses are often barred from commercial forest resource rights on the grounds that they lack the necessary business skills to develop those resources. But as shown here, there are many success stories built around some common strategic choices. Viable business models for community forest businesses are emerging from these massed experiences. They have some common features, but are flexible enough to accommodate different levels of ambition or risk aversion in communities themselves. And where it is done right, it really works for people and the forest.

The potential to create flourishing rural communities should provide an incentive to go down the community forest business route. Put simply, the social and environmental benefits that accrue in rural areas from viable community forest business models can be both pro-poor and vote winning. It makes good sense to allocate more forest resource rights to them, smooth the path towards legal registration and help them to organise into structures that are ‘investment ready’. But there are other reasons for taking this route.

Viable community forest business models can form a central plank in policies supporting sustainable production in new ‘green’ economies. This is the common thread in the financial crisis era, where the search is on for investments that are not solely for profit but are anchored to things that sustain economies, society and the environment. Decoupling production from exhaustible resources such as oil and gas, plastics, steel and concrete, and recoupling it with renewable resources such as biomass fuels and timber construction products, is a safe long-term bet.

If carefully thought through, viable community forest business models can contribute even further to a holistic policy package – for example, by demonstrating how it can meet sustainable consumption objectives. Lifecycle analyses of construction and packaging materials all show that the production process for wood uses far less energy and produces less emissions than those for concrete, plastic and other competitors. Wood production is also the only one to result in net carbon sequestration – actually helping to address, rather than contribute to, climate change. Most important of all, wood is potentially indefinitely renewable. In terms of domestic energy consumption, the climatic benefits of biomass fuels vis-à-vis fossils fuels are equally impressive.

Developing policies that push public procurement of construction, packaging and energy towards products originating from viable community forest business models makes a great deal of social and environmental sense — and particularly for decision-makers, should be a shoo-in.

■ DUNCAN MACQUEEN

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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](http://www.iied.org)

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