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Discussion paper

***Forest-based associations  
in India***

*An overview*

**Sharmistha Bose, Pankaj Lal, Praveen Shashi Pareek,  
Manish Verma and Sushil Saigal**

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**Winrock International India**



**Contacts:**

Sharmistha Bose  
Winrock International India  
1 Navjeevan Vihar  
New Delhi 110 017, India  
Tel: +91 11 26693868. Fax: +91 11 26693881  
Email: [sharmistha@winrockindia.org](mailto:sharmistha@winrockindia.org)

Duncan Macqueen  
Forestry and Land Use Programme  
International Institute for Environment and Development (IIED)  
4 Hanover Street, Edinburgh EH2 2EN, Scotland, UK  
Tel: +44 131 226 6860, Fax: +44 131 624 7050  
Email: [duncan.macqueen@iied.org](mailto:duncan.macqueen@iied.org) Website: [www.iied.org](http://www.iied.org)

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## **Acronyms and abbreviations**

AGM	Annual General Meeting
AISGI	Association of Indian Sports Goods Industry
BCMWWMA	Beedis, Cigarettes and Matches Wholesale Merchant Association
BSMA	Bastar Saw Millers Association
DFID	Department for International Development (UK)
DYPMA	District Yamunanagar Plywood Manufacturers Association
EOAI	Essential Oil Association of India
FLCS	Forest Labour Co-operative Society
FORHEX	Federation of Rajasthan Handicrafts Exporters
GTMF	Gujarat Timber Merchants Federation
HDTMA	Harda District Timber Merchant Association
IFFCO	Indian Farmers Fertilizer Co-operative Ltd.
IIED	International Institute for Environment and Development
IPMA	Indian Paper Manufacturers Association
ITMA	Itarsi Timber Merchant Association
JFM	Joint Forest Management
JFMC	Joint Forest Management Committee
JHEA	Jodhpur Handicrafts Exporters' Association
JNUSSN	Jila Nilgiri Utpadak Sahkari Society, Nasik
LVS	Lok Vaniki Sangh
MASS	Mayurbhanj Swechasevi Samukhya
MCLCA	Madhuvan Contractual Labour Co-operative Association Ltd.
MPMFP	Madhya Pradesh Minor Forest Produce Federation's Sanjeevani
MPSF	Madhya Pradesh Silk Federation
MPSIO	Madhya Pradesh Small Industries Organization
NAFED	National Agricultural Co-operative Marketing Federation
NCDC	National Cooperative Development Corporation
NGO	Non Governmental Organisation
NTFP	Non Timber Forest Product
PEAMAR	Perfumers, Essence and Agarbatti Merchant Association, Rajkot
PPA	People's Protected Area
PTLDA	Plywood, Timber, Laminate Dealers' Association
RTMA	Raipur Timber Merchant Association
SGMEA	Sports Goods Manufacturers and Exporters Association
SHG	Self-Help Group
SIFPG	Self-Initiated Forest Protection Groups
SMFE	Small and Medium Forest Enterprise
SPAS	Safeda Poplar Arthiya Sangathan
STCAA	Saharanpur Timber Commissioning Agents Association
SWCA	Saharanpur Wood Carving Association
SWCMEA	Saharanpur Wood Carving, Manufacturers and Exporters' Association
TRIFED	Tribal Cooperative Marketing Development Federation
VFC	Village Forest Committees
VUS	Van Utthan Sangh
WTO	World Trade Organisation

## 1. Introduction to the study

This study is part of a multi-country project coordinated by the International Institute for Environment and Development, London (IIED), and supported by the UK's Department for International Development (DFID). This project, called *Stronger by Association*, aims to improve and spread understanding of how associations of small and medium forestry enterprises (SMFEs) can work for poverty reduction and sustainable development.<sup>1</sup> The research objective of the current project is to improve understanding about how SMFE associations can work for the poor.

Inception research (Saigal and Bose, 2003) indicated that SMFEs can play a major role for sustainable livelihoods in many rural areas where few other alternatives to subsistence and poverty exist. However, the potential of SMFEs is often unrealised because of a lack of effective joint action. This present study builds on earlier work and feeds into the larger multi-country project coordinated by IIED.

### 1.1 Objectives

The main objectives of the present study are to collect information on different types of SMFE associations in India and to assess the following hypotheses:

1. Cohesion – Association functionality is dependent on particular strong mutual aspirations.
2. Resilience – Association functionality is dependent on the credibility and legitimacy of different types of decision-making processes and association governance.
3. Equity – Association functionality is dependent on the extent and adequacy of representation of different interest groups including gender representation.
4. Support – Association functionality is dependent on the degree to which policies and institutions are supportive.

This was achieved by analysing the following:

- What types of SMFE associations are there?
- What leads to their formation?
- What functions do they perform and how do these functions evolve over time?
- What are the costs and benefits of membership?
- What factors affect their resilience and effectiveness?
- What is their current and potential role in supporting livelihoods of the poor and sustainable forest management?

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<sup>1</sup> The main focus of the project is on Brazil, India and Uganda and the additional focus is on China, Guyana and South Africa.

## **1.2 Methodology**

The following methodology was used for this study:

- **Literature review and key informant interviews:** a brief literature review was undertaken and interviews were held with key people (in New Delhi) who are knowledgeable about associations. This helped to identify key issues and provided leads for further work.
- **Database:** a database was developed, to include associations/federations and networks from Delhi, Haryana, Uttar Pradesh, Rajasthan, Punjab, Madhya Pradesh, Chhattisgarh, Gujarat, Orissa and Maharashtra.
- **Checklist-based interviews:** a checklist of questions was prepared and checklist-based interviews were held with leaders and members of various SMFE associations. These associations were purposively selected based on the following criteria: location, type of association and willingness to be interviewed. Due to limitations of time and resources, it was decided to limit field visits to north, west and central India. In addition to the field visits, some information was also gathered through email, telephone, websites and other secondary sources.

## **1.3 Scope and limitations of the study**

This study covers both formal (registered) and informal associations related to production, processing and marketing enterprises. However, it is not an exhaustive study of all such associations in India and is only based on information collected from 27 SMFE associations, all of which are from north, central and west India. The description and analysis is mostly based on information provided by respondents and in some cases collected from sources such as reports, brochures and websites. It was not possible to cross-check the information provided by the respondents through means such as interviews with non-members or field visits to forests and villages.

## 2. Background context

### 2.1 The Indian forest sector

Forestry is the second major land use in India after agriculture. Around 23% of the country's area (77.82 million hectares) is officially classified as forest land (Table 1).<sup>2</sup>

**Table 1. Area of forests by category<sup>3</sup>**

Category	Area million ha)	Percentage of total geographical area
Total geographical area of India	328.73	100%
Officially recorded forest land	77.82	23.68%
Actual forest cover	67.83	20.64%
Dense forests	39.05	11.87%
Open forests	28.77	8.75%

Source: FSI, 2003.

However, as shown in Table 1, the actual forest cover is less than the recorded area of forest land. While some of the forest land lacks tree cover because of geography (e.g. wetlands and snow-covered peaks), a significant proportion is degraded. In fact the actual forest cover estimates include tree cover on non-forest land, which further accentuates the gap between actual forest cover and official forest land.

The majority of forests are controlled and managed by the state Forest Departments.<sup>4</sup> However, the bulk of forest-based industries, which produce a wide range of produce from both wood and non-timber sources, are in the private sector (Saigal *et al.*, 2002). For example, more than 90% of India's wood-based products are presently manufactured in the private sector (Gol, 1999). It is estimated that the total consumption of wood by the wood processing industries is in the range of 24 to 30 million m<sup>3</sup> per annum (*ibid.*).

Forests are also an important source of sustenance for rural communities, especially the poor and tribal groups. An estimated 147 million people live close to officially designated forest lands in over 170,000 villages (FSI, 1999), and the maps of forest cover, poverty and tribal populations show a clear overlap (Poffenberger and McGean, 1996). Many of these people depend on forests for meeting their basic needs of fuelwood, fodder, small timber for agricultural implements and house construction, and food and medicines in the form of non timber forest products (NTFPs). It is estimated that 600 million tonnes of forest produce is collected annually from India's forests (Gol, 1999). Forests also serve as an important safety net for the rural poor, by helping them survive through bad harvests, long periods of drought, seasonal shortfalls and other emergencies.

<sup>2</sup> In many parts of the country, however, the legal process for declaring an area as forest land has yet to be completed, following the required settlement of the rights of the pre-existing occupants, if any.

<sup>3</sup> 'Actual forest cover' refers to land with at least 10% crown cover; 'dense forests' are forests with over 40% crown cover; and 'open forests' are forests with crown cover between 10% and 40%.

<sup>4</sup> Each state has a Forest Department, which works independently of Forest Departments in other states. The Ministry of Environment and Forests at the central government level decides the policy framework and broad guidelines for all the states.

## 2.2 Small and medium forest enterprises and major challenges

The SMFE sector is facing a number of challenges. One of the greatest challenges is shortage of raw material, especially wood. For instance, the wood-carving industry in Saharanpur is facing a shortage of sheesham wood (*Dalbergia sissoo*) and the sports goods industry in Jalandhar is facing a shortage of willow wood.<sup>5</sup> Many SMFEs are operating below their installed capacity. For instance, capacity utilisation is only 50% for plywood, 41% for decorative veneers, 41.5% for particleboard and 60% for fibreboard (Gol, 1999).

### Box 1. Definition of SMFEs in India

In India, the officially recognised category closest to SMFEs is 'small-scale industry'. An industrial undertaking in which the investment in fixed assets in plant and machinery – whether held on ownership terms on lease or on hire purchase – does not exceed Rs 10 million is classified as a small-scale industry (see [www.smallindustryindia.com](http://www.smallindustryindia.com)). Recently, a new bill has been drafted, which is called the 'Small and Medium Enterprises Development Bill 2005' and defines small and medium industries separately. Under this bill, industries producing goods are to be classified as small industries if investment in plant and machinery does not exceed Rs 50 million. Industries with an investment between Rs 50 and 100 million are to be classified as medium industries. In the case of service enterprises, investment limits are Rs 20 million for small industries and Rs 20-50 million for medium industries. The new definitions will come into force after the bill is passed.

Another challenge is the common perception that the sector is responsible for forest destruction in many areas. This perception has led to many forest-based industries being ordered to close down by the courts. For example, 1,160 unlicensed sawmills were ordered to close down in Gujarat following a Supreme Court Order in 1997, which ruled that all sawmills (and wood processing units) that do not have a proper licence from the Forest Department should be shut down immediately (see section 6.1.1 for details).

A further key challenge is the increasing national and international competition as a consequence of economic liberalisation. A number of forestry enterprises (such as paper, plywood, veneer, particleboard, medium density fibreboard, blockboard) that were formerly under the licensing regime have been delicensed (Saigal and Bose, 2002). This means that those items that were reserved for exclusive manufacture by small-scale industries have been de-reserved.

It is far easier for SMFEs to address these challenges collectively rather than individually. A number of SMFE associations have already started action in this regard. For instance, the Gujarat Timber Merchants Federation (GTMF) has begun efforts not only to reverse the order for closure of sawmills, but also to improve the public image of sawmills. Similarly, the Saharanpur Wood Carving Association (SWCA) conducted a workshop in association with the Forest Research Institute to explore the potential of using rubber wood as an alternative to sheesham wood, which is in short supply.

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<sup>5</sup> In the case of the wood-carving industry, some of the reasons for the shortage are closure of sawmills and competition from the construction industry. In the case of the sports goods industry, the shortage occurred due to a ban on movement of unprocessed willow wood by the Jammu and Kashmir state government.

## **2.3 Forms of association and their formal or informal constitution**

An SMFE association can be defined as any formal or informal grouping of SMFEs at the firm level for an articulated common purpose. This definition excludes groupings other than those based on the firm, such as trade unions. It also excludes incidental industrial clustering in which firms have not articulated a common purpose; irrespective of how integrated their production systems might be (Macqueen, 2004).

In the Indian context, both formal and informal associations of SMFEs exist. They can be termed as formal when they are registered with the government as societies or statutory bodies having letters of association, annual audit, a formally elected executive body, Annual General Meeting (AGM) and a strict mandate.<sup>6</sup> An example of such an association is the Association of Indian Sports Goods Industry, Jalandhar, Punjab. Associations can also be formed through an informal coming together of members based on commonality of interests and these may operate without formal registration, like the Safeda Poplar Arthiya Sangathan, Yamunanagar.

The main advantage of formal registration is that the association is a recognised legal entity leading to benefits such as: acceptability by the government as a representative face of the enterprises; consultation and advice sought by the government on matters related to policy change; financial benefits such as tax exemptions under government provisions on expenses incurred on functioning of registered associations; and easy access to financial support as a result of their legal status following registration.

Some of the constraints of formal registration on these associations are: lack of flexibility in functioning once their mandate becomes typified as per the Acts under which these are registered; increased administrative costs as regular audits and AGMs become necessary;<sup>7</sup> and the fact that registration acts as an inherent deterrent where those involved in SMFEs lack legal know-how. For example, this is particularly the case in the sector of NTFP collection and processing, which is dominated by informal, household enterprises which provide livelihoods to disadvantaged socio-economic groups, such as tribals, women and the landless.

Federations formed under the co-operative movement in India are an outcome of deliberate state policies, which have been vigorously pursued through the formation of co-operatives. These co-operatives act as a balance between public and private sectors and operate in areas like: agricultural supplies, credit, marketing and processing. There are functional co-operatives in fields like dairy, poultry, fisheries, fruit and vegetables; industrial co-operatives; consumer co-operatives which handle the public distribution of essential commodities; and housing co-operatives.

The government played a key role in promoting the co-operative movement in India by setting up a statutory body, the National Co-operative Development Corporation (NCDC) in 1963. The government also established the Indian Farmers Fertilizer Co-operative Ltd. (IFFCO) as an effective marketing network, and the National Agricultural Co-operative Marketing Federation (NAFED) which consists of about 5,000 marketing societies handling agricultural produce. The Tribal Cooperative Marketing

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<sup>6</sup> The registration of these associations by individuals or companies is done generally under the purview of Indian Society Act 1860 or Multi-state Cooperative Societies Act 2002.

<sup>7</sup> These costs become significant in the case of small associations, where annual costs are in order of a few thousand rupees.

Development Federation of India (TRIFED) was constituted in 1987 in order to meet the marketing requirements of tribal forest producers.

Some of the associations have been constituted by the government for NTFP collectors such as the Madhya Pradesh Minor Forest Produce Federation's Sanjeevani (MPMFP). These provide livelihood benefits by giving the general public access to forest produce and by generating employment, especially for unemployed rural women. In some cases (e.g. for NTFP collection and marketing), the government both creates the association and specifies its structure.

Umbrella bodies such as the Madhya Pradesh Silk Federation (MPSF), Bhopal or the Van Utthan Sangh (VUS), Jhadol (which is essentially a federation of joint forest management societies in Jhadol block of Udaipur district), work differently from individual associations. There is a certain amount of hierarchy and the role of mediators becomes important. An example of such mediators is the NGO Seva Mandir, which has been providing some financial support to VUS. The criteria for membership, forms of decision-making and flow of benefits also differ. For example, in MPSF an individual cannot directly join the federation. First s/he has to join an existing society or has to create a new self-help group, then that society or group can apply on behalf of the individual. However, in the case of individual associations such as the Raipur Timber Merchant Association (RTMA) in Chhattisgarh, the executive body consists of members of the timber traders and works to safeguard the interests of the members directly.

### **3. Brief descriptions of the associations covered**

SMFE associations were selected from 10 out of the 27 states in India. The selection was made to capture the diversity of roles played by associations, as well as the different types of association (such as government or membership driven), whether they are formal or informal, NTFP or timber-based associations. Care was taken to include associations based on their functioning such as shaping policy environment, reducing transaction costs and strategic adaptation.

In addition, some information was also collected from the Indian Paper Manufacturers Association (IPMA) that mainly represents large paper mills and a Forest Labour Co-operative Society (FLCS) in the Dangs district of Gujarat. The Sahamgaham FLCS was formed in 1969 and has 735 members from 16 villages. The FLCS carries out forest harvesting operations for the Forest Department. It represents forest workers and also maintains a timber depot.

Table 2. List of SMFE associations surveyed

No.	Name	Description	Industrial or community	Formal or informal	Externally or internally driven
1	The Raipur Timber Merchant Association (RTMA), Raipur, Chhattisgarh	RTMA is an association of sawmillers and timber traders of Raipur district, Chhattisgarh. It was formed in 1960 and presently has about 275 members. It acts as an interface between members and government authorities and also helps in conflict resolution among members. In the past the association has helped its members in purchasing and renewal of forest licences and transit passes, which are required for timber trading.	Industrial	Formal	Internally driven
2	The Bastar Saw Millers Association (BSMA), Chhattisgarh	BSMA is an association of sawmillers operating in Bastar area of Chhattisgarh. It was formed in 1979 and presently has 22 members (20 from Bastar district and 2 from Dantewara district). It works to safeguard the interests of the industry and mediates in settling disputes between the members. It also helps the members in dealing with government authorities and getting licences renewed.	Industrial	Formal	Internally driven
3	Perfumers, Essence and Agarbatti Merchant Association, Rajkot (PEAMAR), Gujarat	PEAMAR is an association of manufacturers and dealers of perfumes, essences and <i>agarbattis</i> (incense sticks) of Rajkot area in Gujarat. It was started in 1993 and presently has 90 members. Its main purpose is to safeguard the interests of the industry. It helps in making members aware of various rules and regulations governing their industry. It also provides a platform for social interaction between members as well as their families.	Industrial	Formal	Internally driven
4	Beedis, Cigarettes and Matches Wholesale Merchant Association (BCMWMA), Rajkot, Gujarat	BCMWMA is an association of merchants dealing in <i>beedis</i> (cigarettes made from tendu leaves), cigarettes and matches in Rajkot area of Gujarat. It was formed in 1965 and currently has 145 members. Its main objective is to safeguard the interests of its members and to provide them with a common platform to discuss various issues related to their business.	Industrial	Informal	Internally driven
5	Safeda Poplar Arthiya Sangathan (SPAS), Yamuna Nagar, Haryana	SPAS is an association of eucalyptus and poplar traders of Yamunanagar district of Haryana. It was formed in 1970 and currently has 250 members. Its main purpose is to safeguard the interests of timber traders. It also resolves disputes between members and helps members with problems related to payments.	Industrial	Informal	Internally driven

6	District Yamunanagar Plywood Manufacturers Association (DYPMA), Haryana	The Yamunanagar district of Haryana has emerged as an important cluster of forestry enterprises with a large number of plywood, veneer and sawmilling units located there. DYPMA is an association of plywood manufacturers of Yamunanagar. Formed in 2001, it acts as a coordination body between different enterprises and deals with common issues such as securing raw material supplies.	Industrial	Formal	Internally driven
7	Madhya Pradesh Silk Federation (MPSF), Bhopal, Madhya Pradesh	MPSF was created in 1997 by the state government to support silk producers. It has operations in nine districts and its members are organised into 56 primary cooperative societies. The federation assists the members in raising mulberry silk (on agriculture land) or <i>tassar</i> silk (on forest land) and in marketing their production. It runs eight cocoon banks where producers can sell cocoons as well as eight reeling units, which produce 3,500 kilograms of silk yarn annually. <sup>8</sup> It focuses on women workers, especially those from poor and socially marginalised sections. It runs a weaving centre at Maheshwar and has a marketing outlet in Bhopal (Kataan Silk Emporium). It also organises fairs to promote the sale of silk products.	Community	Formal	Externally driven
8	Madhya Pradesh State Minor Forest Produce (Trade and Development) Co-operative Federation Limited, Bhopal, Madhya Pradesh	The Madhya Pradesh State Minor Forest Produce (Trade and Development) Co-operative Federation Limited, Bhopal, aims to maximise benefits to forest dwellers involved in collection and trade of nationalised minor forest produce (MFP), and strives for the removal of middlemen so that all the revenue generated flows back to the community. This helps to secure income for the forest-dependent poor in the region.	Community	Formal	Externally driven
9	Madhya Pradesh Small Industries Organization (MPSIO), Bhopal, Madhya Pradesh	The major goal of MPSIO is the development, expansion and conservation of small scale industries. It is also responsible for representing its member industries and their views in front of various government agencies.	Industrial	Formal	Externally driven

<sup>8</sup> Source: [www.weavesandcrafts.com](http://www.weavesandcrafts.com)

10	Harda District Timber Merchant Association (HDTMA), Madhya Pradesh	HDTMA is an association of timber traders and sawmillers in Harda district of Madhya Pradesh. It was formed in 1969 and presently has 78 members (54 sawmillers and 24 timber traders). A major service provided by the association is the assistance it provides to the members in getting their licences renewed. It also gives individual loans to members who have suffered some loss in business due to a calamity beyond their control. The funds for these loans are generated by collections made from within the association. It also provides a platform for social interaction among members.	Industrial	Formal	Internally driven
11	Itarsi Timber Merchant Association (ITMA), District Hoshangabad, Madhya Pradesh	ITMA is an association of timber dealers based at Itarsi in Hoshangabad district of Madhya Pradesh. It was formed in 1972 and currently has 40 members. Its main objective is safeguarding of members' interests and lobbying for favourable policies, especially regarding timber auction and transport.	Industrial	Formal	Internally driven
12	Association of Indian Sports Goods Industry (AISGI), Jalandhar, Punjab	AISGI is a network of traders in the sports goods industry in India. A significant part of the sports goods industry uses wood as a raw material to make products such as cricket bats and hockey sticks. The association was formed in 1972 and currently has 200 members. Its office is located in Jalandhar, Punjab. It represents the sports goods industry, works to promote the industry's interests and helps to settle disputes among its members. It provides an effective platform for addressing issues relating to trade and industry to the government, both at central and state levels.	Industrial	Formal	Internally driven
13	Sports Goods Manufacturers and Exporters Association (SGMEA), Jalandhar, Punjab	SGMEA is an association of 45 sports goods manufacturers and exporters based in Jalandhar, Punjab. It was formed in 1978 and works to promote the interests of sports goods manufacturers and exporters. Apart from coordination and lobbying, it also works for product improvement, conflict resolution among members and recovery of members' outstanding payments from clients.	Industrial	Formal	Internally driven
14	Plywood, Timber, Laminate Dealers' Association (PTLDA), Jaipur, Rajasthan	PTLDA, formed in 1978, has 250 members from Jaipur and Dausa districts of Rajasthan. It works to safeguard the interests of its members and also promotes social interaction among them. It has been demanding a <i>mandi</i> (market yard) for their trade from the government for some time now. It has also carried out some social service activities such as vaccination camps, donation for famine relief, etc.	Industrial	Formal	Internally driven

15	Jodhpur Handicrafts Exporters' Association (JHEA), Jodhpur, Rajasthan	JHEA works to promote the interests of handicrafts exporters based in Jodhpur and some other areas of Rajasthan. It was formed in 1997 and currently has 205 members. It helps in obtaining and disseminating information relevant for exports of handicrafts on behalf of its members. It also liaises with government agencies on its members' behalf.	Industrial	Formal	Internally driven
16	Madhuvan Contractual Labour Co-operative Association Limited (MCLCA), Jaipur, Rajasthan	MCLCA, based in Jaipur (Rajasthan), is a women's co-operative that collects, processes and markets certain NTFPs. It has nine founding members and around 60 women are employed as contract workers to process NTFPs. Apart from their wages, they also get an incentive payment based on sale of their products.	Community	Formal	Internally driven
17	Federation of Rajasthan Handicrafts Exporters (FORHEX), Jaipur, Rajasthan	FORHEX is an association of handicrafts exporters of Rajasthan. The federation is about five years old and its main function is to act as an interface between handicraft exporters, government and other related institutions to promote the industry as a whole. It was started by 40 exporters but its membership has now grown to nearly 150 members, out of which perhaps half are engaged in woodcraft business.	Industrial	Formal	Internally driven
18	Saharanpur Wood Carving, Association (SWCA), Saharanpur, Uttar Pradesh	Saharanpur in Uttar Pradesh is an important wood-carving centre. SWCA was formed in 1960 and represents the wood-carving industries of the cluster. It has about 45 members at present. It has successfully lobbied for changes in taxation and export-incentive policies for the wood-carving industry. It has also been trying to address the problem of raw material shortage faced by wood-carving enterprises.	Industrial	Formal	Internally driven
19	Saharanpur Wood Carving, Manufacturers and Exporters' Association (SWCMEA), Saharanpur, Uttar Pradesh	SWCMEA is a new association, formed in 2004. It is headed by the ex-President of SWCA, who played an instrumental role in its creation. It currently has 300 members. SWCMEA also sends its representatives to export meetings to build contacts and to promote its members' interests.	Industrial	Formal	Internally driven
20	Saharanpur Timber Commissioning Agents Association (STCAA), Uttar Pradesh	STCAA is a body representing timber traders of Saharanpur. It was formed in 2003 and currently has 21 members. It works to safeguard the collective interests of its members through activities like protesting against tax increases, licence renewal fees, incorrect measurements of timber done by the Forest Department, etc.	Industrial	Formal	Internally driven

21	Gujarat Timber Merchants' Federation (GTMF), Gujarat	GTMF was established in 1978 and is essentially an association of sawmillers of Gujarat. It has approximately 4,000 members, out of which about 3,500 are sawmillers while the rest are furniture manufacturers, traders, etc. The mandate of the federation is to provide a common platform for the members and to work for their benefit. More than two-thirds of all sawmills in Gujarat are members of GTMF. At present, most of the energy of the federation is devoted to the issue of closure of unlicensed sawmills due to the Supreme Court Order in 1997.	Industrial	Formal	Internally driven
22	Lok Vaniki Sangh (LVS), Madhya Pradesh	LVS is a state level association of private forest owners and tree farmers of Madhya Pradesh. It was formed in 2000, largely due to the efforts of a senior Forest Department official (Mr. T.P. Singh). Its mandate is to promote economically productive and ecologically sustainable private forestry. After the enactment of the Lok Vaniki Act in 2001, LVS started acting as the state level federation of farmers' groups envisaged under the Act. In some districts, local level farmers' groups and a district level federation have also been created. In the past few years, the major focus of LVS has been on policy change. More recently, it has been helping its members to get forest felling and management plans (called working schemes) approved.	Both	Formal	Externally driven
23	Madhya Pradesh Minor Forest Produce Federation's Sanjeevani, Madhya Pradesh (MPMFP)	MPMFP co-ordinates collection, processing and marketing of certain NTFPs, most notably tendu leaves ( <i>Diospyros melanoxylon</i> ), in Madhya Pradesh. It was formed in 1984 and operates through the Primary Forest Produce Co-operative Societies in different districts. It was created by the state government to help collectors of NTFPs to get a fair price for the produce. All profits from the NTFP trade are given back to the primary societies and members. The federation has been designated as the State Medicinal Plants Board and has launched an initiative – called Sanjeevani Ayurved – to promote the medicinal plants trade. <sup>9</sup>	Community	Formal	Externally driven
24	Van Utthan Sangh (VUS), Jhadol, Rajasthan	VUS is an association of Joint Forest Management Committees (JFMCs) of Jhadol block of Udaipur district in Rajasthan. It was formed in 1988 with active support from a local NGO, Seva Mandir. It started with about 25 JFMCs but its membership has now reached 55 JFMCs. Seva Mandir has been providing some financial support to VUS. It works on issues related to forest management and has a special focus on the forest land "encroachment" issue.	Community	Informal	Externally driven

<sup>9</sup> In order to promote cultivation, collection, production and processing of medicinal plants, the Government of India has constituted a National Medicinal Plant Board under the Ministry of Health. The state level boards are also to be constituted within the state health ministry.

25	Jila Nilgiri Utpadak Sahkari Society, Nasik (JNUSSN), Maharashtra	JNUSSN was started as an association of eucalyptus farmers of Nasik district of Maharashtra. It is practically defunct now (though it has not been formally closed), as farmers have stopped growing eucalyptus and have shifted to other more lucrative crops. Its objective was to help its members to sell their tree crops at remunerative prices. At its peak, the co-operative society had 2,477 members.	Industrial	Formal	Self-initiated
26	Essential Oil Association of India (EOAI), Delhi	EOAI was formed in 1956 for the promotion and development of the essential/ aromatic oil industry. They currently have 576 members. It brings out a journal – <i>Indian Perfumer</i> – and promotes exchange of information and views among its members by arranging seminars, workshops, and conferences.	Industrial	Formal	Internally driven
27	Federation of Forest Protection Groups	The Mayurbhanj Swechasevi Samukhya (MASS) is a federation of 25 NGOs in the Mayurbhanj district of Orissa. It supports 536 Village Forest Committees (VFCs) that have been federated at the district level under the aegis of MASS. The district federation of VFCs was formed with the primary aim of promoting forest protection but the federation of these VFCs has also started working on enterprise development and marketing issues.	Community	Informal	Externally driven

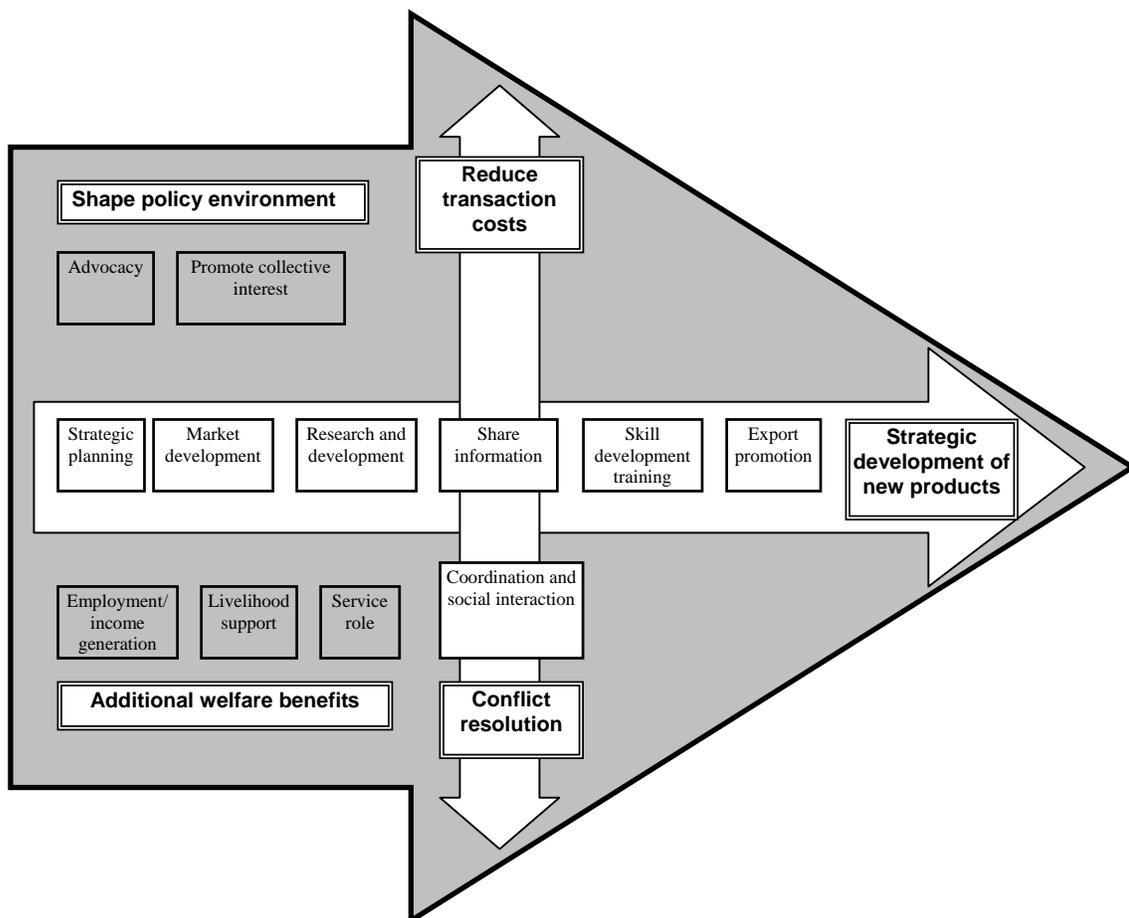
## 4. A framework for classifying associations

For the purposes of analytical simplicity, we refer to a framework according to which SMFE associations can be classified. This framework (Figure 1) has been adapted from Macqueen *et al.* (2005) and employs four broad headings:

1. shaping the policy environment and advocacy
2. reducing transaction costs and conflict resolution
3. strategic development of new products
4. additional welfare benefits.

This classification, based on the functions that associations perform, is better suited to the Indian context than some other classifications.

**Figure 1. Framework showing the possible advantages of forming an association**



Source: elaborated from Macqueen *et al.*, 2005.

There can be other possible classifications of SMFE associations such as those based on the type of economic activity of the members (e.g. manufacturers, commission agents, traders, exporters), or on the driving force for their creation (e.g. to lobby with the government, to safeguard commercial interests). SMFE associations can also be classified by parameters such as:

1. on the basis of forest produce: timber or NTFP
2. on the basis of registration status: formal or informal
3. whether the association is internally driven or externally driven
4. whether its work is related to the community or is industrial in nature.

The timber/NTFP categories are not always mutually exclusive and some degree of overlap might occur as an association might have members who are involved in both timber and NTFP-based enterprises. For example, BCMWMA (Rajkot) has members dealing in *Beedis* (NTFP-based) as well as matches (timber-based).

Referring to the framework presented in Figure 1, associations can be classified according to the major function they perform such as conflict resolution, networking, research and development, or training and export promotion. These overall functions subsume within them the three classification parameters mentioned above, i.e. forest products, registration status and promoter. The balance of economic and political power which affects the overall functioning of these associations is an important criterion in determining to what extent they are able to achieve their goals. For example, SWCMEA benefits from an affiliation with the ruling political party in the state. It sends volunteers to take part in the rallies organised by the party and it also supports the local party candidate during elections, showing its strong links with the current government. Similarly, economic power is apparent in the case of IPMA in New Delhi, where the member mills pay differential fees in proportion to the profits made they make.

## 5. Reasons for formation of small and medium forestry enterprise associations and their consequent functions

SMFE associations are formed for a variety of reasons, which reflect the shared aims of the association members, and which naturally have a bearing on the functions they perform. Of the range of functions that SMFE associations perform, some are routine based on their mandates. Further functions and activities are undertaken due to special circumstances affecting the members, such as policy change or raw material shortage. This section sets out the reasons for formation and some of the major functions performed by the associations studied, as described by the association members.

### 5.1 Shaping the policy environment

#### 5.1.1 Promotion of collective interest

This seems to be the most common reason for the formation of SMFE associations, especially industry associations. Most associations represent a particular industry (e.g. sawmilling, wood carving or plywood) in a particular geographical area. The formation of an association helps the members to take up industry-wide issues collectively. For example the Haryana Poplar and Safeda Arthiya Sangathan (timber trader association), Yamunanagar, was formed to solve everyday issues facing the timber traders of the region. These issues include incidences of the factory taking undue advantage of the workers, misreporting the number of trolleys carrying timber into the factory, and stopping or delaying payments.

#### 5.1.2 Lobbying for a favourable policy environment

Lobbying is an important reason for the formation of some associations. For example, LVS was formed to lobby for policy changes in favour of tree farmers and private forest owners of Madhya Pradesh.

#### Advocacy work

Many associations carry out advocacy work to promote the interests of their members. This is done through informal and formal meetings with politicians and bureaucrats, by submitting petitions and reports, and sometimes even through agitations and strikes. The last method is usually adopted when some proposed policy change adversely affects the interests of the association members. For example, IPMA is trying to address the problem of raw material shortage of paper mills by lobbying the government to allow paper mills to raise plantations on state forest lands. Under the current law, private companies are not allowed to raise plantations on state forest lands and they have difficulty in buying large areas of farm lands due to land ceiling restrictions. PTLDA has been lobbying for the establishment of a plywood *mandi* (market yard) in Jaipur as it feels that it would help the trade significantly. Currently traders operate from congested areas where movement of trucks is difficult. The establishment of a *mandi* will also help in standardisation of rates for different grades of plywood. SWCA organised *bandh* (general strike) in Saharanpur a few years ago to protest against additional tax being imposed on the wood-carving industry.

### **Representing industry views**

Many associations represent industry views to the government and other agencies. For example, FORHEX was invited by the government to offer its views on the likely impacts of World Trade Organisation (WTO) agreements. It submitted a 75-page report to the government in December 2002.

## **5.2 Reduction in transaction costs**

### **5.2.1 Reduction in costs**

Another important reason for SMFEs to form is to reduce the transaction costs of dealing with external players, especially government departments. Many associations deal with external players on behalf of their members. They also help their members to meet legal requirements and provide information on policy as well as technical issues related to their industry. For example, RTMA and BSMA help their members in their dealings with the Forest Department.

### **5.2.2 Coordination, conflict resolution and social interaction**

Coordination and conflict resolution among members are important reasons for the formation of many SMFE associations. For example, promotion of unity and friendly relations among sports goods enterprises is one of the objectives of SGMEA while resolving disputes between members is an important mandate of SPAS. Social interaction is also an important reason for the formation of some associations. For example, PEAMAR has social interaction as one of its major objectives and organises an annual function for its members. In most cases mentioned in the study, the conflicts that took place were related to operational issues and were thus easily solved. In the case of the timber trader associations, some of the common conflict situations concern factory owners where timber is supplied, workers not being paid on time or payment being refused on false pretexts. VUS also plays a role in resolving intra-village conflict, which may happen from time to time, concerning timber sharing or protection of the forests.

Associations often help in resolving conflicts between their members or with external agencies. For example, BSMA and RTMA mediate in case of any dispute between members, while SPAS helps to resolve disputes between its members and plywood factories. STCAA helps its members to get payments from clients who have defaulted or are delaying payment.

### **5.2.3 Sharing information**

Sharing of information and networking among members are important functions performed by almost all the associations. Information related to policies, rules and regulations is frequently shared among the members. For example, FORHEX in Jaipur provides assistance to its members by collecting and disseminating information on the export-import policy, industrial licensing policy, customs, central excise duty, etc. Associations also provide a platform for members to collectively discuss industry-wide issues. Some associations also organise workshops and publish relevant material. For example, EOAI not only organises workshops and seminars but also brings out a journal, *Indian Perfumer*. It invites scientists to its workshops to disseminate research results beneficial to the industry. Sometimes, associations themselves become members of other larger industry associations. For instance, SWCA is also a member

of the Indian Industries Association. This helps them to network more widely and also to get involved in issues affecting all industries.

## **5.3 Strategic development of the industry**

### **5.3.1 Strategic planning**

Some associations are formed for strategic development of the industry. They promote their industry as a whole, which, in turn, benefits all members. For example, EOAI was formed in 1956 when the essential oils industry was not very developed and only sandalwood oil was being produced in significant quantities. The association was formed when the immense potential of the essential oils sector, the abundance of natural wealth in the country and its development needs was recognised. The basic objective was the promotion and development of the essential/aromatic oil industry through measures such as establishment of perfumery and essential oil laboratories. This is a private association and works with the cooperation of the various perfumery and essential oil laboratories such as the oil technology department at Kanpur. Similarly, AISGI was established to promote the sports goods industry in India.

### **5.3.2 Market development in order to diversify into specific sectors**

Some associations are formed to develop the market for their members' products. This was the most important reason for the formation of JNUSSN. It is also an important reason for the formation of associations of SMFEs engaged in exports. For example, JHEA's mandate is to provide a platform to all members so that they can deal with international buyers more effectively and efficiently. Similarly, FORHEX was created to further the growth of the handicrafts export industry in Rajasthan.

### **5.3.3 Research and development**

Many associations also promote research and development activities as part of their mandate. For example, EOAI works with several laboratories working on essential oils and perfumes. AISGI and SGMEA work to improve technology in the sports goods sector. SWCA conducted a workshop in association with the Forest Research Institute, Dehradun, to explore the potential of using rubber wood as an alternative to sheesham (rosewood).

### **5.3.4 Skill development training**

For many associations, organising training programmes for their members or the workers employed in the industry is an important mandate. For example, SWCA has tied up with the Export Promotion Council for Handicrafts for the development of a photo framing training institute at Saharanpur so that artisans can add to their skill set and diversify within the sector. MCLCA provides training to its members (rural women) for processing NTFPs. FORHEX regularly organises training programmes on various aspects of the handicrafts exports business for its members.

### **5.3.5 Export promotion**

Some associations consist of industries that are totally export-oriented and their main function is to improve the competitiveness of their members in the international market through product improvement or information sharing. For example, in 2003 FORHEX organised a workshop entitled "Export Promotion Programme for Novel Handicrafts" in collaboration with the Netherlands-based Centre for Promotion of Imports from

Developing Countries. At the workshop, consultants educated the participants on a number of trade related topics. Subsequently, detailed individual consultation was provided to 40 participants over a period of three days. This workshop resulted in the selection of five FORHEX members for participation in EXPRO-44 in Rotterdam.

## **5.4 Additional welfare benefits**

### **5.4.1 Employment/income generation**

Many government-supported associations, such as MPSF and MPMFP, have been formed mainly for employment/income generation, especially for the poor and marginalised sections of the society. Even some other associations, such as MCLCA, have employment generation as a major objective. The main purpose of FLCS is also employment generation.

### **5.4.2 Livelihood support**

One of the key mandates of most government-facilitated associations is employment generation for the poor and marginalised sections of society, such as those below poverty line or those belonging to the scheduled caste and scheduled tribe communities. For example, MPSF helps poor people to augment their income through silkworm rearing. MPMFP helps NTFP collectors to get a fair price and ploughs back the profit from the trade of NTFPs, such as tendu leaves, to the collectors in the form of a bonus. VUS has been working on issues related to forest land encroachment and Joint Forest Management (JFM) in Jhadol, Rajasthan.

### **5.4.3 Service role**

Many associations provide certain services to their members such as help in renewal of licences and filing of tax returns. For example, RTMA and BSMA collect such forms from members and submit them together to the relevant authorities. The government-facilitated associations such as MPSF help their members to procure loans as well as benefits from various government schemes. They also provide technical guidance for silkworm rearing. LVS helps private forest owners to get their management plans (working scheme) approved.

## **6. Evolution of functions**

### **6.1 Examples of evolving functions**

The functions performed by SMFE associations are not static: they evolve over time. This happens mainly due to changes in the external environment and new challenges facing the members. Some illustrative examples are discussed in this section. Some observations emerge from a review of the functions performed by various SMFE associations. Firstly, there are greater chances of the association's success if their original aims are realistic and relate to policy changes and other factors. Secondly, if the executive committee members and the other members have a non-hierarchical relationship and a clear understanding of the functions to be performed by the association, there is greater cohesion among the members. However, in a fast changing environment, the associations may have to be flexible enough to change their focus from time to time to suit the needs of their members and the changing external (economic, social, political) environment.

On many occasions this change in the focus is not accompanied by a corresponding change in their official stated mandate. There are many associations that have a general mandate to serve the industry as a whole. As a result, almost any activity can be justified as being part of the mandate. For those associations that work beyond their stated functions, such as for social causes, it seems to work in their favour. It improves their image and generated goodwill and often also puts them in the good books of the local government officials.

In case of a wide divergence between the stated and actual functions, especially when the stated functions are not fulfilled, there is increased discontent and conflicts between members and gradually such associations tend to become ineffective. On the other hand if functions performed by associations keep adapting themselves and if decision-making is democratic, then the association's chances of success are higher.

#### **6.1.1 Gujarat Timber Merchants Federation**

GTMF,<sup>10</sup> which is essentially an association of sawmillers of Gujarat, was established in 1978 to work for the welfare of its members. Its role has continuously evolved with changes in the policy environment.

According to the rules of the Forest Department, originally only sawmills situated within 32 kilometres of the periphery of the forest were required to take a licence from the Forest Department. Therefore, sawmills operating in non-forest districts did not need a licence. However, subsequently the Forest Department argued that even roadside plantations qualified as forests, and therefore sawmills located within 32 kilometres of the periphery of any roadside plantation would also need a licence. Due to this new definition of forests, virtually all sawmills needed a licence from the Forest Department. While some sawmillers tried to get the licence, most continued to operate as before. Further, it is alleged by GTMF officials that due to cumbersome procedures many who tried obtain a licence were unsuccessful.

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<sup>10</sup> See case study 7 in Annex 2 for details.

The Federation took the issue to the Gujarat High Court. The Court initially ordered maintenance of the status quo, as it existed before the Forest Department's new interpretation. The Court eventually ruled in 1994 that the state government, Forest Department and Federation must jointly work out a policy on this issue. The Federation submitted its proposals within 45 days of the Court ruling. While this process was ongoing, the Supreme Court issued an interim order in 1996 (in the Godavarman case)<sup>11</sup> that broadened the definition of forests and virtually endorsed the Forest Department's stance. Subsequently in 1997, the Court ordered that all sawmills operating without a valid licence be shut down. As a result, 1,160 sawmills have been closed in Gujarat. GTMF has made a representation to the Central Empowered Committee formed by the Supreme Court. It has also started a campaign to counter the poor image of the sawmills and has prepared a short video for sharing with policy makers and the general public.

### **6.1.2 Lok Vaniki Sangh**

In the state of Madhya Pradesh, forests owned by private people yielded practically no income to the owners due to a restrictive legal and policy framework, which made the process of felling trees on private land tedious and time consuming.<sup>12</sup> LVS was formed to lobby for changes in felling and transport rules for the benefit of private forest owners and farm foresters. It achieved major success in its efforts when the Government of Madhya Pradesh passed the Lok Vaniki Act in 2001. The Act acknowledges that forestry and tree plantations on private land can only be promoted under a policy regime that recognises and facilitates private economic incentives for sale of timber from scientifically managed private land (i.e. managed according to working plans). The Act also provided a 'single window' to deal with the issue of management of such private holdings. Furthermore, these lands were kept outside the purview of the Madhya Pradesh Land Revenue Code 1959, which regulated the felling of trees on private lands. The Act provides for the formation of appropriate institutional structures at three levels: (i) State Lok Vaniki Kisan Sangh at the state level as an apex federation, (ii) District Lok Vaniki Kisan Sangh as a district level federation, and (iii) local level Kisan group. LVS has since assumed the role of State Lok Vaniki Sangh and can now in principle be regarded as an apex level association (of district level federations). However, as many of the district and local level federations are still at a nascent stage, LVS is now focussing on forming and strengthening these. Its other main focus is on getting the working schemes approved for its members.

### **6.1.3 Madhya Pradesh Minor Forest Produce (Trading and Development) Cooperative Federation Limited**

MPMFP<sup>13</sup> was formed in 1984 with the main objectives of helping poor NTFP collectors to get a fair price, and preventing their exploitation at the hands of unscrupulous middlemen. MPMFP is a well-established organisation that has been involved in multiple activities for more than 20 years. The Federation co-ordinates collection and processing of tendu leaves, sal seed, kullu and salai gum through Primary Forest

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<sup>11</sup> The 'Godavarman case' refers to the Supreme Court decision which expanded the scope of the term "forest". In *T.N. Godavarman Thirumulkpad vs Union of India and Environmental Awareness Forum, Jammu and Kashmir vs State of Jammu and Kashmir*, the Supreme Court reinterpreted the Forest (Conservation) Act, 1980. It now included within its scope not only forests as mentioned in government record but all areas that are forests in the dictionary meaning of the term irrespective of the nature of ownership and classification thereof. The case came to be popularly known as the Godavarman case.

<sup>12</sup> According to Land Revenue Code of the State, permission for felling of trees had to be taken from the Collector of the district and transport of the timber was based on transit rules of the Forest Department.

<sup>13</sup> For details see case study 1 in Annex 2.

Produce Co-operative Societies in the districts which are forest produce areas, and organises disposal of such produce. In addition, other non-nationalised NTFPs are also being collected and traded by the Primary Forest Produce Co-operative Societies. The tendu leaf business runs into billions of rupees and can be regarded as the main activity of the Federation. Sanjeevani is a new initiative that uses the already established institutional infrastructure to capitalise on the emerging opportunities in plant product-based medicines. There are already well-established mechanisms of relations between MPMFP and primary societies (and Panchayats) that have emerged from the main business of NTFP trade.

Over the years, the Federation's focus has been on the tendu leaf trade. However, since being designated the State Medicinal Plants Board, it has expanded its operations in the area of medicinal plants. Through its Sanjeevani initiative, it is trying to help the collectors and processors of medicinal plants. It procures and markets these herbal medicines through its retail outlet and through special events such as fairs.

#### **6.1.4 Jila Nilgiri Utpadak Sahkari Society, Nasik**

JNUSSN was initially formed to represent eucalyptus farmers. At its peak in the 1980s and 1990s, it had 2,477 members. Its main role is to help in the marketing of farmers' produce. However, over the years farmers first shifted to *Jatropha* (biofuel crop) and later to other crops such as grapes. The association is not very active these days though it has not been formally closed.

## **6.2 The role of decision-making in association resilience**

Decision-making processes appear to be important factors in determining an association's resilience and long-term success, as these are also linked to transparency and accountability. The associations covered under this study exhibited different types of decision-making systems.

Under the most common system, an executive committee is elected (or nominated) by all the members for a fixed term. The executive committee meets frequently while all association members meet once or twice a year (general body meeting). Most day-to-day decisions are taken by the executive committee, while major decisions are discussed more widely with the larger membership. In a modification of the above system, certain members, such as founder members, have control over the executive committee. For example, in case of MCLCA, four office bearers are chosen for one-year term out of the nine founding members. In the case of government-facilitated associations such as MPMFP, the key decision-making body is the Board of Directors, which is appointed by the government.

In most of the associations visited, decision-making was a fairly democratic process whereby the executive body took care of the everyday functions of the association, and the general body meetings provided a platform for the rest of the members to voice their concerns. As such anyone could get their items onto the agenda (with a few exceptions: for example there were allegations that the Safeda Poplar Arthiya Sangathan, Yamunanagar had a management committee that was less than transparent in its functioning).

In some of the associations, specific efforts are made to include the minority communities or women members in the decision-making processes. For example, the Federation of Forest Protection Groups, Mayurbhanj, makes provision for at least two women members on the executive committee. SWCMEA is an exception where the community dominating the business in the area is the Muslim minority, showing the representation of a special interest group.

In cases when several members are dissatisfied with the executive committee, this indicates problems with the association's decision-making process. If the problems persist, they are likely to affect the association's effectiveness and resilience. For example, some members of SPAS mentioned that they were not happy with the association as they felt that the executive committee was not working transparently. Further, they were not getting any help in recovering their payments from defaulters. Differences among the office bearers of the associations can weaken the association considerably. For example, SWCA was badly affected when its President decided to leave over differences with other office bearers, and formed another association (SWCMEA) in 2004. Many SWCA members subsequently left to join SWCMEA.

The perceived success or failure of an association in dealing with key issues also impacts on its effectiveness. For instance, many consider FORHEX to have promoted exports of handicrafts. Consequently, in spite of the high membership fee, its membership has grown from 40 to nearly 150 within five years. On the other hand, BCMWMA is currently in an inactive state as it has not been able to lobby successfully for favourable policy changes. It is estimated that half the merchants in Rajkot have opted not to join. In the case of LVS, many landowners see approval of the management plan as the main benefit from the association. Once the plan is approved, many become disinterested in the association as they don't see many other benefits from it. It cannot directly help in marketing as the main species in private forests is teak, whose marketing is controlled by the state.

Many associations act as mediators for settlement of disputes between members. This strengthens the association. For example in the case of AISGI, one of their main objectives is to render services and assistance in the settlement of industrial disputes between employers and employees, by providing legal or other material assistance as may be deemed necessary for the resolution of such disputes. In some cases, however, differing interests of members can weaken an association. For example, while GTMF is fighting the closure of unlicensed sawmills in Gujarat, some members are not actively supporting it because they already have licences and thus stand to gain significantly from the closure of unlicensed sawmills.

The strategy adopted by an association can also influence its resilience and effectiveness. For example, MPSF encourages the landless poor, especially women, to form self-help groups. This is likely to strengthen the Federation as it is not only likely to make elite capture of benefits difficult but group members are also likely to be able to address local level issues more effectively.

It is clear from the above account that many factors influence associations' resilience and effectiveness. The associations studied seem to be at different positions on a continuum from weak to strong. Overall (and unsurprisingly) the main factor that determines the long-term success of any association seems to be the members' perceived benefits from the association.

## **7. Costs and benefits for members**

### **7.1 Examples of costs and benefits**

This section describes some of the costs and benefits that members derive from SMFE associations.

The costs are usually in the form of membership fees (enrolment fee and annual contribution) as well as time and energy devoted to the association's activities, e.g. participation in meetings or protest marches. Sometimes they also give donations for relief work following natural calamities and for religious festivals.

The membership fee is usually not very high but in some cases it can be rather steep. For example, JNUSSN charged its farmer members a share fee of Rs 1,000 per acre of eucalyptus plantation. At the other end of the spectrum, charges for becoming a member of a primary society under MPMFP are a mere Rs 11 (one rupee for membership fee and ten rupees as member share).

In some associations, different categories of members pay different fees. For example, FORHEX has three types of members: founder members, chartered members and associate members. There are about 40 founder members who initially came together to form the association. Newly admitted members are called associate members and after two years membership, they are given the status of chartered members. The membership fee for an associate member is Rs 3,000 per year (Rs 500 registration charges) while the founder and chartered members pay an annual fee of Rs 11,000. EOAI also has different types of members such as of honorary fellows, life members, corporate members and fellows. In case of JHEA, the membership fee for regular members is Rs 5,000 and for associate members, Rs 2,000 per annum. However, for those registered as "Trade Houses" or "Export Houses", fees are higher. In the case of IPMA, the members' contributions are based on the amount of paper produced.

As noted in earlier sections, associations benefit their members through activities like shaping the policy environment and advocacy, reducing transaction costs and strategic adaptation, as well as providing welfare benefits. Shaping the policy environment is carried out by associations of export-oriented units such as the Federation of Rajasthan Handicraft Exporters (FORHEX) in Jaipur, which have been set up to serve as an interface between the handicraft exporter, the government and other related institutions to help the industry to grow and progress overall. Liberalisation and globalisation brought about change in business and legal situations, and this precipitated the idea of forming a federation, following which 40 exporters came together as one body. In their advocacy work, the associations act to influence the policy environment and make it more favourable to their members.

Associations' cost reduction measures and benefits accruing to their members include coordinated market inputs and outputs, along with shared labour and other relevant information. Associations such as AISGI work on reducing transaction costs through tackling industry specific issues. They discuss and tackle the problems of raw material shortage, marketing and sales tax issues concerning the sports goods sector.

The strategic adaptation of associations' work includes strategic planning, developing and setting quality standards and skills, cost sharing in research and development efforts, and information, labour and resource sharing among their members. Strategic adaptation is carried out through marketing and promotion by associations of the likes of FORHEX in Rajasthan, which links members with potential clients abroad through meetings and workshops.

These benefits also act as drivers for the formation of associations. Many of the benefits enjoyed by the members have already been discussed in earlier sections. Table 3 illustrates some more cases.

**Table 3. Some examples of benefits accruing to SMFE association members**

Benefits	Examples
Shaping the policy environment	<ul style="list-style-type: none"> <li>• IPMA is lobbying the government so that paper mills can raise captive plantations on state forest lands.</li> <li>• GTMF is fighting the case against closure of sawmills in Gujarat by making a representation to the Central Empowered Committee of the Supreme Court. It is also discussing the issue with other policy makers.</li> <li>• FORHEX has submitted a report on likely impact of WTO agreements to the government.</li> <li>• SWCA has successfully lobbied against a tax hike in the wood carving industry.</li> <li>• FORHEX has lobbied against a ban on small 'handicraft' sawmills.</li> <li>• BCMWMA has been trying to highlight the impact of a smoking ban and high taxation on the livelihoods of the workers involved in this industry.</li> <li>• DYPMA has successfully lobbied against the regulation on intra-district movement of produce (form 38).</li> <li>• PTLDA organised a strike in Jaipur against an increase in tax on the industry.</li> <li>• LVS has successfully lobbied for change of policy regarding private forests in Madhya Pradesh, which has led to some relaxation of felling and transport restrictions on timber from such forests.</li> </ul>
Reduction in costs	<ul style="list-style-type: none"> <li>• RTMA and BSMA help their members to get forest licences renewed and to file tax returns.</li> <li>• MPMFP and MPSF help to market the produce of their members. They are trying to establish efficient, non-exploitative and sustainable linkages between the dispersed primary producers/ collectors and the market.</li> <li>• JNUSSN helped the farmers to sell their eucalyptus trees at remunerative prices.</li> <li>• Some associations help their members to procure wood for their industries and also help to get essential infrastructure for industry clusters (e.g. DYPMA).</li> <li>• Many associations (e.g. RTMA and AISGI) help to settle disputes between their members.</li> <li>• PEAMAR is trying to get a tax concession on <i>agarbattis</i>.</li> <li>• SPAS, DYPMA and ITMA help their members to deal with problems related to outstanding payments from clients.</li> <li>• ITMA has been lobbying for better facilities for traders during timber auctions. It also provides information about changes in government policies and deadlines for various official matters to the members.</li> <li>• LVS helps its members to get the management plan (working plan) for their forest/plantation sanctioned.</li> </ul>

Benefits	Examples
Strategic adaptation through marketing and promotion	<ul style="list-style-type: none"> <li>• FORHEX links members with potential clients abroad through meetings and workshops. JHEA also organises similar activities; for example it organised a symposium entitled “Handicrafts: Threats and Challenges” on 5 May 2002.</li> <li>• EOAI works with several laboratories to promote development of the essential oil and perfumery industry.</li> <li>• GTMF and DYPMA promote farm forestry to secure long-term raw material supplies for their members.</li> <li>• MPMFP organises annual <i>Van Mela</i> (forest fair) where herbal products are displayed and sold. Through such fairs, it is popularising herbal products among consumers. It has also constituted awards for the best <i>vaidyas</i> (traditional healers) and for excellence in cultivation of medicinal plants.</li> <li>• AISGI promotes research and development in the sports goods sector to improve both products and processes. It also undertakes market research on products with export potential.</li> </ul>
Additional welfare benefits	<ul style="list-style-type: none"> <li>• MPMFP runs an insurance scheme for the members of primary societies.</li> <li>• HDTMA has a provision for giving individual loans to needy members who may have suffered a loss due to reasons beyond their control. The funds for these loans are generated through collections made from the association members.</li> <li>• MPSF promotes women’s self help groups and encourages small savings among their members.</li> <li>• MCLCA provides employment to rural women by engaging them in NTFP processing work. Apart from wages, a sales linked incentive is also provided.</li> <li>• PEAMAR provides a platform for social interaction between the members and also provides awards to the children of members for academic excellence.</li> </ul>

## 7.2 Perceptions of the distribution of costs and benefits

Overall, the members perceive the distribution of benefits and costs to be fairly equitable, and in most cases the benefits outweigh the costs. In some associations however, the contribution in terms of amount and frequency of payments differs across members.

## **8. The role of external support**

External support can also affect an association's resilience and effectiveness. Most associations are supported by membership fees and do not receive any external financial support. This can be considered a positive factor as these associations are not dependent on external funding for their existence. However, some associations do receive external support. For example, VUS is being supported by Seva Mandir. Seva Mandir has helped the association through training and even financial support. While it seems to have had a positive impact on the association so far, further capacity building of members and gradual reduction of dependence on Seva Mandir will determine its long-term success.

External agencies like government and NGOs play an important facilitative and capacity building role through different types of trainings organised by NGOs and government. The external support has been helpful in improving the technical and financial capacity of its members, leading to formation of self-help groups (SHGs) and development of micro-enterprises. Strong NGO involvement has also led to better forest protection, which is observed in the areas where VUS and the Federation of Forest Protection Groups, Mayurbhanj, are operational.

Addressing equity concerns is another positive impact of the involvement of external agencies. They have also played a crucial role in increasing the involvement of women in decision-making. This is observed in the executive committee of the MASS-supported federation where inclusion of two women on the committee is mandatory. Marginalised communities' interests are taken care of in the case of community-based associations as external agencies act as monitoring and/or implementing agencies. Government supported associations also have an inherent benefit of linking the associations work with ongoing government programmes and schemes.

Dependence on external agencies also has certain drawbacks. External agencies at times make the association dependent on themselves. This is fuelled by lack of a withdrawal plan by the external agencies, be it government or NGOs. For example in the case of the MASS-supported federation, communities' decision-making power has gone down as they try to take decisions in concurrence with MASS members. If MASS moves out then failure of the federation cannot be ruled out. Furthermore, for short-term results MASS have propagated actions which can have long term effects on degradation, for example not allowing the Forest Department to carry out thinning operations in forested patches protected by community on their own. This has resulted in poor growth of sal trees.

Some associations also align themselves to a particular political party. This is a double-edged sword as while the association may gain when the political party they support is in power, it may be adversely affected when a different political party comes to power. A study on cooperatives in India and the United Kingdom has shown that political neutrality may be more important for the long-term success of an organisation. Other important factors include clear focus and development of a range of skills (Harper and Roy, 2000).

## 9. Conclusions

### 9.1 General conclusions

The associations covered under this study can be broadly classified into two categories: “industry associations” and “individual/community-based associations”. Most of the associations fall under the former category. These associations represent a particular industry (e.g. plywood manufacturing units), usually, but not always, in a particular geographical area. These perform a range of functions for the benefit of their members and represent the industry in various forums. The individual/community-based associations tend to be facilitated by an external agency (though not always, e.g. JNUSSN) and often help their members to market their produce.

While industry associations play an important role in promoting the interests of their members, most do not have a clear focus on livelihood issues of the poor or on environmental issues. These issues are, however, sometimes indirectly addressed. When an association promotes the development of its industry, it also leads to job creation. In some industries, local people residing nearby also benefit from outsourced work. For example, many wood-carving and sports goods units outsource some work to household workers and artisans, which results in considerable employment generation in and around clusters where many such units are located. Similarly, while most industry associations are not directly working on environmental issues, some of them do promote farm forestry in order to secure their raw material supplies, e.g. GTMF and DYPMA.

Some of the associations also carry out broader social welfare activities. These generally take the form of donations and contributions for social events, betterment of civic amenities or infrastructure, and relief following natural disasters such as droughts, floods and earthquakes. For example, during a drought in Rajasthan, Jaipur-based PTLDA contributed Rs 100,000 for relief work and helped to provide water to the general public using tankers.

Most individual/community-based associations, however, have a direct focus on livelihoods of the poor as well as environmental issues. Government-facilitated federations such as MPMFP and MPSF have a large membership base and their livelihood impact is substantial. These are involved in NTFP-based activities (such as collection of tendu leaves, silk cocoons and other NTFPs), which directly benefit the poor and marginalised sections of the society as these activities are primarily undertaken by the poor people residing in interior villages. In some cases, the livelihood impact is significant. For example, MPSF has given nine acres of land to nine members of the Annapurna primary silk society in Matkuli village, Hoshangabad district. These members, some of whom were working as labourers on others’ fields, are now able to earn a better income through silkworm rearing.

Associations such as MPMFP are also actively involved in promoting sustainable management and utilisation of forests. MPMFP undertakes *in situ* and *ex situ* conservation of NTFPs, especially medicinal plants, and has initiated a programme called People’s Protected Areas where biodiversity conservation as well as sustainable utilisation of forest produce is being attempted. It is initially being tried out in 12 forest divisions. VUS in Rajasthan works on forest protection issues, including those related to encroachment of forest lands for cultivation.

Considering the mandate and structure of different SMFE associations, it seems that individual/community-based associations are playing a greater role in addressing livelihood as well as environmental issues. Their future potential in strengthening these functions also seems greater than that of industry associations. Considering the large membership base of many such organisations, even a marginal improvement in their functioning can have a significant impact.

## **9.2 What is needed to improve associations' sustainability and livelihood benefits?**

Considering the immense importance of the SMFE sector in improving the livelihoods of the poor and their potential to achieve sustainable forest management, in addition to tackling common problems, research and future activities should concentrate on the following areas:

- Increasing private sector involvement
- Developing supportive institutional mechanisms
- Government support to these associations
- Improving functioning and administration of these associations
- Entrepreneurship development.

These can also act as key guidelines for policy-makers to bring about policy changes supportive of the SMFE sector as a whole.

### **9.2.1 Increased private sector involvement**

Policy-makers and researchers alike are increasingly accepting the role of the private sector in sustainable forest management. A number of studies indicate an increasing private sector role in forestry activities.

One such study was carried out by Saigal *et al.* (2002), which states that the private sector is involved in promoting tree plantations on agriculture and other non-forest lands. Many forest-based industries distribute tree seedlings to farmers. A survey of just 12 companies revealed that they were supplying over 53 million seedlings annually.

The draft National Environment Policy recently released by the Central government also stresses public-private partnerships in certain areas such as environmental monitoring, and hopes that such partnerships may develop in the near future. The National Conservation Strategy and Policy Statement on Environment and Development focuses on issues related to sustainable development and provides guidelines to "weave environmental considerations into the fabric of our national life and development process."

Availability of trees from private lands eases the pressure on forests. Wider empirical evidence supports this argument. In this light, the role of private players and initiatives such as the LVS in promoting private forestry and afforestation needs to be nurtured and promoted. SMFE associations together have the potential to become facilitators of this process.

### **9.2.2 Developing supportive institutional mechanisms**

Supportive institutional mechanisms are required to give a fillip and legitimacy to the efforts of non-government players. It has to be understood that the initiatives like the LVS, VUS, and the Federation of Forest Protection Groups in Mayurbhanj don't take away powers from the Forest Department but instead further the cause of forest protection and sustainable management of forest resources.

A case in point is that of LVS where the Forest Department still has a role to play in post-harvest selling, especially in certain species like teak. Since a large chunk of standing trees on private lands currently is from these species, there is little scope for the Sangh to play any role in collective marketing. The Sangh, however, has begun playing an active role in the promotion of tree farming and coordination with the Forest Department and other agencies. Similarly, community initiatives like VUS, Jhadol requires government recognition and support in vacating encroachments on forest lands.

### **9.2.3 Government support**

There is much scope to increase and change government support to privately owned small and medium enterprises. Currently such support is irregular and insufficient. This is mostly due to lack of funds and technical know-how, over-ambitious objectives (such as large programmes with wide geographical spread) in relation to available resources, excessive centralisation of proposed assistance agencies, and a lack of inter-institutional coordination in the associations and regions which cause misunderstandings and conflicts.

Furthermore, far too many assistance programmes are approved for short periods, which are, in many cases, not extended. It seems essential to ensure that the assistance be continued over two or three governmental terms, with the most intensive support being in the first few years.

The study shows that these SMFE associations are needed to promote common interests and give technical, economic, social and political assistance to members as well as to serve as a forum to solve joint problems and support the progress of their member enterprises. The ability of many existing associations to fulfil these objectives is, however, quite low owing to limited resources in funds as well as technical and administrative know-how, and no or negligible support from the government in the development of members' enterprises. Such associations also try to provide direct assistance to their members but their most important role is probably that of lobbying for small enterprise interests in dealing with government authorities.

### **9.2.4 Improving functioning and administration of associations**

An association should ideally have a firm anchorage in the region and enjoy confidence among its members. It should become the main forum for addressing common issues, such as production strategies, marketing (including price fixing), delivery and storage of manufactured products, negotiation of credits and organising technical and administrative assistance to the members. The associations should employ a specialist or a team of trained persons to carry out these activities. They should have decentralised administration operating close to the members' industry in order to be efficient and maintain close contacts with the members.

### **9.2.5 Entrepreneurship development**

The poor are unable to use fully the livelihood potential of SMFEs for a variety of reasons. These include their inability to reduce/manage risks, to identify and develop an idea into a set of activities, to establish or develop a network of linkages from their present position of social and economic disadvantage, and to make demands on public policies, programmes and infrastructure. In short, there is a lack of entrepreneurship. In this light, associations should seek to address the issue of poverty on these lines. In the cases cited in this study there are many unresolved questions, such as replicability, spread, and independent viability. Any new association that is formed tends not to learn from the constraints faced by existing or potential enterprises, and this only increases the lack of entrepreneurship.

This entrepreneurship can be developed through intervention which identifies livelihood ideas for poor people, develops linkages and processes, and manages the programmes until such time as the poor can take over managerial functions themselves. The agent who has led to the intervention should then limit itself to a service, managerial or partnership role, as was the case with the Madhya Pradesh Silk Federation. The result, or more appropriately, the promise in each case is not a temporary resolution of the operating constraints of factor unavailability and absence of breakdown of linkages, but a more dynamic and long lasting integration of forestry development and SMFEs led by these associations.

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## **Annex 1. Checklist used as a basis for interviews**

### **Contact details:**

Name of the Association / Federation/ Group: \_\_\_\_\_

Contact Person: (President/ Director/ Chief): \_\_\_\_\_

Contact Address: \_\_\_\_\_

Telephone: \_\_\_\_\_ Fax: \_\_\_\_\_

E-mail: \_\_\_\_\_ Website: \_\_\_\_\_

### **Questions:**

1. Why and when was the association formed?
2. What is the mandate of the association – stated as well as actual?
3. What are the major goals and objectives of the association?
4. Who are members of association? What are the membership criteria? Who decided on these?
5. What is the mechanism for taking decisions?
6. How are the office bearers chosen?
7. What is the periodicity of the meetings of the association and attendance in these meetings?
8. What are the benefits and costs of forming association for members? Are these benefits and costs shared fairly among members?
9. Has the association assisted in livelihood generation and poverty reduction? If yes, how?
10. Have there been any instances when the association has affected a policy in any way? If yes, please provide examples.
11. Has the association received any support in any form from any other agency? If so, please provide examples.
12. What are the major constraints faced by the association?
13. Can the association contribute towards sustainable management of forest resources? Please elaborate the reasons.
14. What is the potential of associations to work for the livelihoods of the poor?

## Annex 2. Case studies

### 1. Madhya Pradesh Minor Forest Produce (Trading and Development) Cooperative Federation Limited

#### Introduction

The state of Madhya Pradesh in central India is well known for its rich and diverse forests. Just under a third of the state's geographical area is classified as forest lands. The state's forests produce a range of NTFPs. Out of these, some NTFPs are nationalised and can only be traded by the government agencies. At present, nationalised NTFPs are tendu leaves (*Diospyros melanoxylon*), sal seed (*Shorea robusta*), chebulic myrobolan (*Terminalia chebula*) and gums. Other NTFPs can be traded freely.

The Madhya Pradesh Minor Forest Produce (Trading and Development) Cooperative Federation Limited (MPMFP) was formed in 1984 by the Madhya Pradesh Government to help the NTFP collectors to get a fair price for the produce. The Federation plays an important role in generating employment in poor communities in remote forest areas. This income is often critical for livelihoods of the poor as the bulk of the employment is generated in the lean agriculture season.

#### Structure

In 1988, the state government decided to remove all intermediaries from the NTFP trade and formed co-operative societies of NTFP collectors. A three-tier structure was developed. At the local level, Primary Forest Produce Co-operative Societies were constituted with actual NTFP collectors as their members. At the secondary level, District Forest Produce Co-operative Unions were formed. Subsequently, these bodies had elections to select their office bearers.

MPMFP, which already existed since 1984, became the third state-level tier of this set-up. However, its Board of Directors and Chairperson are nominated by the state government.

#### Membership costs and benefits

The members have to pay a fee of 11 rupees (Rs 1 as membership fee and Rs 10 as their share fee). The Federation procures various NTFPs through its primary societies by providing wages to the collectors. It markets the produce and shares the profit with the members. By far the most important NTFP (in terms of collection wages and revenue) is tendu, for which collection wages run into several hundred million rupees. The sharing of net profit from NTFP trade provides additional income to the members. The primary societies distribute this profit as below:

- 50% to the primary collectors
- 20% for the development of NTFP and regeneration of forests
- 30% for infrastructure development/cash payment.

The members also get comprehensive life and accident insurance benefits. All registered members of primary societies are covered under this insurance scheme. All the processing for insurance and claims is being taken care of by the primary society and, if needed, by the district level union.

The Federation has recently started another initiative – Sanjeevani – to tap the potential of the growing medicinal plants sector for the benefit of its members. Sanjeevani tries to capitalise on the growing health consciousness and interest in herbal medicines among urban consumers and uses this opportunity for the betterment of NTFP collectors' economic condition as well as the forest condition. This initiative is discussed in the next section.

### **Sanjeevani Initiative**

MPMFP has been designated the State Medicinal Plants Board and has been given the responsibility of promoting the medicinal plants trade in the state. A Task Force on Medicinal Plants and a Sub-group on Medicinal and Aromatic Plants have been constituted within MPMFP. In order to promote production, processing and trade of medicinal plants, an initiative called Sanjeevani Ayurved has been launched.<sup>14</sup> Apart from providing direct income to the primary societies, this initiative also promotes forest conservation by creating a greater stake for rural communities in maintaining and enhancing a greater diversity of medicinal plants in the forests.

The Federation has opened a retail outlet (called Sanjeevani) in Bhopal to market medicinal products collected and produced by the primary cooperative societies. In addition, Sanjeevani also provides consultations by ayurvedic practitioners, handpicked by the MPMFP from all over the state, at affordable rates (Rs 20 per patient). On the one hand, this increases the outlet's sale while on the other it increases the popularity of the ayurvedic medicine system. Since it was opened in September 2002, Sanjeevani has recorded over 30,000 patient visits and 70,000 medicinal sale transactions. Sanjeevani buys its medicines preferably from the primary societies. This backward linkage is an important part of this initiative and provides a secure outlet to the primary societies involved in the collection and processing of medicinal plants. In the past three years, Sanjeevani has bought products worth Rs 2.5 – 3 million from the primary societies. However, the primary societies are not bound to sell their products to Sanjeevani and vice versa. Sanjeevani is a profitable venture and is currently making an annual profit of between Rs 250,000 and Rs 275,000. The profit is distributed in the same proportions as for the societies within MPMFP:

- 50% to the primary collector
- 20% for the development of NTFPs and regeneration of forests
- Balance for infrastructure development/cash payment.

In future, MPMFP plans to open Sanjeevani type outlets in each district headquarters of the state. New outlets have already been opened in some places such as Katni, Chidwara, Satna and Balaghat and a decision has been taken to open Sanjeevani outlets in big cities like Gwalior, Indore and Jabalpur.

It is expected that annual sales from Sanjeevani outlets across the state may soon touch Rs 10 million and their procurement from the primary societies may be around Rs 6 million. As members get greater benefits from NTFPs, it is hoped that this will encourage them to put more effort into the sustainable management of the forests from where they obtain these products. In this way, this initiative may work for both poverty alleviation and sustainable forest management. The impact on sustainable forest

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<sup>14</sup> Ayurveda is one of the India's traditional systems of herbal medicine.

management, however, is not straightforward: in the past commercial extraction of some NTFPs (e.g. *Embilca officinalis*) has led to over-extraction.

The state government has also taken a decision to promote greater value addition of medicinal plants so that NTFP collectors can capture a greater part of the value of the product. The following NTFP processing and value addition initiatives have been taken up by the primary societies:

- Rock Bee Honey processing in Sehore, Satna, Seoni, Sheopur districts.
- Ayurvedic drug manufacture in Narsinghpur, Sehore, Seoni, Chindwara, Katni and Shahdol districts.
- Medicinal plants drying, grading, powdering and packing in Sehore, Seoni, Shahdol, Katni, Balaghat, Chindwara, Sheopur and Narsinghpur districts.
- Aromatic oil distillation in Dewas, Seoni, Katni and Harda districts.

The primary societies from the districts mentioned above are the major suppliers of Sanjeevani. Some of these societies also have drug licence as they process two or more ingredients together to make ayurvedic medicinal formulations. Sanjeevani on the other hand does not have a drug licence, as it does not do any mixing at its own level. In fact, according to the Assistant Manager of Sanjeevani Bhopal, they are trying to promote a single medicine system (Ekal Aushadhi Paddhati). According to him, the major problem with ayurvedic formulations today concerns the authenticity of the ingredients. It is relatively easy to establish the authenticity of a single herb, more so than that of a formulation containing several different herbs. As most formulations can be prepared at home – it only involves physical mixing of ingredients in the prescribed proportions – the consumers are better off if they buy separate ingredients and mix them later. Apart from collecting and buying produce from members, these primary societies can also purchase their requirements from the market and non-member collectors/ producers.

A modern processing-cum-training centre has been set up by MPMFP at Barkheda Pathani on the outskirts of Bhopal. This has started to function as a model processing and training centre with good infrastructure and the latest laboratory facilities. Primary society members are given training here regarding processing, quality control and other business related aspects.

MPMFP has also been organising a national-level herbal fair (Van Mela) for the last three years with good participation from both the manufacturers and consumers. This fair provides a platform for collectors, traders, manufacturers and consumers to interact and promotes trade in herbal medicines and cosmetics.

### **People's Protected Areas**

MPMFP is also involved in the People's Protected Areas (PPAs) programme through which *in situ* and *ex situ* conservation of NTFPs is being promoted. Under *in situ* conservation, the main emphasis is on protection of the forest area from grazing, fire, etc. In addition, activities such as enrichment planting and seed broadcasting of NTFP species are also taken up. Under *ex situ* conservation, plantations of NTFP species on degraded forest patches are raised and nurseries and demonstration sites are developed. At present, this programme has been taken up in 12 forest divisions.

## **2. District Yamunanagar Plywood Manufacturers' Association**

### **Introduction**

The Yamunanagar district of Haryana has emerged as a major plywood manufacturing centre in India. It is estimated that there are approximately 300 plywood factories, 250 veneer factories and 500 sawmills in the area. It is also an area where tree planting has been taken up on a large scale by farmers. A major part of the raw material need of industry is met through farm forestry. According to an association official, the industry provides direct employment to around 100,000 workers.

With the growth of the industry, a need was felt by the timber traders in and around Yamunanagar to have a representative body of the entire industry. As a result, the District Yamunanagar Plywood Manufacturers' Association (DYPMA) was formed in 2001.

### **Objectives and activities**

The overall mandate of the association is to work for the welfare and well-being of the members and the plywood industry as a whole. Its specific objectives include representing the industry views and addressing the issue of raw material supply to the industry.

The association interacts with government and other external agencies on behalf of the entire industry. Through policy advocacy, it attempts to create a favourable policy environment for the industry. It is trying to address the issue of raw material shortage by promoting farm forestry (eucalyptus and poplar) among farmers of nearby areas. It also promotes coordination among member industries, e.g. joint declaration of holidays for the workers. It also endeavours to improve the general infrastructure of the area.

### **Structure and functioning**

The association has an executive committee consisting of 13 members, out of which the key positions are President, Vice President, General Secretary and Treasurer. The tenure of the committee is for two years. In addition, there is also an advisory board consisting of 11 members, who advise the association from time to time. The advisory board consists of experienced industry people.

There are two types of meetings held by the association: the executive committee meeting and annual general body meeting. The executive committee meeting is held as per need whereas the general body meeting is normally held once a year. The President is selected through consensus in the general body meeting and he subsequently builds up rest of the team.

### **Membership costs and benefits**

The one-time joining fee is Rs 2,000. There are no fixed annual fees but funds are collected according to requirements. Apart from small contributions for meetings, contributions are collected for carrying out certain welfare activities and policy advocacy. Typically, these contributions are voluntary in nature and the amount varies from member to member.

The benefits to the members are in the form of better representation of industry's issues to the government, support in claiming payments, better interaction with

scientists and technical institutes, conflict resolution among the members and promotion of farm forestry in the area.

**Key activities**

The association is currently working on issues such as raw material shortage, policy advocacy and infrastructure development.

*Raw material shortage:* Farm forestry plantations are a major source of raw material for the industry. Due to the high price of wood in the area, a large number of farmers started planting eucalyptus and poplar trees in the late 1990s but subsequently the market crashed, partially due to over-supply. Due to this, many farmers have stopped new tree planting. Now, industry is worried that this may result in shortages in the near future, especially as demand is likely to rise. It is trying to work with the Forest Department to promote farm forestry in the area.

*Policy advocacy:* In 2002, the Haryana state government introduced a new legal form (Form 38) for sales tax collection. This made trade cumbersome and costly. The association brought together the whole industry (including veneer manufacturers, sawmillers and timber commissioning agents) in opposition to the government on this issue. A strike was called, after which the government conceded to some demands and allowed timber trade within districts without Form 38.

*Infrastructure:* The association also tries to improve infrastructure in the area through either influencing the government or contributing itself. It has contributed to the installation of some electric poles in the area. The association also donated some fire fighting equipment to the local administration, following fire incidents in Jagadhri area which the local administration was unable to tackle due to inadequate fire fighting equipment.

### **3. The Federation of Rajasthan Handicraft Exporters**

#### **Introduction**

The capital city of Rajasthan, Jaipur, is an important handicrafts manufacturing centre. The handicrafts sector is seen as a sector with high potential due to factors such as high level of employment, relatively low capital investment, high value addition and high demand in domestic and overseas markets. According to an estimate made by a handicrafts exporter, the handicrafts industry in and around Jaipur may be providing direct (as artisans) and indirect (as polishers, packers, office staff) employment to over half a million people. It is a significant source of employment in an area where agriculture is constrained by severe water shortages.

The Federation of Rajasthan Handicraft Exporters (FORHEX) is a federation of handicrafts exporters largely drawn from Jaipur but also include some members from other areas in Rajasthan. The organisation was set up by about five years ago by 40 handicrafts exporters. The changing business and legal situation resulting from liberalisation and globalisation precipitated the idea of forming a federation, and about 40 exporters came together to form the federation on their own.

#### **Objectives and activities**

The broad mandate of FORHEX is to act as an interface between the handicrafts exporters and outside agencies so that the industry develops further. Within its broad mandate, the specific objectives of the organisation are as follows:

1. To provide a forum for the members to identify common issues and discuss remedial measures.
2. To collect and disseminate information on various policies and rules among members, e.g. export/import policy, industrial policy, customs and excise rules.
3. To approach government agencies and other bodies to seek their help, co-operation and assistance in various matters related to the handicrafts industry/export.
4. To undertake promotional activities for the benefit of the members.
5. To represent the federation at different fora.

#### **Structure and functioning**

Anyone who is exporting handicrafts from Rajasthan can become a member of FORHEX. Currently there are nearly 150 members in the federation.<sup>15</sup> Out of these, 50-60% are in the woodcraft business and the remainder are involved in manufacturing other types of handicrafts. The federation has three types of members: founder members, chartered members and associate members.<sup>16</sup> The founder members are the original members who founded FORHEX. The newly admitted members are given the status of associate member while those members who have completed two years are given the status of chartered members.

The Federation has a President, Vice President, Secretary, Treasurer and an executive committee of 20 members. It also has a two-member executive staff: a Chief Executive Officer and one support staff member. The executive body meets every month and all the major decisions are taken in this meeting. The usual mechanism of

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<sup>15</sup> This is the latest information given during interview at FORHEX office. However, the souvenir titled "craft vision" issued for the FORHEX Award lists about 100 members.

<sup>16</sup> It seems the concept of chartered member has been introduced recently.

decision-making is through consensus after discussion. The office bearers and other executive committee members are chosen through a democratic process for a period of two years.<sup>17</sup>

### **Membership costs and benefits**

The membership fee for the associate members is Rs 3,000 per year (Rs 500 registration charges) while the founder and chartered members pay an annual fee of Rs 11,000.

The members get a range of benefits:

- Enhanced access to new business opportunities.
- Networking and contacts with other FORHEX members and government institutions as well as international organisations.
- Better representation of industry issues to the government.
- Better awareness and skills through seminars, training programmes, exhibitions, trade visits and company counselling. The members also get access to FORHEX library.
- The federation has a website and through its “members only” area, export surplus can be posted for other members.
- Listing of members in the members’ directory and on the federation’s website.
- Guidance and advice from senior exporter members of FORHEX.

### **Key activities**

*Policy Advocacy:* The Federation has been lobbying to safeguard and promote the interests of the industry at various levels. It has been providing inputs into a number of policy issues related to the handicrafts sector. In September 2001, it organised a seminar on implications of WTO agreement in collaboration with the Export Promotion Council for Handicrafts. Subsequently, it was invited to submit suggestions to a review committee set up by the government on the issue. It submitted a 75-page report in December 2002. Another issue on which FORHEX has tried to influence policy concerns the closure of unlicensed sawmills after the Supreme Court order. It has sought legal opinion and made a representation to the Central Empowered Committee in this regard. It is trying to argue that machines up to 24” size should not be banned, as these “handicraft sawmills” cannot saw large logs. FORHEX has worked closely with the State Forest Department on this issue. According to one FORHEX member they had successfully argued for this case in the Supreme Court and the Court had consented with the interpretation that “handicraft sawmills” are not covered by its order. However, according to this member, the Forest Department has not made any attempt to implement that order.

*Awareness and training:* FORHEX has been organising a number of events for increasing the awareness of its members concerning various policy, marketing and other issues. It has organised discussions and seminars on Value Added Tax (November 2001), banking regulations (November 2001), Export-Import Policy (April 2002), trends in home furnishings, visual merchandising (May 2002), labour laws, procedure for setting up 100% export-oriented units, insurance and banking (July 2002), intellectual property rights (September 2002), trade fairs and trade marts (December 2002), and income tax planning (January 2003). It has also instituted

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<sup>17</sup> Consensus selection and not election is the favoured mechanism.

awards for outstanding performers in the handicrafts industry. FORHEX also organises a symposium on the handicrafts industry on its annual day.

*Export Promotion:* In 2003, the Centre for Promotion of Imports from Developing Countries of the Government of Netherlands conducted a workshop at the FORHEX office titled “Export promotion program for novel handicrafts”. In this workshop their consultants educated the participants on a number of trade related topics. Subsequently detailed individual counselling was provided to 40 participants over a period of three days. As a result, five FORHEX members were selected to participate in the EXPRO-44 seminar in Rotterdam.

## **4. Van Utthan Sangh, Jhadol**

### **Introduction**

Van Utthan Sangh (VUS) is a federation of JFMCs in Jhadol block of Udaipur district in Rajasthan. Seva Mandir, an NGO based in Udaipur, has been working with the local communities to promote JFM in the region for several years. Seva Mandir started its JFM work from Shyampura village in early 1990s. A major problem encountered in implementing JFM in the village was the issue of private cultivation on forest lands (“encroachment”) by several households. It took a long time for the village JFMC members to persuade the households with “encroachment” in the forest to vacate it. Subsequently similar problems were encountered in other villages as the JFM programme of Seva Mandir expanded. This experience indicated that meaningful JFM could not be attempted without addressing the issue of “encroachment” on forest lands. Meanwhile, the Forest Department also started JFM in a big way and formed several JFMCs in Jhadol block. Apart from “encroachment”, there were many other operational and procedural hurdles that village communities faced while implementing JFM. Seva Mandir tried to intervene and support JFMCs in dealing with the Forest Department, but progress was slow. At the same time Seva Mandir itself was wondering how long it could continue to help people sort out their JFM related issues with the Forest Department. While this was going on, dynamic leadership emerged in several villages but its area of influence remained confined to individual villages. All these factors led to the idea of forming a network of JFMCs. As a result, VUS was formed in 1997, led by the NGO Seva Mandir.

### **Objectives and activities**

The broad mandate of VUS is to work on common problems facing local communities regarding access to and control over local forests. The specific objectives include:

- Working against illegal privatisation (i.e. encroachment) of forest land.
- Acting as an interface between JFMCs and the Forest Department as well as other state agencies/NGOs.
- Resolution of inter-village and intra-village conflicts.
- Building up awareness among forest users about their rights and responsibilities and policy advocacy through different fora.

Other activities undertaken by the VUS include planning systems for harvesting and distributing fodder from JFM areas and developing appropriate institutional structures for protecting and managing forest lands. VUS has been playing an important role in resolving “encroachment” related conflicts through intense negotiations with the involved households and the Forest Department.

### **Structure and functioning**

Initially, 25 JFMCs from Jhadol block had representation in the federation. Over the years, membership of the federation has grown and now includes 55 JFMCs of the Jhadol block. Any JFMC can become a member of VUS. The only membership criterion is genuine interest in the protection of forest. Each application is reviewed from this angle. Member JFMCs have to pay a lifetime fee of Rs 51 towards membership. Initially the federation made attempts to increase its membership. However, the situation has now been reversed and JFMCs themselves approach the federation for membership. As VUS has expanded its work area to nearby blocks also (e.g. Gogunda, Kotda, and Khairvada), it has also received requests from JFMCs from

these blocks for membership. It is soon planning to expand its area of operation to nearby blocks.

The federation has a 15 member executive committee. This includes three women members. The executive committee is the life-blood of the federation and members of the executive committee have been chosen through local-level discussions.<sup>18</sup> The federation has a President, Vice President and a Secretary chosen from amongst the executive committee members. All matters are discussed in the executive committee meeting, which is held every month. Given the large geographical area that the federation covers, it is difficult to organise regular meetings of all the members. To solve this problem, the whole block has been divided into 10 geographically close and compact clusters. Cluster meetings are held every third month in each of these 10 clusters. The executive committee members who come from the cluster participate in the respective cluster meeting and act as a link between cluster and executive committee. Issue-based meetings are also held with the Forest Department officials.

Seva Mandir has provided support through regular interaction by its staff with VUS members and by organising periodic training programmes. Such training programmes have focussed on different emerging needs of the federation. The focus of these training programmes has ranged from imparting information regarding JFM (e.g. details of the JFM resolution) to operational strategy development. Seva Mandir also provides annual funds to the federation depending on its annual workplan. This year the total sanctioned budget of VUS is Rs 1,29,000. Some of the executive committee members are also working as para-workers and hence draw the regular stipend given to a para-worker by Seva Mandir. However, other members have been working without getting any stipend; they only used to get an allowance for travel and food. Since the federation's activities take up a great deal of the executive committee members' time, it has been decided that they should also be compensated for this time and hence members who are not para-workers will also get a stipend from this year.

### **Key activities**

VUS has been providing suggestions to the Forest Department to strengthen JFM in the area. The Forest Department's response has been generally positive. However, the most important issue dealt with by VUS is the issue of forest land "encroachment". It is an emotive issue with some vociferously supporting legalisation of all "encroachment". The issue has also become an important electoral issue locally. Considering widespread "encroachment" of all types of common lands in the area, VUS feels that these should be maintained as common lands rather than being privatized. The poorest of the poor have the highest dependence on common lands and it is for their benefit that common land be maintained as such rather than being privatized by a few for their private gains. It feels that no serious efforts towards community's control over and access to forest lands can be made unless the issue of "encroachment" is also dealt with. VUS believes that the increasing tendency of justifying "encroachment" must be contested, as contrary to popular belief, "encroachment" can have far-reaching negative effects on the poorest of the poor. Moreover, it also keeps the local community perpetually divided, leading to their disempowerment.

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<sup>18</sup> The federation is planning to hold an election this year to choose office bearers and executive committee members.

VUS now has several years of experience in dealing with the issue of “encroachment” and it feels that majority of the people in the villages in their area are not in favour of “encroachments”. As “encroachment” often involves dealing with local officials and illegal payments, most “encroachments” are carried out by people capable of dealing with local officials. It, however, agrees that some “encroachments” may be carried out by very poor and marginalised sections. It tries to keep this aspect in mind while intervening. The issue, however, is complex and VUS is not always sure that their efforts will eventually lead to a desirable solution. VUS has been trying to discuss this sensitive issue among local communities and feels that a more balanced approach is needed to address this issue.

## 5. Madhya Pradesh Small Industries Organization

### Introduction

This association was founded in 1960. The major goal of the association is development, expansion and conservation of small scale industries. Currently, there are 100 forest-based enterprise members of the association at the district as well as the state level. Their core mandate is to generate employment based on agriculture and forestry for people living below the poverty line in rural areas.

The major goal of the association is development, expansion and conservation of small scale industries.

### Objectives and aims

The main objective of this association is the representation of its member industries in front of various Government agencies by putting forth their views.

### Structure and functioning

*Membership criteria and decision-making:* There are about 850 members (25 district/division level), out of which the SMFE associations are about 100 in number. The members pay Rs 500 per year as membership fees.

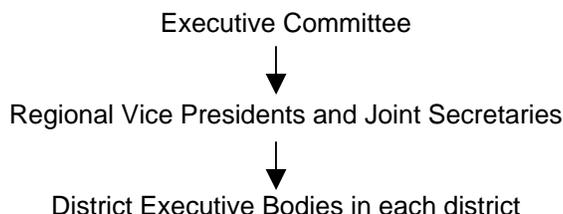
*Membership criteria:* Any industry/enterprise which is registered as a small scale industry under the constitution and having a working unit/workshop in Madhya Pradesh is eligible to join the association.

Enrolment in this association is open at present. There is no special reservation based on gender or any other criteria given by the association.

*Meetings:* There are meetings held twice a year between the members of the federation and the executive committee, apart from the meeting held every two years to select the Executive Committee itself.

*Organisation, accountability and decision-making:* the Madhya Pradesh Small Industries Organisation is the premier organisation of small scale industries in the state. It was established due to the guidance provided by the then Industries Minister, Mr. Manu Bhai Shah. It is registered in the office of the Registrar (Firms and Societies), Bhopal.

The organisational structure of the association is as follows:



*Decision-making:* For the sustainable and effective working of the association the executive committee comprises representatives from various parts of the state. There are, presently, seven members on the executive committee, which is headed by a President. The decisions made by the executive committee usually reflect the views of the rest of the members. They are elected for a period of two years from the representatives of member enterprises. All policy matters are dealt by the executive committee, whereas in all administrative matters, the Secretary General's decision is final and binding.

**Key activities**

The various activities undertaken by the association are:

- Policy advocacy in the interest of its members
- Creating awareness about new government policies by circulating copies of those policies amongst the members
- Holding seminars and workshops in order to fulfil its mandate
- Holding buyer-seller meetings so as to remove the middlemen involved
- Carrying out quality maintenance programmes to increase the efficiency and expertise of the members
- Acting as a bridge between the Government and its members and advocating the interests of the members in front of the Government.

*Specific benefits:* The members get representation at the state level and are able to express their views collectively in front of Government through the association.

*Support:* Currently, the association is facing no major problems and according to the officials of the association, its major achievement is the small scale industries' environmental balance that has been achieved in the state since the past 40 years.

## **6. Madhya Pradesh Silk Federation**

### **Introduction**

MPSF is an organisation engaged in strengthening poor people's livelihoods in Madhya Pradesh. It does so by marketing their silk products at competitive prices and sets up efficient, non-exploitative and sustainable linkages between the producer and the market. It was founded on 24 November 1997 via a government gazette notification, with Ms Suman Sharma as its present Managing Director.

MPSF oversees the whole process of manufacturing silk fabric, from rearing silkworms through reeling, spinning, weaving, printing and finishing of the textile. The instruments of change are the women's SHGs, spread all over the state. They participate in the whole process, supervised closely by the MPSF.

### **Objectives**

- To ensure fair prices for people, engaged in development and production of mulberry and non-mulberry silk, cocoon production, cocoon collection, silk production and production of cloth made out of silk especially from scheduled caste, scheduled tribes and other backward classes and to develop a system for the marketing of their products.
- To organise production, collection and processing of cocoon, silk thread/ cloth production and various research and development activities on a co-operative basis and to create such a system of buying, selling and distribution which would ensure incomparable profit to members of the federation.
- To make financial arrangements for fulfilment of the above-mentioned objectives and to take essential steps in order to ensure financial and social upliftment of the federation members.

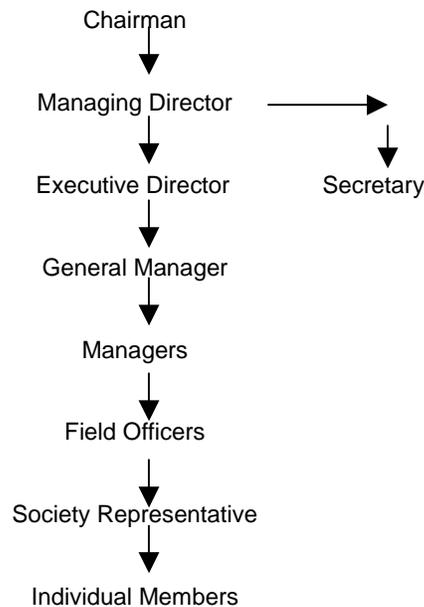
### **Structure**

An individual cannot directly join the federation. First s/he has to join an already existing society or has to create a new SHG, and then that society can apply on behalf of the individual. This is done so as to prevent any undue advantage towards any single beneficiary, a situation which could arise if an individual buys the cocoon from other societies and then sells it to the federation at a higher price than the original buying price.

Also, the federation tries to find out whether there are societies working in that area which are not members currently, and if so it tries to persuade them to become members. Hence, the process of membership is two-way. There are active enrolments in the federation through the Self-Help Groups (SHGs).

The decision-making body in the association is a Board of Directors headed by a chairman, who is nominated. There are 11 members on the Board of Directors out of which five seats are reserved for women. This Board is elected for a period of three years through voting in which representatives from all the societies participate. The organisational structure of the federation is shown on the following page.

A General Body Meeting is conducted every year, as the medium of interaction between the societies and the federation. On average, 25% of representatives from the societies regularly attend the meetings.



### Functioning

The federation is working as a three-tier structure. At the lowest level there is individual silkworm rearing and cocoon production in the rural areas. At the second tier, which is the primary co-operative society, this cocoon is collected. The third tier is at the state level, i.e. the M.P. Silk Federation procures this from the societies and supplies it to the weaving centres, which then produce silk threads and cloth, which are marketed at the national level. Payment for the silk is made to the society on the spot and the technical team take samples to keep a check on quality. If the silk is found to be not up to mark, then that society is blacklisted for future. The total average annual production of silk is enough to ensure production of 60-70 thousand meters of silk cloth. This is marketed with the help of showrooms such as Kataan Silk Emporium, Bhopal. Also, the federation participates in exhibitions organised by the government at the state and national level, designed to create better market openings. Agricultural land is used for cultivating mulberry silk, whereas forest land is used for cultivation of tassar (non-mulberry) silk. The federation has no specific environmental conservation agenda.

### Key activities

- Facilitating cocoon and silk thread production in the rural and backward areas of the state.
- Production of cloth made out of silk at the weaving centre in Maheshwar.
- Marketing of silk thread and cloth through participation in government organised fairs and exhibitions at the national level.
- Carrying out plantation of mulberry plants or taking already planted areas on lease in the areas designated for work, and finding members in those areas for silkworm rearing.
- Development of centres for research and development to ensure continuous availability of good quality mulberry plants for feeding silkworms.
- Engaging more and more member societies in the federation for sustaining the supply to the weaving centres.

## **7. Gujarat Timber Merchants' Federation**

### **Introduction**

The Gujarat Timber Merchants Federation (GTMF) was established in 1978 essentially as a representative body of saw-millers. Though in principle anyone involved in the wood-related business can become a member of the federation, the actual percentage of business units, aside from saw-mills, is relatively low. The federation was formed by the saw-millers themselves, without any outside help.

### **Mandate**

The mandate of the federation was to bring all the saw-millers together on one platform and work for mutual benefits through commonly identified issues. The federation was formed in 1978 in an entirely different institutional and legal setting than exists today. Hence, while in principle the broader mandate of the organisation has remained the same, its actual content and even form today are very different from what it was immediately after its formation. For instance, according to one of the office bearers of the federation "one of the agendas that the federation is working on now is to fight against a distorted image of saw-mills that has been created by misinformed and misguided environmental activism."

Of late, almost all the federation's energy has been devoted to putting up a systematic, collective defence against the closure of saw-mills in non-forested districts and areas. But otherwise, in broad terms, the federation is expected to work on any agenda that commonly affects saw-millers and has traditionally been taking up issues related to policy and procedures affecting the business of sawmills. It has also involved itself in the promotion and popularisation of tree plantations.

### **Structure and decision-making arrangements**

There are approximately 4,000 members of the federation. Nearly 3,500 of them are saw-millers, while the rest are furniture manufacturers, traders etc. There are about 5,200 saw-mills in the state of Gujarat<sup>19</sup> and nearly 67% of the millers are members of the federation. In reality, since in many cases one family may own more than one mill, the actual coverage is likely to be greater.

The federation has the following office bearers: president, vice president, secretary, four joint secretaries, and an executive committee of 50 members.

All the districts of the state are represented on the executive committee. There are seven working committees, namely plantation, membership expansion, taxation, forest, public relations, finance and bye-laws. Each of these working committees has seven to 15 members and as their names suggest, each of them has a specific focus. Members of working committees are not necessarily members of the executive committee, but their status is equivalent to the status of members of executive committee. The federation employs two people for office work. Office bearers are chosen for a period of two years. The constitution of the federation provides for the election of office bearers, although consensus selection rather than election is the norm. The general body of the federation has always managed to unanimously decide its office bearers.

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<sup>19</sup> Including the ones that are now shut.

The executive committee meets every month. These meetings are held regularly without fail and there is usually high attendance of members. Working committees meet as and when required. Any member can participate in these regular monthly meetings of the executive committee but the decisions are made by members of the executive committee only. It is common for the members of working committees to participate in these meetings. Most decisions are taken in these meetings, though some important decisions require ratification from the general body, which is held annually.

#### **Membership costs and benefits**

The federation is run entirely from member's contributions; as and when more funds are required these are generated from members. Members pay all the expenses they have to bear in participating in meetings from their pockets.

The federation has been working on the issue of sawmill closure and fighting for the cause of its members. Apart from taking legal help and making representation, the federation has also tried to influence the state government's representation to the centre on related issues. The federation is promoting private tree farming to make raw material available to its members. It is also trying to work closely with the Forest Department to promote tree farming on private land. District and city level associations work to help farmers obtain the necessary saplings. The members and office bearers of these associations also make attempts to tour villages and help farmers understand the emerging trends in demand. Millers also adopt villages and encourage people to undertake tree farming.

#### **External support**

The federation is not supported by any external agency and has not taken funding from any source.

#### **Federation work on the issue of sawmill closure**

Currently the federation's energies and resources are directed predominantly at fighting the sawmill closure issue. Since early 1980s, agro-forestry and private tree farming started picking up in the State and the number of sawmills started to grow.<sup>20</sup> The increasing demand for wood and tightening supply from forest areas fuelled this growth. The legal situation was also conducive to this as the more stringent Saurashtra Felling Act was not applicable in the districts of central Gujarat, and the talati, an official located in and around the village, could give the felling permissions.

In the past two decades, there have been many developments which have had a negative impact on saw millers and eventually tree growers. According to Forest Department rules and regulations, only sawmills situated within 32 kilometers of the forest were required to take a licence from the Forest Department. However, in the late seventies the Department insisted that even roadside plantation qualified as forests.

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<sup>20</sup> Except for a few districts of Gujarat e.g. the Dang (where forest covers 79.3% of the total geographical area), Narmada (39.1%), Valsad (32.3%) most other districts have little forests. Especially districts such as Anand (5.4%), Kheda (4%), Ahmedabad (1.9%), Mehsana (1.6%) and Rajkot (1.1%) have very little forests. However, it is in these districts that private land tree plantation has picked up in the post 1980 period. In Kheda district (before bifurcation of Kheda into Kheda and Anand) the average density of trees on private land was approximately 8 trees per hectare of private land, but in the 2005 the density was 48 trees per hectare (only Anand district is 65 trees per district). Similarly in Mehsana the density in the 1980s was 18 trees per hectares of private land while the latest estimate put the tree density at 49 trees per hectare. This is coupled with the fact that these non-forested districts have the highest density of saw-mills.

Hence, sawmills within 32 kilometers from any roadside plantation were required to obtain a licence. While some millers tried to get the licence, most continued to operate without trying to obtain it. It seems that the Department did not put in place a prompt, corruption free and transparent system of granting/refusing licences. And even those who tried to follow the Forest Department's interpretation could not obtain a licence despite their best efforts.

While the tussle between saw-millers and the Forest Department was going on regarding the issue of licences in urban, non-forest areas, the federation went to the High Court of Gujarat on the issue. The court ruling ordered maintenance of the status quo as it existed before the Forest Department's new interpretation. The court ruled in 1994 that the state government, Forest Department and federation must jointly work to formulate a comprehensive, forward-looking policy. According to the court order the federation made a draft policy within 45 days of the court ruling and submitted it to the Forest Department for further action. It has been 10 years since then but no progress has been made by the Forest Department or the state government.

Meanwhile the Supreme Court, in a historic judgment in 1996 (*Godavarman vs Union of India* case), ruled that the term "forest" not only included the land legally so classified but also the lands that have tree vegetation irrespective of their ownership. In principle, this endorsed the interpretation by the Forest Department of the term "forests". This judgment drastically changed the legal framework within which the tussle over the issue of licence requirements in "non-forested" areas was being discussed and debated.

After this decision, individual saw millers acted on the matter of licence according to their own understanding. Most that were close to the federation thought it prudent and just to continue to operate without the licence, and to wait for the new policy that was to be formed following the ruling of the High Court. Many others did not feel so sure about the potential outcome, and in order to avoid getting into any untoward situation, applied for the licence. It is a different matter that very few amongst those who applied for the licence actually got it.<sup>21</sup>

In 1997, the Supreme Court ruled that all sawmills (and wood-processing units) without a proper licence from the Forest Department should be shut down immediately. The Court ordered the state government to take prompt and immediate action on the matter. This order virtually snapped shut any window for dialogue. In the whole state, nearly 1,160 sawmills have been shut down since 2002. Most of these mills are in urban areas: nearly 300 in Ahmedabad, approximately 350 in Anand and Kheda together, nearly 250 in Baroda and nearly 200 in Mehsana and other districts of north Gujarat.

On this issue there is no agreement amongst federation members as to what stand should be taken and what course of action should be followed. The millers who have got a licence and whose mills have been running seem to find it in their economic interest if the closed mills do not reopen. Closure of such a large number of mills is likely to have created a palpable reduction in the level of competition faced by the remaining mills. Because of this, the enthusiasm amongst members to take up the

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<sup>21</sup> Between 1982 and 1997 nearly a thousand millers applied for the licence, but it seems that very few were granted one.

issue may be limited. Moreover, there seems to be a general feeling amongst saw millers that their role is viewed negatively by the popular ecological-environmental movement, which has a strong influence on policies and the general public. If the federation makes all round protests against sawmill closure, then this would only confirm their negative image and may result in further tightening of their situation.<sup>22</sup>

As regards sawmillers' supposed involvement in the destruction of forests and the environment, the federation contends that closure of mills in non-forested areas will only hurt the environment in the long term. The federation consents with the original requirement of licence within 32 kilometers from traditional forests. However, it opines that closure of sawmills in non-forested areas only means a negative impact from every angle: employment, poverty alleviation, business, conservation, environment. In the current situation, sawmills cannot be run profitably if their procurement zone is more than 40-50 kilometers from the location of the mill, as transportation costs become prohibitively high. There is simply no question of sawmills operating in areas like Anand or Ahmedabad procuring their supply illegally from forest areas – the Dangs, Narmada – situated hundreds of kilometers away from sawmills.

### **Federation work in promoting private tree farming**

Sawmills located in areas of Ahmedabad, Anand, Kheda, Rajkot, etc. have been procuring their raw material supply exclusively from trees grown on private lands. This has fuelled agro-forestry in these districts. In 1980 the estimated number of mills in the state was approximately 1,000, while by 2001, before the closure, the total number of mills operating in the state had shot up to nearly 5,200. Similarly, in the past 25 years, the density of trees on private land has gone up by more than 600% in some areas. This growth of tree plantation on private lands and growth in sawmills are strongly correlated. The procurement costs for sawmills have gone up in the last two decades but the selling prices of wood produce have not gone up proportionately. Thus, it has been a win-win situation for both the tree producers and the consumers of wood products.

A farmer would like to grow trees only if s/he is sure that s/he can obtain economic benefits as and when needed. Rules that interfere adversely with such economic decisions act as a disincentive for the farmer and induce him to move away from tree farming. And in such a situation s/he would prefer to convert the land use to some other activity.<sup>23</sup> In Junagadh district, where the Forest Department insisted on stringent implementation of the Saurashtra Felling Act, 1951 (which made felling of trees difficult for farmers as the power of locally accessible talati to allow felling was withdrawn), the tree density on private land has gone down to almost one third of what it was in 1950.

Sawmillers today operate in a hostile policy environment, though the private initiatives of farmers and millers have contributed enormously to the cause of the environment. It is difficult to obtain loans for investment in sawmills. Even existing, functioning mills find it almost impossible to obtain loans for re-investment, as the banks consider it a risky business.

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<sup>22</sup> According to an official of the federation, the members may suffer from low self-image as well as from the low public image (as a destroyer of environment). It seems that the new generation from saw millers' families does not want to get into this business.

<sup>23</sup> For example, the federation argues, in 1986 felling of Mahua was prohibited in Anand-Kheda district, and as a result there are no *Mahua* trees left in the district. It seems farmers stop planting Mahua - why plant something if you can't cut it when needed? It is true that the order was brought in to save the already dwindling tree population. But a more positive approach, which conformed to farmers' own interests, would probably have made a positive impact and revived the *Mahua* tree population.

There is a strong need to distinguish between private tree farming and forest areas supervised by the Forest Department. Private land forestry can provide enormous environmental and economic gains. Due to the lack of favourable policy and a misguided public image, this potential cannot be fully harnessed. Most tree farmers are small, marginal farmers. Apart from looking at a tree as a regular source of income, they consider it to be a resource to meet contingencies. However, this idea comes to naught if the farmer cannot cut and sell trees at his time of need.

Bureaucratic hurdles also mean middlemen have appeared to take care of procedural formalities or take the risk of doing the trade “illegally” and bribing Forest Department officials. The farmer thus prefers to sell “standing” trees. It is the responsibility of the purchaser to arrange for the necessary felling and transit permission. This system distorts the market and the price that farmer receives is less than what it could otherwise have been. The label of “illegal trade” means that marketing infrastructure and regulating mechanisms have not been developed.

Since some of the issues related to felling permissions directly affect farmers, the federation has made attempts to forge collaboration with a farmers’ organisation to put up a joint front. Similarly, attempts have also been made to muster support from businesses that use processed wood. However, since both farmers and processed wood users can find out ways of avoiding legal-procedural problems by imposing conditions on the miller-trader, they have few direct reasons today to invest their energies and resources in what appear to be primarily a sawmillers’ cause.

Thriving private land forestry would not only help in poverty alleviation but could also save forests. Federation officials claim that an industry that is today worth only Rs 2,500 million can grow up to Rs 100 billion if the right kind of policy environment can be provided.

## **8. Plywood, Timber, Laminate Dealers Association, Jaipur**

### **Introduction**

The Plywood Timber, Laminate Dealers Association, Jaipur was founded in 1978 with a mandate to meet the collective interests of the members and to interact with the government on their behalf. Further it helps members in matters related to timber purchase and plywood sales and promotes social interaction among the members. It also makes the members aware of new government policies affecting their business by issuing circulars to all the members. The Association is self-initiated in response to the felt need of coming together on a single platform.

The Association carries out strikes, protests and demonstrations against government policies adversely affecting the members' interests. One such protest demonstration was held August 2004 at Statue Circle, Jaipur, against the hike in tax rate. The Association also undertakes welfare activities such as assistance to the government for famine relief; provision of water supply through tankers to the general public; holding hepatitis 'B' vaccination camps, and participating in and sponsoring various social and religious functions.

### **Membership**

Any dealer dealing in plywood who has a shop within the Jaipur and Dausa district can become member of the Association. Apart from this restriction, the dealer's membership has to be endorsed by at least two existing members of the Association. Currently there are 250 members and the enrolment is still open.

### **Organisation structure**

The Association has a board of governors consisting of six members - a president, a vice president, a general secretary, two joint secretaries and a treasurer - and 22 executive members. The major decision-making body is the 28 member executive committee which is elected for a term of three years. The six members are elected through voting and then the other 22 executive members are nominated by board of governors. To ensure representation of all the members, there is one executive member for every ten members area-wise.

### **Meetings and decision-making**

All the decisions related to policy or constitutional changes are discussed at the AGM in which all the members participate. It is mandatory for all the members to participate in the AGM. The executive committee of the association meets every month.

### **Costs and benefits**

Each of the members has to give a one-time joining fee of Rs 3,500 followed by a fixed annual fee of Rs 500. Apart from this, members contribute voluntarily towards welfare work aimed at society at large.

The benefits accruing to the members are the following: due to the Association's work, the member's information network grows stronger and the market and competitors situation becomes clearer; awareness of members regarding government policies increases. Further, members benefit from the Association if any payment gets delayed and other payment related matters. The Association represents industry's interests at the government level and also undertakes demonstrations and protests against policies unfavourable to industry.

Currently, the Association is holding talks with the government regarding an open market (*mandi*) for the timber, plywood, and laminates trade in Jaipur, as it is for other commodities. The Association is currently demanding creation of a 'plywood *mandi*' in the Hatwada area of Jaipur district. This demand has been made for the last three years and the Association is hopeful of gaining permission in the near future. The perceived advantage of having a *mandi* is as follows:

*Improved access to shops:* The streets are quite narrow and only one-way traffic is allowed in certain areas, making it difficult for trucks to enter the streets; thus, larger quantities of timber cannot reach the dealers' shops. This would be solved to a large extent if the *mandi* were established in Hatwada area, on the outskirts of the city.

*Standardised rates:* Another major advantage is that the Association would be able to fix standardised rates for a particular grade of wood if all dealers were selling their produce under one roof. This would reduce the problem of the same grade of plywood, timber or laminate being sold at different rates at two different places.

### **External support**

The Association does not receive funds or support from any external agency. The government is also not offering much support to the Association.

## **9. Federation of Forest Protection Groups, Mayurbhanj**

### **Introduction**

In addition to JFM promoted by the Forest Department, there is also a grassroots forest protection movement in the country. There are several villages that have started protecting forest patches adjoining their villages on their own without any outside help or advice. These are commonly referred to as Self-Initiated Forest Protection Groups (SIFPGs). An association of 25 NGOs, Mayurbhanj Swechasevi Samukhya (MASS), has created a federation of SIFPGs working in 536 villages in the district of Mayurbhanj, Orissa.

### **Structure and functioning**

Initially these SIFPGs were formed with the primary aim of safeguarding the existing forests by watch and ward, protecting them from further degradation and also helping to regenerate the forests. These village level institutions were organised into 93 'clusters', comprising on average five or more villages. These cluster level groups form 25 federations of forest protecting communities at area level, from which six zonal federations have been formed. Finally, from these zonal federations, a district federation of 536 SIFPGs has been formed. It is noteworthy that the area and zones are formed in consideration of geographical continuity of forests and active institutions. There is a president and an executive committee of villagers at each level of the federations, namely: cluster, area, zone and district levels. The federation representatives of the lower level democratically elect the executive committee and president of the higher level. For example, a cluster level executive committee elects the area level committee, which in turn elects the zonal level committee and president. The zonal level post holders elect representatives of district level federations.

The decisions of the federation are taken by the executive committee at each level, whose tenure is two years. MASS representatives are members of this executive committee and play an important role in decision-making and conflict resolution, as they are considered neutral.

### **Costs and benefits**

The membership of the federation is free, and each household from villages where SIFPG are working can become members. Households do contribute, though, in terms of watch and ward as well as expenses of meetings. These SIFPGs jointly patrol and apprehend offenders as well as regulate extraction of NTFPs like medicinal plants, sal leaf, fodder, firewood, grass, grazing etc. through the village forest protection committees. Also, nearly 200 women's SHGs with a combined saving of Rs 1.1 million have been formed. Participation in the federation process entails transaction costs in the form of time, money and effort required to attend meetings and sustain communication within this network. This cost increases at higher orders of institutions (and with the level of involvement in decision-making or key leadership roles etc, thus making it difficult for the poor and marginalised sections to participate). Usually the poorest and the most forest dependent sections do not have the time to participate in networking. The grim realities of life and the struggle for day-to-day survival leave them with little time for these processes. The participation of the poorest thus diminishes at the higher order organisations with transaction costs being one of the major deterrents. However, this is not always the case, and there are movements – especially dalits and tribal uprisings – where the poorest have organised and come together on issues of their survival and sustenance.

There are also benefits derived from forming the federation. The federation has acted as a platform and a means for resolving inter-village conflicts. They have also led to an increase in networking improvement in social bonding, increased community bargaining power and increased opportunity for women's involvement, as well as increased awareness among the villagers as the communication and experience-sharing channel is established.

The risk-bearing capacity of the federation has also increased, as at times of need in one village, other villages come out to help. This is reflected in the allocation of benefits, for example funds generated from fines and other sources in one area reached other villagers in the past. By organising themselves, communities can indulge in policy advocacy and the federation has used its strength to affect actions and decisions of the Forest Department in the past. Thus, the bargaining power of the community has increased along with greater recognition and acceptability.

Greater marketing linkages and higher prices of NTFPs have also been achieved through the medium of federations. For example, Gharikasol area federation has established an integrated collection and selling centre for sal leaf plates. The federation has also provided women with an opportunity to get involved at various level of policy advocacy and interface with external organisations. The area level federation envisaged by MASS envisages two women members on each committee.

Community involvement in the federation is very well facilitated through campaigns, communication camps, occasional issue-based padyatras, forest festivals, etc. These methods maintain the synergy and temperament among the communities for bettering the cause of forests and local livelihoods. The federation is envisaging taking up overall management of the process as well as training and building capacity of representatives at different levels.

During the last decade the federation has laid emphasis on organising the communities for protection and management of forests. But now the federation is diversifying from forest protection activities to sustainable income generation through sustainable natural resource management and optimum utilisation of resources. The federation is focusing on capacity building exercises so as to improve organised income generation pursuits, based on forest and other available natural resources, lobbying, advocacy and exchange with government.

### **External support**

The federation was initiated by MASS, a federation of NGOs in the district, the imprint of which is very much evident in the structure and decision-making of the federation. MASS representatives are present on the executive committee at each level. MASS procured funds from the Ford Foundation for its initiatives and the federation formation has also been carried out under the aegis of this fund. Currently MASS is garnering further financial support for strengthening the federation, as well as undertaking activities like capacity building, enterprise development and livelihood generation. Due to strong NGO involvement, the federation has also been criticised for meeting their own agenda or for appeasing their funding agencies. The government has also started to recognise the efforts of the federation in forest protection, but calls for its integration with the national initiative of collaborative forest management, namely JFM.

## **10. Perfumers, Essence and Agarbatti Merchant Association, Rajkot**

### **Introduction**

This association was founded in 1993 and is registered as a trust under the Societies Registration Act. The mandate of the association is to represent the collective interests of perfume, essence and agarbatti merchants, including manufacturers and dealers, and to provide a platform for social interaction between the members. Currently, there are 90 members in Rajkot. Mr. R.V. Dodia of M/s R.V. Dodia & Company is the president of the association.

### **Objectives**

- To facilitate social interaction between the association members and their family members.
- To create awareness among the members regarding the government rules and regulations governing their business.
- To advocate the collective rights and interests of the members in front of the government.

### **Structure and functioning**

*Membership criteria and decision-making:* presently there are 90 members in the Association and they pay Rs 400 per year.

Members of the association have to be either merchants or traders in the Rajkot area irrespective of their size. The members also include household manufacturers, ferry men and large dealers. At the moment membership to this association is closed i.e. there are no active enrolments going on in the association. There are no special reservations for any particular interest group.

Though belonging to the area is preferred for membership, this is because at present, the members of the association have their establishments in Rajkot. However, the major criterion for becoming a member of the association is that the person should have a sales tax number which the government confers upon a business unit, and a corporate sales tax number issued by the central government.

### **Meetings**

The office bearers are elected during the AGM of the association. Apart from the AGM, the association also organises an annual function in which it distributes many awards, such as to the wards of the members who excel academically. The average turnout during the meeting is low, around 30%.

### **Organisation, accountability and decision-making**

The major decision-making body is the executive committee which has 11 members, out of which four are office bearers. These office bearers are elected for a period of two years. Out of the 11 members there are also members who act as advisors to the association.

The office bearers are the president, vice president, general secretary, treasurer, four founding members and other members.

### **Activities of the association**

The main activities undertaken by the association are:

- Organising functions for improving social links between the members.
- Interacting with the government on behalf of members regarding the rules and regulations affecting members' business. The association is for example holding talks with the state government regarding the removal of taxation on agarbatti manufacturing, which is at present 2%. Also, the association is demanding the removal of Value Added Tax from commodities such as agarbattis and the association is also demanding flexibility in packaged commodity rules.

### **Benefits to the members**

Small household merchants can also become members so there is no restriction on the size of the enterprise. Many people benefit from this. All the members get a platform for social interaction and have a common meeting place, and the association bargains for the collective rights and interests of members in front of policy makers.

### **External support**

The association receives no support from the government. On the contrary, government policies are acting as barriers to the growth of business of association members.