3.1 Building blocks for viable community forestry enterprises

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Introduction

Research shows that community forestry enterprises (CFEs) are limited by a number of factors (Greijmans, Triraganon and Gritten 2014). A lack of support by governments is compounded by policies that undermine the viability of CFEs (Gilmour, O'Brien and Nurse 2005), a misconception by governments that communities are unable to manage forests in a sustainable manner (Macqueen 2008), and a regulatory framework that favours private-sector and state forest enterprises (Gritten et al. 2013).

These limitations prevent community forestry members from developing and commercializing forest products, which means that they benefit from their forests only through a subsistence approach (Macqueen, Buss and Sarroca 2012). This seems to be counterintuitive, considering the apparent commitment of governments to developing community forestry to combat deforestation and rural poverty and enhance livelihoods.

The Center for People and Forests (RECOFTC) strives for more locally controlled forests (Box 1), asserting that this will lead to sustainable and equitable management that is better than that achieved by the state (RECOFTC 2013). Community forest enterprises can add value to

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local forest economies and help to reduce poverty (Molnar et al. 2007), and this in turn will encourage local people to invest time and money in their forests. This article uses a set of community forestry principles to assess the success of three community forest enterprises in Lao PDR, Thailand and Vietnam, and makes recommendations to facilitate their increased success.

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Box 1. Definitions of community forestry and community forest enterprises
RECOFTC embraces a broad definition of community forestry. It includes all aspects, initiatives, science, policies, institutions and processes that increase the role of all local peoples — including women, youth and disadvantaged groups — in governing and managing forest resources. Community forestry consists of informal, customary and indigenous, and formal or government-led initiatives.

A community forestry enterprise is an entity that undertakes a commercial business based on forest or trees. It is overseen by a credible representative body that acts as a certificate holder. The enterprise can claim legitimacy within a self-defining community in terms of people and area, and it generates and redistributes profits within that community (Macqueen 2008).

Community forestry principles
To ensure the success of community forestry and its associated livelihood strategies — including community forest enterprises — a set of community forestry principles should be considered. These principles are the building blocks of successful community forests, including the commercialization of forest products by community enterprises.

Accommodating multiple stakeholder interests
The sustainable use and management of forest resources requires collaboration among various stakeholders. Collaboration does not develop merely through people agreeing with one another; there are often considerable differences in power, interests and values among those who use or deal with natural resources. This aspect of participatory resource management is often poorly managed by government departments, local institutions and development agencies, due in part to a lack of tools to assess stakeholders' roles, and a lack of capacity to manage changing roles.

Adaptive management and learning
Participatory resource management is a social process that involves various actors. There is no one-size-fits-all approach in participatory resource management; much depends on who manages the resource, for what purpose, and on what basis. Participatory resource management allows stakeholders to identify common interests and problems, design what they want to do with their resources, identify what management is required, and take collective action to achieve their aims.

Availability of natural resources
Natural resources are defined as natural assets or raw materials, whether mineral, energy, soil, water or biological. Sufficient high-quality natural resources are vital in order to support effective community forest enterprises.

Capacity of the community and other key stakeholders

Since local people will be the resource managers, they need sufficient capacity to meet the requirements of these tasks. One of the basic principles of participatory resource management is that knowledge, confidence and skills on the part of resource managers are developed through a range of learning interventions. This ensures that local people have adequate skills to develop and implement their resource management plans effectively and in a participatory manner, including monitoring and evaluation.

Clear rights and tenure among resource users

All resource stakeholders should have their rights to land and natural resources recognized. Statutory and customary laws create rights that provide the foundation for forest institutions and processes; these establish basic principles for how people interact with each other and with their resources. This includes rights to access, manage and include or exclude other users, and the ability to pass these rights on to future generations. These rights also define how various stakeholders, particularly the community, interact with their resources.

Effective participation and governance

Effective participation is needed to ensure community involvement, especially on the part of marginalized groups, including women and indigenous peoples. Participation must also be a continuous process. Effective participation is an important characteristic of effective governance, and involves identifying multiple stakeholders and incorporating them in decision-making processes. Once that is achieved, stakeholders can start interacting with each other through formal and informal rules, institutions and processes, through which a society makes and implements decisions pertinent to natural resource management.

Effective policy and regulatory support

Community members need an enabling regulatory context in order to manage their resources. This allows them to support their livelihoods, increase environmental stability, and on a larger scale, increase the economic development of the country.

Meeting local needs

Local needs should be considered as a driving force or incentive for communities to actively participate in sustainable resource management. A framework needs to be in place to ensure that differing and sometimes conflicting resource needs are identified, considered and targeted in an equitable and sustainable manner.

Examples of community forestry enterprises

Doi Chang Coffee Farm, Thailand

High-quality arabica coffee is produced in government watershed protection forests by the people of the indigenous Akha hill tribe in the village of Ban Doi Chang, Chiang Rai Province, northern Thailand. Doi Chang Coffee Farm (DCCF) is a family-led enterprise that sells arabica coffee as green beans for domestic consumption and export. Although

the use of land and forest resources is restricted, DCCF has become a profitable business for most of the Doi Chang community and neighbouring community forest enterprises in Thailand.

Keoset coffee association, Lao PDR

In the mountains of northern Lao PDR, in Xiengkhouang Province, a coffee-producing community forest enterprise developed under existing forest cover is managed by Hmong hill tribe people. The Keoset coffee association demonstrates how livelihoods can improve when natural resources are managed in a sustainable manner. Once on the verge of abandoning coffee production, the association regained interest after learning about effective coffee management from farmers in the southern part of the country. The Smallholder Agricultural-Market Development in the Uplands (SADU) Project, the local government and the private sector developed the capacity of coffee farmers and linked them to various market options.

The Ben Hai Forestry Company and local people, Vietnam

This pioneer tree plantation is a partnership between the Ben Hai Forestry Company and local people in Quang Tri Province, central Vietnam. It is considered successful not only for the company but also for local and ethnic people in terms of capacity building and enhancing livelihoods. There are two types of partnership involved. In the first, local people provide capital and the company provides land, sells seedlings at a reasonable price, and gives free technical support for planting activities. Currently, around 400 households are involved, covering an area of around 800 hectares. Alternatively, local people contribute land and labour while the company provides seedlings, technical support and capital.

Assessing common principles

Accommodating multiple stakeholder interests

All community forest enterprise models attempt to achieve two goals: to support enterprise development, and to enhance community livelihoods. The products of the business model (e.g., coffee beans and timber) are intrinsically connected to the community-company based partnership. DCCF and Keoset share the idea of selling to a receptive market a product that is organic, indigenous community-based, or pro-poor. The Ben Hai Forestry Company developed a benefit-sharing mechanism to respond to the new trend of social business in the timber market. This partnership resulted in a change of roles for the actors, as community members became contractual business partners with the company, based on mutual agreements.

Adaptive management and learning

Generally, the three enterprises are proving to be resilient. All of them have faced difficulties, but have managed to adapt their business practices to address these challenges. In Vietnam, for example, poor plantation techniques meant that trees planted by local people were of low quality, which led to forest degradation and lower revenues. In response, the company introduced a partnership proposal that was strongly supported by local people. The community received high-quality seedlings and technical guidance, and the company made use of available local social capital and improved the condition of the degraded forest. This generated benefits for both sides. In Lao PDR, Hmong farmers obtained technical knowledge after cutting down trees that previously provided shade and protection for the coffee plants, leaving them exposed and more vulnerable to frost damage. The community realized the need for forest shade and stopped felling trees, which greatly improved the quantity and quality of their yield.

Availability of natural resources

A major factor in the growth and well-being of these three community forest enterprises was the availability of and access to land, mostly comprised of plantations and production forests. Access to this land and its resources, and to efficient management, is aided by help from local governments and supporting agencies, such as the management and support provided by the Ben Hai Company in Vietnam, and SADU in Lao PDR. Access to clean water and suitable land above 1,200 m for growing high-quality coffee also contributes to a productive enterprise.

Capacity of the community and other key stakeholders

With support from the Lao District Forestry Office (DAFO) and the Provincial Agricultural and Forestry Office (PAFO), the people of Keoset developed regulations on pesticide use, water protection and logging. They are also progressing in developing networks and business skills. Despite challenges, including those related to financial and legalized tenure arrangements, both DCCF and Keoset continue to invest in the businesses. In Vietnam, the Ben Hai Company is building the capacities of local people by training them in planting techniques, tending, harvesting and forest conservation, and by implementing public awareness programmes on environmental conservation.

Clear rights and tenure among resource users

Despite not having legal land tenure, the Akha and Hmong communities have an informal method of distributing land that has not so far resulted in any serious problems. The Lao DAFO and PAFO and the Thai Royal Forest Department recognize and do not get involved in local practices, issuing village leadership certificates or demarcating lands. Similarly, there are no tenure-related conflicts between the Ben Hai Company and local people, since clear tenure rights motivated the establishment of the partnership. People living near the forest that is managed by the company are not excluded from management operations. The contract gave local people rights of access to and use of the plantation forest.

Effective participation and governance

In Lao PDR, DCCF and Keoset maintain a high level of participation and solidarity among community members. Through a recent partnership between DCCF and the trading company KPB International Marketing, 15% of the profits are distributed to the coffee farmers. In Keoset, a village fund lends to members who need work capital, e.g., hiring additional labour or buying inputs. The high level of participation in Keoset resulted in equal responsibilities among members. If a member does not follow coffee quality standards, the association discusses ways to address the issue. In Vietnam, contracts require the participation and accountability of stakeholders throughout the seven to ten years from tree planting to harvesting.

Effective policy and regulatory support

Achieving support for effective policies and regulations is challenging for community forest enterprises. In Vietnam, the increased participation of non-state stakeholders, particularly local communities, resulted from the reform of state forestry enterprises during the 2000s. The state decreed that forests that had not been effectively managed would be returned to the state or allocated to local communities (Decree No. 200/2004/ND-CP and Decree No. 25/2010/ND-CP). For coffee-producing community forest enterprises, support from local governments is unambiguous since the enterprises manage the resources within appropriate legal frameworks. A lack of additional regulatory support and limited access to smallholder loans and investment, however, remains a barrier to the development of community forest enterprises.

Meeting local needs

In Vietnam, local people initially lacked the skills to manage plantations and procure high-quality seedlings. The partnership met local needs by providing technical guidance and high-quality seedlings. In Lao PDR, the need for an administrative body to manage coffee operations and to help reap the benefits resulted in the establishment of organized groups and a village fund that provides small loans to community members. Lao and Thai leaders have expressed a need to obtain technical knowledge to increase coffee productivity and yield, and the groups are attempting to meet these needs by participating in coffee-growing study tours and workshops.

Key findings for building successful community forestry enterprises

Regulatory context

Establishing an enabling regulatory context is fundamental to facilitating the operations of community forestry enterprises, including partnerships with the private sector. Within the political and socio-economic context where community forestry business partners operate, incentives must sufficiently outweigh potential barriers in order for partners to invest. Too much uncertainty and high costs deter investment in any type of enterprise.

Capacity

Developing the capacity of community forestry members in leadership and business skills mobilizes community members and facilitates partnerships with the private sector. A level of trust and a demonstrated ability to implement business agreements is required in order for other community members and potential business partners to invest their resources, either time or capital. Mutually developed enterprises with business partners have the benefit of enabling products to become more competitive in domestic and international markets.

Building partnerships

Partnerships with local government facilitate the development of community forestry enterprises, and demonstrate to local governments that good forest management practices in community forestry are achievable. All stakeholders have their own vision of how to manage, use and benefit from forest resources, but when there is an open attitude on the part of all parties to listen, discuss and respect each other, a more closely aligned community forestry concept is much more likely to emerge.

Training

External facilitators can build skills and confidence in community members to reach markets. An outsider with a professional perspective is usually required to introduce new concepts such as community forestry enterprises development. More important, however, is the need to coach prospective entrepreneurs in how to start their businesses. This helps to ensure community involvement and a willingness to invest in their operations.

Conclusions

Although not every community forestry principle has been met in the three case studies — e.g., secure land tenure remains an issue — community forest enterprises are operational and are making plans for investments. Despite the lack of official land certificates, which hinders future development, communities have a positive outlook. This is thanks mostly to the trusting relationships developed with governments and local partners whose agendas are also served by these initiatives. Private-sector and government partners are looking to communities to provide strong leadership, social capital, and productive capacity, in terms of both quantity and quality. These factors assure them that they are dealing with a reliable partner who they can work with to develop agreements or value propositions while meeting their own needs. The trust that comes from such partnerships provides the basis for developing the needed capacities for a successful and sustainable enterprise, particularly in financial and business skills.

Nevertheless, to ensure viable community forest enterprises — including their expansion and scaling up — a supportive regulatory environment is required. This includes enabling policies related to secure land tenure and access to legal, technical and financial assistance. In addition, supporters of community forest enterprises need to shift their approach away from being technical advisers and instead begin to facilitate greater access to markets and finance without sacrificing forest–community connections.

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