Involving low-income forest producers in markets for environmental services

Sara Scherr, Natasha Landell-Mills, Joshua Bishop, Herman Rosa

Katoomba March 2002
Key questions

• Why are we concerned with involving marginalised groups in markets?

• What **competitive advantages** do local people offer in producing environmental services?

• What are the **key obstacles** to involving low-income households?

• What can we learn from **existing initiatives** to involve poor people?

• What are the key elements of an **agenda for action**?
Why are we concerned?

• *Ethical concerns*: society is concerned with equity

• *Efficiency concerns*: exclusion of potential suppliers reduces opportunities for cost-savings

• *Sustainability concerns*: exclusion may undermine social stability and spur resistance to markets
Potential risks:

• Exclusion from market & from forest resource base

• Serious consequences for:
  – Natural assets: lost access to NTFPs and timber resources
  – Social assets: erosion of community cohesion, loss of culture
  – Human assets: loss of valuable skills, reduced health
  – Financial assets: lost income
  – Political assets: erosion of ability to influence decision making
But also opportunities...

- **Natural assets**: increased forest value (direct & indirect)
- **Social assets**: increased organisational and managerial skills, strengthened CBOs, protected culture
- **Human assets**: improved health and education
- **Financial assets**: high & more diversified income base
- **Political assets**: stronger ability to project needs to policy makers
Competitive advantages of the poor?

- Key forest managers - cannot easily be excluded
- Cheaper - can undercut larger landowners
  - lower opportunity costs: WTA
  - cost-effective protection: self-policing
- PR benefits & market premiums - e.g. “pro-poor” carbon, “livelihood friendly-BD”, “fair-trade”
- Development spin-offs & public co-financing
Key obstacles?

• Insecure tenure - hard to sell what one doesn’t own
• Inadequate skills & education
• Inadequate finance - start-up capital
• poor business services, e.g. market information, contacts, legal and accounting
• insufficient transport & communication
• inappropriate commodity design - large holdings and LT
Continued...

- High co-ordination costs
- Weak bargaining power
- Weak political voice
- Weak producers’ organisations
Can we learn from existing initiatives?

• Existing environmental service markets
  – e.g. Scolel Té (Mexico), Sukhomajri (India), Shade coffee (Mesoamerica), Joint ecotourism ventures (Ecuador), PES (Costa Rica), EL Salvador (PRISMA), Philippines (ICRAF), forest certification

• Learning from other sectors
  – pro-poor agriculture and commodity market research, e.g. “Fair trade” initiatives
Agenda for action?

• Some preliminaries:
  – better info on how markets impact the poor
  – analysis of key constraints
  – commitment/interest of governments, donors and buyers to “pro-poor markets”

• Possible steps:
  – formalise PRs over forestland & services
  – Define appropriate commodities: simple, flexible, ST
Continued

- Cost-effective payment mechanisms - to suit local capacities
- Strengthen cooperative institutions
- Training & education - e.g. managerial, organisational, marketing and technical skills
- Market support services - e.g. market info, business advice, contacts
- Improve access to finance
- Develop partnerships - NGOs, government, companies
- Encourage social certification & labelling