Advancing Poverty Reduction & Rural Livelihoods Through Sustainable Commercial Forestry

Summary and Recommendations from TFD’s Forests & Poverty Reduction Initiative
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The Forests Dialogue
Advancing Poverty Reduction & Rural Livelihoods Through Sustainable Commercial Forestry

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TFD Review
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Introduction

Despite significant advances in addressing global poverty over the last 100 years, eradicating poverty continues to remain a real challenge in many parts of the world (Figure 1). One area that has been the focus of much research and initiative is exploring the intersection between poverty and the environment. With respect to forests specifically, commonly cited relationships include:

- Approximately 1.6 billion people depend on forests for their livelihoods and as many as 1.2 billion people in developing countries use forests to generate food, fuel, medicines, and cash.\(^1\)
- About 60 million indigenous people reside in forests and another 60 million workers are employed in forestry and wood industries.
- A substantial proportion of the world’s poor live in or next to forests.\(^2\)
- Commercial exploitation of forest resources often disadvantages customary owners whose rights may not be recognized by statutory law.\(^3\)

The complex connection between forests and human livelihoods has led some to view forests as poverty traps, providing sufficient resources to maintain forest-dependent populations but not generating enough wealth to enable these populations to escape poverty. Another body of knowledge and experience sees an untapped opportunity for rural wealth generation from forest resources if barriers can be overcome. Researchers often lament the exclusion of the forest sector from poverty reduction programs without articulating how it might be included. Meanwhile, Poverty Reduction Strategic Plans (PRSPs) rarely cite the forestry sector as a tool for poverty reduction, and National Forestry Plans (NFPs) seldom include poverty reduction as an important factor in plan design.\(^4\) At an operational level, forest certification offers standards for upholding strong environmental and social benefits, but often stops short of guiding the proactive engagement of commercial forestry companies in poverty reduction.

In 2006, The Forests Dialogue (TFD) Steering Committee decided to explore the role of commercial forestry in poverty alleviation. Leaving aside many debates and inquiries into traditional poverty reduction strategies and projects, TFD decided to focus on the question of whether the commercial forestry industry can make significant contributions to poverty reduction and the advancement of sustainable rural livelihoods.

Commercial forestry enterprises operate in most forested regions of the world, despite challenges of weak governance, poor infrastructure, worker availability or capacity, environmental conditions, and distance to markets. Even when faced with such challenges, commercial enterprises have been able to establish themselves and capitalize on opportunities.

Given this ability, what role, if any, can commercial forest enterprises play in improving people’s lives in the areas where they operate? Furthermore, what guidelines, principles, or models could forest enterprises use in efforts to reduce poverty and contribute to sustainable livelihoods? These questions formed the foundation for TFD’s dialogue series on Poverty Reduction through Commercial Forestry.
This report takes into account and builds upon other TFD publications and dialogue processes. A background scoping paper titled “Poverty Reduction through Commercial Forestry: What Evidence? What Prospects?” by James Mayers (IIED) framed the starting point for this dialogue initiative. Examining the literature and case studies around the world, Mayers concludes that while forestry has the potential to reduce poverty more than many other sectors, it underperforms, and evidence is weak that real wealth trickles down to the poor.

The focus of these dialogues was to identify how current practices by the commercial forestry sector contribute to or mitigate poverty for forest-dependent peoples. In addition to identifying best and worst practices of the commercial forest products industry the dialogues also sought to identify drivers, enabling conditions, and constraints that could have universal applicability beyond a single national context. Practices considered “pro-poor” in this report are those intentional actions that businesses, governments, and others can take to enhance opportunities for: empowerment, access and voice to decision-makers, increased income, sustainable livelihoods, and wealth generation for the forest dependent poor. The major focus is on intention. Specifically, what actions can businesses take—given their unique position—that will have positive outcomes for the poor?

It is impossible to separate the material conditions of what is recognized as poverty from the social and economic disempowerment that is its root cause.
Global Events Affecting the Topics in the Report

This dialogue series commenced in 2006. Since then, discussion of forests in the climate change debate has intensified, and the world economy—including the commercial forestry sector—has plunged into crisis. While these events have been considered in this report in a variety of ways, they also pose a number of questions that still need to be answered.

Economic Crisis

As of the publication of this report it is not yet known whether the “creative destruction of capital” phase of the current economic cycle is over, and the implications of the crisis are less known still. Will existing economic and socio-political orders be altered, either through regulatory changes to market activity or through social upheaval? Will governments encourage the private sector to promote poverty reduction through investment in the forest sector?

Clearly forest products business models will be changed or at least challenged by both the economic crisis and the political response to climate change. What is critical to this report is whether changes to the business model will drive commercial forestry to be more sensitive to social considerations such as poverty. If so, the crisis becomes a historically unique opportunity. On the other hand, in the fight for economic survival in difficult economic times, the forest industry may narrow its focus to however it defines its “core” business activities, and may become less sensitive to poverty.

Intensifying Global Environment Concerns

Climate change, deforestation, ecosystem degradation, biodiversity loss, water scarcity and related concerns are expected to lead to fundamental changes to the business-as-usual approach in the commercial forestry sector. Key outstanding questions relate to the timing of these pressures: Will new incentives for reduced deforestation or forest carbon storage be adopted as part of a new global climate treaty? Will buyers of forest products continue to expand their demand for “sustainable” goods? Will companies do more “footprint” analyses along their value chains in response to resource constraints and market conditions? Will governments enact and adopt development policies that recognize the complexity of sustainable systems and that avoid the overly simplistic solutions that have contributed to the current ecological, social, and economic crises? Sustainable development must be based on protecting and enhancing both environmental resources and social capital. Poverty alleviation is an essential element of sustainable development. It is within this dynamic context that the topic of pro-poor commercial forestry was considered and discussed.

Where forests play a critical role in enabling people to cope with poverty, their rights should be safeguarded by providing and securing tenure and access to wood and non-timber forest products. Respecting human rights and protecting vulnerable forest-dependent people are important elements of sustainable forest management and creating an enabling environment for poverty alleviation.”
Background

COMMERCIAL FORESTRY

Commercial forestry contributes sizeable portions of GDP to a large number of countries. A recent World Bank review of 17 studies from three continents on the income that forests provide to local residents showed that income from forests was important at every income level and on every continent. On average, income from forests was 22% of total income in the forest-dependent households examined, the equivalent of $678 per year (adjusted for purchasing power parity worldwide). Timber was the source of income of only 2.3% of this income. ²

Forestry tends to be a “pioneering” industry—one of the first to enter many rural areas. As such it can become the center of social and cultural conflicts. Currently, global forest-based commercial production tends to be more capital-intensive and larger-scale than any industry that existed prior its arrival. Scope and scale issues are one reason the industry has come under intense social and environmental scrutiny since the Rio Earth Summit. Many leading companies have responded to this pressure by incorporating social and environmental performance measures into their business decision-making. With such changes, the forest sector is seeking to prove that it is more sustainable than other land uses such as agriculture or mining.

The social transition that occurs when a modern pulp and paper operation or other large-scale operation arrives is frequently nothing short of compressing a hundred years of industrial and economic development into half a decade. The stresses and conflicts arising from the clash of differing values last well beyond the construction stage of any project. Even in the Global North the industry is a cause of much social change. When an operation leaves a community, a cascade of business failures often follows. Land values fall and local governments lose their tax base. Populations leave and communities may be left without an economic raison d’être.

The industry is also currently responding to changing social values regarding forests. In a relatively short period of time, perceptions of the value of forests have dramatically changed to include values other than that of trees as raw materials for consumer goods. Now in some places around the world, forests are valued for their capacity as carbon sinks and for other ecosystem services, while trees as sources of fiber either have less commercial value or are prohibited by law from being traded on the market.

At the same time, people and communities in the Global South are more likely to find pathways out of chronic poverty, or recover rapidly from shocks that would otherwise push them into long-term poverty, in value chains that are less driven by North-based powerful actors. ¹⁰

How the forest production chain is organized and managed also plays an important role in determining where and how wealth is created and ultimately resides. Planting trees tends to have little economic value relative to milling wood into lumber. Yet without the former the latter can not occur. Value also tends to reside at the top of the production chain.¹¹ In most places, the last two steps on the production chain create and retain more wealth than the steps below (Figure 2).

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**FIG. 2 ORGANIZATION OF THE FOREST PRODUCTION CHAIN**

Economic wealth resides at the top of the pyramid

- **End user sales**
- **Production**
  - High Intensity: pulp, paper, panels, EWFs, biofuels
  - Medium Intensity: sawmilling, planing, profiling
  - Low Intensity: charcoal, fence poles
- **Harvesting / hauling / sorting / NWFPs**
  - Low volumes/hectare
  - High volumes/hectare
- **Silviculture**: seeding, planting, growing, pruning, pre-commercial thinning
Companies in the forest sector are generally arranged in one of two ways: 1) vertically integrated, or 2) as part of a production chain. Vertically integrated forest products companies tend to control all aspects of production. The original version of this approach included company logging camps, company log trucks, company mills, company towns, and company-controlled distribution. A vertically integrated company of sufficient size to influence the upstream and downstream businesses in the production chain is often referred to as the “anchor tenant.” The other structure common in the forest industry is a production chain that links a number of independent companies that each fulfill specific role but depend upon each other to complete all aspects of production (harvest, transport, processing, and so on).

Innovators and stock markets clearly value short-term performance, which is leading to streamlining of operations and cutting down smaller and less profitable production units. This phenomenon has a severe negative impact on the job opportunities and local livelihoods of rural communities in forestry-dependent areas.12

A decentralized production chain potentially offers a higher return on the investment since no single entity has to invest the capital required for the vertically integrated approach. What determines if the decentralized approach is more profitable is the capability of each of the segments of the production chain, how they cooperate or compete with each other and how these complex relationships and partnerships are managed. Neither approach appears to be intrinsically more “pro-poor” than the other. Rather, implementation and specific decisions appear to determine how much wealth is generated, how it is distributed, and the balance of economic and political power among production chain participants. Imbalances in economic and political power within the production chain complicate the sector’s ability to distribute wealth equitably. Regardless of how the production chain is organized there is an ongoing conflict between the longer-term time horizons needed for sustainable forestry and the demand for short-term return on investments.

POVERTY, SUSTAINABLE LIVELIHOODS, AND FOREST-DEPENDENT POPULATIONS

Ownership Issues

Ownership or control of forestland brings with it the potential for revenue. Some forests around the globe are occupied and claimed by indigenous peoples and other customary owners, but their rights to the land and forest, while affirmed in international law and sometimes by constitutional provisions, are difficult to assert in practice. Redressing inequalities in the forest sector is difficult because land rights in forests are often unclear and contested. Some efforts to secure community ownership attempt to resolve this problem. Given the difficulty of moving wealth down the production chain, many have looked to shifting ownership as one way for the poor to obtain more influence in decision making and a larger proportion of the wealth available at the bottom of the production chain. However, since most forestry activities require significant infrastructure and capital investments to generate income, simple ownership
today. Forest industry employment is now frequently less secure, offers fewer social benefits, pays lower wages, and generates less revenue for the public sector. It also often exposes workers to long work hours and unsafe conditions. 14

As a rule, organizational structures like production chains tend to be more “pro-poor” when there is less imbalance of power between social and economic partners. The greater the concentration of power, however defined, the greater the tendency for the concentration of wealth (and vice versa). Understanding the relationships of power can be complex and nuanced. For example, since employees who participated in the dialogues generally had more legal protections than contractors, their ability to achieve better outcomes was bolstered to a degree by the power of the government. Thus, even though vertically integrated production chains appear to concentrate power greater than decentralized ones, this may not be the case in certain places with strong social legislation.

Benefit Sharing Issues
In the forest sector, the term “benefit sharing” is used to describe a broad range of monetary and non-monetary benefits that can be offered to stakeholders. Under ideal situations such arrangements are generally developed and agreed between companies and communities. The essence of sharing benefits goes beyond direct payment for services to include the sharing of wealth and other skills, opportunities, and resources.

Getting the agreements right can mean that communities or those affected indirectly by the company’s activities receive a greater portion of the wealth accruing to the company. In these instances, poverty reduction or rural development can result. On the other hand, a poor arrangement coupled with forestry practices that degrade the land can mean that those dependent on the forest resource in the long term end up further deprived.
Dialogue Outcomes

Throughout the dialogue series, participants sought to understand the motivation behind businesses proactively engaging in pro-poor forestry and the effectiveness of such pursuits. Focus was also placed on trying to identify the direct and indirect enabling conditions of poverty reduction and sustainable rural livelihoods through forestry. Balancing profits and poverty reduction goals was recognized as an extremely difficult task in the current global economy. The dialogues were held in a variety of locations and it became clear that the search for “best practice” would be dependent on context. For instance, in one location a community-owned small enterprise held the most promise for direct wealth generation and poverty reduction. In another location, the sheer size of the investment required to enter business indicated that only large corporations could operate at the levels required to significantly engage in poverty reduction.

The following section outlines a summary of dialogue outcomes grouped under the themes of enabling conditions, requirements for success, and challenges. While not a comprehensive review of the issue or a complete analysis, the section seeks to summarize and present the main discussions points raised during the dialogue series.

ENABLING CONDITIONS CAPABLE OF PROMOTING THE BUSINESS CASE FOR PRO-POOR FORESTRY

Throughout the dialogues, participants recognized different conditions affecting the success of pro-poor forestry. These “enabling conditions” involve different actors and are external to—yet interacting with—the company.

Mutual benefit & incentives have a key role in stimulating pro-poor forestry partnerships between companies and communities. In all dialogue locations where intentional pro-poor forestry actions were observed, the role of business as a driving force was clear. The business models in place demonstrated effort, planning, and investment on the part of the forest company. A key difference between those businesses simply engaged in commerce and those businesses attempting to be more socially sensitive was the recognition that mutual benefits existed,
Separate from the rights and claims of ownership, especially in places where fiber was in high demand, sharing the risks and costs of owning the forests was seen as a way for commercial forestry enterprises to reduce costs and increase returns without a proportional increase in capital investment.

Strong relationships between stakeholders and long-term partnerships are fundamental in building the trust necessary for pro-poor commercial forestry. Developing and maintaining partnerships among key actors improves knowledge sharing and understanding, builds empowerment and trust, and spreads costs, benefits and risks more equitably.

Social partnerships are important for creating and promoting pro-poor policies and for maintaining a firm’s social license to operate in both the developed and the developing countries. In Bolivia, where trust between the private sector and indigenous communities was often non-existent, participants recognized the importance of building trust even when it was acknowledged to be a very slow process. In South Africa innovative partnerships between large forest companies and communities engaged in outgrowing schemes seemed flexible enough that parties were comfortable negotiating over time and letting trust build. The situation in Komi, where the concept of market-driven forces were still relatively new, partnerships tended to be between communities, local governments, and the central authority. One example was a local school actively seeking to partner with new commercial forestry enterprises to adjust its education program to meet the needs of a new economy. In Sumatra, one company’s partnership approach focused on environmental NGOs and the development of a forest management plan that recognized critical habitat areas for tigers. The company was also attempting to develop partnerships with local agricultural communities through an education program to address conflict over competing agricultural and forest land uses.

The ability of key stakeholders to communicate, develop relationships, and enter partnerships varies based on culture and past and current
experiences. The range of possibilities is contingent on local realities, but progress towards pro-poor commercial forestry was strongest where there was clear motivation by all parties to work towards building trust, relationships, and ultimately partnerships.

Clearly partnerships have a role in developing benefit-sharing mechanisms. However, in most dialogues, there was a tendency for the form and amount of benefit-sharing to be unilaterally determined by the donor of the benefits. Whether a food-for-forest nutrition program, free medical clinics, or free education there was little evidence that those receiving the benefits had a voice in determining what form of benefit they were to receive or how it was to be delivered. Yet it was equally clear that the livelihoods of the recipients of commercial forestry enterprises’ benefit-sharing efforts were significantly enhanced.

In many cases the lack of any labor or community organization made it impossible or tremendously expensive for those granting the benefits to have a social partnership when there were no self-organized legitimate social partners.

Policies and institutions influence the ability of commercial forestry to reduce or create poverty but the interactions are complex and multifaceted. The continued policy push for poverty reduction from governments in the North and South may help to mainstream a pro-poor approach. In some cases, institutional and legislative reform may be required to enable pro-poor commercial forestry. Dissolving ownership barriers such as access to land, land tenure security (for communities and companies alike) is paramount. So too is improving the transparency of concession allocation as well as revenue sharing between corporations and governments. In a globalized economy, where companies can chose to operate in a given location to capitalize on local context (i.e. lower operating costs), proactive management may be required to reduce irregularities and labor distortions between countries. Those situations where private companies have greater capacity than the governments in whose territory they are operating pose particular challenges.

Social Sustainability entails maintaining and enhancing the net social benefit derived from the mixture of forest uses while maintaining options for the future. This includes sustaining the relationship between cultural ethics, social norms and development. An activity is socially sustainable if it conforms to ethical values and social norms, or does not exceed a community’s tolerance of change.15

At the forest sector level, participants sought to understand forest policies and standards as determinants of pro-poor forestry in a given country. Without robust forest policy frameworks with high standards of sustainability, forest use can increase rural poverty by depleting ecological capital and degrading resources upon which local people depend. On the other hand, forest companies operating in compliance with high national or international standards for sustainable forestry offer potential...
for pro-poor forestry through maintenance of ecological integrity and level of engagement with stakeholders.

Examples were also observed where high forest policy standards acted as a barrier to direct involvement by forest dependent people and/or small enterprises in commercial forestry. For instance, in Bolivia some people considered legal requirements for management plans, environmental impact assessments, and technical forestry expertise a barrier to their involvement in commercial forestry.

In Russia, there has been a recent shift from an extensive forest model (focus on harvesting intact forests with little to no post-harvest silvicultural investment) to a more intensive forest model. While the new model has increased potential for forest sustainability, the investment required is currently seen as a barrier to local involvement in the forest sector. Without access to large amounts of capital for the necessary infrastructure and silvicultural investment, compliance with the forest policy is simply not feasible for the poor.

Beyond national requirements, voluntary forest certification seems to show promise in contributing to the business case for pro-poor forestry. In many instances throughout the dialogue series, participants observed the potential of companies’ voluntary pursuance of forest certification to contribute to poverty reduction. Whether through upholding ILO core labor standards for workers, developing conflict resolution procedures, recognizing customary rights, or proactively engaging in benefit-sharing arrangements, forest companies pursuing certification showed greater awareness and commitment to social issues. Forest operations conducted under certification schemes appeared to be less disruptive to communities as they include more comprehensive planning prior to and during implementation. The existence of a third-party verification system common to all internationally recognized certification schemes appears to motivate businesses to look beyond the profit-only approach. What cannot be determined is causality. Are companies that are already more socially aware the ones that seek certification, or do economic concerns encourage companies to become certified and the certification process then introduces more sophisticated social requirements into the business model?

In a few instances, the sustainable forestry requirements created tensions between the corporate business model and local culture and customs. In Komi, for example, villagers questioned the company policy of not employing child labor, asking why the company refused to allow their children to work on company concessions. In Bolivia, forest certification facilitated access to important value-added markets. Villages that were able to obtain certification received the benefit of more secure markets and higher payments for their wood. Villages that could not afford certification or were not committed to pursuing sustainable forest management were denied access to the more lucrative markets.

Voluntary certification schemes brought an international perspective to local decisions. Clearly business would be done in a less “pro-poor” manner had those companies that were certified chosen to operate without the demands of certification. However, it was also apparent that certification is more effective at promoting environmental stewardship and protection than it is at advancing social standards.

In models observed in Bolivia and South Africa, participants noted the role of donor agencies, philanthropic partners, and/or loan instruments issued by companies or micro-lending agencies in helping communities to comply with mandatory and voluntary sustainability standards, and to pay the costs associated with certification assessments.

**REQUIREMENTS TO ASSIST IN PRO-POOR FORESTRY PROMOTION, DESIGN AND IMPLEMENTATION**

A number of “direct requirements” that companies committed to being pro-poor should fulfill came to light from the dialogues. In contrast to “enabling conditions,” “requirements” can be fulfilled directly by the company.
Markets for a wide range of sustainable forest products and ecosystem services provide more opportunities for pro-poor forestry. Fiber and wood, non-timber forest products, biomass and “green energy,” clean water, recreation, carbon sequestration, and biodiversity all present opportunities for sustainable income generation. Opportunities increase when markets put a price on these forest products and services, but access to markets is often a challenge, especially in the tropics, where established markets exist for only a select group of timber species. In these cases, both commercial and community operators must strive to derive value from a larger portfolio of resources. A number of pro-poor forestry models observed provided enabling conditions where large forest enterprises could create markets or maintain access for individuals or small enterprises for a range of forest products.

Non-timber forest products (NTFPs) are commonly known to act as “safety nets” to many rural households, providing vital income, basic sustenance, or materials. In both Russia and Bolivia, dialogue participants appreciated the importance of NTFPs in rural and international economies. While merchantable NTFPs are a major asset for pro-poor forestry (diversifying production and requiring less capital) the sustainability of integrating NTFPs into a market economy must be closely examined. Unsustainable harvesting of NTFPs, from Brazil nuts to mushrooms, can have adverse impacts on the wealth of people and ecosystems. Similarly, timber harvesting in areas significant for NTFP harvesting can threaten the NTFP economy.

The more sophisticated and effective the local governance structures, the less important the organization of the production chain for “pro-poor” forestry outcomes. The importance of the local context cannot be overemphasized. Actions taken in one country have varying outcomes

Sustainability, in the first place, means ensuring the rights of communities to both their resources and to their culture.
Wealth throughout the surrounding areas since simple economic growth will only reinforce existing distributional challenges.

The national context also played an important role in determining if wages were sufficient to raise workers out of poverty. In places with weak governance and/or inadequate social protections the heavy reliance on contractors and sub-contractors tends to result in low-paying, dangerous work. In places with stronger social protections the use of contractors could help build a vibrant sector of small businesses and encourage self-employment. However, the lack of alternative customers for many small entrepreneurial activities means that many of the contractors and sub-contractors observed in the dialogue regions were economically dependent on one large company, either as the major purchaser of services or as the price setter for wood fiber. Such dependency can create imbalances of power, wealth, and income.

The importance of reputation to the success of the business model is a critical driver of pro-poor commercial forestry activity. In all four dialogue locations the larger forest companies were sensitive to their reputations and saw a positive corporate image as necessary for business success. This perception seemed to result in an increased willingness to form local partnerships, exceed national legal requirements, seek forest certification, and engage in a wide array of benefit-sharing activities.

Ownership patterns also helped determine how the desire for a positive corporate image shaped business behavior. The company with a single owner responds differently from the company with many shareholders. Behavior was also driven by the nature and location of major customers and markets.

**CHALLENGES THAT NEED TO BE CONSIDERED IN EACH CONTEXT**

**Balancing the Challenges and Opportunities of Markets**

Despite the importance of private sector investment to a specific location, markets have no sense of place. Corporate decisions are based on...
bottom lines, and there are few rewards to commercial forest operators to remain in a place when it is no longer profitable to operate there. Yet communities and people central to issues of poverty reduction are based on a geographic sense of place. “Home” is a very real concept especially for forest dependent peoples. When markets change that place or endanger that place it creates tension. Understanding more about these juxtaposed realities of markets and people, and finding balance for how markets and communities interact is a subject that continually resurfaced throughout the series.

In the Komi Republic the transition from a command economy to a market economy placed great stresses on entire communities. In the shadow of deteriorating buildings, occupying in some cases hectares of land, communities where formerly there was work were now home to only the unemployed or self-employed. Government social payments were in many cases the largest single source of revenues for villagers. Without continued investment from the government or the private sector in essential infrastructure like roads, the villages will continue to deteriorate. The situation is sufficiently grave that the government is considering village resettlement.

Conversely, the rapid growth observed at the dialogue site in Indonesia seemed to be creating similar transition difficulties, only instead of job

SUCCESSFUL AND SUSTAINABLE...
The World Bank published a study of economic growth and income distribution. It contrasted two models of economic development. One model was roughly based on Sweden's high-tax, low-inequality approach and the other based on the US's low-tax, high-inequality approach.

As the authors gave presentations on their findings around the world, they were bombarded by the same question asked in different ways. The question was: “Which model is better?” As World Bank employees they had no answer. In terms of economic growth both models delivered the same results.

One day they were asked a different question: that question was, “which model is sustainable?”

loss the stress for communities was rapid job creation. The small, rural agricultural communities living in the area long before the arrival of the forest company were marginalized by the creation of over 10,000 jobs. The company has made efforts to ease the transition through a number of benefit sharing activities. In every case these efforts at benefit-sharing made life better for those who came in contact with them. Yet the impact of the forest concessions extended far beyond its geographic boundaries while most benefit-sharing adjustment efforts did not.

The availability of technology plays an important role in development. Where markets exist, involvement in a complex and coordinated production/supply chain permits value to be added to primary forest products. However, the economies of scale and access to capital that are necessary to achieve these profits are often out of reach of the poor and even some large enterprises.

In Bolivia, participants noted numerous bottlenecks in the forest supply chain, including: the lack of service providers (i.e. log transportation); the
The organization of the labor market plays a significant role in determining where wealth will reside. The two major issues regarding the organization of the labor force discussed by participants were mechanization and the use of contractors.

Workers in three of the dialogues were divided over the benefits of new mechanization. Some saw new technology as a barrier to employment since the skills required to operate modern equipment were beyond their individual capabilities. Often this resulted in companies importing skilled labor rather than employing local people. In South Africa, in response to national and local concerns, the company intentionally delayed the introduction of new technology to avoid the sudden elimination of hundreds of jobs. In Russia the company introduced state-of-the-art equipment and modern forest management to improve productivity and safety requirements and respond to the rapidly changing demography in remote villages. The result is that some workers in South Africa continue to engage in physically difficult work using outdated tools while skilled workers are being imported into remote areas of Russia where local unemployment is a problem.

Outsourcing of forestry work to forestry contractors, to individuals or firms in logging, transport and lately also in silviculture, has become a common mode of operation. This shift from the formal to the informal sector most often leads to less secure employment, loss of social benefits, further decrease in income, and worse labor conditions.\(^\text{18}\)

In Indonesia, the company observed was phasing in new technology. Contracted harvesting crews were split between those using mechanized harvesters and crews still harvesting manually. The pay difference was significant. In this instance the ownership of the
technology was gradually being transferred to contractors along with the risks, including maintenance costs and vulnerability to market fluctuations. If locally based contractors can master and maintain the mechanized equipment, an increased portion of wealth derived from enhanced productivity should remain in the community. Whether or not this new wealth is spread throughout the community or resides primarily in the hands of local elites will be an outcome of local culture, political power, and labor relations.

As is the case globally, companies in all four dialogue locations made extensive use of contractors and/or informal workers. The reliance on contractors in those places where labor force protections were weak created a bifurcated labor force. Those relatively few workers with formal employment status were able to escape poverty. In Indonesia, in addition to better wages, formal employment provided company housing and company health care. Living inside the company housing compound also included a degree of personal security not afforded to those who lived beyond these boundaries. Since the minimum wage in many parts of Indonesia is insufficient to obtain a minimum living standard the situation among contractors varied dramatically. Many reported excessively long hours, and except for those few working on modern equipment, relatively low wages. In some instances the employer provided contractors with nutritional supplements. The large numbers of contractors engaged in activities that in many countries would be considered part of an employer/employee relationship not only reduces revenues to the public sector but makes organization of the labor force extremely difficult.

The situation in South Africa was modified by both the Broad-based Black Economic Empowerment policy (BBBEE) and the fact that South Africa is one of two nations that has national law that includes “economic dependency” as a condition used to define employment status. These policies reduced the number of contractors and tended to increase the size and legitimacy of contractor firms.

Competition over land use is widespread and often economic choices lead to suboptimal social and environmental outcomes. Demand for forest products and clearing land for agriculture place considerable pressure on the environment and create conflict over competing uses of land. In all dialogue locales competition for land use was observed. Competition centered on clearing forests to make room for plantations, cattle, soybeans, and other food production, as well as on multiple interests in the same forest area (i.e. commercial forestry and local NTFP harvesting in forest areas close to villages in Russia). Establishing agreement on land-use throughout all government levels as well as applying it at a local level was identified as a necessary enabling condition for the development of rural livelihoods, including pro-poor forestry. Where such agreements were the result of negotiations among community and corporate stakeholders the results appeared to be more pro-poor. Where mutual agreements were neither reached nor attempted to determine land-use, both environmental degradation and social dislocation seemed to be more intense.

From the local to global level, many experiences have shown that the sources (water, timber, oil, minerals, etc.), sites (land for mines, settlements, infrastructure), and sinks (soils, oceans, atmosphere) for natural inputs of economic growth have become scarce or thrown into turbulence.19

In Bolivia, the major concern was over the government’s proposed land use reform proposals. Transferring ownership from larger forest estates to smaller community-owned ones was thought to help reduce poverty. Likewise in South Africa, land reform through the BBBEE is changing ownership patterns. It appeared that transferring ownership without also transferring either the capital required to convert trees into wealth or the capacity to manage complex production chains would not deliver the
Conclusions

Ownership
On a cost/risk continuum, large scale commercial forest products operations can minimize risk by owning the forest under a political system where ownership is recognized and uncontested, and where the land-use and forest management system has wide political and social support. However, in reality there is little land available where company ownership would be uncontested as many areas around the world are subject to claim by indigenous peoples or other parties. Uncontested ownership of the forest resource tends to be the highest-cost model and entails such risks as loss of value from natural disturbances, changing social values, and the erosion of political support. In several dialogues, the use of fire by disenfranchised populations was noted as an extreme sort of social protest. In others, changing governm ent forest policy on such issues as ownership patterns (South Africa) migration policy (Indonesia), private sector concessions (Bolivia), and the criteria for access to forest land (Russia), contributed to uncertainty for anchor tenants and for the entire production/supply chain. Without an extensive network of social partners, an anchor tenant would be left to adjust to these types of changes alone or worse yet, trigger a political fight over how public resources are allocated.

outcomes desired by the reformers in a reasonable time frame. In South Africa land ownership is transferred while the trees remain for a given period with the company. The goal is to allow time for capacity building for the new owners to appreciate the value of sustainable forestry.

Reducing illegal logging is an important element of achieving pro-poor commercial forestry. In countries plagued by illegal logging, domestic markets are flooded by illegal low-priced wood to such a degree that legitimate enterprises struggle to recover their investments. This condition can undermine a company’s willingness to engage in “pro-poor” organization activity or even in benefit-sharing arrangements with communities as well as the communities’ ability to profit directly from commercial forest enterprises. In Bolivia, dialogue participants estimated that as much as 50% of the harvest in the country is illegal and that an equal proportion of the management plans being presented for approval included exaggerated estimates of sustainable yield.

However, some communities appreciated the flexibility of the illegal traffic in wood because such commerce does not require binding agreements or other investment costs. That some communities see little purpose in using legal markets indicates flaws in the organization of production. Illegitimate wood trade exposes the poor to violence that tends to accompany illegal activity. In this particular case it also demonstrates that ownership of the resource is not necessarily a path out of poverty.

The need for government enforcement to reduce the flow of illegal wood or illegal land-clearing was acknowledged in a number of dialogue meetings. If forestry is to provide revenue to the nation, governments must be able to ensure the legality of wood and wood products on the market.
Outright company ownership of the forest resource also tends to create a vacuum with regard to social and political outreach. Since outreach appears to be less important when the forest is owned, it tends to be given a lower priority within the business model until a political or social crisis arises. The Socio-economic assessment toolkit (SEAT) developed and used by Mondi is an example of proactive social outreach. One benefit from such an approach is that potential problems are spotted earlier. It might be viewed as social and political radar. Likewise, some companies’ extensive benefit-sharing programs also stand out as models for social outreach to communities in and adjacent to the forest concession.

Shared ownership increases some risks while spreading the costs of production across a wider group of production chain participants. Shared ownership models greatly increase the complexity of the production chain and raise a number of organizational challenges, yet they also appear to generate a wider base of political and social support.

Organization

The production chain can be organized competitively or cooperatively. A business model that seeks to externalize costs onto other production chain participants appears to be less able to form stable partnerships and can also undermine political and social support and endanger the social license to operate. Ultimately, if costs are externalized to the extreme, the supply chain can suffer segment failure. The transportation segment appears to be the most vulnerable.

Where a dominant organization can control or significantly influence prices for suppliers, cost shifting strategies can result in the avoidance of some social contributions. The classic example seen in the dialogue visits were situations where contractors were initially engaged to maximize a company benefit. In some situations there was significant movement towards a partnership-based relationship. In these situations contractors were given the opportunity to develop a degree of economic independence. Where such partnerships were not developed contractors continued to remain dependent on the dominant organization and tended to suffer as a result.

The cooperative partnership supply chain model views suppliers as valued partners who are critical contributors to returns instead of entities onto which costs can be shifted. Viewing partners as sources of profitability rather than as costs to be minimized allows the dominant organization or any other large participant in the production chain to consider investments in their suppliers since the investment will bring some return. Furthermore, a partnership supply chain model holds promise for enabling small enterprises or communities to gain direct control and receive wealth by sharing the required investment.

Where forest-dependent communities were integrated with or controlled aspects of the production chain, or received compensation from companies, strong and consolidated community institutions were able to play a key role. For companies, community organizations serve as contacts for negotiation. They also serve to coordinate community per-
stopped using them himself and instead smuggled them home for his children, deciding that it was more important for his children to have the benefit. Thus if productivity increases were the desired outcome, the recipient’s actions undermined the desired outcome. Had the company consulted with its workforce it might learned that the nutrition of the worker’s children was a higher priority than nutrition for themselves.

Frequently, a partnership business model will engage in fewer formal benefit-sharing activities since they are distributing the income more directly in the form of formal wages, higher contractor payments, and larger tax payments. In other instances, the anchor tenant will use its ability to aggregate wealth and then engage in projects that individually could not be obtained. In Bolivia the community forestry enterprise retained earnings and built a school/community center and then purchased roofing tiles for the entire village. In this case the recipients of the benefit sharing were also the creators of the wealth that made the sharing possible.

Benefit Sharing

Obviously a business model based on complete cost avoidance would see most benefit sharing as an undesired cost. A model based on partnerships might well see benefit sharing as an investment. Other approaches between these two extremes might view benefit sharing as a necessary expense in order to meet business targets. Those companies committed to sustainable forestry tend to view benefit sharing as part of their corporate values. It was frequently referred to as “the right thing to do.”

A difficulty facing those who engage in benefit sharing as a strategy to achieve an internal corporate goal is determining what benefit to share. This is especially true when the recipients are not self-organized. Benefit-sharing efforts without self-organized recipients leave the donor engaging in mere guesswork as to what is the most desired benefit to share. In order for the benefit-sharing activity to be effective the design and distribution process must involve those receiving the benefits. One story from an Indonesian village exemplifies this: It was discovered that productivity increased shortly after a company introduced a nutrition program. A villager who worked for a contractor and was a participant in the nutrition program reported that soon after he started receiving the food packets he
Recommendations

Following are our recommendations for reducing poverty and promoting sustainable livelihoods through commercial forestry.

1. Intentioned Outcomes: To be pro-poor requires focus, planning, monitoring, and clear metrics.

Promoting sustainable livelihoods does not simply happen even in the global north. What is required is the intent to develop a business model that is governed by some form of social awareness, regardless of whether the intent is to retain the “social license to operate” or to act as insurance against future political problems. Such intention tends not to arise from normal business models, which focus on cost reductions and cost shifting. Since the forest products industry requires considerable access to land, and has such visible impacts on communities it is not surprising that this industry seeks to develop outreach programs and to adopt triple bottom line methodologies for its own internal business metrics. Problems arise when some in the production chain and in the industry are driven by cost shifting and cost reduction without regard to the full implications of their actions.

After the business model is developed that seeks to use the triple bottom line, the next step is for the business plan to reflect the business model. This is not an easy task. In Indonesia, it was clear that the business plan drove important benefit-sharing activities, was encouraging the partnering with environmental NGOs, and was internalizing significant public sector activities. Yet it was equally apparent that the extensive use of contractors was contributing to unsafe working conditions, and offering wages that would not remove a family from poverty. On the other hand, the business plans in South Africa were able to focus more clearly on social outcomes since government policy required it in substantial areas. It was interesting to see how lessons learned in South Africa were being transferred to Russia with the same company operating on both locations.

Finally, establishing and monitoring clear indicators is required to ensure that pro-poor activities continue to deliver benefits to both the business
and the community. Mondi’s Socio-Economic Assessment Toolkit (SEAT) represents one of the more complete efforts by a forest products firm to measure and monitor social outcomes.

2. Cooperative Partnerships: Cooperation within the supply chain and with a wide array of stakeholders who have direct and immediate interest is critical especially where power imbalances exist.

- Actions that promote partnerships within the supply chain are key. Examples include efforts by anchor tenants to assist smallholders and communities to obtain forest certification as well as technology transfer from the anchor tenant to smaller locally-owned enterprises such as those seen in Indonesia. Other actions would include education and training of suppliers, and recognition of efforts to provide various segments of the workforce with training, including managerial training.

- In countries where governance structures are less effective or social standards lower, partnerships are especially important. Partnerships must include communities, governments, and forestry workforce. The highest level of partnerships and governance structures would be symbolized by “codetermination” models and legislation in countries such as Germany and Sweden. The EU work councils would be another example of legislatively mandated partnerships. The forest enterprise should encourage the development of various social and business partners. Activities in support of this include: skill training, cooperative activities, business training, assisting contractors, and technological transfer. Caution must be exercised to make sure that both economic and social partners are truly independent of the business in terms of decision making. It is difficult to help groups of stakeholders engage in self-organization since by definition it is the groups that must organize themselves. This is recognized by the Ministerial Conference on the Protection of Forests in Europe (MCPFE) in its efforts to promote self-organization of small holders and contractors, and the ILO Freedom of Association Convention requiring non-interference in efforts to engage in self-organization.

3. Promote business models that recognize and reward mutual benefits among social partners.

- Work to identify areas of mutual benefits since as with any other aspect of pro-poor forestry it does not simply happen. Once mutual benefits are recognized they must also be valued by the company. It is best that they be viewed and treated as having intrinsic value to the company and a normal requirement for doing business rather than as unilateral benefit-sharing activities. The greater the importance of the corporate reputation or brand label the easier it is to gain corporate acceptance of such activities as valuable.

- Recognizing a longer time frame than the annual report is critical for most mutual-benefit activity and partnerships. This is especially important in terms of ownership of vast tracts of land which directly affect sizeable populations.

4. Understanding the local context in which a company operates cannot be overestimated.

Operating in areas of the world with weak governance structures places additional obligations on commercial forestry enterprises if they wish to promote sustainable livelihoods and establish viable community partnerships. In such circumstances the enterprise needs to plan and assess the social situation with a level of detail no less than the enterprise puts into its own business model.

- Companies should promote the advancement of institutional reforms that address the issues of land tenure security, concession allocation, and improved forest policy frameworks that safeguard the ecological and human capital on which forest dependent people depend. This may appear to be counterintuitive in the short run, but over the long run it is clear that stronger governance structures with greater social protections...
create a climate for consistent earnings and sustainable business practices.

In those places where governance is lacking and the company takes on these traditional functions, they must do so in a way that is sensitive to local culture, social traditions, and wealth distribution. Careful consideration needs to be given to sustainability issues, including how to ensure coordination with government and establish an exit strategy for the company. At a minimum, the level of transparency in company decisions must be increased.

5. Obtaining certification from an international recognized forest certification system is required.

- Through pursuing forest certification, companies illustrate their commitment to sustainability and integrate many pro-poor activities into their operations and business model. This provides a strong platform from which to make additional commitments.
- Even though social standards are still evolving by all internationally recognized schemes, they represent an advance over any alternative.
- Support Forest Law Enforcement and Governance (FLEG) initiatives and other controls on illegal logging
- If the anchor tenant requires all sourced fiber to be certified, then the tenant should provide resources, both technical and financial, to assist local partners in becoming certified. Otherwise certification can become a barrier for many participants.

6. Cost shifting activities need to be avoided.

- Cost shifting activities often deny revenues to governments that are critical to increase the effectiveness of governance.
- In some nations in the Global South the supply/production chain is undeveloped. In such cases it is likely that the majority of wealth created through the production will accumulate at the top. Deliberate planning is required to keep a greater proportion of wealth in the local communities.
- Corruption is an issue in all systems both governmental and business. When operating in areas or countries where transparency is low, the corporate entity needs to strive to be especially transparent.

7. Promote and support efforts to clarify land use and increase public support and wealth from forest activity and associated products.

- Harmonized land-use plans at all levels of government and application of such plans at the local level is necessary to promote long-term sustainability in the forest sector. Planning should involve all stakeholders in an open and transparent manner.
- Given the multiple values derived from forests, efforts by local groups to monetize ecosystem services, NTFPs, “green” energy, clean water, carbon sequestration, and biodiversity should be encouraged.
- Respecting those social and cultural traditions that are non-economic/pre-industrial is critical for some land-use decisions as well as for long-term community partnerships.

8. Develop long-term plans for the introduction of technology and other labor-reducing, waste-reducing machinery.

- The introduction of technology is an opportunity for commercial forestry enterprises to share more wealth with those lower in the production chain rather than attempting to garner the majority share of this new wealth.
- Technological change is extremely disruptive to most traditional societies. The pace of its introduction as well as its planning is critical. Advance planning should include training local workers with the skills required prior to the technology being installed.
9. Promote forest land use as the desired alternative where wealth is shared proportionately with stakeholders.

- Prevention of deforestation is critical on numerous levels. Firm behavior that promotes deforestation must be avoided. This is a particularly difficult issue in the Global South where commercial forest activity is viewed as a key driver of development. Once again partnerships are a key strategy to ensure that as much money as possible remains lower in the production chain. This then becomes an economic incentive for all to maintain forest lands.\(^2\)

- In places where land use has changed from forests to agriculture to grazing to degraded land, pro-poor commercial enterprises can contribute to reforestation with considerable win-win opportunities for their shareholders and community stakeholders.

- Reforestation of degraded lands also offers the opportunity to gain community support for IMFPs.

10. Globalized market economies require proactive management to reduce illegality and labor distortions between countries, which can contribute to the creation of poverty. As such anchor tenants and governments need to be aware of both negative outcomes and the potential loss of non-economic values when they plan large scale projects in remote and developing portions of any country.

The very nature of markets tends to create “winners” and “losers” at all levels of the production chain as well as among communities and local cultures. Projects that are scaled and planned in such a way as to create many jobs in a rural area with low population density will tend to attract more labor than is needed, creating the “boomtown” effect. This dislocation of labor, whether of workers immigrating into the area to find work or of those seeking to continue to do traditional activity, must be mitigated. Long term company vision is required to anticipate, manage, and mitigate the consequences of entry and exit at a given location.

Another intrinsic aspect of markets is that they seek perpetual growth. Substituting products derived from non-renewable resources with renewable products, such as wood, has positive implications on reducing greenhouse gas emissions. Global markets need to be guided and stimulated in ways that promote such substitutions, while encouraging improved efficiencies and advancing non-economic outcomes such as empowered communities and stakeholders. With proper direction and guidance it is possible to envision a biomass-based, low-carbon economy that distributes wealth and ownership in a way that is intentionally pro-poor.
Annexes

Annex 1

<table>
<thead>
<tr>
<th>Country</th>
<th>Percent of GNP from Forestry</th>
<th>Percent of population below $2/day</th>
<th>Inequality Index (Gini coefficient)</th>
<th>Hectares of Forest</th>
</tr>
</thead>
<tbody>
<tr>
<td>South Africa</td>
<td>1.6</td>
<td>34.1</td>
<td>0.593</td>
<td>8,917,000</td>
</tr>
<tr>
<td>Bolivia</td>
<td>2.7</td>
<td>34.3</td>
<td>0.447</td>
<td>53,068,000</td>
</tr>
<tr>
<td>Indonesia</td>
<td>2.5</td>
<td>52.4</td>
<td>0.343</td>
<td>104,986,000</td>
</tr>
<tr>
<td>Russia</td>
<td>0.8</td>
<td>7.5</td>
<td>0.456</td>
<td>851,392,000</td>
</tr>
</tbody>
</table>

Annex 2

At each location in TFD's initiative, efforts were made to showcase local examples for consideration as pro-poor forestry from the region. A wide spectrum of case studies was considered by the group, with variation occurring by the particular model, the level of intention, and the stage of development. For instance, some examples were not by design “pro-poor” forestry, but in reality may be effective models for consideration. Some models were in their infancy while others observed were in full-scale operation.

Below is an overview of the examples, both observed and discussed, that may be pro-poor in a certain context. In some contexts, a combination of these examples was observed in practice.

1. Effective management of public forests, efficient revenue capture, and expenditure of this revenue on a variety of pro-poor developments;
2. Small and medium enterprises run by and/or employing poor people;
3. Community-owned forests under sustainable management;
4. Large enterprises that directly engage in partnerships with poor people:
   - Establishing outgrower schemes, whereby individuals or communities produce fiber or wood crops and companies provide access to capital, technology, technical advice and markets.
   - Company sourcing from community-owned forests, providing market access, and overcoming supply chain or investment barriers that the community would face if operating in isolation.
5. Large enterprises focused on efficient revenue capture, sustainable forest practices and contributions to local development—generally through a combination of employment, community contribution, social agreements, infrastructure or other services.

The examples listed are by no means exhaustive. However, they provide the context from which the discussions and perspectives emerged.

Annex 3

Normative matrix of business case for pro-poor activities

<table>
<thead>
<tr>
<th>Poverty Reduction Activity</th>
<th>Benefit Sharing</th>
<th>Ownership</th>
<th>Decision-Making</th>
<th>Direct Employment</th>
<th>Community Benefits Sharing</th>
<th>Forest Certification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shift Ownership to Communities</td>
<td>O</td>
<td>O</td>
<td>O</td>
<td>O</td>
<td>O</td>
<td>O</td>
</tr>
<tr>
<td>Joint Venture with Communities</td>
<td>++</td>
<td>+</td>
<td>O</td>
<td>++</td>
<td>O</td>
<td>++</td>
</tr>
<tr>
<td>Contract with Communities</td>
<td>+++</td>
<td>O</td>
<td>O</td>
<td>++</td>
<td>O</td>
<td>+</td>
</tr>
<tr>
<td>Stakeholder Involvement Decision Making</td>
<td>O</td>
<td>O</td>
<td>O</td>
<td>+</td>
<td>+</td>
<td>O</td>
</tr>
<tr>
<td>Transparent Decision Making</td>
<td>O</td>
<td>+</td>
<td>O</td>
<td>+++</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Maximize Direct Employment</td>
<td>O</td>
<td>O</td>
<td>O</td>
<td>++</td>
<td>+</td>
<td>+++</td>
</tr>
<tr>
<td>Require ILO Labor Standards for All Workers</td>
<td>O</td>
<td>O</td>
<td>O</td>
<td>++</td>
<td>+</td>
<td>+++</td>
</tr>
<tr>
<td>Partner With Contractors</td>
<td>O</td>
<td>O</td>
<td>O</td>
<td>+</td>
<td>+</td>
<td>O</td>
</tr>
<tr>
<td>Have Sustainable Certification</td>
<td>---</td>
<td>+++</td>
<td>-</td>
<td>++</td>
<td>+</td>
<td>+++</td>
</tr>
<tr>
<td>Occupational Training for Local Populations</td>
<td>O</td>
<td>O</td>
<td>O</td>
<td>+</td>
<td>+</td>
<td>+++</td>
</tr>
<tr>
<td>Community Projects</td>
<td>O</td>
<td>O</td>
<td>O</td>
<td>++</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Community Education</td>
<td>O</td>
<td>O</td>
<td>O</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Nutrition Programs</td>
<td>O</td>
<td>O</td>
<td>O</td>
<td>+</td>
<td>+++</td>
<td>+</td>
</tr>
</tbody>
</table>
Endnotes


3 Vanhanen et al. Ibid. page 30.


5 See Annex 1 for relevant statistics on each country visited in the Dialogue initiative.

6 See Annex 2 for an overview of “pro-poor” models observed or discussed in the Dialogue initiative, and Annex 3 for a matrix of various business practices, outcomes and possible impact on poverty reduction

7 Vanhanen et al. Op cit.


13 Payments for ecosystem services or carbon may become significant sources of income for individuals or communities in the future.


20 A cost-shifting business model must continue to grow, and bring an increasingly wider set of groups into its economic realm in order to shift its increasing costs. Eventually such efforts fall from their own weight. Historically, many in the forest products sector have relied on cost shifting. By overharvesting and then moving on, the industry shifted massive costs onto communities and workers. Timber booms created entire towns and timber busts destroyed them. In most places around the world that model is no longer socially or politically acceptable. The notion of a “social license to operate” implies that privatizing profits while socializing costs has limits and is not sustainable.

21 One significant gap in all existing forest certification schemes is that there is no incentive to keep forest land in forest land use. As long as the existing forest land is managed sustainably the forest products coming from that land can be certified. If the landowner converts major portions of the forest estate to non-forest or non-sustainable activities they can retain the benefits of certification as long as they practice sustainable forest management on their remaining forest lands.


24 Legislative Council Secretariat. Fact Sheet on “Gini Coefficient”. FS07/04-5. Research and Library Services Division. 2004. http://www.scribd.com/doc/328232/United-Nations-Gini-Coefficient The Gini Coefficient is an index of inequality, where 0 is perfect equality and 1 is perfect inequality. As the ratio increases in value so does the measure of inequality. In actual application the range is from around .244 to a high of .707. Note: Survey years vary between countries from 1995-2002.

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- Marianella Curi—TNC

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The Forests Dialogue (TFD), formed in 1999, is an outgrowth of dialogues and activities that began separately under the auspices of the World Business Council for Sustainable Development, The World Bank, the International Institute for Environment and Development, and the World Resources Institute. These initiatives converged to create TFD when these leaders agreed that there needed to be a unique, civil society driven, on-going, international multi-stakeholder dialogue forum to address important global forestry issues.

TFD’s mission and purpose is to bring key leaders together to build relationships based on trust, commitment and understanding and through them, generate substantive discussion on key issues related to achieving sustainable forest management around the world. TFD’s dialogues serve as a platform to share aspirations and learning and to new seek ways to take collaborative action on the highest priority forest conservation and management issues.

TFD is developing and conducting international multi-stakeholder dialogues on the following issues:

- Forest Certification
- Illegal Logging and Forest Governance
- Intensive Managed Planted Forests
- Forests and Biodiversity Conservation
- Forests and Climate Change
- Forests and Poverty Reduction
- Investing in Locally-Controlled Forestry
- Free, Prior and Informed Consent

There are currently 24 members of the TFD Steering Committee. The Committee is responsible for the governance and oversight of TFD’s activities. It includes representatives from private landowners, the forest products industry, ENGOs, retailers, aid organizations, unions, and academia.

TFD is funded by a mix of core and dialogue-based funding. It is supported by a Secretariat housed at Yale University’s School of Forestry and Environmental Studies in the United States.
TFD’s Mission

“To bring key leaders together to build relationships based on trust, commitment and understanding and through them, generate substantive discussion on key issues related to achieving sustainable forest management around the world.”