DAY THREE

Tuesday 17 July

Photos: A. Martin

Morning session

Economics of the community forest timber enterprise

Franklin Mezúa

Rio Tupiza, Panama

I am the manager of a CFE called Rio Tupiza in Darien, Panama. The community owns 300 000 hectares under collective rights and we have a forest management plan for 27 000 hectares. We have a collective vision of our entrepreneurial structure. It is very hard to compete in the market as peasants or an Indigenous group if we don't have a business structure capable of meeting market needs. How do we adapt our local traditions and culture to the business world? First, we must think in the way that business people do but, of course, without leaving our intrinsic cultural values behind.

Our first objective is to value Indigenous and peasant culture through sustainable forest use. We became a business two years ago, but our first commercial experience occurred this year. We sell roundwood and boards in the domestic market through legal contracts with the timber industry through a public bidding process. Industry has the market and technical knowledge. We structure the contract in such a way that it can be extended if they are good business partners. Negotiations with industry are conducted through round-tables at which both parties present their needs. A lot of people have told us that we are 'giving away' our wood since we don't have processing equipment. But this is a process and we are getting ready to occupy space in the industry, acquire capital and eventually produce along the value chain. We have precious woods used for flooring and other high-end products for export to Europe and the United States, but the price we receive is too low. It is indeed a challenge to access the market for processed products.

One important aspect I would like to talk about is that not everything has to be seen from an economic or profit point of view. Equally important is how we value our culture and history in this process. That is why we take into account cultural aspects and the role of women, since they are the bearers of cultural identity. We have fibre-based craft work that can sell for up to US$5000 in museums in New York when women are able to access that market. As an Indigenous community, we do not depend solely on timber for a living. Timber sales are used as complementary income to that produced through commercial agriculture.

Kenneth Angu Angu

IUCN Cameroon

Community forestry in Cameroon started to develop after forest reforms in 1994. Communities rely on partnerships with forest companies because they don't have the financial means to harvest timber. The activities of those small-scale loggers are often unsustainable and yield low benefits to the community. The exploitation focuses mostly on timber products, in spite of the stipulations of the management plan. NTFPs are harvested for subsistence only.

The profits of such exploitation are mostly used to improve health and education, rather than re-invested to improve forest management and develop the enterprise. Obstacles to community forestry include: excessive administrative requirements that put a heavy burden on the enterprise; a lack of technical capacity and financing; inter-generational conflicts within the enterprise between elders who might have migrated to the town and youth, who stay in the village; insufficient local markets; and difficulties in transporting products towards larger markets. Additionally, benefits need to be shared in an equitable way to avoid the establishment of a new form of social stratification.

Decentralization is not enough to encourage community forestry. Solutions—including funding and training—are also needed to make it a viable option for poverty reduction.

Kenneth Angu Angu also presented the case of the Ngola-Achip village forest enterprise in Northwest Cameroon.

Yati Bun and Bazakie Baput

Madang Forest Resources Owner's Association, Papua New Guinea

(Augusta Molnar made the presentation on behalf of the authors)

The Madang Forest Resource Owner's Association (MFROA) is an important case study. MFROA and a supporting NGO, the Foundation for People and Community Development (FPCD), are building an alternative model for community enterprises that can be certified under the FSC using a community-appropriate set of standards and indicators for sustainability. It forms, we believe, a replicable model for Pacific Island states as well as an alternative to industrial forest concessions.

MFROA is an association of small forest holders living in the province of Madang. Within the region there are 2.8 million hectares of forest, over 500 000 hectares of which are in large-scale concessions. Using a model of small, portable sawmills, FPCD and MFROA have been training members to produce high-quality hardwood for export to Australia. In this way the enterprise adds value to a production system that is not profitable in domestic markets given the remoteness of Madang and the high cost of sustainable management.

FPCD and MFROA are applying a model of technical assistance that provides declining support as MFROA and members gain capacity in forest management, harvesting and processing and the administration of a marketing company. Membership is expanding and, in cooperation with ITTO and other support organizations, MFROA has been certified to FSC standards. This community certification provides entry to the export market without undermining the community's social model.

Photos: A. Martin

Carlos Ramos

Federation of Social and Educational Assistance Bodies, Brazil

I would like to talk about various local initiatives that make up the Working Group on Community Forest Management.

In 2000, the government began to issue community forest management plans in the municipality of Gurupa in Para state. Since then, demand for these plans has risen steadily; in 2005, the number of permits issued equaled the number of permits requested for the first time. However, since then the situation has deteriorated, posing a challenge to those who want to conduct legal forestry operations. In 2006, 41 160 m^3 were requested for extraction but only 28 525 m^3 were permitted.

The Federation of Social and Educational Assistance Bodies (FASE), a member of the Working Group, uses a methodology based on the education of the people through direct contact with the beneficiary peoples, the strengthening of grassroots' organizations and autonomous collective actors, proposals for public policies, legal defence actions in the public sphere, and the implementation of relevant projects to create a multiplier effect. Tenure security has brought us many benefits beyond forest management; government assistance programs are available for a greater number of families. The government has also recognized long-standing claims by traditional populations and their traditional knowledge and way of life.

Two successful initiatives have been oil extraction from the copaiba and andiroba trees, led by women, and furniture-making using fallen trees. We also support reduced impact logging courses and carpentry workshops. We currently work in six forest reserves covering 1100 hectares, with 547 m^3 available for extraction; at the moment we are well below the limit, only extracting 32 m^3 per year.

Another organization that is part of the working group is the Lutheria School in Manaus, Amazonas state. Young people aged 14–21 come to the school to learn how to make musical instruments using certified wood. The school has 60 students, on average, in its basic course. Students then graduate to a technical course that grants them the title of *Technician Luthier*, enabling them to manufacture and repair musical instruments. Two graduates of the Lutheria School program work as instructors, training new pupils in the craft.

I would like to conclude by saying that any government policy regarding communities must include inputs from all stakeholders and affected parties, with ample consultation throughout the process; otherwise, these policies will lack legitimacy. It is also crucial that public policies recognize and reflect the particularities of all biomes and the traditional knowledge in them.

Paulo Amaral

IMAZON, Brazil

Three organizations—IMAZON, LASAT and Promanejo (a federal forest management program)—have published a guide for community forest management. It contains instructions on logging techniques, safety equipment, how to legally create organizations or cooperatives, and how to keep legal records of meetings, council decisions, elections, etc. The guide also includes templates and examples of by-laws, guidelines and contracts. The target audiences are the communities themselves, as well as their supporting organizations.

Ana Yang

FSC Brazil

Ana Yang presented the first issue of the Amazoniar consortium's magazine in English and Portuguese, which talks about the member organizations, the history of the consortium, its geographic area of work, thematic areas, and results so far. The Amazoniar consortium is funded by USAID and comprises FSC, CTA, SOS Amazonia, the World Wildlife Fund (WWF) Brazil and Kaninde.

Working group session

The second working group session was convened on the topic of *Economics of the community forest timber enterprise*. Five working groups discussed one each of the following sub-topics:

- productive systems;
- vertical integration and processing, diversification and added value;
- market issues;
- finances: credit and capital formation; and
- employment generation.

Afternoon session

Economics of non-timber forest products and services

Keynote address

Bhishma Subedi

Director, Asia Network for Sustainable Agriculture and Bioresources (ANSAB), Nepal.

ANSAB is a Nepalese market information network working with community forest user groups.

NTFP-based enterprises face three key questions:

1) Can NTFPs generate income and employment and address the issue of poverty?

2) Under what conditions do such income and other benefits serve as economic incentives for conservation, and how can such conditions be created?
3) How can successful examples be scaled up?

Globally, there is tremendous scope for NTFP products and services. After 30-plus years of work, good models have been created and tested and positive outcomes produced. NTFP activities can act as a safety net for communities and fill income gaps; for some, they can provide an exit from poverty or a stepping stone to other livelihoods. Producers face challenges based on market and knowledge uncertainty, a lack of infrastructure and business development services, and the fact that the struggle for subsistence limits the space in which to create change. Simply linking people to markets will not produce positive outcomes. Conditions are more favourable under policy and tenure reforms, and when there is interest in supporting local community forest models.

The following enabling conditions can greatly help an enterprise grow:

- the use of catalysts to provide critical support, ranging from identifying new opportunities, capacity-building, market access and advocacy;
- the conscious integration of programs and projects that pursue the development of enterprises together with conservation;
- piloting: choosing the right model, testing the appropriateness of models, sharing knowledge, allocating resources, implementing policies and scaling up; and
- the concerted effort of government, non-profits and corporations.

Catalytic interventions are also needed. Identifying new opportunities beyond NTFPs is not enough. Carbon markets, payments for ecosystem services, certification to access niche markets, policy analysis, ground-level work, global changes attuned to local level needs and policy recommendations are also crucial.

Sometimes initiatives produce unwanted outcomes. The poor become poorer and destroy their only source of sustenance. Why is this happening? When we look at successes, we see they are organized and obtain more economic benefits and see more positive outcomes. Others are disorganized; they collect out of desperation and are forced to continue exploitative patterns of use.

A wide repertoire of knowledge and experiences is represented at this event. How can we make use of this? Should we, perhaps, initiate a pilot? This could be more than a step-by-step process, providing the flexibility to be innovative at a global level and involving a concerted effort by government, NGOs, corporations and communities.

Emmanuel D'Silva

Adilabad District, India

(Dinesh Paudel made the presentation on behalf of the author)

A community in Adilabad District established a *Pongamia pinata* tree plantation management program to produce power, water, transport and carbon credits. The plantation produces oilseeds for biofuel and local energy supply as well as side-products such as animal feed oil cake and organic fertilizers. Tribal women working cooperatively linked to a self-help development program organized to restore stands of *Pongamia* and expand the planted area, using the product for electricity locally and selling the biofuel and its by-products on a pilot basis. India has made a commitment to reduce non-renewable energy by 10% this decade for energy security purposes; biofuel therefore has a strong potential market.

In the communities involved, both women and men have been able to increase incomes, link their organizational training from the self-help development project to their *Pongamia* activities, and demonstrate positive returns in a very poor tribal region of Southern India. The Forest Department has provided support, although the model goes beyond the joint forest management programs already under way. Women run a local bus on *Pongamia* fuel and the nearby city is thinking of following suit. Projections are for an eventual 50% return.

The activities of the community have attracted the attention of carbon markets. The community has sold carbon credits to the World Bank for mitigating the carbon footprints of conferences. The pilot has also been linked to carbon offset programs among suburban US consumers and carbon credit models have been tested with government and others for extension elsewhere in India.

Anders West and Christopher Aldridge

Pingshang Bamboo Group, China

(Andy White made a presentation on behalf of the authors)

Bamboo forests and plantations have expanded dramatically in China in response to deregulation, which occurred ten years ago. In most cases, communities sell their bamboo for pulp or other industrial markets, with little value-added. The Pingshang Bamboo Group (PBG) adjoins a national park and has a role to play in forest conservation.

The PBG is unusual in creating a value-added enterprise, making chopsticks of increasingly high quality for sale in the domestic market. Earlier, the group produced unfinished chopsticks. Now they sterilize, package, label and sell the products in bundles of ten. There is a high level of profitability. Villagers sell their products at US$0.50 per bundle; village incomes have doubled in the short period of the enterprise. The township brands the chopsticks to improve marketability and a local university has provided technical assistance on processing quality. Given that villagers lost their land to the national park, government is not taxing either the financial and technical assistance provided to them or the product before it is sold. The main obstacle faced by the community group is the lack of infrastructure, requiring them to transport their product to market by headload. The group plans to mechanize the production process to remove bottlenecks and encourage greater contributions from members for new equipment or machine repairs.

Gabriela Gama

Council of Extractivist Associations of Manicoré and Brazilian Institute of Education on Sustainable Enterprises, Brazil

Around 40 000 people live in the municipality of Manicoré under various tenure arrangements, including extractive reserves, leased lands, agrarian settlements and public lands. Gethal Amazonas, a timber company, issued communities with access rights to its forestlands for the harvesting of brazil nuts. In collaboration with the Federal University of Amazonas, an organic process was developed to reduce the incidence of aflatoxin—a fungus that grows in conditions of high humidity—in brazil nuts. As a result, the communities have been able to obtain organic certification.

In less than five years, the number of families participating in the community enterprise grew from seven to 625, spread through 27 communities. Brazil nuts now come from various lands outside Gethal Amazonas, totaling an area of 388 197 hectares. Communities have formed associations, which in turn have joined sub-regional councils under CAAM, the Council of the Agroextractive Associations of Manicoré. All production is taken to CAAM's headquarters to be sold under a common label. Equipped with better production and business management skills, higher volumes and better-quality nuts, producers have been able to bypass local intermediaries and sell their product outside the state for more than five times the local selling price. Production and demand challenges include the high seasonality of product demand and the lack of chain-of-custody organic certification. This latter issue comes about because the cooperative does not currently own a processing plant; thus, the nut loses its organic certificate when it is mixed in with nuts obtained from elsewhere.

While still struggling and somewhat dependent on the support of partner organizations, CAAM is emerging as a strong enterprise force. In 2006, it formed a cooperative with the aim of obtaining credit and issuing fiscal receipts.

Charles Meshak
Amani Butterfly Enterprise, Tanga Tanzania

A butterfly-rearing enterprise has been piloted in six villages in Tanzania's East Usambaras, a global biodiversity hot spot. Villagers have been provided with initial technical assistance by the Tanzania Forest Conservation Group (TFCG), a national NGO working since 1993 to support community forestry capacity-building. TFCG's objective is to jumpstart a cooperative which raises Pseudacreae butterflies for export to Europe for zoos, museums and research institutions, providing a new livelihood stream for villagers and also creating an incentive for the restoration of native vegetation. The forest is under various designations, including as a village forest reserve, private forest and national forest reserve.

The enterprise is ideal for local communities because it requires very little capital start-up and limited working capital; on the other hand, it does require a relatively long-term investment (two years and upwards) in technical training, capacity-building and institutional development. With experience, villagers have been able to learn about the weather patterns that affect productivity and to solve internal conflicts. Membership is increasing and, in the third year, the group is making a profit and is financially self-sustaining. The species raised are long-lived and able to survive transport to markets, mainly in Europe and the United States, and the group is able to sell directly to buyers rather than through intermediaries, cutting costs and competition. Other benefits to the community include a reduction in poaching and an increase in wild butterflies.

Working group session

The third working group session was convened on the topic of *Economics of non-timber forest products and services*. Five working groups discussed one each of the following sub-topics:

- productive systems;
- vertical integration and processing, diversification and added value;
- market issues, operating capital;
- finances: credit and capital formation; and
- competitive niches in alternative and specialized markets.

Evening session on CSAG and GACF

Andy White, CSAG Co-chair: The International Tropical Timber Council's Civil Society Advisory Group (CSAG) began as an informal advisory group in 2002. Even though it is perceived as a parallel structure to the Council's Trade Advisory Group (TAG), which represents industry interests, we thought deeply about how to structure it, since our main priority was to ensure representation. We have two co-chairs, one from a producer country and one from a consumer country, and four focal point representatives from producer countries: Latin America (1), Asia (2) and Africa (1). Our role is to provide recommendations at each Council session. We also organize panels on various issues at the Council meetings and engage in other, ad-hoc activities.

We advocate new thematic programs within ITTO to support pro-community projects, new studies to be conducted within the biennial work program on salient community forestry issues, and capacity-building activities. We seek to reform 'non'-community projects that may affect communities to ensure that no harm is done. We would like to establish a funding mechanism that can be directly accessible to communities. We would also like to formally establish CSAG and to be part of the official agenda of the Council. At this point, CSAG membership is voluntary and we do not receive compensation for this work. ITTO pays for two to three representatives to travel to each Council session and the Ford Foundation has provided support to establish a governance structure. Unfortunately, many people who can afford to volunteer attend because they have other business to do at the Council; thus, we risk losing independence and value.

After four years we can say that we have been somewhat, but not very, influential and that our effectiveness has been diminished by our ad hoc, informal nature. We are at a crossroads, with apparent potential to assert greater influence and play a bigger role. We need new people to reinvigorate the body and its governance. We also need to solve the finance/independence issue.

Jan McAlpine, former Chair of the International Tropical Timber Council: CSAG is modest about its achievements and perhaps not fully aware of the impact its work has had. Let us not forget the origins of ITTO as an old-guard commodity organization. For a number of reasons, ITTO changed the way that commodity organizations operate—impacting on the coffee commodity organization, for example—but this came later. For some years, it was an inherently intergovernmental group focused on a very narrow set of issues. But it came to maturity right at the time of the Rio Earth Summit in 1992. Since then, the Organization has developed a different type of framework and approach.

An important factor was the role of Japan in creating a fund for projects. In the beginning, these were old-fashioned, silviculture-type projects, with US$15–20 million available per year for project financing. Gradually, as governments became more sophisticated and more sensitive to environmental issues, they slowly changed their outlook and their relationship to other issues. The projects started to bring a few of those things; moreover, some members began to try to introduce more environmental and social issues. In the early 1990s, NGOs had hoped to make the Organization more focused on the environment but that did not happen and most environmental NGOs walked out. Later, as the Organization evolved towards a broader agenda, a number of countries started to think about bringing back civil society in general and NGOs in particular. Bill Mankin and Stewart Maginnis were key figures in keeping a civil-society presence in the Council. The other major factor and unsung hero is Dr Manoel Sobral. From the start of his tenure he was completely clear about bringing social and environmental issues into the Organization's mainstream.

We cannot turn ITTO into a purely environmental or social organization. It is a commodity organization, but it is one that, more and more, integrates social and environmental concerns in its operation. The Organization faces many pressures that may limit the emphasis it is able to put on promoting community forestry. Nevertheless, you, the representatives of forest communities and community enterprises, can make a vital contribution that would be well worth your investment and time. For example, it may be a way of influencing your country in terms of policy development. This Organization can facilitate that and improve the understanding of issues. CSAG works by disseminating information, raising awareness and influencing policy-makers, technical advisors and civil society. I would like to thank all of you. I am so impressed with the work you are doing at this meeting.

Alberto Chinchilla, CSAG co-chair: I would like to thank a great ally. Jan McAlpine has always provided us with consistent support. She was very worried about the pace of planning for this conference, calling Sobral to find out when it would happen. We are very fortunate to have friends and colleagues like her. I remember at one Council meeting the civil-society representation was asked to leave a session, but this courageous woman talked to her delegation—of the United States of America—and objected to our removal. Other representatives from Europe, Guatemala and Canada supported the US motion to keep us in the meeting. It has been very hard to occupy the space but we have done it. As co-chairs, we want to expand this space and then step down and bring in new leadership. We have contacted the newly elected Executive Director with the aim of establishing a dialogue with him.

Andy White: If participants are interested in becoming involved in CSAG, find out the name of your country's official ITTO representative and lobby to be included as part of the country delegation. Some countries bring representatives of the private sector to the Council meetings and you need to convince them that you should be included. We need more participation from Latin America: Alberto is taking a heavy load and we need you.

Discussion

Comment 1: I would like to congratulate the CSAG. It is making a very important contribution. If you had not been involved in ITTO, this conference would not

DAY FOUR

Wednesday 18 July

Field trips

One trip was organized to a timber enterprise based in a community forest in Xapuri and a floorboard manufacturing factory. Another field trip visited a non-timber forest enterprise in a community forest in Xapuri and a factory manufacturing condoms from latex produced in a community forest.

Overhead: A tall tree in a community forest in Xapuri, Brazil.

On tour: Conference delegates inspect the Xapuri community forest, Brazil. *Photos: A. Martin*

Nut-cracker: Mr Braulino uses his machete to crack a brazil nut open so he carries less weight and more volume in his basket. *Photo: IBENS*

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have been possible. **Comment 2:** I sense a very strong focus on Latin America, but Africa needs more help and attention. Why are you focusing so much on Latin America?

Patrice Pa'ah, focal point in Africa, GACF: I would like to summarize the history, functioning, strategy and activities of GACF and our aim to develop a future agenda. The GACF emerged in response to a lack of participatory spaces for grassroots' organizations in international and regional forums, in which key decisions with large impacts on forest communities are made. We have had two global meetings since 2004 to define our vision, mission, principles, values, strategies and membership criteria. We seek to link community organizations so that they can exert greater influence in these forums, as well as to promote capacity-building and exchanges among member organizations. GACF currently has a membership of eleven community-based organizations worldwide, representing nine million hectares of forest under community management. We are currently planning our next major community event in Cameroon for 2008. We are always looking for strategic partners and sustainable sources of funding for our activities.

Peter de Marsh, International Family Forestry Alliance (IFFA): What kinds of forest does the International Family Forestry Alliance represent? We have parks, industrial concessions and other forests. These are conserved, productive forests owned and/or managed by families and communities, conducting small-scale management for a very broad range of products, with huge importance for rural economies and environmental health.

Since these operations are very small-scale, they often appear chaotic and incomprehensible to outsiders. Hence, they are often ignored and become invisible; this makes it difficult to achieve change and to solve the problems of such operations. We work with agencies to bring our members into view, but it is a challenge to convey needs and realities. The financial need is key; so is market access and so is competition with big industry. The tools to respond to these challenges are associations—at both a local level and other levels. The International Family Forestry Alliance was created in 2002 with 20 national associations that comprise our membership, mostly in Europe, North America and Australia; our newest member is from Mexico. In the GACF we have found a kindred spirit. We have developed a working relationship to coordinate our efforts to influence policy at the international level, such as at the UN Forum on Forests.