

Making Markets Work for Conservation and People



The Key Role of Small Producers and Communities

It is unlikely that large-scale conservation will be achieved without engaging local people in marketing their forest products and services. Rural communities and indigenous peoples are successfully asserting control over forestland, now owning or officially administering at least 25 percent of the developing world's forests—nearly 300 million hectares. That trend is expected to accelerate over the next several years. This is especially important in light of the fact that forest communities are motivated to protect their forest assets when they have opportunities to generate income by marketing forest products and services.

In many cases, forests and farmed trees are the principal assets of the poor, which provides some households significant opportunities for poverty alleviation. Some one-fourth of the world's poor depend fully or in part on forest products for subsistence needs. Rural communities and indigenous people are successfully asserting control. Global transitions creating opportunities for small-scale producers include:

- growing demand, especially in developing countries, for forest products;
- increasing scarcity of tropical hardwoods from natural forests;
- greater awareness and demand for certified forest products and ecosystem services;
- intensified forest management, tree-growing and commercialization on small farms; and
- more democratic governance that allows more forest control for local people.

Low-income forest producers have potential competitive advantages over important segments of commercial forest markets:

- ***Proximity to and knowledge of local markets:*** These producers have lower transport costs, are more familiar with local preferences, have the flexibility to supply small quantities as needed by local traders and can provide fresher supplies of non-timber forest products (NTFPs).
- ***Price advantages:*** Some producers can supply products at lower prices than large-scale commercial suppliers. Many have lower opportunity costs for land and labor and many value the collateral benefits of community employment or ecosystem services.
- ***Resident owner-managers:*** Some forest communities can be competitive because of this, while corporations must account for the cost of hired management and labor.
- ***Sustainability:*** Often, communities are eager to adopt sustainable management systems to avoid boom-and-bust cycles.
- ***Better monitoring and protection:*** Because they are present and because they are highly motivated to protect their long-term community interests, they may do a better job monitoring and protecting forest resources from risks like fire, theft or urban encroachment.
- ***Branding in specialized markets:*** This enables forest communities to target consumers or investors sensitive to reputation or involved in “socially responsible” market niches.
- ***Ownership by indigenous and rural communities:*** Community branding helps producers capitalize on a form of decision making that values ancestral practices.

Strategies for Improving Livelihoods

There are several approaches to improving forest markets' contributions to the livelihoods of poor people while also conserving forest resources. In order to realize potential market benefits, targeted action is needed on two fronts: developing small-scale forest enterprises and removing the barriers constructed by some governmental policies.

Developing forest enterprises

- **Improve market position.** To raise incomes significantly, forest communities must analyze the market and establish a competitive position. This may mean improving production and marketing technology, product quality or reliability of supply. Long-term growth requires building supply networks that link producers to markets and increased production efficiency. [The Mesoamerican and Caribbean Forest and Trade Network](#) seeks to provide equitable access to market benefits for certified operations. World Wildlife Fund (WWF) Central America has initiated efforts in over 10 countries to link buyers with producers.
- **Strengthen Producer Organizations.** Sustainable forest practices can be shared through local producer organizations, which can seek market share and contract for supplies as a group. For example, 256 indigenous communities in poor mountainous areas of southern Mexico joined forces in 1997 to expand and improve their forest enterprises. Through the project, known as [Proyecto de Conservación y Manejo Sostenible de Recursos Forestales](#), these communities have been able to access outside expertise and support to create more than 1,400 new jobs and increase annual wood production by roughly 60 percent to 660,000 cubic meters. The communities have also improved forest management and established 13,500 hectares of permanent old-growth reserves.
- **Promote Strategic Business Partnerships.** At least 57 countries have at least one community-company forestry partnership. Through these arrangements, industrial firms can access wood fiber and non-wood products at a competitive cost. Business partners can provide local producers with high-quality planting materials, technical assistance, quality control, investment resources for expansion and marketing and business expertise. In British Columbia, Canada, [Iisaak Forest Resources](#) is a company owned jointly by indigenous groups, or First Nations populations, and Weyerhaeuser Corporation.
- **Establish business services.** Nonprofit organizations, civic agencies and private entities can help essential business services such as management services, organizational support, technical assistance for production, conservation and processing, market information, insurance, marketing assistance and financing. In Colombia, the [Biotrade Initiative at the Humboldt Institute](#) offers market information, entrepreneur development, networks and investment and financial tools to green entrepreneurs.
- **Target education and research to community forestry.** Education and training programs must foster new expertise with developing, disseminating, and adapting to new production, processing and management systems. Research should focus on technical, economic, institutional and policy problems relevant to forest communities and small-scale farmers. Through its [Policy and Research Program, the First Nations Development Institute](#) promotes indigenous knowledge and conducts research, analysis and advocacy of Native asset-based development that assists Native communities to build strong and sustainable economies.

Removing Policy Barriers

- **Secure forest access and ownership rights of local people.** Transferring or returning forest assets to local people is a feasible first step for poverty reduction. Although many countries have begun to devolve ownership, a high level of state control often remains. In many cases, the highest-quality forests are either retained by the state or the state claims a disproportionate share of income from those lands. However, in Indonesia and the Philippines some local groups have negotiated new rights by demonstrating sustainable forest management. ([See Who Owns the World's Forests?](#))
- **Remove regulatory barriers.** For example, in parts of India ten separate permits are required for community forest producers to complete a timber sale. In other countries, indigenous communities have long-term rights to extensive tracts of natural forest, but they are denied the right to commercially exploit them. Additionally, the requirements for forest management plans and certification need to be radically simplified for small-scale producers to comply.
- **“Level the playing field” in forest markets.** Market policies that discriminate against small-scale producers must be reformed. Lower-income producers benefit most from a “leveled playing field” consisting of markets with many buyers and sellers, few limitations on market entry or operation, flexible quality and volume requirements and no subsidies or regulations that favor large-scale actors. [In Bolivia](#), for example, forest policy reforms have exempted small-scale forest producers from some requirements. Their concession fees have been lowered, the process for accessing municipal forests has been simplified and assistance with marketing and forest certification has been provided.
- **Involve local producers in policy negotiations.** Some regulatory reforms have been achieved through political alliances involving local producer networks, private industry, government agencies and environmental groups that stand to benefit from forest market development.
- **Protect the poorest.** It is important to retain forests’ “safety net” function, particularly ensuring access to subsistence producers or harvest rights at certain times of the year.

Efforts to reduce poverty through commercial forestry must be realistic, but ambitious. Risks will be lowest for low-income producers with strong competitive positioning. National, state and local governments can help to strengthen local forest tenure rights and producer associations, reform market laws to “level the playing field” for low-income producers, simplify regulations and taxation, make industry-producers partnerships more attractive, encourage business support services, provide or facilitate strategic financing for market development and involve local producers in policy formulation.

Key References:

Forest Trends. [Strategies for Strengthening Community Property Rights Over Forests: Lessons and Opportunities for Practitioners](#). Washington D.C.: [Forest Trends](#).

Scherr, S.J., White A., and Kaimowitz D. 2002. [Making Markets Work for Forest Communities \(pdf\)](#). 2002. Washington, D.C.: Forest Trends. This brief is a condensation of this report, which contains more information on many of the case studies discussed.

White A. and Martin A. 2002. [Who Owns the World's Forests? Forest Tenure and Public Forests in Transition. \(pdf\)](#) Washington, D.C.: Forest Trends.

Links to further information:

[Eldis](#) – a gateway to development information.

[FAO Forestry Department](#)

[ID21](#) – A development research database

[Institute for Development Studies](#)

[International Institute for Environment and Development](#) (IIED)

[Livelihoods Connect](#)

[Overseas Development Institute](#) (ODI)