Co-Chairs’ Summary Report

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From 21-24 October The Forests Dialogue (TFD) convened a broad group of stakeholders in Syktyvkar, Republic of Komi, Russian Federation to discuss how forests and forest industry contribute to rural livelihoods. Komi provided a local context for this discussion, which also drew on experience and perspective from New Zealand, Bosnia and Herzegovina, Finland, the United States, South Africa, Indonesia and Bolivia. Participants worked to identify key challenges and opportunities related to rural forest livelihoods, in Komi and around the world.

Local and international participants representing forest industry, NGOs, community groups, indigenous organizations, government, development agencies and academia participated in the Dialogue and field visits to villages, logging settlements and forestry enterprises in the Priluzje region of Komi. They observed how the forest-livelihood connection is manifested in such issues as a new forest concession system and its impact on small-medium enterprises, the use of contractors, mechanization of the logging process, out-migration from depressed forest villages, the key role of non-timber forest products (NTFPs) in the rural economy, and attempts to incorporate greater local input in forest management.

The meeting’s objectives were to:

- Examine illustrative cases and identify obstacles to replication elsewhere;
- Clarify the stakeholder roles, commitments and actions necessary to realize the potential for commercial forestry to reduce poverty;
- Continue TFD’s development of best practices and guidelines for commercial forestry and poverty reduction that began in 2006.

Background

TFD identified this issue of forests and poverty reduction as a key focus area in 2006, and organized a series of four Dialogues on this topic, in South Africa (2006), Indonesia (2007), Bolivia (2007) and Russia (2008). Earlier dialogues have shown that there is real potential for commercial forestry to play a greater role in enhancing rural livelihoods and reducing poverty. But doing so requires that key issues of equity in stakeholder relations, economies of scale, policy development, land tenure, etc. be addressed. Throughout this series of Dialogues TFD has focused on these issues and the land-use models being developed across the world to address them. The end result will be a summary document that offers guidance to stakeholders on a forestry that can be “pro-poor” and capable of improving rural livelihoods.
Local Context

Convening a Dialogue in the Republic of Komi gave participants an excellent opportunity to observe the socio-economic issues involved with forest management in the Russian Federation. A complex relationship between federal and local government, forest industry and local communities exists, in which public land is leased to private firms, with varying levels of consultation with local communities abutting the leased areas. Forestry firms provide a vital source of employment, services and tax revenues to such communities, but real concern exists about whether the rights and economic interests of locals are optimized under this land use model. The economic challenges facing such communities are serious. The collapse of Soviet-era cooperative enterprises (including logging enterprises, collective farms and cooperatives for the collection and processing of NTFPs) left many villages without a reliable source of employment. The depletion of commercially-accessible timber has particularly impacted settlements that were established to house logging crews and their families. Salaries available from local small-medium enterprises (SMEs) sometimes barely meet basic living standards. Unemployment in rural settlements is 1.5-3 times higher than in urban areas. Many villages are dependent on pension and other welfare payments, which can constitute 25% to 45% of total income in some villages. Some consequences of these livelihood issues include significantly lower life expectancy, higher rates of certain preventable diseases, and persistent out-migration of young residents.

A frequent worry expressed by villagers and Dialogue participants was that new reforms to the forest concession system in the Russian Federation and the Republic of Komi could marginalize SMEs and may adversely affect local access to NTFPs for personal use and supplementary income. The movement from extensive to intensive forest use and the shifting responsibility for infrastructure development and upkeep were also identified as potential barriers for SMEs. These and other economic, social and environmental issues are discussed in the following section.

Observations from the Dialogue

Economic Issues

The transition from a command economy to a more market oriented economy poises many barriers for forest dependent citizens in the Komi Republic. Some of the barriers identified during the dialogue are:

**Infrastructure**

- Road infrastructure issues were universally identified as a barrier to economic development. Access to commercial timber and between the villages and larger markets is inadequate. The policy shift to require concession holders to maintain the road system will be a substantial barrier to SMEs.

- Education and training levels in Komi leads to the importation of non-local skilled labor and with few exceptions do not prepare locals to cope with the ongoing transition.

- Investment and other typical market needs, such as financial and communication structures, are not well established leading to complaints by locals regarding access to capital, market knowledge, and even markets.

- The taxation and forest concession systems are highly centralized, leaving local communities with little control over their economic conditions. Local administrations receive no direct income from the sale of forest concessions, but receive “transfers” from the federal level and the Republic.

- Industry is still organized around the Extensive Forest Use model, resulting in continuous expansion into intact forests in remote and low-productivity sites. This necessitates many
kilometers of new roads, and results in the neglect of secondary forests in settled areas. Natural regeneration is relied on in most secondary forests; methods for intensive management are underdeveloped.

- The logging workforce is aging and declining in number. The transition to mechanized logging requires a more skilled workforce, but training opportunities for local residents are limited.

- Established mechanisms for rural development are few; some micro-credit programs exist for agriculture, but their impact on forest enterprises appears limited.

**Employment and livelihoods**

- The logging workforce is aging and declining in number. The transition to mechanized logging requires a more skilled workforce, but training opportunities for local residents as cited above are limited.

- The massive decrease in forest-based employment is causing serious dislocation of many villages. The situation is such that the Republican government is considering resettling some of these villages.

- Wage levels for workers in some SMEs do not enable them to obtain a living standard comparable with others in Russia.

**Social Issues**

**Local access to forests**

Residents of remote villages and logging settlements depend heavily on nearby forests for personal use and supplementary income. Many residents feel that the activities of forest leaseholders reduce their access to important NTFPs such as berries and mushrooms. Forests around settlements and along roads are the most valuable to residents due to their accessibility, but they were often the first to be logged (for the same reason). Due to the informal nature of the NTFP trade, it is not seriously considered in land-use planning above the local level. Residents express a desire for greater recognition of local use, and for the allocation of forest parcels near settlements to this purpose. During the Dialogue, it became apparent that such “socially-valuable forests” are beginning to receive more attention and protection from Republican authorities.

**Indigenous issues**

The issue of the status of Komi peoples, Finno-Ulgric ethnic group comprising about 24% of the Republic of Komi’s population is complex and divisive. In terms of living standards, economic and education attainment, the Komi are often on par with the Russian majority. That said, in the north of the Republic some Komi have more traditional, forest-based lifestyles. They push for indigenous recognition, both to secure rights from the government and from industrial resource users. But due to the relatively large size of the Komi nation (around 200,000 people), it has not been recognized by the Russian Federation as an indigenous people deserving of special rights to traditional forest use. In addition, an approach to recognizing traditional use that focused only on “indigenous” needs seems to alienate ethnic Russians constituting part of the population in remote villages, whose use of surrounding forests is much the same as that of the Komi.
Civil society development

Many Dialogue participants agreed that if the relationship between forest stakeholders is to be equitable and sustainable, further development of civil society is necessary. At present their influence in relation to that of government and industry is limited. Participants cited the “waiting syndrome,” a social legacy of Soviet rule, in which locals accustomed to government initiative are reluctant to take action themselves. Many rural residents lack experience and initiative in addressing local issues before higher levels of government. This problem extends to the formal non-governmental organization or NGO sector, which is still a new development in the Republic and sometimes faces hostility from the authorities. However, presentations by NGOs during the Dialogue indicate that they have successfully engaged with government and industry on some key social issues. Participants also pointed to the leaders of small social, women’s, veterans’ and other groups in villages, who constitute an underutilized voice for local communities.

Environmental Issues

Forest Management Regimes/Land Use

As mentioned earlier, forest use in Komi is still largely organized around an extensive, rather than intensive use model. Industry development often centers on expanding the road network into previously unharvested forests, instead of tending or improving secondary forests in settled areas. Roadless, intact forests are included in the annual allowable cut calculations, and since many of these are still inaccessible, overcutting in roaded forests often results. The potential for more intensively managing secondary forests is not always appreciated, although the new Forest Code supports the move to more intensive forestry. Thus far, a large transnational forest products operation is the solitary proponent of more intensive management of degraded secondary forests and has invested in the only seedling operation in the Republic. It is clear that without governmental contribution, both financial and organizational, transition to a more intensive use model, e.g. the focus on tending of young secondary stands, will not be possible. Forest certification appears to be one of the motivating factors in the increasing interest in intensive management among authorities and private businesses.

Lack of local buy-in

While residents of Komi villages express a high level of concern for local forest conditions, patterns of local use have caused degradation of some resources. This is especially notable in game and fish populations, which appear to be drastically lower than those found in other regions with similar forest conditions. A system for hunting regulation and licensing exists, but local enforcement is problematic and community support low.

Questions Raised

One outcome of the Russian dialogue was the development of a number of compelling questions. Some of those questions are listed below:

1. In the face of reduced labor demand and economic isolation, are all forest villages and logging settlements viable, or will some form of resettlement be necessary? What role if any should commercial forest enterprises play in this debate?

2. Can communities and forest leaseholders develop partnerships that will provide communities with sustainable jobs commanding a range of skills and rewards and leaseholders with a skilled workforce?

3. Is recognition as an indigenous people necessary to safeguard traditional forest use by Komi peoples? Would extending recognition and traditional use rights to the Komi risk marginalizing ethnic Russians who also depend on local forests?
4. Can the berry and mushroom harvest be organized to produce greater economic benefit to villagers, such as through the development of processing facilities? Or would organizing the harvest risk concentrating profit in fewer hands and marginalizing small sellers?

5. Is the current system for identifying forests important for local use and NTFP production sufficient? Can the Forest Service and leaseholders do more to identify and specially manage these areas?

6. Given the highly centralized taxation and forest concession systems in place, is it possible for local communities to receive more direct economic benefits from forest use in their region? Can forestry returns be more evenly distributed among competing demands for public revenues?

7. Can leaders of womens’, veterans’, religious and other community groups be mobilized as an effective voice for local interests in negotiations with government and industry? What is their role in developing a “pro-poor” forestry?

8. Given existing forest law and policy, can small and medium enterprises become a viable source of income for sustainable livelihoods? If so how?

Conclusions

It was clear throughout the Dialogue that commercial forestry already plays a large role in sustaining some rural livelihoods in Komi. Forest leaseholders provide vital employment, tax revenue and infrastructure development that are available from few other sources. But a major theme of the Dialogue was that new models and approaches are necessary if forest industry and the government are to make major improvements in rural livelihoods, and address the key social issues surrounding forest use. This is not simply a question of changing company policies or amending Komi’s forest regulations. It requires broadening the scope of local involvement in forest use planning, and increasing the capacity of villages to represent their interests in their relation to industry and government.

Certain conditions are necessary for this positive stakeholder relationship to take shape. The following section will address these:

Enabling Conditions

Policy and Institutions

Significant forest reforms, including those of the forest concession system, have taken place in Russia in order to increase revenues from the sale of use rights, and to increase leaseholder responsibility for infrastructure and management costs. While this has attracted large global capital investments, the reforms have also created a differing set of “winners” and “losers” based on the rules of the market rather than of a command economy. Those who are in proximity and can participate in global capital-funded projects are winners. Those who are more isolated, including many villages and SMEs, see themselves as being unfairly disadvantaged. Local communities do not retain any direct funds from the auction of forest concession. These funds instead go to the Republic and federal levels, and some portion is then “transferred” back to local administrations. Participants observed that these transfers often come in the form of welfare payments, not investment.
Certification

The social standards associated with FSC certification can play an important role in incorporating local interests into forest management. However, certification’s impact on pro-poor company policies is not entirely clear. With the Komi government and the Republic’s largest wood purchaser strongly pushing for certification, small firms that lack the resources to attain a certificate may be at a long-term disadvantage. It appears that certification has already increased leaseholder-community interaction, and some progress is being made on identifying local-use forests. The requirement that certified companies consult with local indigenous peoples remains a contentious issue however, due to disagreement over the rightful status of the Komi nation. Leaseholders differ over whether the Komi need to be consulted separately from other locals in forest management planning.

Long-term partnerships

The Republic of Komi was selected as the location for this dialogue due to its reputation for cross-sector collaboration in Russia. Forest industry, government and NGOs have worked together to address key environmental, social and infrastructure issues, especially through the certification and Model Forest processes. Given this history of collaboration, the vision articulated by participants, greater local inclusion seems attainable in Komi. A sustainable, long-term partnership is predicated on equitable distribution of rights and responsibilities. It would be easy to imagine that the desired progress will come if the other stakeholders would simply cede some control to local communities. But the question remains if local social stakeholders can develop greater leadership and advocacy skills, assume the rights and responsibilities inherent in decision making, and thereby gain access to the resources needed to create sustainable livelihoods. The excellent work done by regional NGOs constitutes a strong start, but the most critical development will be at the local scale.

Markets

At present, markets exist for most timber species and grades in Komi, although the number of purchasers is small, and processing technology is underdeveloped. But even with fairly reliable markets, the more pertinent question is how returns from forest use benefit local livelihoods. In competitive markets, SMEs survive and sometimes thrive by being more integrated with communities and either providing services to large forest industry firms or offering services not offered by global forest capital. But the present conditions in Komi show that SMEs are facing difficulty finding such niches. Success in forest industry may require access to both government and capital that only large integrated firms can attain. The dominance of a few large players also creates a heavy reliance on them for employment and services in rural villages, where these market-driven entities are called on to play the same role as earlier state-owned enterprises. In many cases, NTFP market conditions have more immediate consequence for villagers than timber prices, because they can actively participate in berry and mushroom sales. This direct connection suggests that greater coordination and investment in NTFPs could be a real means for improving rural livelihoods. However, some concerns also exist that these products can constitute a “poverty trap,” helping to maintain locals in low-income situations that are not tenable in the long term.

Clear indicators

Measuring progress towards livelihood improvement requires a clear picture of goals in the forestry sector. A strong articulation of social standards as they relate to forestry, measurable indicators, baseline livelihood data, and continuous monitoring of environmental and social conditions needs to be put in place. Dialogue participants observed how government research organizations and NGOs have made progress on developing such standards and distributing the information. But further buy-in is necessary from industry and local communities if the standards are to effectively inform forest use planning.
Education and awareness of sustainable forestry practice, environmental protection and sustainable livelihoods will play a key role in maintaining viable villages throughout Komi.

Next Steps for TFD
TFD has encouraged all stakeholders that participated in the Russian Dialogue to continue the discussion on forests and rural livelihoods in Komi, with strong positive response from many stakeholders. As this was the last dialogue planned by TFD on this topic, the next step for TFD will be to produce a TFD Review publication or summary discussing the universal findings of the four “models” observed in South Africa, Indonesia, Bolivia and Russia. This publication will serve to inform those interested in working toward the development of a commercial forestry that is socially-responsive and capable of making real improvements in rural livelihoods.

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