



THE FORESTS DIALOGUE

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Mubariq Ahmad
WWF - Indonesia

George Asher
Lake Taupo Forest Trust -
New Zealand

Mohamed Bakarr
World Agroforestry Centre

Marcus Colchester
Forest Peoples Programme

Gerhard Dieterle
The World Bank

Peter Gardiner
Mondi

William Ginn
The Nature Conservancy

James Griffiths, TFD Co-Leader
World Business Council for
Sustainable Development

Peter Kanowski
Australian National University

Matti Karjula
Stora Enso

Mikhail Karpachevskiy
Biodiversity Conservation Center -
Russia

Lars Laestadius
World Resources Institute

Stewart Maginnis, TFD Co-Leader
World Conservation Union (IUCN)

James Mayers
International Institute for
Environment and Development
(IIED)

Cassie Phillips
Weyerhaeuser Company

Carlos Roxo
Aracruz Celulose

Antti Sahi
Confederation of European Private
Forest Owners

Liz Sandler
American Tree Farm System

Roberto Smeraldi
Amigos da Terra - Amazonia
Brasileira

Ken Strassner
Kimberly-Clark

William Street, Jr.
International Association of
Machinists

Justin Ward
Conservation International

Emmanuel Ze Meka
International Tropical Timber
Organization

Gary Dunning
Executive Director
The Forests Dialogue

Dialogue on Pro-Poor Commercial Forestry in Bolivia

18-21 September 2007 - Santa Cruz de la Sierra, Bolivia

Co-Chairs' Summary Report

Bill Street and James Griffiths

On 20-21 September, 2007, The Forests Dialogue (TFD) met in Santa Cruz, Bolivia with a wide array of stakeholders to discuss approaches to maximize commercial forestry's potential to reduce poverty. Within the context of Bolivia, participants shared knowledge and experience to highlight some of the key challenges and opportunities of pursuing commercial wood production (hereafter called 'commercial forestry') as a mechanism to contribute to poverty reduction.

Local and international participants representing forest companies, NGOs, IGOs, indigenous people's organizations, development agencies, and research institutions met to share examples from Brazil, Europe, United States, Indonesia, South Africa and Bolivia. While the meeting was global in scope, learning and challenges from Bolivia featured prominently through field visits to Guarayos and a range of stakeholder presentations. Local initiatives offered pragmatic examples of 'pro poor' forestry, which participants could explore, challenge and assess. Among the initiatives discussed were land repatriation schemes, Bolivian forest certification, small to medium sawmilling operations, NTFP's, larger export-based manufacturing, multi-donor coordinated projects and community partnerships. Due to major disruptions within the Bolivian forest policy and enforcement agencies, this key actor was under-represented throughout the dialogue.

The meeting's objectives were to:

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

Background

This was the third national dialogue on poverty conducted by the TFD following the South African (June 2006) and Indonesian (March 2007) dialogues. An emerging definition of Pro-poor commercial forestry from the previous dialogues was presented to the Bolivian participants.

The definition from the previous dialogues carried into the Bolivian dialogue is that:

Through the practice of Sustainable Forest Management defined in terms of economic, environmental, and social criteria, commercial forestry must contribute holistically to improving the lives of poor people and their communities.

The word “holistically” encompasses not only improving the economic well being of the forest-dependent poor but also includes respect of cultural values as well as enhancing and empowering their political and social independence.

Reports on TFD's early Poverty Reduction dialogues can be found on www.theforestdialogue.org/poverty.html

Local Context

Bolivia is the poorest country in South America with more than 34% of its population living in poverty. Between 1990 and 2002, the country's poorest 10% experienced a drop in their share of national wealth from 5.5% to 1.6% while the country's richest 10% saw their share of national wealth increase from 48% to 63%. In an interest to redistribute access to forest resources the Forest Law 1700 was instituted in 1996. This law created a concession system that allowed indigenous and local communities and private landowners to gain access and tenure of land through the creation of an approved forest management plan and, in the case of the communities, legal recognition as a communal entity. Of the 28 million hectares set aside by the government exclusively for forest production, less than 9 million hectares have been allocated with management plans. This leaves 19 million hectares without any management and supervision.

The election of the Morales government in 2003 put into power the first indigenous President in the country's history. As a result, Bolivia finds itself in transition from a modified market economy to a modified command economy. This political transition—new to the dialogue series—was seen by Bolivian participants as a significant “paradigm shift”. The fears and aspirations of both opponents and supporters of the new regime nuanced much of the dialogue. Part of the platform of the current Morales government is to revise the forest concessions; much apprehension and expectations surround the uncertainty of these claims as it is not clear how and if the revision will take place.

Large-scale concessions of forestland granted by the previous market-based governments represent the largest volume and greatest value added production. Within a wide array of species existing in Bolivian forests, only a small number of tree species are currently in demand for commercial forestry. Panel products such as plywood and finished items, such as garden furniture exported to the US and European markets, are amongst the highest value added products.

Observations from the Dialogue

Economic issues

Currently there is a truncated value production chain within the forestry sector. Several factors are contributing to sub-optimal production and value creation:

- Relative to the global market, there are high production costs resulting from a lack of public infrastructure, appropriate technology, and when possible FSC certification. The cost and difficulty of transportation is particularly high for the communities.
- The sawmilling sector dominated by small to medium enterprises (SME's), is using antiquated technology. As much as 60% of the tree is wasted by the manufacturing technology now in use.
- No significant residual market for wood waste (e.g. pulp/paper or fiber board) or as industrial bio-energy exists, reinforcing poor resource utilization overall.
- FSC certification restricts harvest volume per hectare
- Only a few species have commercial value
- Lack of recognition and the potential value of ecosystem services (carbon, water) and Non Timber Forest Products (NTFP) generated by forests



Aisar Terrazas

Social issues

Labor

There is extensive use of contractors for many aspects of production. The ratio of about 9,000 contract workers for 3,000 company employees poses many challenges. Employment demands draw workers from neighboring regions, yet few stay on into the wet season when the industry essentially shuts down. It was unclear what worker safety regulations and health benefits are in place and who plays the regulatory role of enforcing these safety nets.

Indigenous and local communities

Forest land tenure conflicts appear to be minimal; however benefit sharing appears problematic and uneven. Communities with forest land with management plans and FSC certification can sell to the higher value added producers generating sufficient income to take many community members out of poverty and raise overall living standards. In fact, the two pilot projects supported by overseas development agencies (ODA) linking indigenous communities to large certified timber companies provide above-poverty level incomes for about 9% of the community with additional funds spent on housing, medical access, education and community festivities. The cost of certification, however, is out of reach for most communities and requires ODA agencies support to enable this poverty reduction process to occur. In contrast, communities without this combination of factors are highly disadvantaged.



Other significant costs that limit their economic autonomy are: the lack of investment capital to either replant or intensively manage forest assets or invest in forest management capacity building; the difficulty and expense of transporting logs; and the lack of value-adding equipment such as chain saws, portable sawmills, wood dryers, and log trucks. The communities expressed interest in being part of vertically integrated production and supply chains and therefore linked into global markets. The communities were especially interested in developing more value added production activities. However, Bolivia's poor road infrastructure, combined with weak local markets, undermine the business case for investment in a modern sawmilling and remanufacturing sector.



Sophie Grouwels and Scott Landis

Relationships between stakeholders

The various stakeholders involved in the forestry sector were disjointed. There is little communication in terms of the supply chain linkages where there appears to be significant potential for coordination that would be beneficial to all. There are some cases of successful partnerships between large companies and communities with management plans, but it wasn't the general case. The sawmilling sector felt marginalized; the communities were very suspicious and hesitant; and the companies were very apprehensive about the policy changes being discussed by the government. As part of the companies' interest in long terms plans with the communities, they expect forestry to be the communities' priority. The companies see investing in forestry as the economically viable alternative to clear cutting for transition to agricultural uses.



On the other hand some communities see the companies' request for a longer term commitment to forestry as pressure to choose forestry as their main livelihood as opposed to an integrated multiple-use management, which is more akin to their cultural values and historical use of the land. There is a strong sense of distrust and a lack of vision across sectors to resolve their needs. This was exemplified by the refusal of some community groups to sign multi-year harvest contracts for fear of being unduly exploited by other stakeholders.



Group in Santa Cruz

Environmental issues

Forest Management Regimes

It is unclear whether or not the existing forest management regime is sustainable, both in economic and environmental terms. There is little significant scientific basis or ongoing research and monitoring on the effects of the present silvicultural prescriptions on future forest composition. It is unknown if the highly-selective species removal, the lack of active replanting schemes, and the rotation schedule allows for regeneration of commercially valuable species. Local biodiversity experts indicated that the natural regeneration cycle is 60-80 years, compared to the 20 year harvest cycle which the local community operations visited use. Concerns were expressed that current forest harvest regimes would, overtime, degrade forests values making conversion into cattle grazing and agricultural uses more likely.

Threats to forest conservation

Important threats identified by all were the vicious cycle of illegal logging and widespread land use change to agriculture, which threatens the 19 million forested hectares without management plans. The sawmilling sector appears to be sourcing volumes of wood beyond what legal harvest plans can provide. Local estimates are that as much as 50% of the harvest in the country is illegal as well as half of the management plans being presented for approval. The flexibility of illegal traffic of wood can be seen by some communities as beneficial due to the lack of binding agreements, which in turn adds to the difficulty of creating long term relationships with other stakeholders. There is need for wood by small local markets such as the carpentry sector that can not compete with large timber companies who pay higher prices, instead much local fiber has questionable origins and lower prices.

Strictly speaking, current forest policy supports multiple-use of forestlands; however it was recognized that there is a strong and almost sole emphasis on extraction of timber resources, whereas few norms or incentives are in place to support non-timber forest products. This is particularly problematic for some producers and communities who historically have depended on multiple uses of forestlands. For example, Bolivia dominates the international market of "Brazil" nuts and until recently its harvest and contribution to the economy was entirely disregarded by the government. Even though that law has been reverted, Brazil nut producers feel that perspective still pervades.

The role of the forestry in national policy

The current forest policy clearly states it is the responsibility of the Departmental Superintendency offices to play the regulatory role of the management plans and enforcement of such things as legal logging. Even with strong efforts on their part, however, they are not able to properly fulfill this role, since they are neither capacitated nor have enough resources to do so. Resources for the Superintendency have reportedly been declining during the past three years with a resultant decrease in capacity. All the participants expressed frustration and identified this role as a key necessity. Changes in political support for this Department and the turnover in staff at the highest levels also were cited as contributing to problems.

It was recognized that the current forest policy is very extensive and provides a surprisingly comprehensive framework for sustainable management. However, the need to adjust the law to provide a stronger regulatory framework was expressed by all the participants. In addition, although the law encourages and supports the development of the forestry sector, in all its parts, there was a frustration that forestry is not a major item on the national agenda.

Lacking the national stage, forestry investment is neither incentivized nor encouraged. Those invested in the forest products industry see the national anti-poverty agenda as being pro-agriculture and hostile to commercial forestry. The national government's support for import substitutions policies is perceived as antagonistic to large forest products firms relying on huge public concessions engaged in export led growth. It is unclear as to whether this perception is the result of inadequate benefit sharing by the larger companies.



James Griffiths and Sarah Price



Leonardo Zeballos



Elida Urapuca

Questions Raised

As we worked to develop the Bolivian dialogue a number of important questions arose. The field visits, presentations and discussion helped provide partial answers but further research is necessary. Some of those questions are listed below.

1. Can markets be created for non-commercial valued species in order to attract wealth producing appropriate technology investments?
2. Can the current forest management plans provide for sufficient revenues (volumes of fiber at sustainable levels), without more intensively managed silviculture techniques?
3. Can one strategy for poverty reduction be applied across the entire social landscape? For example, will creating employment and income opportunities provide the same degree of poverty reduction for local forest based traditional communities as for community members who rely on employment provided by SME's, particularly in the low value added sawmilling sector?
4. In the absence of public and market infrastructure (i.e. information, government regulation, transparency) what forces determine the prices paid for the fiber of small holders or the boards of the sawmills?
5. Can the existing ODA supported pilots become sustainable?
6. Can existing supply chains internalize the costs of certification? And, is the requirement for certification by higher paying corporate buyers a significant barrier to local community development?
7. Considering the emphasis on vertical integration, could it be too soon for some communities to be pushed into the value added market? What would communities need to integrate themselves into the formal market?
8. What is the relationship between wages and minimum living needs? In the absence of an effective labor market how and who determines wages for those engaged in either formal or informal work?
9. If tighter regulations are placed on the traffic of illegal logging, would this be welcomed by communities or would it be seen as a threat to their income stream and viability?
10. Does the reliance on contractors for a high percentage of production functions encourage entrepreneurship and drive benefits deep into the workforce and communities?
11. Can NTFP's be integrated into the market economy without undermining their cultural importance and traditional uses?

Conclusions

As was the case in South Africa and Indonesia, the potential of commercial forestry to produce wealth was clearly exhibited. Given the lower value added forestry and high productions costs, in those cases where the indigenous communities could sell to higher value manufacturers, sufficient benefits to help reduce poverty were generated. As was the case in prior dialogues, the way commercial forestry is operated is key to determining whether benefit sharing occurs and to whom the benefits accrue. Factors such as efficiency and effectiveness are important, but careful consideration of equity in structuring, corporate-community partnerships and formal/informal employment relationships must also be addressed. The absence of a coordinated and well managed forest products supply chain (a result of inadequate infrastructure as well as social distrust among the various participants) suggests that the ability of this sector to be even more pro-poor is possible.

Enabling Conditions

Policy and Institutions

The forest industry is clearly not a priority for existing government policies. Agrarian land reform could endanger existing forests and appears to be adding to conditions which are contributing to the notion of "capital flight". If the central government could provide this industry clear signals that with more equitable benefit sharing it would receive more infrastructure, this industry could compete more effectively on the international market as well as begin to develop more value added production.

The presence of strong community structures supported by ODA substantially increases commercial forestry's ability to engage in equitable corporate/community partnerships and benefit sharing. The pilot projects demonstrate what can be achieved in terms of poverty reduction even with low levels of technology and low valued added production.

Certification

Certification is both an asset and a barrier in terms of poverty reduction. For those who are certified it is an effective tool to reduce illegal logging, a way to increase revenue received for fiber, an entry point for traditional communities to the market economy, and a tool to ensure long-term commitment to both community management plans and SFM. For those who are not certified yet want to be because of the benefits described above. But by some certification is seen as just another barrier introduced and controlled by others. If those paying a premium for certified wood were willing to partner with communities wishing to be certified, then the role of certification as a source for poverty reduction and SFM would be clearer.

Long-term partnerships

The lack of long-term partnerships and the suspicion such concepts raise within the communities is a major deterrent to this industry's ability to be more pro-poor. The competing local and national elites and the long history of unequal benefit sharing make this a very difficult condition to obtain. All actors need to engage in the slow process of trust building.

Drivers

Effective Leadership

Pro-poor forestry emerges through clear vision, innovation and leadership amongst actors and across sectors. When absent, it cannot be created unilaterally by a single actor within the sector acting alone.

Advocacy

Recognizing the economic contributions of forestry to poverty reduction requires continued research and advocacy, improved transparency, and greater sector-wide awareness of opportunities for pro-poor initiatives in supply chains. Heightened awareness to social issues can lead corporations to develop and enforce social contracts with policies balancing economic returns with social and economic equity. Failure to respond to such demands ultimately results in political change or social unrest.

In South Africa, this resulted in national legislation for black empowerment. In Indonesia, it is expressed in terms of civil society protests and illegality. In Bolivia, the election of the Morales government appears to be a clear indication that the political system overall had not adequately responded to social equity demands and development needs.

Markets

Demand for a narrow range of forest products reduces the economic value of forests and makes them vulnerable to conversion to unsustainable agricultural use. The range of alternative ecosystem services (including fiber, wood,



Albert Bokkestijn

“green energy”, clean water, recreation, carbon sequestration and biodiversity) are absent and may not be able to be capitalized until partnerships along the supply chain can be developed.

Clear Indicators

Measuring progress towards poverty reduction requires a clear picture of goals from a forest sector point of view. 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. The development of universally agreed on matrix and pro-poor indicators is necessary especially where strong social partners are absent.



Co-Chair Marianella Curi

Opportunities

- ➔ Exploring international cooperation to better link drivers and overcome barriers when national institutions are lacking in capacity is important but not necessarily required;
- ➔ Creating national markets for unused species is critical to raise the value of forest land and thus enable it to compete among other land uses;
- ➔ Likewise, the sector must find ways to overcome its legacy issues (especially in terms of uneven distribution of benefits) and begin to develop long term partnerships within the value added production chain in order to better position itself within the current political climate. The higher value added corporate sector needs to reach out to community groups to assist them in obtaining certification as part of a larger more socially aware purchase policy.

In the Bolivian context, further efforts to create a forest sector stakeholders platform, to allow trust and relationship building across and within the sector, were clearly supported by the majority of dialogue participants.



Pablo Pinell

Next Steps for TFD

TFD has encouraged all stakeholders that participated in the Bolivia Dialogue to continue the discussion on pro-poor commercial forestry in Bolivia. TFD's next dialogue on pro-poor commercial forestry is being planned for Komi, Russia in mid-2008. This will be the last planned regional dialogue on this topic. TFD will endeavor to produce a series of papers as a directly result of our discussion reviewing the universal findings of the four “models” to pro-poor commercial forestry. These papers will include a semi technical document outlining key drivers and enablers and a set of guidelines/policies that commercial forestry should review to maximize its potential to be pro poor producing a strong business case for pro poor forestry.



Arturo Bowles

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The work of The Forests Dialogue is implemented by a Secretariat hosted by the School of Forestry and Environmental Studies (F&ES) at Yale University in the United States. TFD is an autonomous program composed of individuals and governed by a Steering Committee with representatives from major forest stakeholder groups. The statements, reports, and findings of TFD do not necessarily represent the views of F&ES Faculty. All enquires should be directed to Gary Dunning at TFD - info@theforestdialogue.org



Co-Chairs Bill Street and James Griffiths

Co-Chair's Summary Report

Dialogue on Pro-Poor Commercial Forestry in Bolivia
18-21 September 2007 - Santa Cruz de la Sierra, Bolivia

Dialogue Participants

Antonio Andaluz	<i>Consultant</i>
Pablo Antelo	<i>Camara Forestal</i>
Daniel Arancibia	<i>WWF-Latin America</i>
Albert Bokkestijn	<i>SNV-Bolivia</i>
Arturo Bowles	<i>Camara Forestal</i>
Juan Carlos Chavez	<i>PUMA Foundation</i>
Peter Cronkelton	<i>CIFOR</i>
Marianella Curi	<i>TNC-Bolfor II</i>
Gary Dunning	<i>The Forests Dialogue</i>
René Fong	<i>ASPROGOAL</i>
Beatriz García	<i>CEDES</i>
Peter Gardiner	<i>Mondi</i>
Marco Giusanni	<i>IFC</i>
Jaime Gonzales	<i>CIDOB</i>
James Griffiths	<i>WBCSD</i>
Sophie Grouwels	<i>FAO</i>
Moisés Guarachi	<i>ASAFIT</i>
Juan Pablo Jacobs	<i>CIMAL</i>
Tomas Jonsson	<i>SIDA</i>
Scott Landis	<i>Green Wood</i>
Zulema Lehm	<i>Bolfor II</i>
Luciano Lisbão	<i>Aracruz</i>
Carlos Masai	<i>Consejo de Vigilancia Guarayos</i>
Juan Carlos Medrano	<i>Forest Superintendency - Santa Cruz</i>
Henry Moreno	<i>WWF-Bolivia</i>
Bill Patterson	<i>TNC</i>
Pablo Pinell	<i>TNC-Bolfor II</i>
Sarah Price	<i>Tropical Forest Trust</i>
Luis Prudencio	<i>Suma Pacha</i>
Lincoln Quevedo	<i>UAGRM</i>
Gerd Resnikowski	<i>Cadefor</i>
Ricardo Roca	<i>USAID-Bolivia</i>
Edgar Lozano Ruiz	<i>Grupo Roda</i>
Teresa Sarroca	<i>Yale University</i>
Oscar Serrate	<i>CEDES</i>
Manoel Sobral	<i>ITTO</i>
Bill Street	<i>IAM</i>
Leonardo Tamborini	<i>CEJIS</i>
Aisar Terrazas	<i>CIPTA</i>
Claudio Cesar Vaca	<i>AISU</i>
Fernando Velarde	<i>CIMAL</i>
Bert Wittereen	<i>SNV-Bolivia</i>