Introduction

On December 1-4, 2009, The Forests Dialogue (TFD) convened the third Field Dialogue of the Investing in Locally Controlled Forestry (ILCF) initiative in Ohrid, the Former Yugoslav Republic of Macedonia (hereafter Macedonia, for abbreviation). The dialogue brought together over forty participants representing a wide range of stakeholders, both Macedonian and international, including indigenous peoples, small and family landowners, community forestry groups, environmental organizations, forest companies, and government agencies.

Background

TFD's ILCF dialogue initiative was created with the Growing Forest Partnerships (GFP), a collaboration between the International Union for the Conservation of Nature (IUCN), the International Institute for Environment and Development (IIED), the Food and Agriculture Organization of the United Nations (FAO), and the World Bank. GFP's goal is to support local initiatives and mechanisms that will improve the quality and quantity of investment in the forest sector through the implementation of bottom-up, in-country actions. It aims to give a voice to marginalized, forest-dependent groups in national and international policy processes.

Locally controlled forestry (LCF), which includes the effective and sustainable management of non-timber forest products (NTFPs) and other forest values, is ideally carried out by smallholders, community groups, indigenous peoples and forest-dependent peoples who have effective rights, substantial decision-making power, and control over forestland. It refers to the range of actions required to sustainably manage or grow forest resources and run enterprises based on forest goods or services. Investment, as defined in the context of the ILCF initiative, is the active redirection of resources that enhance forestry assets from their present use to the creation of future benefits. Thus, investments in LCF can be made in a variety of ways that include securing forest rights, creating new forest resources, managing forests, building production and processing facilities and other infrastructure, developing human resources and building capacity, improving governance, and investing financial resources.
Forest-dependent people in the North and South are particularly concerned about certain emerging financial mechanisms, the potential negative impacts these may have on their rights and livelihoods, and the lack of opportunities for local forest peoples to access emerging investment possibilities. The rights-holders and their forest resources need to attract investments that respect their rights, meet their priorities, and enable them to access different financing mechanisms. Likewise, the investment community recognizes the importance of involving the rights-holder groups, but they need to better understand their perspective. Understanding the obstacles that have prevented both groups from working together in the past is key to developing more productive and successful cooperation mechanisms for the future.

The TFD ILCF initiative aims to strengthen relationships between the rights-holder groups, identify the obstacles and opportunities for investment in LCF, and increase the visibility, role and potential that locally controlled forestry can play. (See the Concept Paper for the ILCF initiative on TFD’s website at www.theforestsdialogue.org). The first event of this series, the ILCF Scoping Dialogue, was held on June 9-10, 2009 in Brussels. It brought together three groups of rights-holders—indigenous peoples, community forestry groups, and forestland smallholders—who own or manage a significant part of the world’s forest resources, along with other stakeholders of locally controlled forestry.

With a strong focus on the role of associations of local forest owners, the Macedonia dialogue aimed to identify factors that have contributed to successful on the ground experiences, as well as obstacles that are hampering other successes. Specific catalytic actions that can improve and ensure investment flows were identified and proposed. Building on the results emerged from previous dialogues; this encounter gave participants a chance to look at ILCF in the Eastern European context, where privatisation, property rights and forest management are relevant topics. The dialogue also served to strengthen the relationships established among the stakeholders in Belgium, Panama, Argentina and Nepal, and to further enhance trust within the group which continued to build its agenda for subsequent dialogues as well as for COP 15 in December 2009.

**Locally Controlled Forestry in the Macedonian Context**

The current situation of control of forests and forest resources in Macedonia is the product of historical patterns of land ownership and more recently, of the legacy of a state-controlled economy when Macedonia was part of Yugoslavia. Legal and policy reforms regarding forests are fairly recent and still being implemented, and thus the recognition and enjoyment of rights is still somewhat incomplete. The estimated 60,000 family forest owners in Macedonia, of which only about 1000 (1.6%) are organized into associations, still face challenges with respect to both local control and to promoting investment. While many small and medium forest enterprises exist, the potential of locally controlled forestry to contribute to livelihoods, the national economy, and environmental sustainability is currently being underutilized.
This situation contrasts directly with that of the countries where previous dialogues were held. In Panama Indigenous peoples have rights over their forests and a relatively strong political presence, and in Nepal the Community Forestry User Groups (CFUGs) model has been extremely successful for community-based sustainable forest management.

**The Program**

The first two days were devoted to field visits, where we met local groups who own or use the forests and visited local saw mills. Dialogue participants had the opportunity to listen to the perspectives of forest owners, managers of forest enterprises, and government representatives on ILCF and engage in a two-way discussion. The following two days were spent in meeting-style dialogue in Ohrid, where the agenda built directly on what was seen in the field.

**Common themes with other dialogues**

Despite the regional differences, clear similarities among the rights-holders emerged through the exchange of knowledge, experiences, solutions and examples. There is a common recognition that a bottom-up approach and the empowerment of local peoples to participate in the decision-making process are crucial to sustainable forest management. Proper participation includes the ability to demand and exert rights, to actively engage in management/control activities, and to secure a fair share of the benefits, so that national policies work to the advantage of both private and state forest land managers. Participants also agree that forests must be acknowledged in their broader sense, both as a home and as a source of livelihood forest dependant communities, and thus the term "forestry" should encompass beekeeping, agriculture, eco-tourism, and other such activities that are central to the livelihoods of those who inhabit forestlands.

**Key Themes from this dialogue**

The following key issues arose during this dialogue:

**Rights**

- Rights continue to be a crosscutting theme in all discussions, with property rights remaining a major concern. These need to be more clearly defined and more widely understood, especially by the rights-holders who should know and understand their rights and the contents of the legislation relevant to them.

- Ownership rights should be (re-)defined taking into consideration issues such as access and use (including hunting, NWFP, etc), management (establishing management goals, carrying out management without undue restriction); and sharing of benefits.
In order to successfully demand and enjoy their rights, forest owners and communities will require a capable and empowered critical mass, but also security and the adequate legislative and policy frameworks.

Property rights are currently not secured; in practice, the rights applied do not correspond to those stipulated on paper.

The rights of land tenure and resource ownership require clarification. At present they are often separated, (e.g. hunting rights without land rights) or not defined (e.g. land access for commercial purposes vs. right to NWFP), and this originates conflicts.

**Policies and institutions**

Impact of general economic and societal development of the country on the informal sector needs to be considered in policy design.

In particular, the ‘sectoral approach’ is not applied holistically enough, making it a difficult policy instrument to deal with by local forest owners.

There is an institutional gap between policy formulation and policy implementation. Policy formulation could benefit from a greater participation by grassroots organizations, which could contribute to update the priorities of the forestry sector. Meanwhile, implementation of the policies has been lagging behind, partly due to underfunding.

The state forest authority currently has a triple role as regulator, producer, and promoter, often clashing directly with the interests of forest owners. Thus, the roles of the state entity need to be clearly divided between regulatory and management functions in order to prevent conflicts of interest.

The influence of the state through legislative and organizational frameworks is not always consistent and effective, due to the mentioned conflicts of interests.

Although the state's influence on the ground is strong, a disconnect prevails between local peoples and central government. Consequently, the policy instruments applied often do not match local realities. It is therefore necessary to decentralize the state organizations such that decision-making is shifted to the local level.

Existing government subsidy and support schemes are not always appropriate for forest owners, and often do not benefit them sufficiently.

Participants mention the following as desirable roles for the state to play: decision-making; act as intermediary linking local people and other stakeholder groups; facilitate and promote forest management; provide services like fire prevention, pest and disease control, curb illegal activities; define and protect rights; ensure full and effective participation of stakeholders in forest activities; promote cross-sectoral approaches; ensure consistency of different policies, particularly in regards to land-use planning.
The issue of fragmentation

- A phenomenon particular to the East European region—legacy of the socialist period—is land fragmentation, whereby land owners usually own several small plots geographically separated instead of larger, contiguous lands.
- This fragmentation into small-sized properties can be an obstacle for optimized management and production, including sustainable management practices and the maintenance of public benefits.
- The micro-mosaic of intermingled private and public land makes management difficult for both state and private owners and further limits the scale and effectiveness of operations.
- The following opportunities for improving Sustainable Forest Management (SFM) in this context were mentioned: formation and strengthening of associations; cooperative or joint management approaches; improved cadastre and consolidation of properties (e.g. through land exchanges); improved incentives and inheritance rules.

Organizing forest owners and communities

- Forest owners associations can play a key role in identifying the common interests of private forest owners, promoting legislation and policies to protect the right of their members, building trust, providing information and professional services, or building capacity, thus generating tangible benefits for their members.
- In Macedonia there is still little awareness among forest owners about the importance and benefits of such organizations. This, and the limited trust and organizational capacity may partly explain why the critical mass for their creation is still lacking.
- In this context, a clear opportunity to enhance local control lies in ensuring the effective and productive organization of forest owners, communities and other stakeholders.

Capacity building and strengthening

- There are significant capacity-building gaps among all groups: forest authority, local authorities, associations, forest owners, service providers and intermediaries, the informal sector, support organizations. Better strategies to address these gaps are needed.
- Rights-holders in particular need to be empowered by giving them capacity to effectively control and manage their forests, making adequate decisions and exercising their rights.
- Among the strategies mentioned to build capacity are: skills-specific education and training; opportunities to network and share knowledge among organizations and
countries; enhancing transparency (policies, institutions, markets); guarantee access to information, communication, advocacy and media engagement; technology transfer and development.

The informal sector plays an important role, it is appropriate for many purposes (e.g. NTFP, family enterprises). However, there is a lack of clear policies and procedures on the sector’s development and issues of sustainability and (il)legality are difficult but need to be addressed. Targeted capacity building is needed to enhance benefits from the informal sector.

Small and Medium Enterprise (SME) development needs to be enhanced:

- Organization of SMEs and partnerships with other actors
- Capacity strengthening in a broad sense
- Information, knowledge exchange, technical expertise, skills
- Cooperative initiatives among enterprises
- Improved legal, policy and enabling environment (incl. reducing bureaucracy; decentralization, cross-sectoral cooperation)
- Attract alternative and innovative funding incl. seed capital

**Financing and competitiveness of the private forest sector**

- Although important, financing is only one of the factors that will contribute to smallholders’ development; issues of competitiveness also need to be addressed.

- There needs to be a better exchange of ideas and information between the financial sector and the forestry-related actors. The financial sector should improve its understanding of the needs of smallholders and forestry-based businesses, as well as the ideas and views of potential investors in this sector.

- Special skills will be required by both the financing institutions and the forest owners for a successful interaction.

- Specific market niches (incl. green labeling, certification) need to be identified and tapped for products from smallholders and community forests.

- Ironically, the competitiveness of the Macedonian private forest sector (forest owners and manufacturers) in the regional context is reduced by the state forest enterprise, which sets prices for wood products and establishes restrictions and time consuming regulations that increase transaction costs.

- Private forests have also been unable to work together to overcome the limitations of fragmentation, and thus fail to provide a steady supply of raw material for the industry.

- Low-level of marketed products prevails, and subsistence consumption is significant (fuelwood, construction wood, NTFPs). However, due to the importance of the informal sector, registered activities cover only part of the production and markets.
There is an unfair distribution of benefits to forest owners due to market and policy failures.

Advocacy and communication are needed to create political will for the promotion of LCF and awareness and understanding among all stakeholders on (i) what are the priorities, (ii) what needs to be done, and (iii) why this is necessary.

**Strategic options for LCF**

- Rights-based approach
- Sectoral approach
- Natural resources approach
- Livelihood approach
  - All would need holistic long-term vision and planning and a balance between incentives and regulations (carrot and stick)
  - Improve inheritance rules
  - Strengthening of community groups
  - Set up effective land markets

The Dialogue concluded that further clarification is needed on

- Generation of political will for LCF development
- Developing best practices in LCF
- Inclusion of the informal sector
- Mainstreaming gender within LCF
- Improving communication among all parties involved

**Next Steps**

As an important next step to this dialogue, it was suggested that investors and other stakeholders be more effectively engaged. The next dialogue could focus its efforts on the perspectives of the investors, in particular financial investors, who have been largely missing in these discussions. The usefulness of the field dialogues as a reality check was recognized, as policy level discussions easily remain abstract; therefore, additional regional dialogues should be held. Beyond the scope of TFD’s dialogue series, it was suggested that a tangible and very helpful output would be to elaborate discussion papers on key issues (e.g., financing of LCF, property and tenure rights).
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DIALOGUE PARTICIPANTS

Lennart Ackzell  
Fatmir Brazhda  
Chris Buss  
Aurelio Chavez  
Aleksandar Damjanović  
Minnie Degawan  
Peter DeMarsh  
Abdulla Diku  
Mayra González  
Peter Kampen  
Terhi Koipijärvi  
Haki Kola  
Skip Krasny  
Ivar Legallais-Korsbakken  
Atilla Lengyel  
Cath Long  
Ruth Martínez  
Jasenka Milijić  
Vojislav Milijić  
Nikola Nedeski  
Hemant Ojha  
Sara Omi  
Max Ooft

LRF Skogsägarna Federation of Swedish Family Forest Owners  
Regional Federation, Elbasan  
International Union for Conservation of Nature (IUCN)  
Asociación de Forestería Comunitaria de Guatemala Ut’z Che´  
Ministry of Agriculture, Forestry and Water Management of Serbia,  
International Alliance of Indigenous and Tribal Peoples of the Tropical Forests  
Canadian Federation of Woodlot Owners  
Albanian Forester Specialists Association  
Asociación de Forestería Comunitaria de Guatemala, Ut’z Che´  
SNV  
Metsaliitto  
National Association for Community Forestry and Pastures of Albania  
Kimberly-Clark  
International Family Forestry Alliance  
Confederation of European Forest Owners  
International Institute for Environment and Development (IIED)  
Asociación Coordinadora Indígena y Campesina de Agroforestería Comunitaria Centroamericana (ACICAFOC)  
Srbijasum e, Private Forestry Service  
Private Fotest Owner Association of Serbia  
Forest Owner in Macedonia  
Forest Action, Nepal  
Organización de Jovenes Emberá y Wounaan de Panamá (OJEWP)  
International Alliance of Indigenous and Tribal Peoples of the Tropical Forests
Ghan Shyam Pandey  
Federation of Community Forestry Users, Nepal (FECOFUN)

Ljupcho Paruleski  
Elamak - Ohrid sawmill

Bharati Pathak  
Federation of Community Forestry Users, Nepal (FECOFUN)

Ashim Paun

Saso Petrovski  
SNV

Gjore Poposki  
Ohrid Branch of Private Forest Owner Association of Macedonia

Caroline Pradeau  
Unión de Silvicultores del Sur de Europa (USSE)

Aleksandar Radosavljević  
Ministry of Agriculture, Forestry and Water Management of SERBIA

Bojan Rantasa  
Local Consultant

Zoran Sekuloski  
Forestry Engineer, Local Consultant

Baki Shahu  
Association of Private Forest in the Region of Korca

Branko Skenderski  
National Association of Private Forest Owner Macedonia

Gilberto Solano  
International Alliance of Indigenous and Tribal Peoples of the Tropical Forests

Makedonka Stojanovska  
University Kiril i Methodi

Vladimir Stojanovski  
University Kiril i Methodi

Morten Thoroe  
Confederation of European Forest Owners (CEPF)

Gabriel Thoumi  
Forest Carbon Offsets LLC

Duško Topić  
Association of Private Forest Owners, “Naša Šuma”, Macedonia

Dominic Walubengo  
Forest Action Network, Kenya

Miljenko Zupanić  
Union of Private Forest Owners Associations of Croatian

FURTHER READING AND INFORMATION

Meeting summaries and materials from all the dialogues in TFD’s ILCF series are available at:
http://www.environment.yale.edu/tfd/dialogues/locally-controlled-forestry/

For more information about The Forests Dialogue, please see www.theforestsdialogue.org.