

# Fifth international Forest Connect workshop

Risk management for locally controlled forest business: Securing the future



## Workshop report

22 - 24 November 2016, Ecuador

Hosted by: IIED in collaboration with Somos Del Sur, Ecuador

Facilitated by: Anna Bolin and Juan José Ochaeta



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# Contents

<b>Executive summary</b>	<b>5</b>
<b>Introduction</b>	<b>6</b>
<b>Day 1: Improving risk management for successful locally controlled forestry</b>	<b>7</b>
1.1 Opening remarks and welcome	7
1.2 Introduction to the Forest Connect alliance	7
1.3 The importance of locally controlled forest enterprises in the Andean region	11
1.4 Framework of self-risk assessment for locally controlled forest-farm enterprises	16
1.5 A risk management toolkit for locally controlled forest businesses	20
<b>1.6 Results from testing of the Risk Management toolkit</b>	<b>24</b>
1.6.1 Kasena Nankana Baobab Cooperative Union (KANBAOCU) in association with Organisation for Indigenous Initiatives and Sustainability (ORGIIS), Ghana	24
1.6.2 Tan Lap Controlled Forest Business (CFB) in association with RECOFTC, Vietnam	26
1.6.3 The '24 de Mayo' Guayusa Tea Processing Business in association with PlanJunto, Ecuador	27
1.6.4 Community-managed forest businesses selling timber through the Mpingo Conservation & Development Initiative (MCDI), Tanzania	29
1.6.5 Association of Agro-extractive Producers of the Assembly of God of Rio Ituxi (APADRIT) in association with the Tropical Forest Institute (IFT), Brazil	31
1.6.7 Akar Tani Cooperative in association with RECOFTC, South Sulawesi, Indonesia	35
1.6.8 La Asociación de Madereros de OSA (AMAOSA) in association with CATIE, Costa Rica	36
1.6.9 Community Food and Agriculture Group (COFEG) and Nettle World in association with the Forest and Farm Facility and Kenya Forest Service, WeEffect and FF-SPAK, Kenya	38
1.6.10 Cooperativa Integral Agroextractivistas Campesinos de Pando (COINACAPA) in association with the Forest Farm Facility, Bolivia	41
1.6.11 Community Forest User Group Businesses with the Federation of community Forestry Users Nepal (FECOFUN), Nepal	45
1.6.12 Exploitation and Commercialisation of <i>Prunus Africana</i> , Western Highlands Nature Conservation Network, Cameroon	47
<b>1.7 Recommendations for improving the toolkit</b>	<b>48</b>
<b>Day 2: Field trip to enterprise support site in the Ecuadorian Chocó - Pedro Vicente Maldonado</b>	<b>51</b>
2.1 Introducing the field trip and business	51
2.2 Observations: what were the main risks and management strategies identified?	53

<b>Day 3: The development of metrics to measure progress in overcoming forest business risks</b>	<b>54</b>
3.1 Measuring development: A measurement framework for forest and farm business that bridges internal performance and external impact metrics	54
3.3 Metrics for measuring social impact by RECOFTC	57
3.4 Metrics to measure producer organisation effectiveness by FFF	59
3.5 Guatemala's forestry trade	62
3.6 Group discussions and feedback on the background paper	64
3.7 Group auction to identify and then prioritise future work streams	66
3.8 Future action points for the Forest Connect Alliance	66
<b>List of participants</b>	<b>68</b>



## Executive summary

Managing risk is a great challenge for local producers while growing a forest business. In March 2016, the International Institute for Environment and Development (IIED) launched a book and a toolkit which develop a framework for proactive risk self-assessment and management for locally controlled forest farm enterprises. Practitioners who supported the implementation of the toolkit were selected to share their results in the use of the toolkit. Coming from 14 different countries in Africa, Asia and Latin America, 23 participants gathered in Quito, Ecuador from 22 to 24 November for the 5th Forest Connect workshop focusing on risk management. The objective on the workshop was to revise and validate the implementation of the risk management toolkit, and to build further on successes.

During the first day, several participants of the workshop presented the preliminary findings from their attempts to test the risk management toolkit, which served to suggest some revisions to improve that product. On the second day, a field visit was made to the Ecuadorian Chocó-Pedro Vicente Maldonado to visit the bamboo plantation and operations of Allpabambú, a family enterprise that produces bamboo for the local and international markets in cooperation with other small enterprises and producers' associations. Allpabambú had also carried out a risk assessment process using the Forest Connect toolkit and this concrete case gave ample opportunity for discussions on risk management amongst the participants of the field visit. On the third and final day of the workshop, the participants were invited to reflect further – building on the risk management framework - and explore how to develop metrics for success.

A second objective of the workshop was to develop a framework and set of metrics that can reliably track the contribution of locally controlled forest business models to sustainable development. The intention of such a framework would be to strengthen their position, and support for them, in the context of policy and investment decision making. Related key areas of interest and further action were prioritised, clustered around i) developing evidence based policy advocacy based on metrics and piloting tools and approaches to distinguish LCFB, ii) developing knowledge on business incubation, iii) identify pathways for LCFB in the labyrinth of labels and eventually develop more appropriate tools for LCFB market access and iv) increase learning on financial and social investments. All Forest Connect partners expressed interest in creating more knowledge and sharing on these identified areas.

The workshop closed with the formalisation of the Latin American Forest Connect network that will be coordinated by Somos Del Sur, Ecuador, with the support of Reforestamos, Mexico. The meeting was hosted by IIED in collaboration with Somos Del Sur, Ecuador.

## Introduction

Locally controlled forest-farm enterprises and their associations offer particular advantages for forest protection and poverty reduction. They accrue wealth locally, empower local entrepreneurship, strengthen social networks and create an incentive for forest landscape restoration. How they operate is also fundamental for the implementation of the Sustainable Development Goals (SDGs), Reducing Emissions from Deforestation and Forest Degradation (REDD+), efforts to combat illegality through Forest Law Enforcement Governance and Trade (FLEGT) action plans, and green economies that deliver food, fuel and construction materials to those who need them most. But in least developed countries, structures that connect with and support those enterprises and their associations are weak. The result all too frequently is economic failure, social conflict and degradation of the forest resources on which locally controlled forest-farm enterprises depend. The Forest Connect alliance addresses this lack of connectedness – based on substantial evidence of demand from in-country partners. It helps to build social, economic and environmental sustainability amongst locally controlled forest enterprises by connecting them:

- to each other – with a focus on strengthening forest-farm producer organisations at different levels;
- to service providers – with a focus on building business and financial capacity;
- to buyers and investors – with a focus on enhancing market links and brokering fair deals; and
- to governance processes – with a focus on securing commercial forest rights and incentives.

Forest Connect was established in 2007 and is global in scope, involving partners whose mandates include support to locally controlled forest-farm enterprises. It is an open alliance, co-managed by the International Institute for Environment and Development (IIED), the FAO-hosted Forest and Farm Facility (FFF) and the Centre for People and Forests who manage Forest Connect Asia (RECOFTC) and the Earth Innovation Institute (EII) together with regional chapters such as Forest Connect-Asia and a new pan-African network, AFECONET. Part of the aim of the meeting in Ecuador was to establish a new network to take forward this agenda in Latin America.

Forest Connect has provided project funding for work to support locally controlled forest enterprises in many countries since its inception. But its main role is on knowledge exchange where it connects, through a wider web-based network, more than 1000+ interested individuals and institutions from 94 countries worldwide. At the first international Forest Connect workshop in Edinburgh in 2-4 July 2008, supporters of locally controlled forest enterprises from around the world identified what types of guidance they needed to do their job better. A toolkit was prepared – and then subjected to testing and enrichment, which formed the substance of the second Forest Connect workshop in Addis Ababa from 16-18 February 2010. The alliance then focused on how best to prioritise scarce support for locally controlled forestry at a third international Forest Connect workshop in Kathmandu, Nepal from 13-15 February 2013. This led to a compendium of case studies of successful locally controlled forestry business models presented at the fourth International Forest Connect network in Hanoi from 15-18 January 2015. An emerging priority from that fourth workshop was the need to improve knowledge on risk management among locally controlled forest-farm enterprises from which practitioners could learn.

The four co-management partners of the Forest Connect alliance therefore took on the challenge of improving knowledge about risk management by developing a framework for self-risk assessment as a learning resource for practitioners worldwide – published as a book of case studies.

The objective of this fifth international Forest Connect workshop was for participants to present preliminary findings from attempts to test the toolkit, in order to revise and improve it as necessary. But the meeting also focused on building on the risk management framework to explore how to develop metrics for distinguishing business models and their likely contribution to sustainable development. In an era when many business models still maintain a narrow focus on financial metrics, the intention of Forest Connect is to develop metrics that can also reliably track the contribution of locally controlled forest business models to a broader set of social and environmental impacts (and thereby strengthen support for them in programs linked to FLEGT, REDD+ and the SDGs). The final objective of the meeting was to explore the appetite for a Latin American Forest Connect network.

# Day 1: Improving risk management for successful locally controlled forestry

## 1.1 Opening remarks and welcome

*Jamill Ramón, Vice Minister, Ministry of Agriculture*

Ecuador's Vice Minister of Agriculture, Jamill Ramón, opened the workshop. In his keynote address, Vice Minister Ramón set out the government's aim of delivering 'el buen vivir en los territorios rurales', or 'wellbeing in rural territories'.

Since 70-90 per cent of Ecuador's producers are smallholders, achieving this ambition means supporting locally controlled forest and farm business to sustain and diversify production. Promoting proactive risk management is crucial to this. Ecuador's constitution is the first in the world giving nature its own rights. And all the legal frameworks for agriculture and forestry sectors focus on smallholder producers. This is a good foundation for locally controlled forestry.

In order to achieve their rural development goals the government has developed strategic plans based on the specific characteristics of each region. The forest and farm landscapes of Ecuador are very diverse, ranging from dry mountain ranges to moist rainforest. In each region, production varies depending on not only the geography and crop varieties of the region, but also capabilities. For example, the coastal region has a mixed landscape of agriculture and timber production. Here the focus is on improving productivity. In the Andean region the productivity potential is lower but there is also more land available for farming due to the relatively low population density. Here the focus is on diversification and extension of farm lands. In the Amazon region, where the rate of deforestation is high and most of the protected areas can be found, the government is supporting farmers in turning degraded pastures into productive agroforestry land. This is helping to reduce pressures on forest resources and avoiding deforestation.

Two of the Ministry's main goals are to integrate more youth and women in the productive sector, and to promote production that is based on diverse cultures and agroforestry. As a result of rural to urban migration, women are in many rural areas in charge of the farms.

According to the Government of Ecuador, giving people the tools to increase their well-being, improving the productivity and sustainability of their forest and farm landscapes are key. And this goes hand in hand with their motto of "well-being, peace and good development".

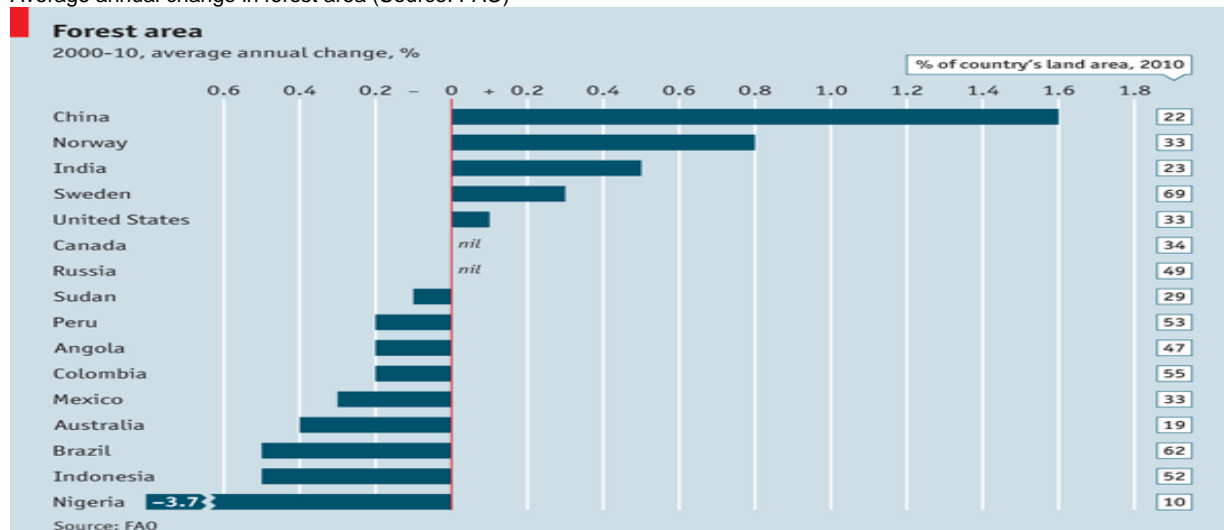
## 1.2 Introduction to the Forest Connect alliance

*Duncan Macqueen, IIED*

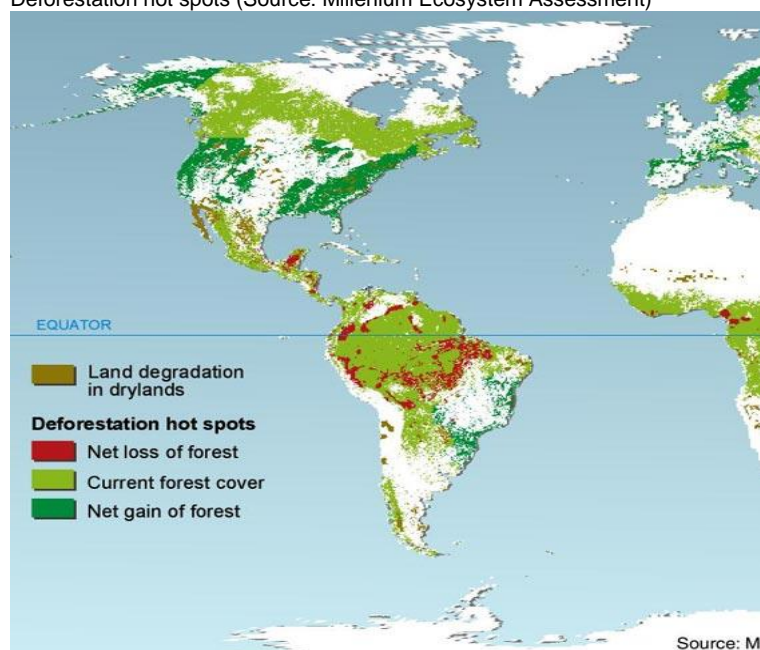
### **Why build an alliance? Some obvious observations**

- Forest cover change has patterns
- Forest gain: China, Norway, India, Sweden, Finland... and:
  - Forest gains driven by forest and farm producers
  - First, second and third tier business organisations key to approach
  - NGO and Government support strong
- Sweden since 1906 / China since 1980s – 2002 and a lot of mixed pictures (e.g. Java in Indonesia)

Average annual change in forest area (Source: FAO)



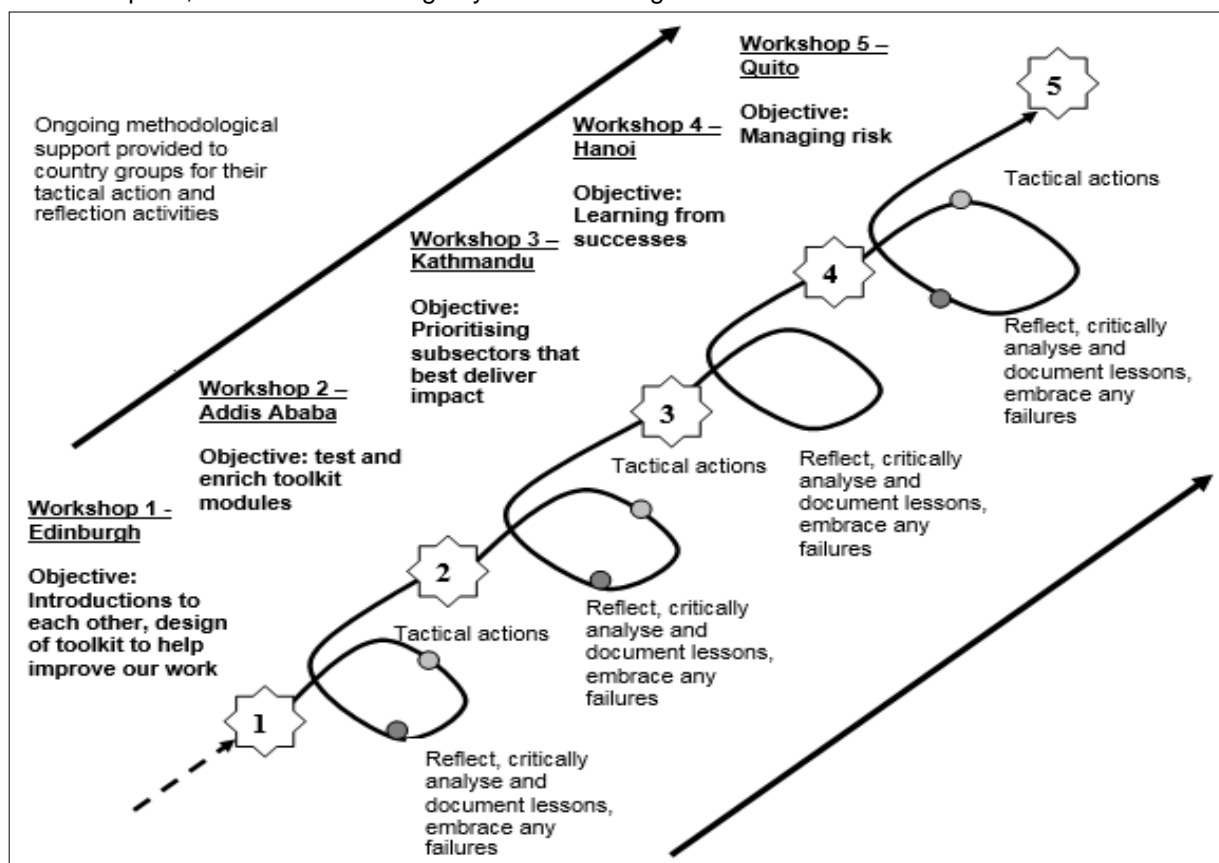
Deforestation hot spots (Source: Millenium Ecosystem Assessment)



- Forest Connect is an international alliance, this is the first meeting we've held in Latin America, and we hope this leads to a FC Latin America, where people here can share experiences.
- Established in 2007 and now represents a decade long partnership
- We recognise that many community enterprises are isolated from each other, from markets, from service providers, etc. We established this alliance so we can break down that isolation
- Smallholder forest farm producers and indigenous people are driving forest gains (reforestation) – China, India, Scandinavia. In these countries there is strong NGO support, strong government support and secure rights.



Since inception, FC has been through cycles of learning:



### Democratising forest business - an operating system for the Sustainable Development Goals

Locally controlled forest businesses are delivering prosperity:

- Democratic oversight of land use
- Democratic distribution of financial benefits
- Democratic representation in policy processes
- Democratic inroads into market access
- Democratic investments into education
- Democratic branding of what business is for
- Considerable challenges of organising such businesses profitably
- Risk management approaches can help address key challenges
- Making progress often means working together better e.g. stronger local control – but how do we measure this?
- How do we distinguish large and small, democratic and not, private sector enterprises?
- Small enterprises face many risks, and we want to change the paradigm
  - Unequal representation → strong political representation
  - Lack of access to markets → preferential access to markets

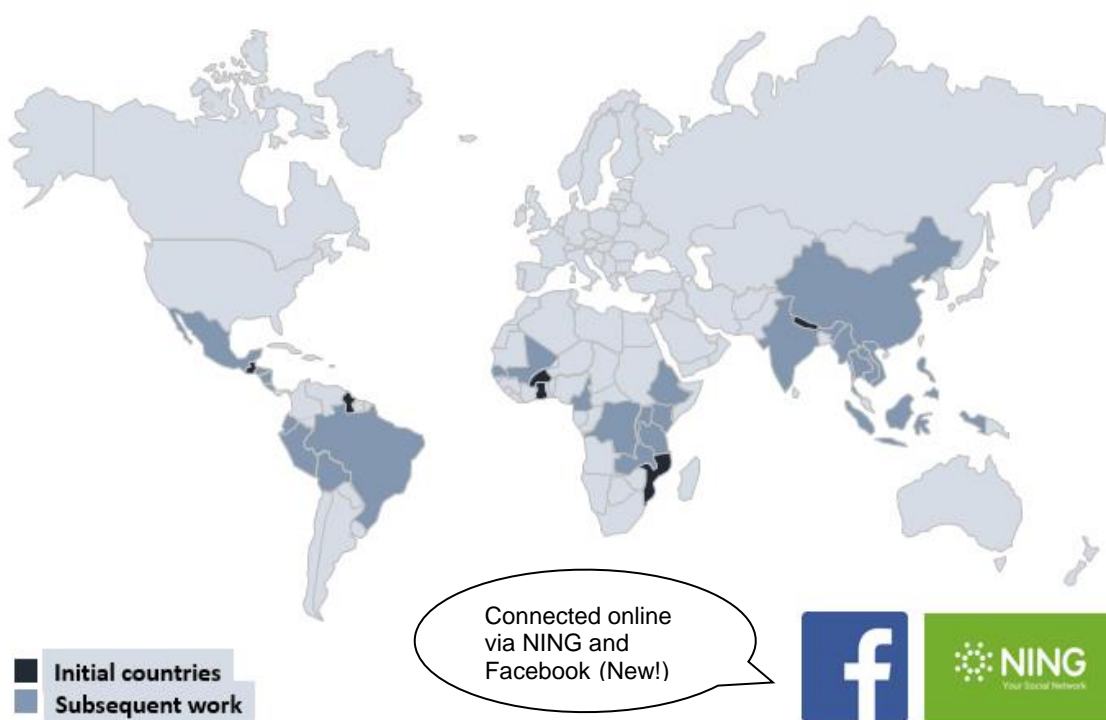
## Problematic paradigm = Local isolation



## Transformative paradigm = Local control



## Where has Forest Connect worked?



### Supporting the transformation

- How to reduce risk for locally controlled forest business?
- How to distinguish transformative business from that which is not?

## 1.3 The importance of locally controlled forest enterprises in the Andean region

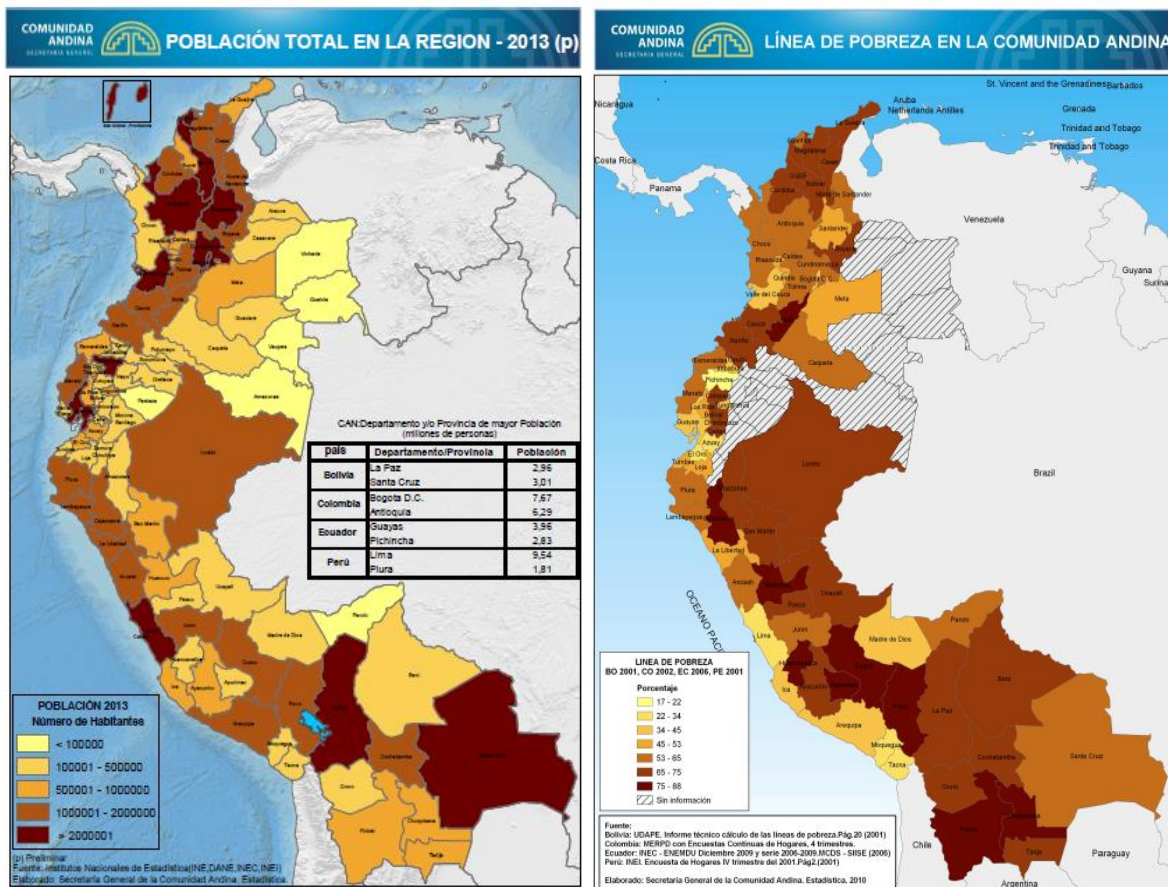
*Alvaro Cabrera, Somos Del Sur and FSC Ecuador*

### The Andean Community ACN/CAN

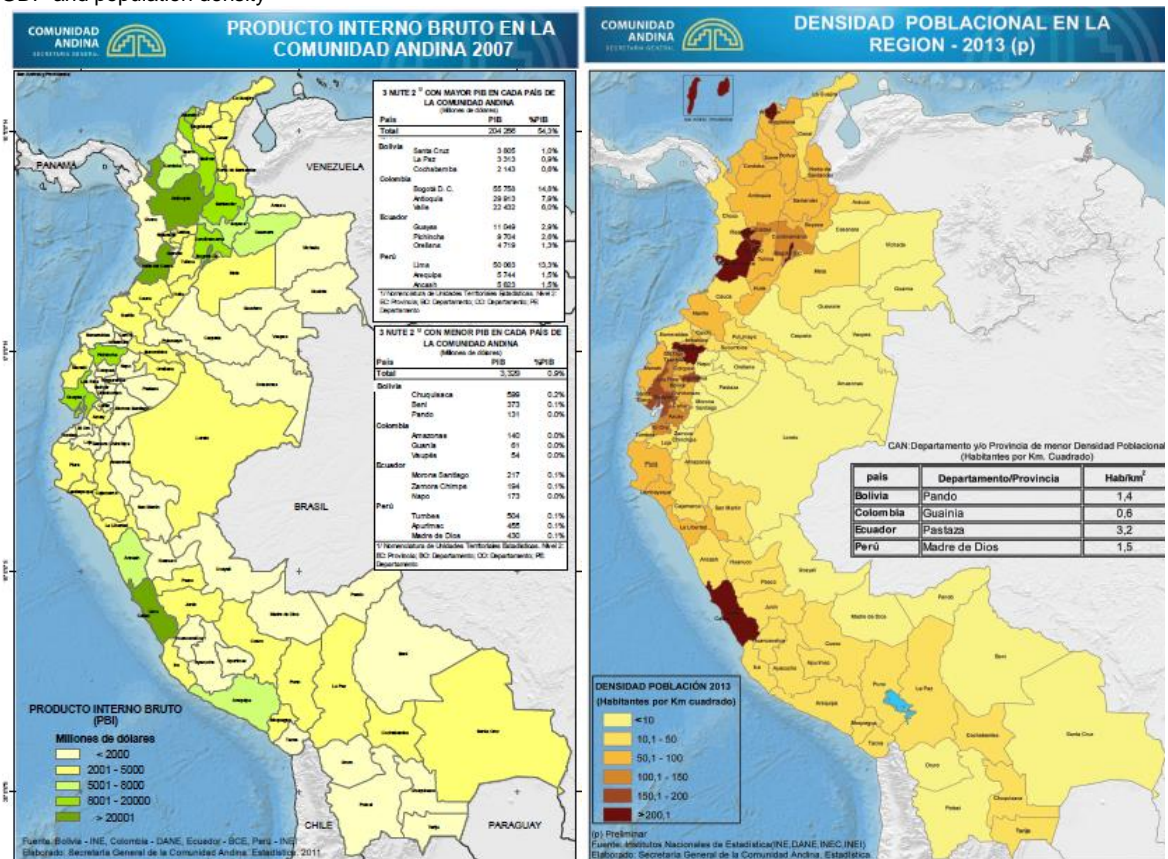
- Andean region spans many countries, includes more than 100 million people (28% rural)
- Economic growth in the last 10 years was not translated in poverty reduction, this is especially in rural areas. Poverty rates are higher than 30% in urban areas and 60% in the rural context.
- CAN aimed to reduce poverty to less than 40% by the year 2019, as per of the Andean Objectives for Social Development (OANDES).



## Country populations and percentage of the population in poverty

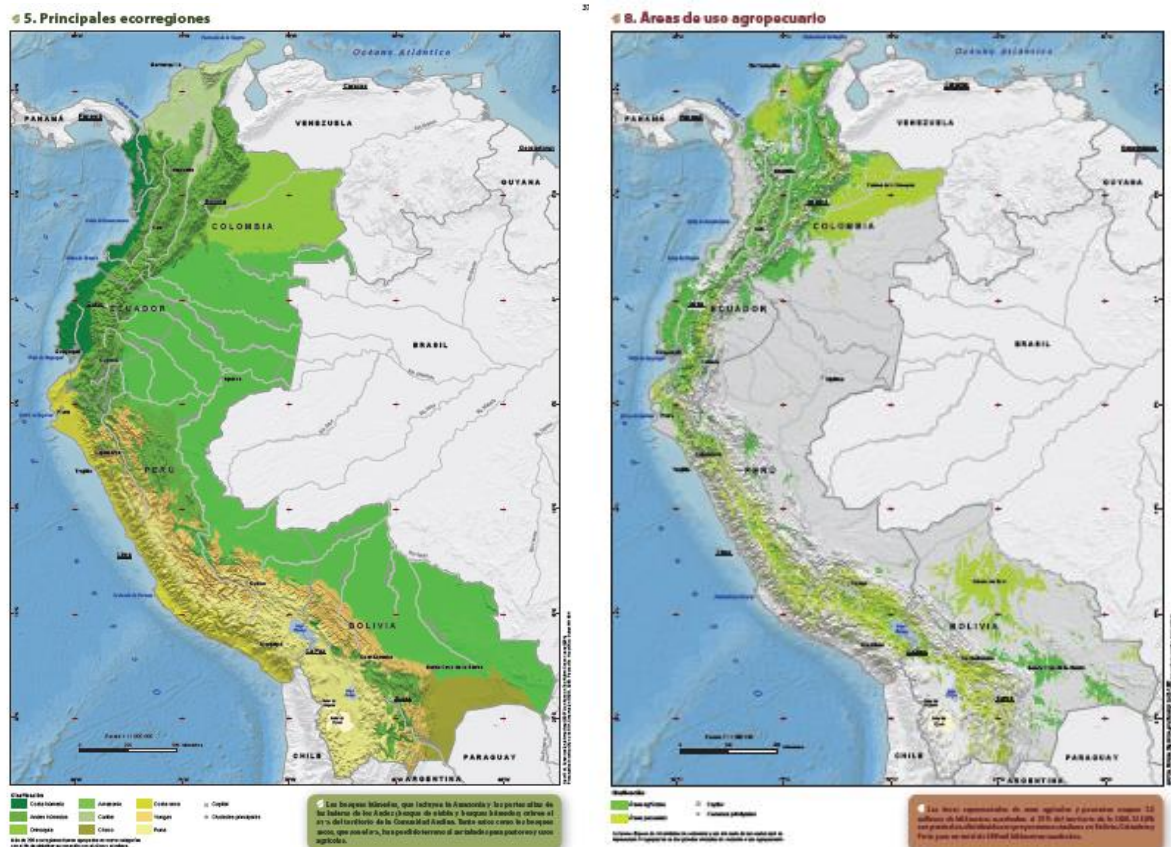


## GDP and population density





## Principal eco-regions and agricultural areas



- A big challenge is knowing where locally controlled forest businesses are, there is very little data available, even on CAN's website
- If you look for a definition of locally controlled forestry you will find the definition of the G3<sup>1</sup>: *"The local rights for forest owner families and communities to make decisions on commercial forest management and land use, with secure tenure rights, freedom of association and access to markets and technology."*
- But forest concepts are different in the Andean countries, therefore the legal frameworks are different, this also implies differences in roles, competencies, objectives, plans, etc.
- The idea of "locally controlled forestry" can differ from country to country, and even from agency to agency
- The contribution of forestry to the GDP in Ecuador is about 3%
- One of the main sources for employment in rural areas is in forestry
- Most of the timber comes from the coastal areas (where more people live), not the Amazon

## Forests in Ecuador

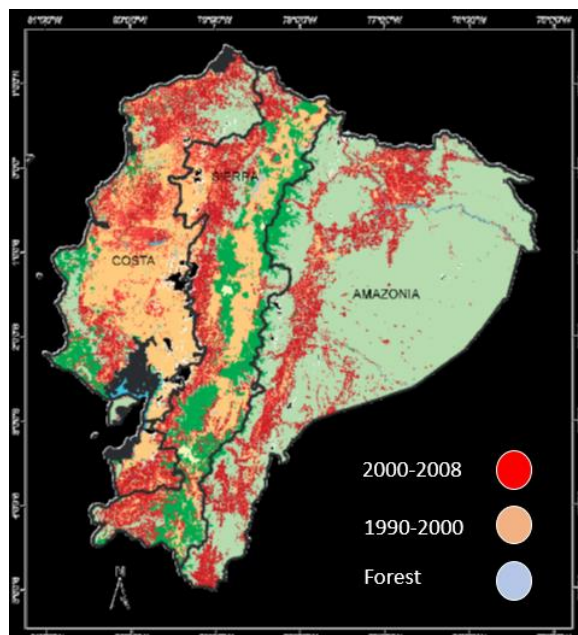
- Most of the timber in Ecuador comes from the coast (49%) and mountains (38%), rather than the Amazon
- Data differs depending on methodologies used but according to the CLEARSEN (2003) data the forest cover of Ecuador is 11.68 million hectares, whereas the estimate given by FAO (2010) is 11.84 million hectares. The majority of forest is found in the Amazon (55%), followed by the sierra (mountain range) region (27.5%), and finally the coastal region (21.7%).

<sup>1</sup> Global Alliance of Community Forestry (GACF), the International Family Forestry Alliance (IFFA) and the International Alliance of Indigenous and Tribal Peoples of Tropical Forests (IAITPTF), known collectively as the G3.

- Data on deforestation rates (1990-2010) diverge more as figures provided by CLEARSEN and civil society (1.5%) are double that provided by the Ministry of Environment (0.66-0.71%).

### The forestry sector in the economy of Ecuador (formal)

- In 2007 the forest sector was prioritised by the government of Ecuador.
- Forest assets and services represent more than \$600 million USD per year, contributing towards about 3.2% of GDP.
- Employment generation - the forestry, wood and furniture sector generates around 235,000 direct jobs (ITTO, 2004), this is 5.5% of the economically active population; and thousands of additional indirect jobs (2.75% of the EAP for the year 2003).
- The sector is extremely important as a large part of this employment is generated at the rural level and in small cities where a great number of artisanal activities are concentrated.
- These jobs are divided in turn between big industry (7,500 people), small and medium industry (74,000 people); and carpenters and woodworkers (96,000 people). It is also important to note that in afforestation and reforestation work, including plant production, some 2,500 specialists, and approximately 20,000 other people work in removal, cutting, sawing and manual extraction activities.



### The internal market

- Annually the government approves the harvesting of around 2.8 million m<sup>3</sup> of wood (nationally).
- This is distributed according to the following: coast 49%, sierra (mountain range) 38% and the Amazon 12%.
- Around 65% of the wood comes from plantations.
- Wood harvested in native forest comes mainly from the coastal and Amazon regions. Agroforestry systems contribute to 23% of the total wood.

### Bamboo in Ecuador

- Ecuador has about 50,000 ha of bamboo, distributed in mixed forests and plantations. The main bamboo species is *Guadua angustifolia*.
- Ecuador has 7 bamboo genera, 44 species (11 endemic bamboo species).
- Introduced species such as *Dendrocaloamus asper*, *Phyllostachys aurea*, *Bambusa vulgaris*, are important for producers and local industries.



### The market for Bamboo

- Ecuador is one of the main banana exporters with more than 200,000 ha of banana crops. Bamboo is used to support banana fruits. Around 1.2 million people live in bamboo homes and it is also the main construction material for emergency homes.



- The main market for bamboo in Ecuador is for “caña guadua”, and an estimated 15.5 million bamboo poles are harvested and sold per year (INBAR, 2015). Another species, giant bamboo, is used by local industries to make bamboo flooring and panels, as well as guitars and other high value products. However, only 20% of the total giant bamboo available in the area is consumed. Giant bamboo is available mainly in Pichincha - there are other plantations in other provinces but it is not significant.

Bamboo products



### Allpabambú

Allpabambú (AB) is a new, small family-run company in northwestern Ecuador that sells bamboo products in local and export markets. Its goal is to sell legal and sustainably harvested products for use in construction and agriculture. AB has 50 ha of giant bamboo and 5 ha of “caña guadua”, and has a processing facility for sawing, treating, and drying bamboo poles. AB opened new markets for giant bamboo in the construction sector locally and internationally (USA, Peru).

### Activities

- Bamboo for construction (preserved and dried poles, laths)
- Construction of bamboo infrastructure
- Technical Assistance
- Export of bamboo products

In late 2015 AB carried out a risk self-assessment using the same framework as the Risk Management toolkit. These were some of their main risks identified:



Revenue flows	Resource access	Business relationships	Security of operating environment	Brand development	Operational capacity
International competition. The buyer also plans to establish its own plantations in Central America and/or the US.	<p>** Lack of raw material that complies with export requirements regarding age and thickness of the stem wall.</p> <p>- What would AB do about the credit their partners provide if it can't get enough raw material?</p> <p>- What would AB do with its employees if it can't find enough raw material to keep production steady.</p> <p>* Delays in delivery of raw material.</p>	<p>Producers could decide to not provide the agreed upon product even if payed in advance.</p> <p>Buyers could decide not to pay for product received.</p> <p>Someone could put drugs in the container at any of the points it passes through ports. AB owners could end up in jail, or at the least have the business frozen until the investigation is finished. Fortunately, one of AB's US associates has worked with flower exports for many years.</p>	<p>** Instability of the laws foments insecurity. With the current crisis, the government is looking for ways to generate revenue. Ex. It could create a law that all exporters pay a new tax. Ex. A new law was proposed to put a high tax on inheritance and capital gains, which led to many potential clients sending their money out of the country instead of investing in boutique houses made of bamboo.</p> <p>Lack of a law for construction with bamboo. This makes people wary of using it and suppresses demand.</p> <p>Inadequate transportation paperwork for bamboo (based on timber).</p> <p>Seasonal rain can inundate roads and result in transportation delays for getting bamboo from producers. On the other hand, it can help those producers who transport bamboo by river to get the product to AB more quickly.</p> <p>(Notes: No problems with pests or disease; do not need fertilizers)</p>	<p>Lack of information on legal producers in the region (potential supply).</p> <p>Consumer aversion to bamboo due to lack of information and preconceptions (cultural bias).</p> <p>As there is no law with minimum requirements for the characteristics of bamboo for construction, architects could use low quality or inappropriate bamboo materials that result in poor quality construction or accidents. This is a risk for the image of bamboo in general.</p>	<p>* Accidents - high incidence of different types. It is hard to get some workers to use the personal safety equipment.</p> <p>Lack of technical information on the physical/mechanical characteristics of Giant bamboo.</p> <p>Lack of technical information on the silvicultural applications with Giant bamboo.</p> <p>Time for processing</p> <p>Defective machinery can affect quality and increase accidents.</p> <p>Lack of financing limits AB's ability to respond to market changes/ opportunities.</p>
Local competition. AB's costs are higher than others' because they comply with labor laws. Their bamboo is more expensive than bamboo they buy from others.					
Dependence on one export buyer. AB has made a lot of investments to respond to the requirements of this buyer.	Producers could decide to sell to other buyers (intermediaries) because AB only wants part of the culm, while intermediaries can often sell all of it.				
Lack of financing. There is an aversion to investment and finance and a lack of government funding in the country due to the current financial crisis.	<p>Most small producers sell their bamboo to an intermediary who cuts everything. Then there is no bamboo for another 5-8 years.</p> <p>Small producers of giant bamboo could decide to dedicate their land to something else or abandon it because the market for this product is not yet developed.</p>				

## 1.4 Framework of self-risk assessment for locally controlled forest-farm enterprises

## Securing the future - managing risk and building resilience within locally controlled forest businesses

*Anna Bolin, IIED*

In late 2015, the three co-management institutions of the Forest Connect alliance, the International Institute for Environment and Development (IIED), the Forest and Farm Facility (FFF) and the Center for People and Forests (RECOFTC), subsequently joined by the Earth Innovation Institute (EII), designed a research process to investigate risk-management strategies of eight locally controlled forest businesses in five countries.

The research report “Securing the future: managing risk and building resilience within locally controlled forest businesses”, which included Allpabambú as one of the case studies, is a resource book for the Risk Management Toolkit.

It describes main risks and risk management approaches of 8 locally controlled forest businesses in Cambodia, Ecuador, Guatemala, Kenya and Vietnam.

## What do we mean by risk?

- 'Risk' in referring to situations, events or actions that that can challenge the ability of the business to reach its objectives and overall sustainability
- 'Risk assessment' is about understanding the likely impacts or severity of the consequences of certain events and challenges
- 'Risk management' a series of activities for dealing with unpredictability and challenges





- The objective of risk management is to strike a balance between cautiously handling risk on the one hand but also being open to risk taking which is at the core of innovation and entrepreneurialism

### Background and rationale

Last year we launched a compendium ("Democratising forest business: a compendium of successful locally controlled business organisations) of 19 case studies from 14 countries showing examples of successful locally controlled business models, their particular ownership and decision making structure, and how they have managed to overcome the many challenges they face.

The book highlighted the complexity of these democratic business models. In addition to general challenges of operating in a remote environment they are often managed and owned by a group, have their roots within the local community and therefore need to balance a number of local interests and needs that are particular to their context.

For the majority of the case studies balancing these multiple needs and interests is challenging and often "survival" was success in itself. At the same time these businesses have an important impact on their local economies and society. Building the resilience and ability of these businesses to manage challenges better is likely to bring positive implications on poverty reduction and sustainable development in general.

As we started our literature review for this research report we found that little is actually known about how SMEs manage risk, and that there are hardly any case studies from the forestry sector and from low and middle income countries. It is widely known that failure rates among SMEs are high and few reach their potential but lapse back into informality, particularly as enterprises try to navigate their way from start-up to reach their optimum size and stability. Growing and taking on new business development opportunities are particularly risky times that will need to be carefully managed.

There is little guidance offered in the form of training material, and in particular for the forestry sector. The limited research that has been carried out on SME's risk management has struggled to find case studies where it has been implemented. They conclude that this is because of the limited awareness amongst SMEs of different techniques for risk reduction and management. More research and guidance was needed to help build an understanding of risk management and risk management approaches among locally controlled forest business.

### Risk assessment case studies

1. **Fedecovera Forestry Division** (Federation of Cooperatives of Verapaces) in Guatemala incorporates 43 member cooperatives growing 4,500 ha of FSC certified timber and process 25,000 m<sup>3</sup> of wood annually.
2. **Impulsores Suchitecos de Desarrollo Integral Sociedad Civil** in Guatemala – owned by 21 partners from the local community managing 12,000 ha of natural forest in the Mayan Biosphere Reserve with natural mahogany.
3. **Kisii Tree Planters Association** in Kenya - 1150 members growing trees on their farms for the local fuelwood, construction, and furniture markets
4. **South Coast Forest Owners Association** in Kenya – 150 members growing trees on their farms for the local construction market, fuelwood and carving industry.
5. **Allpabambú** in Ecuador – family run business managing, harvesting and processing bamboo from 55 ha of plantations selling to both domestic and export market
6. **Association Rio 7** in Ecuador – a former state owned company now owned by its former employees, managing 205 ha of bamboo plantations and processing bamboo for both domestic and export markets
7. **The Association of Quang Tri Smallholder Forest Certification Groups** in Vietnam - 517 household members each growing 2-3 hectares of FSC certified acacia wood for the domestic market
8. **Mondulkiri Forest Venture in Cambodia** – owned by 13 community based NTFP collector groups for honey, resin and bamboo from 9 villages covering over 31,000 ha of forest and involving 550 individuals.

Clockwise from the top left, Mondulkiri Forest Ventures, Impulsores Suchitecos de Desarrollo Integral Sociedad Civil, Association Rio 7, FEDECOVERA, The Association of Quang Tri Smallholder Forest Certification Groups, Kisii Tree Planters Association



### How? The risk assessment framework

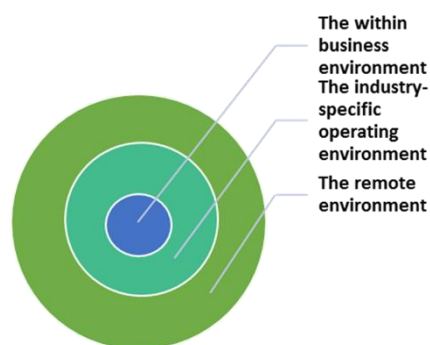
In order to undertake an assessment of the main risks that managers of these businesses perceive to be critical and explore potential mitigation options we developed a conceptual framework that can be easily understood and used. A second intention with the framework was for this to be used by Forest Connect partners and the local enterprises they support with a simple narrative framework to communicate risk and support needs to government agencies, or to other actors in the value chain. This broadly involved looking at:

- The remote environment (including unpredictability within the wider macro-economic, legal, natural, socio-cultural and technological context),
- The industry-specific operating environment (including unpredictability among actors that directly interact with the business and its products such as creditors, competitors, suppliers and customers), and
- The within-business environment (including unpredictability of labour, machinery and processes etc).

The FAO MA&D methodology identifies five generic areas of enterprise development to assess and screen sustainability of products for small-scale forest enterprises and 6 areas of concern regarding revenue flows, resource access, business relationships, operational capacities, security and brand development.

The idea was to use these categories to interrogate different types of risks and make it easier for cross learning as they normally contain key within-business and industry-specific factors that impact on business performance and that are common to all business in that specific sector.

Risk assessments were then carried out in focus groups containing a mix of members from different levels and responsibilities within the enterprise.





## Findings

1. Risks are managed to varying degrees, but this tends to be reactive and mostly ad hoc.
2. New way to think about “problems”. Some businesses treat risk as a part of day-to-day problems without really considering how it could affect the sustainability of their business. Although a number of risk-coping mechanisms and strategies were identified, these were the result of years of growth and reactive learning rather than a formal proactive system for managing risk.
3. Created a sense of ownership of the risk management by focusing on the business objectives. In some cases, more proactive risk-management systems had been used, but these had often been developed as part of an external partner’s risk-management strategy (eg Forest Stewardship Council (FSC) certification).
4. Benefits recognised in improving business planning and strategy. Regardless of their size or level of complexity, all of the businesses in this study recognised the benefit of carrying out risk self-assessments and risk management – especially to improve planning and strategy. It triggers a new way of looking at usual problems and helps to proactively manage them – or turn them into opportunities.
5. Particularly useful when facing new challenges. Example: FEDECOVERA – large complex organisation with multiple business lines and supply chains – 40 years of experience in agriculture and cooperative business – since 2014 expanded into a new market to add value to the timber plantations that have been established under the government’s incentives program – producing wood pallets at industrial scale – whole new set of challenges and risks emerging that they are facing for the first time and need to navigate. Similar context for MFV who is expanding two new products into new markets and community forest areas, taking a loan to finance the expansion.
6. Helped identify risks such as dependencies not thought of before. Example: Association of Quang Tri Smallholder Forest Certification Groups (AQTSFCG) in Vietnam, the risk self-assessment process brought out a whole new set of sustainability challenges that had not been thought of before. It revealed a high level of dependency on a number of key individuals and support agencies. The business managers agreed that this dependency would need to be reduced gradually to increase the organisation’s capacity to manage the business and its finances independently.



## Findings: main risks to manage

- Financial health: how do we establish a system of creating working capital? A healthy reserve of working capital is also a key challenge and an indication of the financial sustainability of the business.
- Balancing short-term income needs with long-term business vision
- Insecurity over resource access affecting investment decisions
- Dealing with unpredictable hazards
- Dependence on a single buyer and market
- Potential trade-offs between sustainability vision of the brand and economic objectives
- Leadership capacity concentrated amongst a few or dependent on one external manager



## Conclusions

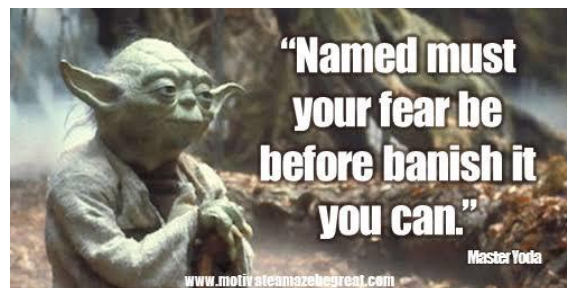
*Investing in financial management is key.* Allpabambu in Ecuador understand the association's need for operating capital and so have set up a payment plan for each order. The buyer settles 30 per cent of the payment when signing the contract, 50 per cent when the container arrives at the company's processing centre, and 20 per cent when the customer's client confirms the quality.

*Researching buyers and selling as a group.* Another core element of managing revenues in a locally controlled forest business is to ensure that buyers are researched and engaged by the group as a whole. Nothing erodes profitability as fast as the buyer being able to play producer members off against one another to lower prices.

*Developing savings systems for working capital funds helps strengthen group cohesion.* Maintaining group cohesion within LCFBs requires a great deal of trust. By having internal working capital, it is possible to pay members for their product on delivery and thereby secure the trust of those members.

*Developing market networks and business relationships.* Example of association in Vietnam developing a financial mechanism together with its main buyer to help member access credit at a time when they would otherwise feel pressured to sell their FSC timber to the low value wood chip market.

*Joining or establishing industrial roundtables and other federated representation structures.* Asociación Rio 7 joined the National Bamboo Roundtable, which has strong links to the ministries of agriculture, industries and productivity, and the environment. In Guatemala ACOFOP is supporting businesses such as Suchitecos to develop data on how delays in licensing and corruption in control entities affect their business and what implications this has on the collective tax revenue and employment that they generate.



## 1.5 A risk management toolkit for locally controlled forest businesses

Martin Greijmans, RECOFTC

### Rationale

Risk – to run away from? Risk is part of any business, and it's not necessarily something to run away from but something to be managed

The toolkit was developed to help increase understanding for: a) risk and its potential impact on LCFB, and; b) that risk taking is business but needs to be managed.

### Toolkit objectives

- A guide to identify and analyse risks for your business (risk self-assessment) - initially facilitated
- Practical options how to deal with identified risks (risk-management techniques)
- Tools for engaging with external actors in the value chain that can help reduce risks and improve the enabling environment.



### To enable 'your business' with:

- more understanding within different levels of your business why risk management is important
- a systematic identification process of 'priority risks'
- a plan to manage and monitor risks internally and with external actors in the value chain

### For whom was the toolkit developed?

- 'Business managers' and LCFB staff
- Other value-chain actors: private sector, service providers, government offices, second-level and apex organisations – to better understand the barriers LCFBs face

- Use the self-assessment as a communication tool to explain business challenges, and pro-actively demonstrate what LCFBs are doing to address these challenges in the business plan.

### Approach for developing the toolkit

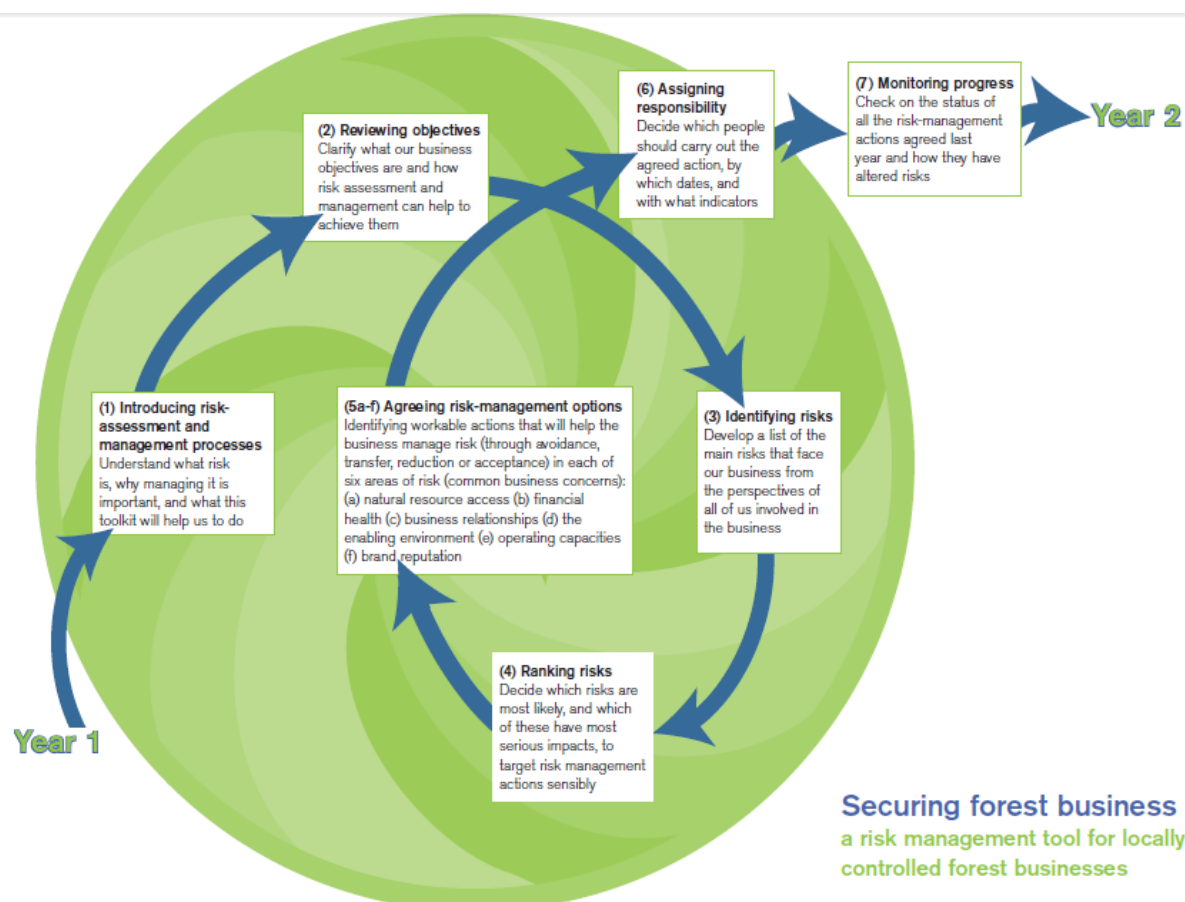
- Forest Connect alliance partners lead by IIED, EII, FFF, AFECNET, RECOFTC with experience in developing and implementing forest enterprise development related tools
- Linked to other toolkits i.e. MA&D participatory screening approach, esp. in the 4th phase in reviewing the enterprise development plans (EDP's)
- Basically a bunch of people doing hard labour in Scotland

### The 7 step risk-assessment and risk management process

1. Introducing risk assessment and management processes: understanding what risk is, why managing it is important and what this toolkit will help to do
2. Reviewing objectives: clarify what the business objectives are and how risk assessment and management can help achieve them
3. Identifying risks: develop a list of the main risks that businesses face from the perspectives of all of people involved in the business
4. Ranking risks: decide which risks are most likely and have most serious impacts to target risk management
5. Agreeing risk management options: identifying workable actions that will help the business manage risk in each of the six areas of common business concerns
6. Assigning responsibility: decide who should carry out the agreed action, by when and how
7. Monitoring progress: check on the status of agreed actions and how they have altered risks

### Style of the modules

- Participatory facilitation (ensure ownership by LCFB)
- Purpose with learning points (enabled capacities)
- Link to previous modules and decision points
- Steps of the activities per module (process): discussions, focus group discussions



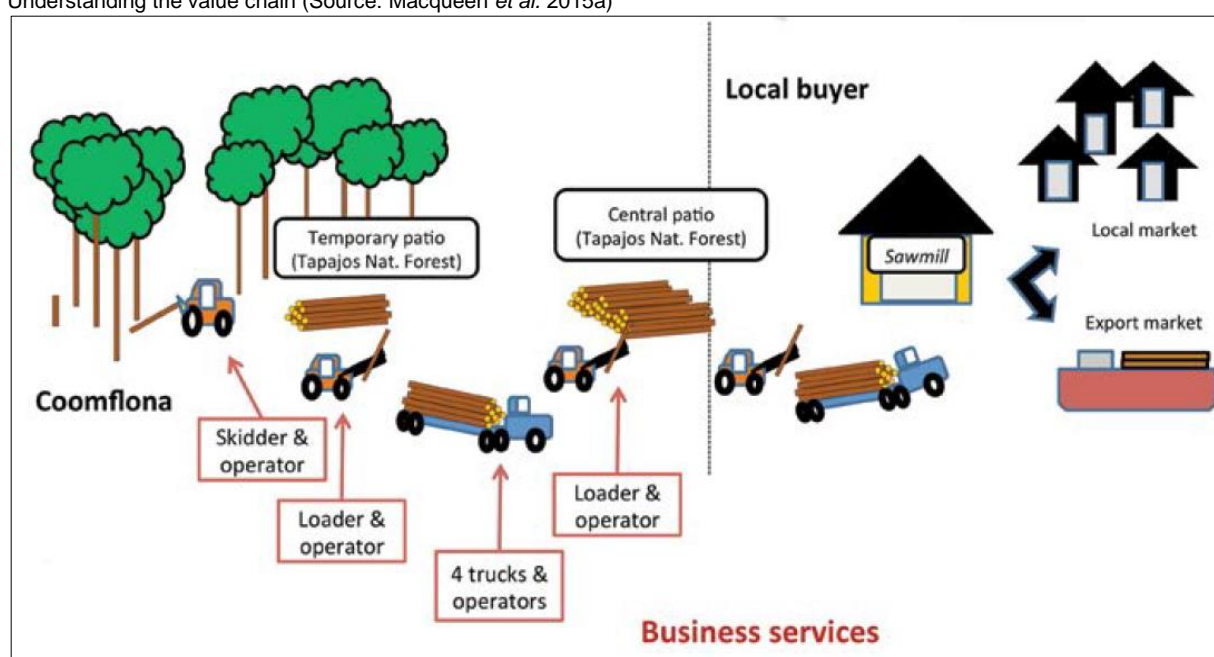
- Wrap up, agreed actions, and next steps
- Tips and advice

Identifying risks 'two frameworks (Module 3)

Areas of concern for LCFBs and potential sources of risk	Areas of influence or external factors that influence risk
Natural resource access	Macro-economic and market context
Financial health	Institutional and legal context
Business relationships	Natural environment
Security of the external operating environment	Socio-cultural relationships
Internal operational capacities	Technology/research and development
Brand reputation	

This involves understanding the value chain and collecting challenges to allocate using the two frameworks.

Understanding the value chain (Source: Macqueen *et al.* 2015a)





### Module 4: ranking risks

The toolkit ranks risks and helps to analyse what the degree of impact (severity) is, but also what the probability is.

**Table 2. Example of the risk-assessment table with randomly entered figures to give an example of how the table might be filled in**  
(please delete these fictitious examples of risk and numbers when you fill in your own table!)

1. Main areas in which risk might occur		2. Risks identified for each area to do with	3. Scale of consequences: high (3), medium (2), low (1), none (0)	4. Probability of impact this year: certain (3), high (2), low (1), none (0)	5. Overall score in this year (0–6)	Rank in comparison with other risks
Natural resource access	Macro-economic and market context (eg competition for resources, overlapping land uses, demand focused on particular species or products)	Some competition for forest use	2	1	3	4
	Institutional and legal context (eg licensing or renewals, burden of law enforcement processes, resource-allocation procedures)	Renewals are too slow and bureaucratic	3	3	6	1
	Natural environment (eg over-exploitation/degradation, inefficient exploitation, environmental shocks)	Lack of forest area to meet buyers demand for product	2	3	5	2
	Socio-cultural relationships (eg gender inequities in resource rights, conflict over access and rights of use)	Community conflict over access to non-timber forest products	3	3	6	1

The risk assessment matrix

		Scale of consequences			
Scale		0	1	2	3
Probability of occurrence	0	ACCEPT (live with it)			TRANSFER (insure against it)
	1				
	2				
	3	REDUCE (keep an eye on it)			MANAGE OR AVOID (plan for it)

### Next steps and objectives

- A first test was carried out and documented in “Securing the future” research report
- FC alliance aims with this 5th FC workshop to gain your insights of applying the toolkit:
- To learn its applicability, its strengths and potential improvements
- To lead to an improved version of the toolkit
- To learn how to proceed practically using your findings, and for what purpose, in light of providing improved supported to LCFBs in your country

## 1.6 Results from testing of the Risk Management toolkit

### 1.6.1 Kasena Nankana Baobab Cooperative Union (KANBAOCU) in association with Organisation for Indigenous Initiatives and Sustainability (ORGIIS), Ghana

*Julius Awaregya*

#### The business and how it benefits local member owners

- Kasena Nankana Baobab Cooperative Union (KANBAOCU) was established in 2012.
- The Union is a locally controlled baobab, Shea nut and Shea butter forest product cooperative union with 12,376 indigenous women and 485 indigenous men working in 42 registered cooperatives engaged in collection, processing and marketing of Baobab and Shea base products (powder, oil, fibre, shells, Shea Kernel and butter)
- Since 2010 at local, national and international markets, the baobab value chain has been entirely controlled by producers, processors, traders, and supportive service providers.
- With support from a cross-section of stakeholders, the Union has well-established linkages at community, district, national and international levels. It has grown its business over 8 years, with an annual trade volume of 45MT, valued at US\$139, with 789.47 sold in the EU markets. Locally, an annual income of about US\$127,000 is generated across the Baobab value chain, and has benefitted all key actors.
- The Baobab value chain is now well-recognised and highly attractive, but has battled with myriad challenges and risks that have always threatened the Cooperative Union.



Identified risks and mitigation options

MAIN RISK OF KANBAOCU BUSINESS	OPTIONS FOR MITIGATING RISK
1. Monopoly or single buyers control business	Created new business routes and channels to supply baobab products, e.g. baobab-based products (tea, drinks, biscuits, oil for soap/cosmetics, etc.
2. Local currency instability resulting in unpredictable prices and high inflation of	Explored opportunities for working with external and foreign markets (selling products and buying equipment) using the dollar

producer inputs, lower profits and incomes.	
3. Commercial banks charge high interest rate of up to 38-60%.	Identified partnership or interested social investors or venture capital agencies who will support the baobab value chain.
4. Inadequate access to innovative appropriate technology.	Explored innovative and sustainable technologies that will satisfy various key actors in baobab value chain (producers, buyers, investors, NGOs, etc.).
5. Limited infrastructure (warehousing) for growing baobab value chain operations.	Established strategic linkages for fund-raising through Gov't and NGOs to increase space & capacities to meet buyers' demands.
6. Over-exploitation of resources leading to extinction.	Instituted and enforced by-laws and regulations with support of District Assemblies, and supported conservation education through local community leaders, women, youth and other key actors.
7. Low awareness and/or interest of potential investors in baobab value chain.	Created joint platforms to raise awareness and interest of potential investors for baobab-based products.
8. Low capacity of producer groups to meet export volumes and quality standards.	Training, coaching and mentoring to build capacities of respective baobab value chain actors (producers, processors, traders, etc.).

#### What was useful in the process of testing the toolkit?

- Relevance: technical, financial, gender-based, inclusiveness, governance, etc.
- Effectiveness: targeting, process, products, outputs, outcomes, impact, etc.
- Efficiency: resource use and management, time-planning and use, etc.
- Sustainability: cost-effectiveness, relevance to value chain needs, adaptability and continuity.
- Fun and engaging: fun and interesting in identifying, prioritising and optimizing various risks and their mitigation and how to address the various needs of baobab value chain actors and some of their challenges.
- Innovative Adaptation of Risk Management Matrix: using the scale of consequences, popularly called AKOMBEN in Ghana, which uses colours: Red (= Avoid), Yellow (= Reduce), Green (= Accept) and Orange (= Insignificant).

#### What was difficult in using the toolkit and why?

- Identification of Macro-economic Risk: The concept of 'macro-economic risks' is not easily understood nor translated for local indigenous people. The concept is technical and it's difficult for facilitators to explain the concept of 'risk', or to recommend mitigation options to avoid such risks at macro-economic levels, and for producer groups to appreciate such issues.
- Recommendations for Risk Mitigation Options: Guiding producers to identify possible risk mitigation solutions while using difficult terms to relate to options in technological approaches and to macroeconomic risk mitigation measures are challenging tasks.
- Product Branding: Branding is very important, but using the toolkits to facilitate producer groups to understand, especially in our case where there is low domestic market demand for our products, international branding process for producer groups is challenging.
- Developing Risk Management Options: Developing risk management options again, is challenging for macroeconomic, research and analysis at the level our producer groups.

#### How could the toolkit be improved?

- Focus of the toolkit: The five generic areas of influence in the enabling environment need to be explained clearly, one by one, and based on the researcher's own viewpoint to help facilitators explain the concepts to producer groups so that they will understand key concepts such as 1)



economy, 2) technology & research, 3) institutional, 4) gender & social inclusion, and 5) climate change and natural resource governance.

- Pictorial presentations: If pictorial presentation is added will help make the tool inclusive to meet the needs of illiterate enterprise groups to visualized and understand better.
- Summarised: For field facilitators easy used given foot notes and pictures on the other side.

## 1.6.2 Tan Lap Controlled Forest Business (CFB) in association with RECOFTC, Vietnam

*Luong Quang Hung*

### What is the business and how does it benefit its local member owners?

- Tan Lap controlled forest business (CFB) has 51 members, manages 394.8 ha of natural forest (143,200 ha of production forest and 251,600 ha of protection forest).
- They have invested their labour cost in 394.8 ha for natural generation and watershed protection in order to get payments for forest environmental service (PFES) and sell carbon credit under REDD+ initiatives in future. Nearly 40 million Dong (about 1,800 USD, equal to 100,000 VND/ha/year) was received in 2014 and 51 million Dong (about 2,300 USD, equal to 130,000 VND/ha/year) in 2015.
- Plan to plant native timbers and NTFP species toward VPA FLEGT and sustainable forest management.

### What were the main risks that the business faced and what options did they identify to manage those risks?

RISKS	SOLUTIONS
Insecure forest tenure: district government has not given a forest land use certificate (duration of 50 years) to community	Policy advocacy: ask the Commune People Committee (CPC) to support community submitting forest land allocation application to district people committee for getting forest land tenure
Forest encroachment by non-CF members inside and outside their village	Field demarcation, sign board to show their forest with clear borders, sign an agreement with non-CF members with endorsement of CPC, patrol
Lack of support from non-CF members	Acting as donor in the village for common events such as middle autumn festival, covering maintenance costs for common house, youth camp

### What was useful in the process of testing the toolkit?

- All steps of the risk-assessment and management process
- Risk-assessment matrix (figure 5)
- Example of the risk-assessment matrix and table (table 1 and 2)
- Ranking risks: scale of consequences and the probability of occurrence (table 3 and 4)
- Example of risk-management options
- The business risk-management action plan (table 6)

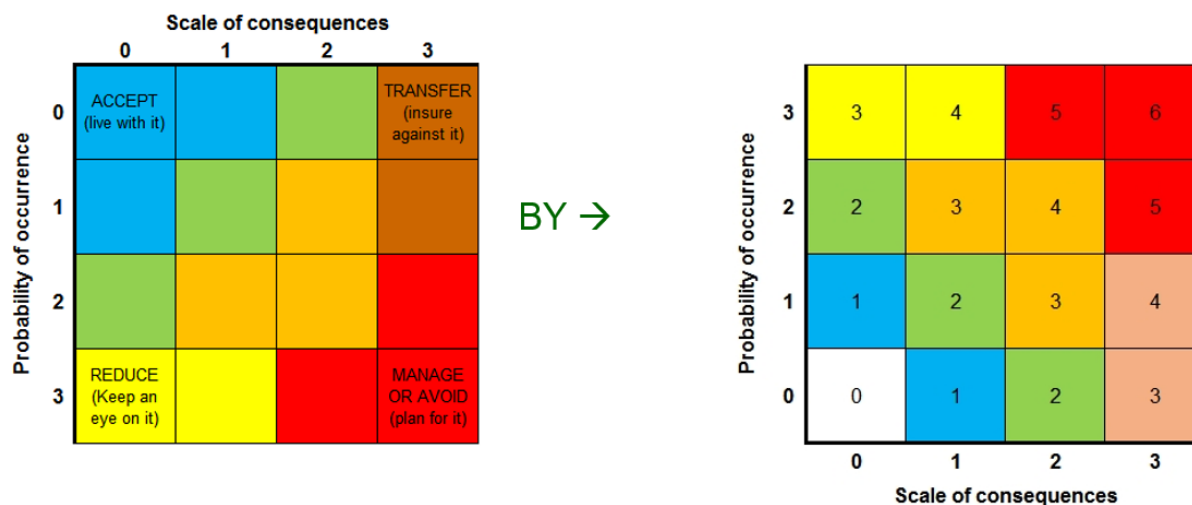
### What was difficult in using the toolkit and why?

- Explanation of terms 'risk', 'financial health' → had to use synonyms such as concern/worry for risk, situation/status for health.
- Explanation of the terms 'macro-economic' and 'micro-economic'



### How could the toolkit be improved?

- Changing the layout of the risk assessment matrix to make it clearer

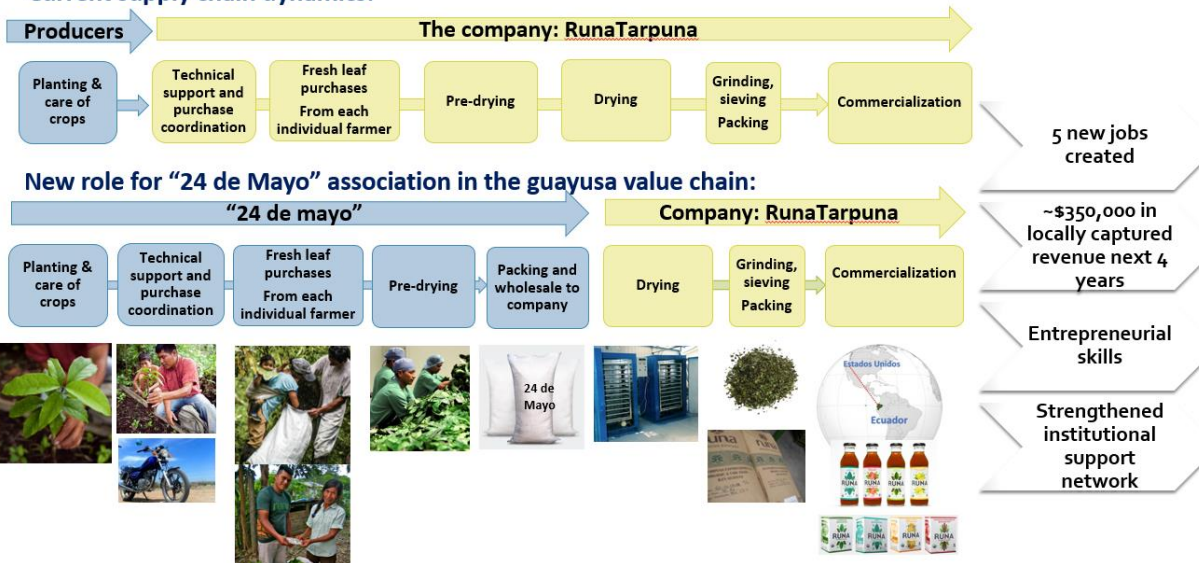


### 1.6.3 The '24 de Mayo' Guayusa Tea Processing Business in association with PlanJunto, Ecuador

Wain Collen

#### The business and its benefits

##### Current supply chain dynamics:



**Main business risks and management options identified:****Demand volatility**

- Revise operational structures and financial projections: 24 de Mayo, company & foundation
- Actively develop pipeline of potential clients, beyond Runa
- Investigate feasibility to produce final product

**Local business capacity**

- Implement integrated capacity building program: Company, Crisfe & PlanJunto

**Internal tensions**

- Standardise project message
- Workshop: Project committee and assembly of producers
  - Rights and responsibilities
  - Demand and supply
  - Benefit distribution

**New Guayusa diseases**

- Validate technical best practices
- Pest management and harvesting training

**What was useful in the process of testing the toolkit?**

- Getting risk management on the table: now key part of the PlanJunto process
- The seven step process: a solid framework

**What was difficult in using the toolkit and why?**

- Suggested four sessions to organize risk assessment – for us not feasible
- Multi-actor Management Committee lacked time
- Did feel urgency to get to the risk management action plan

**What we have done**

- Session 1-3 (one half day) (rapid risk assessment)
- Complete the seven steps
- Priorisation done in group work, with three criteria to guide discussion. But did not cover the generic areas of influence.
- The committee has a first draft risk management plan with clear responsibilities
- Next sessions – deepen understanding, by classifying risks more rigorously. (Avoid information overload, and introduce new concepts as business knowledge and experience deepen)





**How could the toolkit be improved?**

- Methodological section on how to manage tensions/conflicts that arise. For example, risk, and how to act on it, is a sensitive issue in general.
- An executive version for spaces where time pressure important factor?

### 1.6.4 Community-managed forest businesses selling timber through the Mpingo Conservation & Development Initiative (MCDI), Tanzania

*Jasper Makala, MCDI*

**Background - Mpingo Conservation & Development Initiative (MCDI)**

- Tanzanian NGO founded in 2004
- Supports local communities to take manage and benefit from sustainable forest resources
- MCDI promotes FSC forest certification as a means to address illegal logging.
- First and only FSC certificate for community-managed natural forest in Africa. More than 350,000 USD generated
- Covering more than 350,000ha of forests, out of these
- 13 villages are FSC certified = 150,485 ha

**Key achievements**

- Putting Forest Policy framework into practices
- Health Care: 205 expectant mothers subsidised with money towards maternal care
- 20 mattresses and 40 bed sheets for the Village Health Centre
- Access to clean water: 12 boreholes installed
- Better education: Primary school, 100 school desks, lunch & breakfast for primary school, 323 uniforms, secondary school laboratory, etc.

Achievements - Primary School and Village Borehole



Achievements - 17-roomed village guest house and new village office under construction



**2016 Conservation Awards**

- 2 prestigious International conservation awards in 2 months (Award festive)
- Whitley award 2016 (£35,000 GBP)
- National Geographic/Bufet award for Leadership in African Conservation (US\$25,000)

**MCDI's Risk Assessments**

- MCDI has conducted annual Risk Assessments since 2014
- One for the organisation and the second for FSC Group Scheme certification.
- The methodology is adapted from international best practice\*
- \*Sources include the Royal Academy of Engineering's Common Methodologies for Risk Assessment & Management, and the EU Case Study on Enhanced Risk Assessment Process. The Wikipedia page on Enterprise Risk Management was consulted for common sources of risk.

**Main Risks**

- Inter villages boundary disputes
- Political will to support management of Locally Controlled Forests
- Poor village governance
- Encroaching by livestock keepers.
- Data loss
- Overharvesting (Exceeding allowable cut)
- Low demand of FSC certified wood

**Mitigation measures**

- Ensure villages have proper Land Use Plans
- Involving neighboring villages during boundary verification
- Signed minutes for boundary agreements
- More capacity building on Good Governance
- Facilitate annual Financial Audits to villages
- Unnoticed patrol checks during harvesting
- Refresher training on timber sales reconciliation
- Intensive timber marketing
- Working with the Government and other stakeholders to combat illegal logging

**What was useful in the process of testing the toolkit?**

- We liked the approach - it is particularly tailored for locally controlled forest management.
- Looks at the most serious and likely potential risks.
- Asks for the organisation to develop a detailed plan about how it will approach managing and mitigating the risks
- Provides a clear risk management process
- It points out that not all risks are bad, some can bring opportunities
- It helped us to come up with summarised self-explanatory "MCDI Facilitation of Risk Assessments-notes"
- Any member of MCDI staff can facilitate the process
- The examples listed on pages 22 – 26 (5a – 5f) provide some good suggestions and tips, tactics and approaches drawn from case studies for some ideas about options for managing different types of risks. (These were very useful!)

**How could the toolkit be improved?**

- It uses the term 'consequences', we think the term 'severity' might be more easily understood, but we like the descriptions used. We found these clearer and more applicable
- It uses 'probability', we think 'likelihood' is an easier terminology

### 1.6.5 Association of Agro-extractive Producers of the Assembly of God of Rio Ituxi (APADRIT) in association with the Tropical Forest Institute (IFT), Brazil

Ana Carolina Vieira, IFT

#### About IFT

- NGO which works with forest management and conservation
- Has huge practical experience, 20 years
- Strong technical team: forest engineers, forest technicians, machine operators (skidder, saw chain, others). Technicians with more 15 years' experience in forest management (strong practical knowledge – forest management adaptation.
- IFT offers forest trainings throughout Amazon region - mostly in Brazil, also Peru and Bolivia
- Trainings in-situ (CMFRB) and ex-situ (public and private forests)
- Wide target audience: companies (concessionaires, private areas), communities, universities, technical schools, government
- Since 2012, has a strong program: "Florestas Comunitárias" which gives support to communities in diverse areas: cooperatives, trainings, forestry management plan, forest market, value chain

#### Mission

To foster good forest management practices, thus contributing to the conservation of natural resources and improving the quality of life of the population.

#### Vision

The development of a fair, sustainable and inclusive forest sector in the Brazilian Amazon, supported by an industry that is heavily based on building technical capacity and on legality, and one that acknowledges traditional communities as an important source of knowledge and as a supplier of social and biodiversity products.

#### Programmes

- Courses and training
- Seminars, workshops and other events
- Practical research
- Community forest



#### Extractive Reserve Ituxi

- Since 2008
- 700 thousand ha
- 150 households
- 18 communities
- Main economic activities: Brazil nuts, Manioc flour, Fish, Oil (*Copaifera sp.*), timber
- Timber-based management area: 1,403.53 ha
- Annually area harvested: 140 ha (Reduced Impact Logging)
- Annually production:
- 1000 m<sup>3</sup> Roundwood
- 400 m<sup>3</sup> sawn timber





#### What the business is and how it benefits its local member owners

- Resex Ituxi has three locally organizations to promote socioeconomic development and environmental conservation:
- APADRIT is a community-based association with political and institutional goals.
  - 120 members
  - Benefits ~600 people
- COOPAGRI is community-based cooperative with commercial goals. Its aims are to sell the main products, promote technical assistance to forest residents and establish partnerships with government, universities and NGOs.
  - 23 members
  - Benefits ~138 people
- Empreendimento Angelim is a community-based timber enterprise. Commercial use of the forest based on environmental, economic and social sustainability. Performed by a group of forest residents who manage the forest in a collective and sustainable regime.
  - 12 members
  - Benefits ~50 people

#### Forest and agricultural products

- Brazil nut (seed)
- Sawn timber (various species)
- Pirarucu (fish species)
- Copaifera vegetal oil
- Açaí (fruit, potential)
- Oils: Carapa, Brazil nut (potential)
- Manioc flour

### What were the main risks the business faced and what options were identified to manage those risks?

Using the risk management toolkit, we got some reflections:

- What are the enterprise goals?
- Where we are (what has already been done) in order to achieve the project goals considering the communally-based management and the main products (#6)
- Next steps: actions to be performed towards the progress and improvement of the enterprise;
- What is risk? (definition - collective construction of knowledge)
- What are the risks we may face in developing these actions?
- What are the strategies to prevent or mitigate such risks?
- Assessment of highly relevant risks
- We used participatory moderation tools to facilitate the collective construction of the knowledge and to involve the participants
- Audience: APADRIT members, Coopagri members, Angelim enterprise members; also timber companies (not residents): owners of sawmills and furniture plants
- We were unable to implement all the points addressed in the tool due to time and complexity of the enterprise

Methodological implementation of the risk management tool (venn diagram, workgroups, charts)



### What were the main risks that the business faced and what options did they identify to manage those risks?

We evaluated: Forest Management and Products: Brazil nuts, timber, manioc flour, açaí, pirarucu and oils (*Carapa*, *Copaifera*)

Activities	Risks	Strategies
<b>Community Forest Management</b>	Leadership weakness	Strategic planning
	Failure to incorporate the cooperative/halting the process	Strengthen the Executive Board
	Not having targets/having no direction	Splitting of tasks
	Conflicts due to financial matters	Planning of actions
	People overloaded with work	Strengthen cooperativism
	Administrative and economic risk	Strengthen communication
	Disunity	What is the Mission of Coopagri?
		Create the visual identity
		Internal Regulations
<b>Timber</b>		Calculate the price/value of daily allowances per activity
	Market	Study of potential buyers

	Illegal timber - supply the market below the value of the legal timber	Take the negotiation strategy
	Not internalize the taxes on the value of the timber	Identify the amount for taxes
	Non-legalized sawmills and log yards (unable to get legalized timber and having to seek timber yards elsewhere for outflow and sale of timber)	Support in the process of legalization of sawmills and timber yards
	Not having appropriate area for management	Identify and take up inventory of a new area for management
	Licensing	Preparation of the new area for PM

#### What was useful in the process of testing the toolkit?

- The main gain in implementing the tool was the institutional balance: the «how we started», where we have gotten to, the next steps, the risks we might face, what strategy, priorities and urgent agendas we have. Apadrit will use this outcome in its General Meeting, which will take place on November 23rd with all the members (120) of the Association, thus contributing to improving transparency and strategic vision of the institution.
- The risk assessment exercise is of utmost importance in a community-based forest enterprise, because it is always easier to point out the opportunities and discuss the needs of the enterprise; but, looking at what 'can go wrong' is a difficult exercise and addresses the issues, and these topics end up being left aside;
- The tool is a stimulus to look at the risks as an opportunity;
- It presents important guidelines that should be considered in different environments in the business, namely: marketing, management, legalization (laws, taxes), environment (accessibility to natural resources), social and research and technology.
- It features:
  - Tables that contribute to systematic assessment;
  - The audience who should participate in the assessments;
  - It considers the time required for implementation thereof;
  - It gives some tips for the facilitator for the records

#### What was difficult in using the toolkit and why?

- The tool is complex: starting with theme addressed: "community-based forest enterprises"; which involves a diversity of products, challenges with the licensing for the forest activities, engagement of collective work; marketing of products at a fair price etc.
- As previously mentioned, looking at 'what can go wrong' is an exercise of deconstructing the problem into an opportunity that is not easy and can be demotivating if not well applied;
- The toolkit has complex, difficult tables to be implemented with diverse groups (e.g. wood manager, Brazil-nut harvester, oils) with different levels of education, who often have difficulty in concentrating – this ends up requiring a lot of time
- It is written in the language of facilitators, thus being difficult to be implemented by community leaders

#### How could the toolkit be improved?

- The toolkit could indicate participatory methodologies for the development of each stage with: walkthrough, materials needed, time; facilitating its implementation and the involvement of the group with dynamism
- The toolkit opens the dialog for other assessments, beyond the risk, forming a cross-sectional component of a strategic planning process: analysis of partnership relations; fund raising strategy; management strategy: social, legal, environmental, operational, economic, administrative and institutional communications)
- Accessible language



### 1.6.7 Akar Tani Cooperative in association with RECOFTC, South Sulawesi, Indonesia

Gabriella Lissa, RECOFTC

#### The business and benefits to local member owners

- Start-up cooperative established in 2015
- 20 members from 3 village forests located in protected forests
- Products: Honey and Coffee
- Cooperative helps to market products from village to city



#### What were the main risks that the business faced and what options did they identify to manage those risks?

MAIN RISKS	OPTIONS
Difference in quality due to harvesting technique and 'cangkok'	-Training on harvesting and processing -Replanting plan
Seasonal production	Keeping stock (need financial access and warehouse)
Producing coffee in the forest is decreasing due to protected forest policy (no pruning)	Policy advocacy
No financial access	Build relationship and approach financial institutions such as banks
High competition	Develop niche market e.g. organic branding
Lack of internal operational capacity (staff entrepreneurship skills, no clear SOP)	-Capacity building for internal staff member -Develop clear SOP including business plan, organisational and financial SOP
Extreme weather/landslides	-Develop natural resource management plan -Product diversification

#### What was useful in the process of testing the toolkit?

- Steps are easy to follow
- TIPS for facilitators
- Various examples
- Additional relevant link/information



### What was difficult in using the toolkit and why?

- Time limitation
- Cultural barriers (not allowed to talk about negative predictions)
- Not much experience in starting up businesses
- In risk identification, combining 6 areas and 5 areas of MA&D
- Identification of areas of business relationship and enabling environment

### How could the toolkit be improved?

- More simulations/games to explain conceptual topics
- More examples from NTFPs
- Consistency in terms used
- More illustrations
- Layout
- Remove the risk assessment matrix?

### Feedback

*"If we had done this assessment in the first place, we would have managed the past experience better"*

*"As the finance team, I realise that we need to develop the financial SOP soon to avoid unwanted consequences"*

*"I feel more confident and prepared after going through the risk assessment process"*



## 1.6.8 La Asociación de Madereros de OSA (AMAOSA) in association with CATIE, Costa Rica

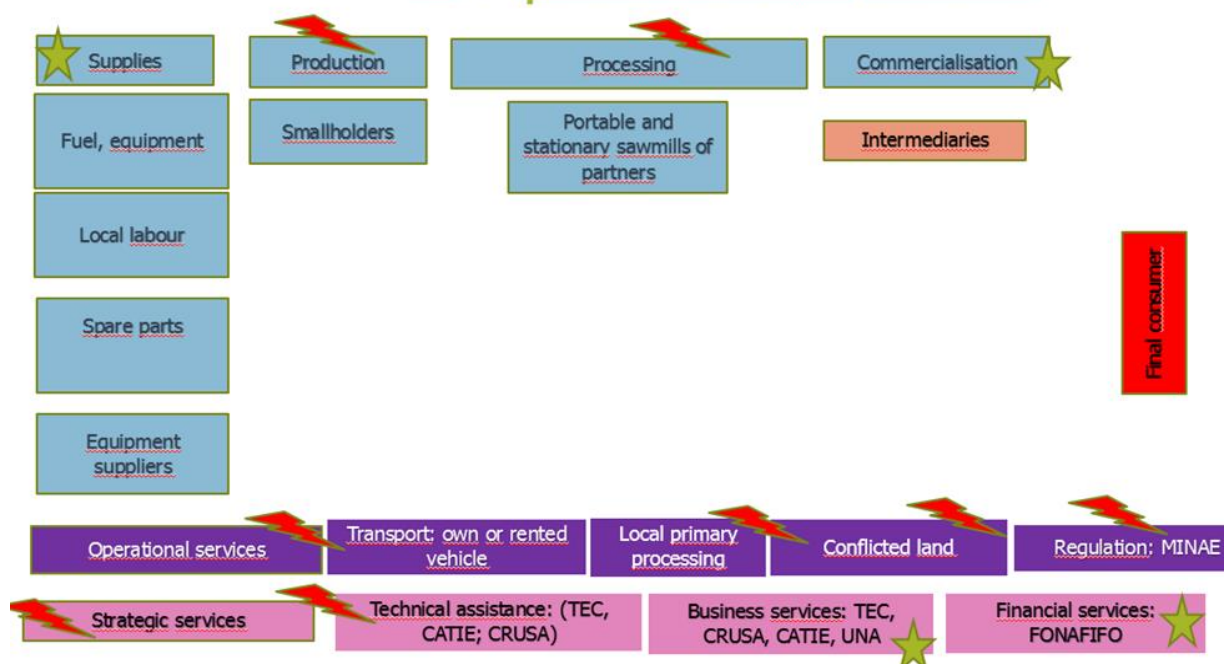
*Evelyn Chaves Jaén, CATIE*

### Brief description of AMAOSA and its context

- The Association is comprised of 30 farmers, ranchers and local merchants, who include the use of forest products to generate additional income
- The group learned empirically about the wood business
- It is located in the heart of the bastion of conservation in Costa Rica, the Osa Conservation Area, which also contains the Corcovado National Park
- The reality of forest management in Costa Rica is such that even if access is granted to the land, the legislation often does not permit its use

Overview of the business

## AMAOSA is a production chain



### What is the business and how does it benefit its local associates?

- AMAOSA oversees the sustainable and integral management of small forest units located in the Golfo Dulce Forest Reserve (production chain: forest management, primary processing and timber marketing)
- The Osa Peninsula concentrates on two important indicators, which are antagonistic:
- It is the most biodiverse area of the country and of huge importance at the global level
- It is the region with one of the highest levels of poverty and lowest of human development:
  - Few job opportunities
  - Poor soil, leading to subsistence agriculture and livestock
  - Low access to technical and university education
  - High levels of migration
  - Vulnerability to drug trafficking
- Management of the forests could mean a new economic alternative for its inhabitants; the democratisation of the value of the forest; and opportunities for young people and women. Presently, the main beneficiaries are conservation NGOs, tourism companies and the state.

### Rural Business Association

- Lack of market knowledge
- Little relationship to other actors on the value chain
- High rotation of managers and personnel
- Little or no access to financial services
- Associates and directors with low level of formal and informal training
- Board of Directors assuming managerial, operative or political tasks
- Vulnerability to external changes (environmental, of the market, political)
- Unstable and insufficient volumes to sustain certain markets
- Lack of export process knowledge
- Low investment in infrastructure and equipment adequate for the production process
- Little capacity to develop formal businesses involving contracts and delivery plans
- Acceptance of the roles of community, social and environmental responsibility outside the possibilities of the company
- Lack of medium and long term strategies
- Little or no innovation in productive processes processing or trade



- Low quality of operational or strategic services for enterprise development
- Serious weaknesses in administration, accounting or finance
- Beliefs rooted in myths about business alliances

**What were the main risks faced by businesses and what options were identified to manage them?**

MAIN RISKS	OPTIONS
Processes with slow approval or a very high administrative or personal regulatory burden	Establishment of an alliance with centres of investigation, universities, to show the technical viability of the management
Conflict between the forest owners and society in general, conservation NGO's and a state without productive vocation	Propose the creation of a spaces of dialogue with these organisations and external mediation officials
No adequate training either for communities or for state technicians in terms of business	Establishment of an alliance with centres of investigation, universities, and other organisations to implement short, medium and long term training plans

**What was helpful in the process of testing the toolkit (what should be kept)?**

- The analysis of risk calculation helps to organize priorities for work and attention in a planning framework
- It helps to visualize matters that are not so easy to see on the surface
- It has helped the associates understand the business, because they're often not on the same page

**What was difficult in the process of testing the toolkit and why?**

- The toolkit was easy to use but the difficulty came from internal weaknesses of AMAOSA.
- The associations have been impacted by forestry laws and policies related to land access, so it can be difficult to control emotions and control the dialogue amongst those who have been involved in the process for many years.

### 1.6.9 Community Food and Agriculture Group (COFEG) and Nettle World in association with the Forest and Farm Facility and Kenya Forest Service, WeEffect and FF-SPAK, Kenya

*Oscar Simanto, Kenya Forest Service*

**The business and its benefits to members**

- The process adopted pilot testing amongst two producer organisations supported by the Forest and Farm Facility (FFF) initiative in Kenya, 6th-12th November, 2016: (i.e. Nettle World (NW), Laikipia County and COFEG, Nakuru County, Kenya).



## Main risks and options identified to manage risks?

Benefits to members of N.W	Benefits to Members of COFEG
Key Products: Nettle powder from leaves and roots , sandal wood seedlings and sandal wood powder as a Beverage	Key Products: Tree and fruit seedlings, Prunus Africana powder
•Provision of nutritious products to group members and community	•Supply of a variety of tree and fruit seedlings to group members and the community
•Creation of jobs for men , women and youths at the local level	•Provision of medicinal products
•Enhanced networking of the group with stakeholders, super markets and the community	•Social cohesion promoted by a strong farmers organization
•Provision of sandal wood seedlings for the groups domestication initiative ( To group and community)	•Improved living standards and incomes
•Increased incomes from sale of Nettle and sandal wood powders	•Improved ability to purchase food not locally produced by members
•Environmental conservation on farms	•Acquisition of knowledge and skills (Marketing skills
•Improved living standards and incomes	•Environmental conservation on members farms
Restoration of sandalwood populations in on farm forests	•Creation of employment at the Local level
Increased interest of certification bodies in the group products	

Nettle World			COFEG	
Business Area	Main Risk(s)	Options to manage Risk(s)	Main Risk(s)	Options to manage Risk(s)
Natural Resources Access	Changing weather conditions( Drought)	Support water harvesting to enable members irrigate their farms	Unsustainable exploitation of Prunus Africana from forest areas	Domestication of Prunus Africana on farms, Organize training on sustainable harvesting
Financial Health	Inadequate finances to run business	Encourage farmers to supply on credit and get paid later	Inadequate finances to run the business	Improving the quality of products, Minimize sales on credit
Business Relationships	Failure to meet demand orders	Sign realistic contracts with suppliers Enforce the bylaw on minimum acreage per member	Low production capacity to meet market demand Possible ban on Prunus harvesting by the Kenya Forest Service	Improve quality through better technology and training Lobby and advocacy for regulations for domesticated Prunus
Security of external operating environment	Inadequate policies and laws law on stinging nettle and sandal wood	Capacity building on existing policy and law Lobbying for better policies and laws	Ethnicity and political differences	Organize tree planting events to promote peace
Brand Reputation	Poor quality products	Develop internal quality assurance guidelines within the group. Implement requirements of the certification bodies e.g (Kenya Organic Agriculture Network (KOAN) and Kenya Bureau of Standards (KEBS)	Low production and quality of products	Organize training on sustainable harvesting

Business Area	Main Risk(s)-NW	Options to manage Risk(s)-NW	Main Risk(s)-COFEG	Options to manage Risk(s)-COFEG
Socio- cultural context	Poaching of domesticated sandal wood from farms	The group to establish a surveillance team, Liaise with the KFS enforcement unit at the county level	Exclusion of women in the utilization of Prunus powder	Create awareness at the community level on Gender inclusivity
Macro-economics and markets	Inadequate quantities to supply market	Expand production and processing	High cost of production during planting of Prunus	Liaise with relevant agencies to improve propagation methods at farm level
Institutional and Legal Context	Inadequate of policy and legislation regarding domestication of Sandal wood and nettle	Lobby government agencies to enact policy and legislation on domestication	Inadequate of policy and legislation regarding domestication of Prunus Africana	Lobby government agencies to enact policy and legislation on domestication
Internal operating Capacity	Low participation by members	Motivate members by favorably sharing benefits and roles Review and enforce by-laws	Inadequate skills and expertise among members on Prunus production and processing	Schedule a training for the propagation and processing of Prunus
Technology	High Cost of processing equipment esp. for sandal wood oil extraction	Develo an internal group reinvestment plan to save funds to buy equipment	Inadequate skills in modern marketing technologies	Identify and train a social media focal person and establish relevant social media platforms for marketing products

Main mode of engagement: Focus group discussion to and plenary discussions to prioritise risks



### What was useful in the process of testing the toolkit?

- The tool kit is simple to use though the steps should not be followed in the chronological order indicated in the manual
- Group members have clear understanding of their business objectives, the contribution of business to society and events which might affect their businesses
- The clustering of the areas of concern for business were easily grasped by the members
- Methodology of ranking risks and their probability was easy to understand after translating the same into local language

### What was difficult in testing the toolkit?

- Facilitators of the process should have simple interviewing techniques, organising focus group discussions, value chain analysis and the cross checking of responses
- Considering the type of groups we have in Africa (Low literacy and entrepreneurship levels), self-assessment by the groups will be difficult and therefore an external facilitator is needed to properly guide the process

### How could the toolkit be improved?

- It will be necessary to train would-be facilitators on interviewing techniques, organising focus group discussions, cross examination of the responses and value chain analysis
- Value chain analysis, business objectives should come early in the assessment



- All the steps indicated in the toolkit are necessary but should be used in a flexible manner
- Simplifying and translating of terms: e.g. macro-economic (economics)

### Lessons learnt during pilot testing

- Lesson one: the group members are aware of the risks affecting the business
- A planning meeting by the facilitating team (3 minimum) is critical in creating a common understanding of the process, sharing of roles etc.
- The Kenyan opinion is that value chain analysis at the start of the exercise creates lots of clarity in the entire risk assessment
- We had to ask somebody from the group to explain some of the terminologies in the local language and this greatly assisted the conceptualisation by the group members
- The toolkit should be used in a flexible manner (not be followed word by word or page by page)
- The exercise took two and half days per group



## 1.6.10 Cooperativa Integral Agroextractivistas Campesinos de Pando (COINACAPA) in association with the Forest Farm Facility, Bolivia

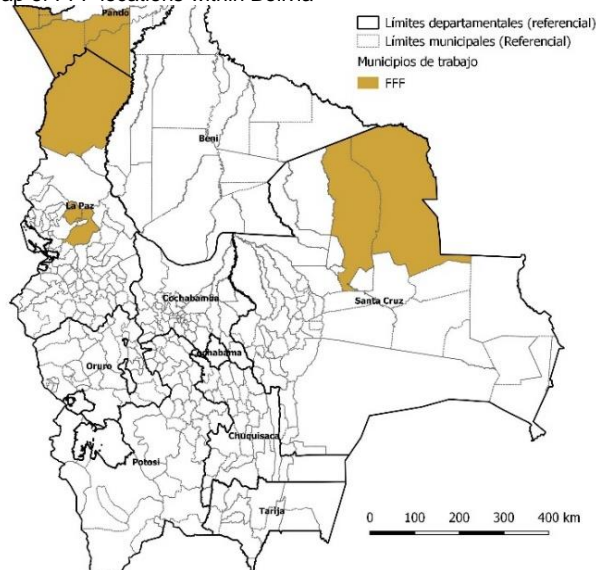
*Boris Fernandez Arancibia, FFF (FAO)*

### Six different views of using the toolkit for risk management

#### Procedure used:

- Revision of the toolkit
- Socialisation and analysis with coordinators of the Letters of Agreement
- Application of the toolkit with the participation of local representatives
- Systematisation of the information generated

Map of FFF locations within Bolivia



### The businesses and benefits to local associates

Organisation	Productive Complex	Benefits to its associates
Asociación de Grupos Mancomunados de Trabajo MINGA (Santa Cruz)	Coffee	Technical assistance, market and production supplies
Confederación Nacional de Productores y Recolectores de Cacao de Bolivia COPRACAO/El Ceibo (La Paz, Pando, Beni, Santa Cruz, Cochabamba)	Cacao	Policy advocacy and inter-agency coordination for programs and projects
Cooperativa Integral Agro - extractivista Campesinos de Pando COINACAPA (Pando)	Chestnuts	Technical assistance, and market for production, beneficiaries (selection and classification)
Asociación de Organizaciones de Productores Ecológicos de Bolivia AOPEB (La Paz, Pando, Beni, Santa Cruz, Cochabamba)	Service provision to partners	Policy advocacy and inter-agency coordination for programs and projects, technical assistance to access goods and services
Asociación Nacional de Productores de Café ANPROCA (La Paz, Pando, Beni, Cochabamba, Santa Cruz)	Coffee	Policy advocacy and inter-agency coordination for programs and projects, technical assistance to access goods and services, beneficiaries (selection and classification)
Asociación Integral de Cosechadores, Productores y Transformadores de frutos del Abuna ASICOPTA/FAN (Pando)	Açaí	Technical assistance, market and production supplies

### What were the main risks faced by the business and what options were identified to manage those risks?

CLASSIFIED RISKS	ASICOPTA DETAILED LIST OF ACTIVITIES TO ADDRESS PRIORITY RISKS	CLASSIFIED RISKS	AOPEB DETAILED LIST OF ACTIVITIES TO ADDRESS PRIORITY RISKS
Bureaucratic procedure to obtain sanitation record (Financial health)	Carefully examine the requirements for obtaining sanitation records, identify bottlenecks, and investigate if there is any way to facilitate the process.	Competence in the provision of services within the agricultural sector	Form a professional bank with expertise
The resource can only be used 5 months a year, so the lack of cold storage chamber limits the benefits to only the time of harvest (Financial health)	Manage support for the purchase and installation of a cold storage chamber. Verify that it has the characteristics that the association requires (capacity, location, temperature range, etc.).	Lack of creation and adaptation to the laws of the Services Unit	Set up alternative forms of constitution of the Services Unit
Customers have difficulty paying on time (Business relations)	Establish payment terms according to cash needs to meet cash flow needs. Ensure buyers pay on time through a payment schedule. In addition to limiting debt, stop delivering products to buyers who have repeated delays in payment.	Environmental disasters (meteorological phenomena)	Bolster the provision of services to deal with disaster relief

Access to natural resources	Excessive exploitation of resources could affect the natural regeneration of the forest Loss of production quality because of the reduction or lack of technical assistance
Financial health	Lack of coordination between actors generates competition (other initiatives/businesses in the same region) Bureaucratic and costly processes to obtain differentiated public services (sanitation record, taxes, etc.) Temporality of production and lack of equipment reduces access to differentiated public goods (seeds, cold storage, pulpers, processors, etc.)
Commercial relations	Competitive advantages (high prices for limited access) exclude from the market Bankruptcy or disruption of financial mechanisms (collection fund, etc.) due to lack of payment by associates or clients Loss of markets due to insufficient clarity of the legal framework
Security of the external operating environment	Change to cycles and agroecological processes reduce the time of harvest Local government becomes the competition
Internal operative capacity	Reduced human resources for management, fewer women
Brand reputation	Loss of markets due to insufficient knowledge of the characteristics of the products demanded Market reduction due to insufficient access to research and innovation (new products)

### What was helpful in the process of testing the toolkit?

- The scale of consequences to assess the impact over the next 1-3 years (Table 3)
- The scale to evaluate the probability of occurrence over the next 1-3 years (Table 4)
- Examples of management options (page 24 onwards)
- Having a tool to manage risks



### What was difficult to use in the toolkit and why?

- The link between rows and columns in Table 1 is not very clear
- It is difficult to read Table 1 and Figure 2 because of their format (text direction, from bottom to top) in the digital version of the document
- Table 1 and Figure 3 did not provide enough information in order to understand the five business development areas and then to apply them in Module 3 - Identify risks.
- The column "Order of classification compared to other risks" in Table 2 was not explained in the document
- Not having the time and resources needed to become familiar with and use the tool





#### How could the toolkit be improved?

- Include an example of a plan of action
- Have empty tables (2 and 6) ready to be filled by the user

#### What would be necessary to apply it to your business?

- In addition to a facilitator to start the process, adapting the (less technical) language for community business partners is currently very complex (eg, macroeconomic fluctuations, extreme weather phenomena, profitability threshold).

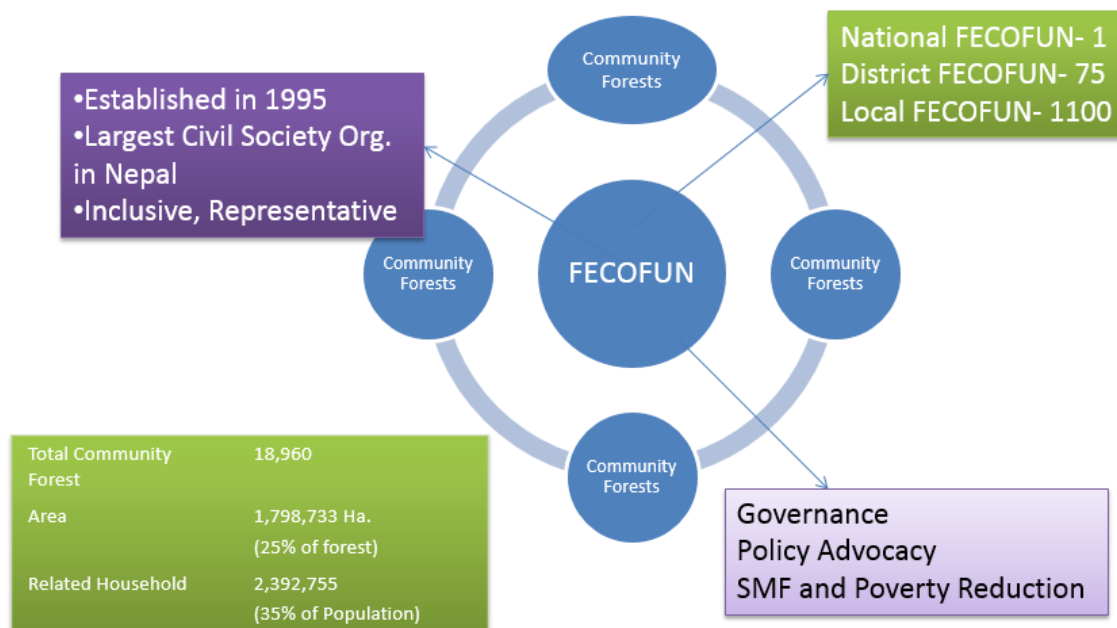


### 1.6.11 Community Forest User Group Businesses with the Federation of community Forestry Users Nepal (FECOFUN), Nepal

Suman Dhakal (presented by Sophie Grouwels, Forest and Farm Facility, FAO, Rome)

#### What is FECOFUN?

Umbrella Organization of CFUGs from all over Nepal.



FECOFUN's vision is self-reliance and empowerment of community forest users, through social and economic justice and management of the community forest in an equitable and sustainable manner.

#### Thematic areas are:

- Policy advocacy and Legal Support
- Sustainable management of Forest and bio diversity conservation
- Alternative energy - bio gas
- Women's empowerment and inclusion
- Forest based enterprise and livelihood promotion
- Organisational development
- Climate change and REDD+

#### What is the business?

Processing wood apples to make wood apple juice. The business is based on fruit juice making from *Aegle marmelos* (Wood Apples). *Aegle marmelos* (called Bel in Nepali) are a wild fruit mainly found in the southern aspect of Terai region, ranging up to 700m from sea level. The fruit as well as leaf is culturally very important in Hindu communities and is highly appreciated for Ayurvedic medicinal purposes.



**How does it benefit local member owners?**

- CFUGs has formed a subcommittee of identified poor members
- Among them 15 HHs are directly engaged in this business and rest of them are indirect - collecting seasonal fruits to sell to direct entrepreneurs
- Among them 15 HHs are directly engaged in this business and rest of them are indirect - collecting seasonal fruits to sell to direct entrepreneurs
- Similarly the benefit is divided based on the investment of the members
- In the meantime CFUGs will play a role in formation of a subgroup, bringing together the government sector and other organisations supporting the technical as well as financial aspects
- The CFUGs will promote and expand the area for producing the raw material for the sustainability of the business

**What are the main risks that the business faces?**

## Internal Risks

Risks	Mitigation and Management
Inadequate entrepreneurship skills and knowledge.	Capacity Building and interaction among producer and buyers Advance level business training
Rudimentary knowledge on product diversification and value addition	Strengthening knowledge of the entrepreneurs in options of the particular (Juice) product diversification and value addition for added profit
Lack of store house, packaging, leveling.	Coordinating and cooperating to other stakeholders
Scale of production, market outreach and advertisements	Coordinating and cooperating to other stakeholders
Absence of well described roles and responsibilities among entrepreneurs	Preparing Operational procedure of enterprise

## External Risks

Risks	Mitigation and Management
Ambiguous guidelines in transportation of forest product.	Dialogue among the different stakeholders
Government business policies are more oriented towards the private industrialists rather than community-based industrial production-registration (where and how)	One-door system for registration must be circulated and procedure must be simple
Community enterprise are not encouraged-don't receive subsidized funding	Dialogue among government stakeholders and sharing them the success of community enterprise. Continuous lobbying in the favor of community enterprise
The Quality Control Department is in the capital city, Kathmandu which makes inconvenient to checked the quality; The government does not offer to do on-site checks and monitoring.	Lobbying at least regional level quality control department or frequent monitoring by those department.

**What was useful in the process of testing the toolkit?**

- Setting up priorities and prioritisation: Any enterprise should be based on priorities of CFUGs, to minimise risk at the planning stage
- Analysis of situation (Risk analysis). Community funding - cooperative funding - credit institutions (loan) - subsidised funding – business plan linked (short term, medium term, long term) for effective expansion of the capacity of the enterprise
- Identifying potential sources of conflict: in management of community enterprise governed by community resource/right holder group



### What was difficult in using the toolkit and why?

- Contextualising and relating the toolkit to the actual scenario and issues
- Formulating effective risk management measures to bring about positive changes
- Ensuring implementation of the mechanism in reality

### How could the toolkit be improved?

- The toolkit to be more effective if could include;
- Facilitator role in enterprise risk mapping, addressing policy hurdles and initiating policy dialogue
- Multiple stakeholder communication and coordination

## 1.6.12 Exploitation and Commercialisation of *Prunus Africana*, Western Highlands Nature Conservation Network, Cameroon

Marcellus Che, WHINCONET

### Production and International Trade

- *Prunus africana* barks are exploited in the wild for trade, posing a threat to the extinction of the species. CITES has thus placed it on annex 2 (regulating its commercialisation).
- Sale of barks to licensed middlemen and exporters
- Community forest management institutions generate income and use it for community projects
- It permits members to protect the forest



*Prunus africana* commercialisation volume share between 1995 and 2013

Origin	%age Volume
Cameroon	47
Kenya	14
Uganda	5
DRC	16
Madagascar	7
Equatorial Guinea	5
Congo	3

### Risks associated with the business

- Over exploitation leading to killing the plant and low yield of the product
- Low price paid to the community by most middlemen since they are the one determining prices
- Poor distribution of proceeds from sale of produce
- Lack of skills in exploitation and primary processing
- Centralisation in the issue of license (no limitation for the area to exploit)

### Usefulness of testing the toolkit

- Identification of stakeholders especially those at the base and basic problems they faced
- Local solutions were proposed as the way out
- Integration of a business model which calculates the return to various stakeholders

### Difficulties in using the toolkit

- Working out the value with other stakeholders was impossible
- The sharing mechanism is not accepted by all stakeholders and the commission of traditional authorities in the process is hindering the positive atmosphere for business.
- Forest management institutions have not been re-organised for some time

## 1.7 Recommendations for improving the toolkit

The final session on day 1 concluded with group discussions on the main findings and recommendations from the testing of the toolkit. The overall feedback from the testing was that it was easy to use, clear, and useful for supporting locally controlled forest businesses, particularly at times when they are entering new areas of uncertainty. The framework for analysing risk worked well. It was recommended that sticking to the step-wise approach of first discussing risk according to the areas of concern to the business and then adding the 5 generic areas of influence in the enabling environment would keep it clear and logical. No new categories were identified as needing to be added to the framework.

The time it took for carrying out the assessments varied, but averaged 2 to 2.5 days.

Participants broke out into groups to discuss findings from the testing and key recommendations for improving the toolkit. The groups focused on; i) interesting innovations in using the toolkit; ii) what was useful in the process of testing the toolkit – things that need to stay, and; iii) what was difficult in using the toolkit/how the toolkit could be improved. These were some of their conclusions:

### Group 1: Interesting innovations in using the toolkit

- Clarifies the business focus and the role of the stakeholders
- Structured framework for a complicated issue that is not emerging by itself
- Helps putting risk on the table as an opportunity instead of a barrier
- Can be used as a tool to address cultural barriers or differences when discussing risk
- Prioritises risks by their relevance
- Illustrates how one mitigation strategy can help reduce multiple challenges
- Is a guide to address risk before things happen
- Brings possible conflicts to the surface and makes people address it
- Enables businesses to identify important linkages to other stakeholders
- Can be used as a tool to prepare ahead of engaging with financial institutions or the government
- Can be used also by business start-ups

## Group 2: What was found most useful - and suggested plans for continuing to use it

### **Main points on usefulness**

- Most found it very **useful** (only a few struggled with concepts, language, time, specific examples)
- It introduces risk-management early on as an **opportunity** to talk about challenges and plan how to address them
- With **7 steps that are good** (flexible)
- **Prioritisation** process helpful (and 'killer risk' idea very helpful)
- Forces a **solutions-oriented approach and action plan** – with clear responsibilities
- **Tips and examples helpful** (despite need to illustrate better with common examples / graphics)
- Not too technical – easy to follow and **tailored for locally controlled forestry** (if the business vision is already developed)
- More of a challenge, but **helps to clarify what the business is** (if the business is just starting up)
- **Versatile** – can be used to scan immediate, mid-term and long term risks
- Can be **used to inform Government etc. of the challenges faced** by such businesses

### **Suggestions for continuing to use it**

- Risk management action plan to be **revisited** by the business group
- Use the risk management plan to **identify who to go to get further support** and frame these issues as opportunities to mitigate impacts
- Adapt it further with **glossary of key terms and suggested local examples** to explain them
- Develop, locally, **relevant pictures to illustrate key concepts**
- Identify what abilities, knowledge and motivation can **make this risk-management approach into a habit** (a systemic approach for human development)
- Think of new terms such as **'Risk transformation' to change it from a negative to a positive** opportunity.



### Group 3: What did not work so well and what to change in the tool

#### **Recommendations for improving it**

- Make the tool more adaptive for different users (facilitators, also communities)
- **Time limitation:** it depends on the local context. For example, there are situations in which we need more time, although often, communities don't want to spend a lot of time. Also, if we try to evaluate more than one product, we really need more time, 2 days minimum.
- **Solution:** Make the tool more bespoke. Add some guidance on how to adjust and shorten the process if time is limited, and guidance on where some flexibility can be incorporated in terms of following the steps. For example, identifying the objectives of the business and mapping the value chain are key starting points for the steps that follow, but advice on where the original sequence might be adapted depending on needs could be useful. This will allow for some creativity and adjustments when time is limited.
- **Language:** use local terms and try to use their context to give examples (e.g. risks with the motorcycle); also use more visual examples like figures.
- **Methodological tips to the facilitator:** e.g. games, methodology for conflict management, participatory methods, value chain analysis - understand it before applying the steps. Review previous information about the forest community enterprise, identify pre-conditions before applying the tool (e.g. for the start-up)
- **Complexity of the frameworks** - recommendation: review the frameworks and maintain consistency; explain the colours of the risk management matrix
- **Output of the tool:** make the risk management action plan more accessible for communities to follow up the strategies to reduce the risks (e.g. monitoring). So, communities would be able to use it without the presence of the NGO, etc.
- **More examples:** add more examples including non-timber forest products

Cultural symbols like Ying and Yang can be used to describe good and bad risk



## Day 2: Field trip to enterprise support site in the Ecuadorian Chocó - Pedro Vicente Maldonado

### 2.1 Introducing the field trip and business

The group visited the operations of Allpabambú (AB), a family enterprise that produces bamboo for the local and international markets in cooperation with other small enterprises and producers' associations. Participants visited one of AB's bamboo plantations, their bamboo processing facility and saw some examples of the use of bamboo for construction, as well as other crafts and household products made out of bamboo. Allpabambú has 55 hectares of bamboo and has facilities for sawing, treating and drying bamboo poles. It currently mostly exports poles to the USA and its goal is to sell legal and sustainably harvested products for use in construction and agriculture.



The region in which Allpabambú is located is called Chocó. It is characterised by extremely high precipitation and extraordinary species diversity. It is part of the Chocó-Darién ecoregion which stretches from Darién in Panama in the north to the Moist Forests bordering Peru in the South. Due to their similarity these two ecoregions are combined into one biodiversity hotspot, the Tumbes-Chocó-Magdalena Hotspot which ranges from the Pacific coast up to an elevation of 1000m on the Andean flanks. At this elevation the worldwide most diverse ecoregion begins, the Tropical Andes. There is a fluid transition between the ecoregions and various species live in more than one of the ecoregions. Although it does not correspond with the scientific term, nowadays all Ecuadorian forests reaching from the Pacific coast up to an elevation of 2200m are called Chocó.

Allpabambú was one of 8 initial businesses worldwide to undertake the risk self-assessment process as part of developing the Forest Connect toolkit on risk management in late 2015. The main risks identified were insufficient raw materials of the necessary quality for its export product and the uncertain political environment in Ecuador exacerbated by an economic crisis. Having a single main buyer in the USA was also considered a high risk, as the company has made significant investments to meet this client's needs. The managers of Allpabambú perceives its business has suffered due to depressed demand and discouraged investors and is taking steps to increase its access to raw material, including providing technical assistance to producer associations, and is working on alternative products such as charcoal with collaborators to reduce dependence on its main client.

One of the main objectives of the field trip was to observe the business from a perspective of risk assessment, observing the different stages of Allpabambú's value chain.





Photos from the field visit





## 2.2 Observations: what were the main risks and management strategies identified?

- Lack of market demand is a key risk. There is a need for a diversification strategy to limit some of the risk with a particular species or market. Need to find new markets and buyers.
- The question is, to what extent is there a market in Ecuador, the region or internationally? Can it compete internationally with Chinese bamboo?
- Cost efficiency - how can Allpabambú improve it in order to be able to compete?
- For example, the business currently has a buyer that will search around for other suppliers and find that they can produce at a lower cost. Even if Allpabambú can assure better quality and sustainability, the buyer may not be concerned with this and the competition from illegal and cheaper bamboo effects its comparative advantage. Allpabambú needs to do the same analysis as its buyer.
- American buyers identified problems with quality. Yet this was their underlying value proposition. If they are not hitting that right then they will not be able to compete based on quality which is what their current business model is based on.
- Advocacy needed to ensure government and construction companies are aware of the risks of using cheap bamboo poles that will not last. If they are more aware/introduce regulations for construction then enterprises like Allpabambú will stand a better chance.
- They are not diversifying enough. This is a killer risk. If they can't diversify they might fail very soon unless they are not identifying a niche market.
- They are using a species which some countries in Asia know well and are also using. This is risky as for export market they are at a disadvantage both in terms of knowledge of the product and cost.
- Marketing needs to be stronger – this could distinguish between Allpabambú and other bamboo businesses. This could help them secure their position with customers and in the market better.
- The macro economic situation. How could cross border trade with neighboring countries be improved? This is especially important for smallholder producers.

## Day 3: The development of metrics to measure progress in overcoming forest business risks

### 3.1 Measuring development: A measurement framework for forest and farm business that bridges internal performance and external impact metrics

*Duncan Macqueen, IIED*

#### Advantages of distinguished locally controlled forest and farm business

- Directly affect 2.4 billion people
- Their owners live with the consequences their business decisions – favouring sustainability
- Their contribution go far beyond financial returns - delivering broad-based prosperity
- The benefits that accrue locally incentivise forest landscape restoration - on a potentially huge scale
- But this potential goes undiscerned by consumers and governments



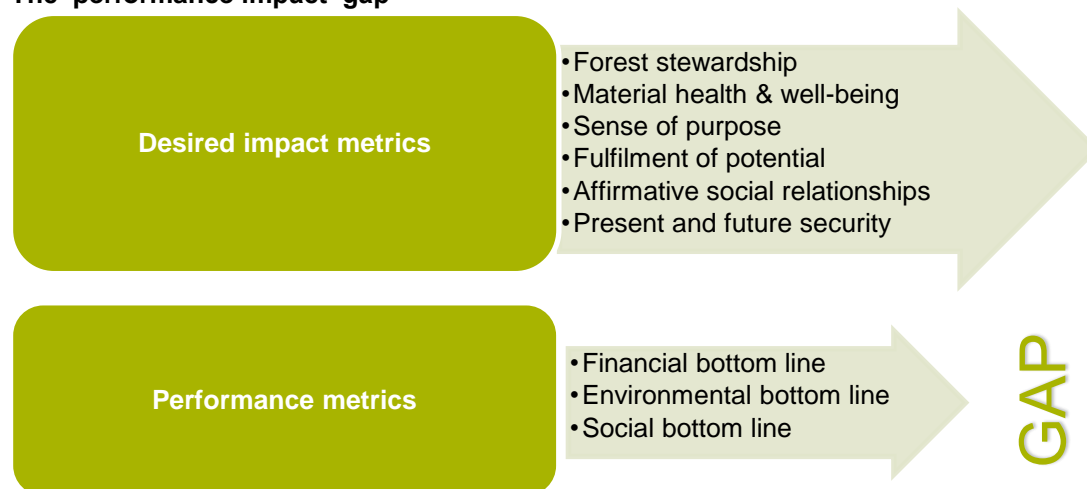
#### What is forest business for?

- Delivering returns on capital for an elite few? (ie profit)
- Collective attempts to deliver what human's value (ie sustainable development)?

#### How to measure business progress?

- Business performance metrics (that result in profit)
- Business impact metrics (that assess contribution to sustainable development)

#### The 'performance impact' gap



#### Why is there a 'performance impact' gap?

- Perceived relevance of metrics (e.g. would measuring impact on local water quality of bamboo treatment help the business?)
- Perceived scope of enquiry of those metrics (e.g. should the business be about water quality as well as sustainable local income?)

- Perceived responsibility for areas to which metrics might apply (e.g. is it not the government's responsibility to enforce water quality – not business?)

### How can it be reduced?

Greater democratic accountability (local control) will force business to consider wider impacts on local people – and avoid businesses avoiding their responsibilities

### In which areas might we want greater accountability?

In which areas might we want greater accountability?						
Basis of action	Familiarity - values of appreciation		Creativity - values of passion		Common interest - values of relationship	
Ideological value pursuit	Business models aligned with the common good					
Development outcome	Conserved abundance and beauty for all	Healthy levels of material comfort	Productive society with gender-equal opportunities	Decent work, social stability and family time	Global trust and friendship	Law and order for social justice
Business constructs	Democratic oversight of resource rights and land-use	Democratic control of business-derived well-being	Democratic decisions on contribution to development	Democratic direction for vocational education	Democratic cooperation towards inclusive market access	Democratic representation in decision-making and law enforcement
What humans value	(a) Stewardship of natural and cultural heritage	(b) Material health and wellbeing	(c) Sense of identity/ purpose	(d) Creative fulfilment of potential	(e) Affirmative social relationships	(f) Present and future security
Business constructs	Unplanned competitive approaches to land use	Capital controlled business corporations	Status tied to awards based on wealth or position	Limited vocational education	Elites control market value chains	Corrupted officials and judiciary protect elites
Development outcome	Scarcity and restricted beauty	Illness and inequitable vulnerability	Culture of listless, sexist escapism	Drudgery, social unrest and family breakdown	Global mistrust and ghettoed securitisation	Corruption, conflict and injustice
Ideological value pursuit	Business models aligned with self interest					

### In summary, what might we want to assess the degree of?

- Democratic oversight of land use
- Democratic distribution of benefits
- Democratic branding of what business is for
- Democratic investments into capacity building
- Democratic cooperation for market access
- Democratic representation in policy processes i.e. distinguish what is truly locally controlled from what is elite or capital controlled

### This is a major shift in focus...

- We propose to measure the degree to which a forest and farm business is locally controlled
- We assume that local democratic control will ensure that all the issues of importance to local people will receive adequate attention)
- We do not propose to develop new ways of measuring impacts – as the degree to which different impacts matter locally (i.e. forest conservation, capacity development etc.) varies from place to place
- However, once we can distinguish locally controlled forest and farm business from that which is elite or capital controlled we could and perhaps should assess which of the two types regularly delivers better impacts

### Is this shift justified?

- UN declaration on human rights affirms rights to: adequate standard of living, just and favourable remuneration, education, the right to work, rights to participate in the government of one's country etc.
- CBD requires protecting customary uses of biological resource
- UNESCO Convention on Technical and Vocational Education affirms right to technical and vocational education towards equality of opportunity
- Agenda 21 advocates for improving opportunities of all peoples in the implementation of forest related programs



- ILO core principles include freedom of association to discuss operational issues and defend occupational interests, and ILO's decent work agenda affirms right to social protection, and to translate economic development into social progress.
- ILO Tribal Peoples Convention 169 commits governments to promoting full social, economic and cultural rights of indigenous peoples
- NLBI on forests requires fair and equitable sharing of benefits from SFM
- SDGs require reducing inequalities, equal rights to economic resources, ownership and control over land, gender equality, quality education, peace justice and strong institutions
- So YES – little above can be achieved without local control over business

#### But what indicators might assess local control in each of these areas?

Value categories for sustainable development	Stewardship of natural and cultural heritage	Material health and wellbeing	Sense of identity/purpose	Creative fulfilment of potential	Affirmative social relationship	Present and future security
Criteria to assess democratic accountability of business to local people's values	Democratic oversight of resource rights and land-use	Democratic control of business-derived well-being	Democratic alignment of business brand with local objectives	Democratic decisions in relation to vocational education	Democratic cooperation towards inclusive market access	Democratic representation in decision-making
2 Indicators of full business alignment	?	?	?	?	?	?
1 Indicators of partial business alignment	?	?	?	?	?	?
0 Indicators of no business alignment	?	?	?	?	?	?

#### Discussion

What is forest business for? Is it to make money for people with money? Or should business be more than that, delivering what people value?

Do we want to develop a specific label that says this is a locally controlled business so they can use it in marketing? Or do we want to use it for engaging with government to get more support for locally controlled forest business?

- “In Ghana, we have the example of companies using their engagement with local women producers as a way to get investment for social impact – however they do not change their behaviour or improve impacts locally, it is just business as usual. When investors came to verify impact they noticed this was not the case. These loaders have now lost an important source of investment. How do we take the output from this and make it interesting to investors so that they also take it seriously”? (Julius Awaregya, ORGIIS Ghana).
- “How do you measure a sense of belonging and satisfaction of maintaining social cohesion by creating employment locally for women, youth and marginalised groups”? (Martin Greijmans, RECOFTC).
- “How do you tell the story of how a product has generated income that has helped send kids to school? Not just a locally produced product that is nicely presented but it has had a direct social impact” (Amy Maling, WWF).
- “The risk management tool could be used to generate the type of information we need to engage with these different actors” (Wain Collen, PlanJunto).
- “We have been working with FSC for many years, but have failed when it comes to engaging with the private sector when we have criticisms. This could also be an issue for a framework such as this. There are many lessons learnt from the FSC process. And how to better include smallholders in certification is still a challenge” (Alvaro Cabrera, Somos Del Sur).
- “The origin and rationale of FSC was that ‘we don't trust the private sector, and they need to prove that they are good’. The problem is that profit is not necessarily the primary objective for all businesses. But some are more aware of the consequences to the survival of their business if

they are irresponsible, even if that means less profit. And so they don't fall under the same category as needing to prove their responsibility because it is already built into their business model" (Duncan Macqueen, IIED).

Could a participatory audit and verification system offer a better solution?

### 3.3 Metrics for measuring social impact by RECOFTC

*Martin Greijmans, RECOFTC*

#### What social beneficial impacts do LCFBs provide?

- How to measure the evidence
- Existing frameworks, e.g.:
  - CIFOR
  - Sustainable Livelihood framework
  - RECOFTC

CIFOR - *The Criteria & Indicators Toolbox Series #2*

Generic template with 4 areas of concern; policy, ecology, social, production of goods & services

#### The social C&I set covers 3 principles:

1. Access to resources,
2. Rights and means to co-manage forest equitably,
3. Health and culture of the stakeholders.

(Scoring system for the assessment of human well-being, Salim *et al.* 1999)



#### CIFOR (Examples of indicators)

- I.3.1.1: Ownership and use rights to resources (inter and intra-generational) are clear and respect pre-existing claims
- I.3.2.1: Mechanisms for sharing benefits are seen as fair by local communities
- I.3.3.2: Out-migration levels are low

#### DFID Sustainable Livelihoods Framework

- Social capital = social networks, level of organisation, trust?
- Human capital = education, health, available labour, local knowledge, education, skills, experience, being able to take part in decision making
- Physical
- Natural
- Finance

## CF Principles



## Principles and Indicators

Principles	Indicators (examples)
Accommodating multiple stakeholders interests	<ul style="list-style-type: none"> <li>Grievance mechanisms for sanctioning, conflict resolution and accountability are operational</li> <li>Mechanism to identify, consider and target the needs of all levels in the community</li> </ul>
Adaptive management and learning	<ul style="list-style-type: none"> <li>Management plan are reflecting different priorities of stakeholders and are regularly updated</li> </ul>
Availability of (quality) resources	<ul style="list-style-type: none"> <li>Pressure on the resources is managed</li> </ul>
Capacity of community and other key stakeholders	<ul style="list-style-type: none"> <li>LCFB applies technical skills to develop resource management plan, to manage and harvest, process and trade products</li> </ul>
Clear rights and tenure among resource users	<ul style="list-style-type: none"> <li>Tenure established with clear and secure legal framework, or customary management acknowledged</li> </ul>
Effective governance	<ul style="list-style-type: none"> <li>Established benefit sharing mechanism</li> <li>Mechanism to include local and indigenous people to ensure meaningful participation in planning and decision-making</li> </ul>
Effective policy and regulatory support	<ul style="list-style-type: none"> <li>Mechanism ensuring active feedback into local policies</li> </ul>



**Other important considerations**

- Satisfaction in creating own labour and livelihoods is important for poor, women and ethnic groups
- As is organisation, sense of belonging, maintenance of harmony, avoided conflict
- Responsibility, own and informed decision making, and sustainable use when resources are owned, protect forest against violators
- What are markets interested in? “Story behind the product”

**3.4 Metrics to measure producer organisation effectiveness by FFF****Forest and Farm Facility: a partnership between FAO, IIED, IUCN, and AgriCord hosted at FAO**

*Sophie Grouwels, FFF (FAO)*

**Vision**

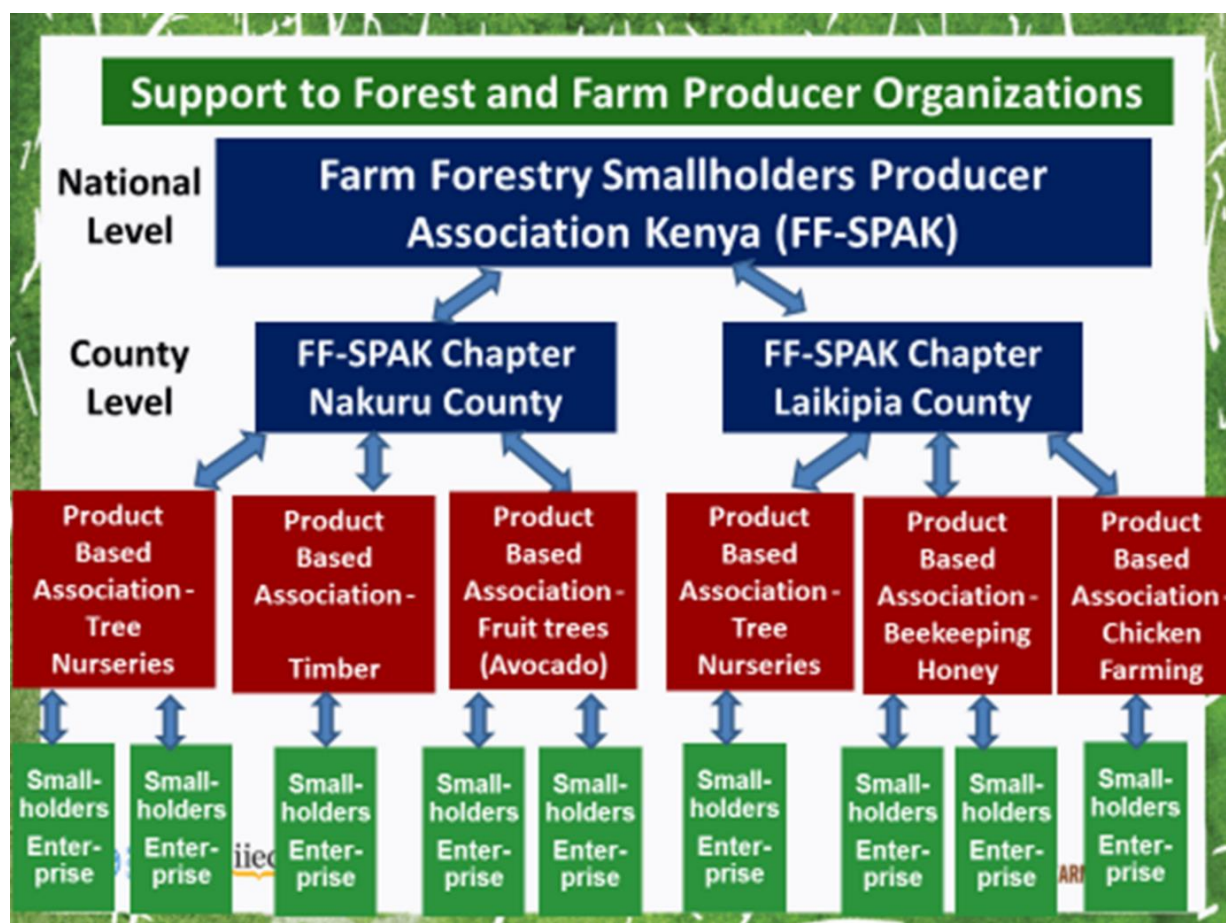
“Smallholders, communities, indigenous peoples and women’s organisations have improved livelihoods and decision-making over forest and farm landscapes” in Bolivia, Guatemala, Nicaragua, Liberia, Gambia, Kenya, Zambia, Nepal, Myanmar and Vietnam; regionally and globally. 5 year multi-donor funded program ran from Dec 2012-Dec 2017

**Strong Forest and Farm Producer Organisations are the solution**

- Strengthen forest and farm producer organisations for equitable business and advocacy
- Facilitate cross sectoral, multi-stakeholder platforms
- Link voices and learning at local, national and global levels

**FFPOS directly empowered**

- Support to > 200 FFPOs, apex federations and local PO enterprises in 10 countries
- E.g.: National Farmers Platform Gambia now 56 organizations -(108,954 women and 163,330 men)
- >45 small grants to FFPOs



#### Catalysing Impact on Policy and Tenure

- Tenure secured - in the Gambia - 77 Community Forests handed over (NFPG)
- Policy changes ensured – PROBOSQUE forest incentive program cleared by parliament in Guatemala (Alianza)
- Trade restrictions lifted – Nepal removes restrictions on trees grown on farms (FECOFUN & FNCSI)

#### Strengthening forest farmers' businesses in the Vietnam National Farmers Union

- Market Analysis and Development training
- Formal small holder acacia groups formed:
  - clustered to increase economies of scale
  - Value added and upwards VC linkages
  - 15%+ better prices in matter of months
- Trade fairs and meetings with buyers:
- bulk orders from local processing enterprises
- Exchange visits expand market entry options:
- Exploring export - + 1000 farmers adopting certification
- Roundtable Policy Discussions

#### Linking small grants to Market Analyses and Development Training

- Women's PO enterprises in The Gambia - Empowering women and youth to use their skills locally and counter migration
- FFPOs South-South Collaboration and exchange of experiences



- Regional and global partnerships

### **FFF fills gaps in rural development cooperation” Mid-Term Evaluation Conclusions July’16**

- Unique: direct support to FFPOS
- Highly relevant approach
- High level of “ownership”
- Good results on building income, human, social, and political capital
- Strong focus on women’s enterprises empowerment and Indigenous Peoples
- Robust M & L framework and process
- Recommendations: scale up (phase II), strengthen gendered value chain work

### **A key question for FFF: How to measure PO’s effectiveness??**

Could we use the 7 cooperative principles (~ FFPOs)?

- Principle #1: Voluntary and Open Membership – willing to accept responsibilities without discrimination
- Principle #2: Democratic Member Control
- Principle #3: Member's Economic Participation– they contribute equally to, and democratically control, the capital of the cooperative
- Principle #4: Autonomy and Independence – they are self-help organizations controlled by their members
- Principle #5: Education, Training and Information so they can contribute effectively to the development of their cooperative & inform general public
- Principle #6: Cooperation Among Cooperatives - strengthen the cooperative movement by working together through local, national, international structures.
- Principle #7: Concern for Community - cooperatives work for the sustainable development of communities through policies and programs

### **We should maybe also look at the core principles for Indigenous Peoples?**

- Reciprocity in an interconnected world – with each of us and with Mother Earth. Indigenous Reciprocity is the way to live our lives. It infuses all of our relationships with mutual respect, humbleness, joy, and appreciation.
- Relationships – especially to their land and the fact they are part of the natural world
- Responsibility to future generation

### **This leads us to a key practical question: How can we differentiate the products from FFPOs as being locally controlled? And add Value?**

In search of sustainable practices, the Ag-sector is identifying new rules or forms of interaction and organisation to supply local markets with sustainably grown/produced products [Institutional innovations]

Participatory guarantee systems\*, multi-actor innovation platforms etc. can be forms of institutional innovations.

### **Participatory Guarantee Systems (PGS)**

- Locally focused quality assurance systems. They certify producers, based on active participation of stakeholders and are built on a foundation of trust, social networks and knowledge exchange. PGS operates outside framework of third party certification.
- Could we adapt this to locally controlled forest businesses?
- How could we use the criteria that we are identifying to define the grade of LCB, to differentiate the products of FFPOs in the market – for example create a LCB label?



### 3.5 Guatemala's forestry trade

Wilfredo Villagran, Directorate of Industry and Forest Trade, INAB

#### Directorate of Forestry Industry and Trade

Guatemala has a registered production of 2.2 million M3 per year. Of this it exports about 10 per cent.



#### Issues

The following conditions favour illegality:

- Separation between producers and processes
- Existence of intermediaries in the harvest, extraction and transport
- Lack of supply and demand records
- Existence of intermediaries in the harvest, extraction and transport
- Costs of production, processing, transportation, marketing and price

Therefore, the INAB proposal is based on the strategy of linkage between producers-processors and traders.





## Actions

### Forest:

- Technical guidelines for sustainable forest management
- Increased plantation yield
- Forest incentive programs
- Interinstitutional plan for the prevention and control of illegal activity
- SEGEFOR Forest Management System
- Development of mobile application for calculating yields
- Development of business management program for MSME's in collaboration with the Ministry of Economy (MINECO) and the Vice Ministry for the Development of Micro, Small and Medium Enterprises (VICEMIPYME) as part of the Forest-Industry-Market (BIM) Strategy



Mobile phone App showing yield calculation

INAB App	
Resumen de porcentaje de rendimiento	
Análisis Estadístico	
Madera Aserrada	
Muestra: B93-4	
Media	67.99%
Desviación Estándar	11.60%
Número de muestras	32
Grados de libertad	1.96
Error estándar de la media	2.05%
Error de muestreo	4.02%
Mediana	66.71%
Moda	59.98%
Rendimiento Mínimo	43.22%
Rendimiento Máximo	91.44%
Límite de confianza inferior	63.97
Límite de confianza superior	72.01

## ✓ Diseño de APP de Rendimiento



### 3.6 Group discussions and feedback on the background paper

In the afternoon, participants divided into groups to discuss the topic of the draft background paper *“Measured development: a measurement framework for forest and farm business that bridges internal performance and external impact metrics”* (Macqueen, forthcoming) and the morning’s presentations. The aim of the draft paper was to initiate discussions on the benefits of developing a measurement framework and metrics to distinguish locally controlled forest business models with the Forest Connect Alliance members.

Participants separated into groups with the task to critically reflect on the practical use and implementation of such a system. The following questions were discussed: i) what advantages there would be in distinguishing locally controlled forest business from capital controlled business; ii) what would local control in each of the six risk management areas look like; iii) what should we measure in terms of (a) that control and (b) results in practice.

These were the results of the discussions:

#### **What are the advantages for distinguishing locally controlled business from capital controlled business?**

##### **Overall reflections**

- Interesting area but we need to do a little bit more research – how is this working with self-assessment method and peer review? Is the framework robust enough? Have we analysed what is out there enough?
- Measuring for whom and for what - who are we trying to convince? Everyone? Or is it specifically consumers, buyers or the government?
- Need to be open about the challenges too. Participatory Guarantee Systems are not always a way to guarantee sustainability or contribution. If the group supports a decision that is less sustainable then the whole sustainability argument fails. We need to know more. In the case of distinguishing business for market access *“Is there really a need for another label or certification”*?
- What would the process be of creating a set of indicators that other stakeholders could also buy into, e.g. government and others, in order to ensure that the information gathered is also recognised as relevant by those who we are trying to influence?
- The challenge is that democratically governed businesses also have more challenges and more often fail because of this. It is important to bring these questions out into the open.
- What are the different degrees and dimensions of local control? It can be a very blurred line where some businesses will score highly on some criteria but less on others. You can be not at all, partially or fully locally controlled.
- To what degree is representation also regarded as local control? Not possible to involve all in decision making at second and third level associations.
- When you have an external business manager you can still show local control by including indicators that show governance structures; for example, more than 50% shareholders and shares to be locally owned.

##### **Advantages for engaging with the government:**

- The starting point in Asia is how to convince the government that the LCF business model is worth investing in and supporting.
- In Latin America conservation is not seen as a business, there are rights but no access to markets.
- In Vietnam the government doesn’t believe in local people and their businesses – there is a need to be able to distinguish them better so that we can improve the support.
- Labelling is for the voluntary market and not necessarily something that the government is interested in, so a different tactic is needed.
- Lack of access to market is one problem but even more difficult is the lack of support and barriers put up by government.



**Advantages for highlighting the difference between locally controlled forest business models:**

- Currently there is no way of distinguishing who can go through expensive formalisation and sustainability procedures – cost barrier is high and the same no matter the type of business, makes it nearly impossible for local smallholder business.
- Creating awareness of different capabilities and constraints: locally controlled forest businesses do not have the same resources and are therefore excluded from what is regarded as sustainable and responsible business because they cannot pay for the management plans and certification that would be needed
- Likely to have more relevant/appropriate business models: locally controlled forest businesses are not just normal businesses. Many are still informal and bring other values: social interaction, cohesion.

**Advantages for attracting investors and financial support:**

- Framework useful for accessing financial support or investment.
- Convincing investors: how can we convince those with capital not to give it to others with capital but to those who lack access to investment but with deeper sustainable development outcomes
- Opportunity for social investors – this can help them to better target their investments and evaluate investment impacts and success - lowering risk of their investment.
- Potential to link the investor with the community and the locally controlled forest business: are we all speaking the same language?

**Advantages for creating market access:**

- Niche marketing benefits (craft beer...)
- Stimulate mainstream market entrances? Or is this contradictory?
- Maybe we should try to tailor locally controlled forest businesses to both niche and mainstream markets?

**Advantages for the business itself:**

- Rewarding the community, creating prestige, locally incentive mechanism by establishing the locally controlled forest business
- locally controlled forest business is a big opportunity for relevant business incubation
- Local ownership of locally controlled forest business is key for enterprise success
- Resource, social sustainability will contribute to the business sustainability

**What indicators can be useful to measure local control?**

**Forest and land use:** Reciprocity (which indicators fit with it); tenure and access rights, community owned management plans (forest/territories); biodiversity recovery (fauna, flora, landscape), quality of water, recognition of resource owners

**Benefit distribution:** equitable benefit sharing distribution in place

**Business purpose:** does the mission of the business reflect environmental, social & cultural, and financial market purposes; community approval rating (set a percentage); recognition of Indigenous knowledge systems and locally controlled R&D; access to specific financing lines for LCB; inclusive business plan approved by all stakeholders

**Vocational education:** locally controlled forest business applies technical skills to develop resource management plan, to manage and harvest, process and trade products; education, training and information so they can contribute effectively to the development of locally controlled forest business and inform the general public; access to appropriate technology; Indigenous knowledge systems

**Inclusive market access:** supportive policy, participation in trade fairs

**Representation in decision making:** local ownership: percentage of ownership, member-based and elected leadership, voluntary and open membership with responsibility (agreed upon charter), Democratic Member Control, access to accurate and timely information sharing (transparency and accountability) = equitable information sharing; FPIC; reciprocity

### 3.7 Group auction to identify and then prioritise future work streams

Each participant was asked to write on meta-cards what area of research or collaboration they felt was most important in the future of the Forest Connect alliance. This could reflect thematic discussions had during the workshop, what individuals have found most useful in belonging to Forest Connect in the past, and things they would like to see in the future. The cards were then grouped and summarised as possible areas of action for future Forest Connect work. The main topics of interest were then used in an 'auction' between four teams.

Each team was given a hypothetical US\$100 to spend, to try and win the combination of topics that they thought would make the best future work streams for the Forest Connect work programme. The following six areas were selected as priorities through the auction:

**Developing a metrics for distinguishing locally controlled forest business.** Building on the framework and initial literature review carried out for the Background paper, practical steps and partners for developing such a measurement and verification system will be further explored by IIED.

**Pilot testing tools and approaches through a community of practice.** Within the Forest Connect Alliance there are a number of members using the same tools, some of which has been developed as part of Forest Connect activities, such as the "Risk Management Toolkit" and the "Facilitators guide to supporting locally controlled forest enterprises", and others by member institutions, such as the Market Analysis and Development method (FAO) and the Green Value Tool (Earth Innovation Institute). These are complementary and if used in sequence can help strengthen enterprise support activities at different times. A community of practice to share experiences and approaches for implementing these tools (and others) could help improve practice and results. Some of the outcomes of using the tools can also be used for advocacy purposes (e.g. to highlight risks that require government intervention).

**Evidence based policy advocacy.** The Forest Connect Alliance members are in a key position for gathering evidence from the field and informing research. Concrete examples of challenges and opportunities of locally controlled forestry can be used to strengthen advocacy efforts at national, regional and global levels. This is a key advantage of the alliance and one where collectively we can be more effective.

**Developing guidance on tools and approaches for enhancing market access.** Certification systems and labels exist in their hundreds all with the purpose of helping businesses distinguishing themselves in niche markets. But how does a business know what to choose in this "labyrinth of labels"? The *Forest and Farm Facility* is working on developing a guide for producer organisations to assess their own needs against that of these other "guides for market access". How could Forest Connect Alliance members become part of developing and testing this guide? The guide will first focus on Latin America with other regions to follow.

**Creating knowledge about business incubation.** Business incubation involves working between the different actors in the supply chain to support the development of the value chain at multiple points. This can be a complex process with multiple actors involved expecting different results. Many supporting agencies, such as the members of the Forest Connect Alliance, do business incubation in one form or the other. But there is little detailed documentation on what these different models look like (approaches and tactics), in order to learn from them. More information and guidance on this topic is needed.

**Learning about social and environmental impact investors.** Does impact investment offer an opportunity for locally controlled forest business, or not? Who has experience to share in this area and what can be learnt? Impact investors are often mentioned in relation to alternative sources of finance and investment, but uncertainty remains about whether they are an opportunity for locally controlled forest business seeking capital?

### 3.8 Future action points for the Forest Connect Alliance

The meeting closed with group discussions that aimed to come up with concrete action plans for following up on the prioritised work streams. This was also an opportunity for participants from Latin America to discuss the potential for strengthening regional collaboration and coordination of the network. In order to facilitate these discussions participants divided into regional groups. In Asia

RECOFTC and WWF have been coordinating the Forest Connect Asia Alliance since 2012. In Africa the pan-African network AFECNET formed after the 4<sup>th</sup> international Forest Connect meeting in Hanoi, Vietnam. In Latin America, long standing partners Reforestamos Mexico and Somos Del Sur agreed to take up joint coordination roles of a Latin American Forest Connect network.

Here are some of the action points identified to be taken forwards during the year within the regions and globally in collaboration with members of the Forest Connect Alliance (lead organization in brackets):

- Review recommendations and incorporate changes to the Risk Management Toolkit (IIED)
- Complete the Background paper with the input from the 5<sup>th</sup> Forest Connect meeting (IIED)
- Document cases of how locally controlled forest business contributes to local economies: the process towards evidence (1 year lead by Forest Connect Asia members)
- Research and write up cases studies of different models of business incubation (IIED with FFF)
- Facilitate learning exchanges and documentation of finance and social investments (and incubation) (lead by WWF and RECOFTC)
- Link members and work within the Forest Connect Alliance with CATIE events (CATIE)
- Link and update Latin American members to the planned FFF meeting in Bolivia on the development of the guide of guides to market access (navigating the labyrinth of labels – lead by FFF Bolivia)



## List of participants

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