



THE FORESTS DIALOGUE

TFD STEERING COMMITTEE 2009

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The Forests Dialogue

The Forests Dialogue (TFD) and the Growing Forests Partnership (GFP)

Investing in Locally Controlled Forestry: Improving Quality and Quantity

A scoping dialogue to identify the key challenges and opportunities, for improved investment in locally controlled forestry in the global north and south, followed by an international dialogue process with linked practical actions

Dates 9-10 June 2009

Location Brussels, Belgium

Introduction

The TFD Steering Committee and GFP's Catalytic Group have an interest in exploring how investment in locally controlled forestry can be improved in both the "global north" and the "global south".

In this context, we are considering locally controlled forestry as the range of actions to manage or grow forest resources and run small enterprises based on forest goods or services, carried out by smallholders, community groups, forest-dependent people and other local groupings, and over which they have substantial decision-making power. Likewise, investment is being understood here in the wide sense of the types of actions that can enhance locally controlled forestry assets, chiefly the supply of finance and the development of human resources and practical management systems.

Under the right conditions, locally controlled forestry can be a strong contributor to local livelihoods and sustainable development. Often it requires improved investment to reach this potential, yet this investment can be lacking or misplaced. Work needs to be done on this – to understand the issues and find solutions to the problems. Recognising that considerable work has been done on these issues, but that key dilemmas and constraints remain as yet unresolved, we propose a dialogue process, so as to in part, identify some specific in-country inputs to make progress.

Initially, TFD and GFP will convene a scoping dialogue to identify the key challenges and opportunities for improving investment in locally controlled forestry.

The scoping dialogue is proposed to better understand:

1. the challenges and opportunities faced by locally controlled forestry in the global north and south;
2. factors behind successful forestry interventions that need to be integrated into investment initiatives and other support programs;
3. the actual and potential north-south connections;
4. the possible ways forward for an efficient and effective TFD dialogue stream on these issues.

The Forests Dialogue.

The Forests Dialogue has a history of encountering these issues in the dialogue streams that emerged from its initiatives on *Commercial Forestry and Poverty Reduction* and *Intensively Managed Planted Forests*. TFD aspires to foster useful engagement amongst those concerned with key issues in the conservation and sustainable use of forests. It comprises a group of individuals from diverse interests and regions who share this aspiration. Participants in TFD's dialogues work together in a spirit of trust and commitment and participate as individuals, not organizational delegates. TFD's processes and activities are transparent, complement the actions of others, and seek to advance progress.

Since 2002, TFD has developed and convened over 25 dialogues under 8 different initiatives on key issues related to conservation and sustainable forestry. These key issues are typically 'fault lines' in existing forestry debates along which dialogue is sorely needed, or areas of opportunity in which dialogue can make some useful progress. TFD's initiatives on *Forest Certification*, *Illegal Logging and Forest Governance*, *Biodiversity Conservation* and *Intensively Managed Planted Forests* have achieved their objectives and concluded. Currently initiatives on *Commercial Forestry and Poverty Reduction* and *Forests and Climate Change* are well under way. Others such as an initiative to explore implementation of the "free, prior and informed consent" principle in forestry are in development. In particular it has been the dialogues on *Commercial Forestry and Poverty Reduction* and *Intensively Managed Planted Forests* that have highlighted the issues facing locally controlled forestry. This trajectory is what makes TFD an obvious and suitable convenor of this collaboration.

Growing Forest Partnerships

The Growing Forest Partnerships (GFP) initiative has been designed to facilitate and respond to bottom-up, multi-stakeholder processes in developing countries that identify national priorities and gaps impacting on the forest sector. GFP's goal is to support local initiatives and mechanisms that will improve the quality and quantity of investment into the sector. It aims to give a voice to marginalized, forest-dependent groups in developing both national and international policy processes. GFP intends to work through locally based institutions and build on existing partnership structures.

The GFP collaboration currently includes IUCN, IIED, FAO and is supported by the World Bank. It is envisioned to grow quickly beyond these start-up organizations, particularly at the local and regional levels. In partnership with TFD, this initiative will bring together

leaders and representatives from a wide variety of local level forest dependant groups with international stakeholders to address the opportunities and challenges for these groups to improve the quality and quantity of investment and their financing. This is particularly timely given the interest in the newly emerging financial mechanisms to address climate change mitigation and adaptation.

Rationale

Locally controlled forestry can play an important role in reducing poverty while sustainably managing natural resources. Consequently, it should be central to evolving climate change strategies making use of forests for mitigation and adaptation. Sustainable forestry is increasingly being called upon to play its part – and the appropriate conditions and scale for new efforts are being sought. Forest-dependent people in the North and South are particularly concerned about the emerging financial mechanisms relating to climate change, the potential negative impacts these may have on their livelihoods and the lack of opportunities that may be available to local forest people to access these emerging investments. Concerns have been raised about potential threats to the legal or customary rights and the economic status of forest dependent people, who would incur significant costs and economic losses if access to forest resources becomes constrained. These threats could include, for example, the inappropriate targeting of financial support resulting in the limitation of peoples' access to their forest resources or inadequate investment in capacity strengthening for local structures.

According to the World Bank about 1.6 billion people live in predominantly forest ecosystems or in their vicinity. Forests are important resources for the rural poor, with over 800 million people living in forests and woodlands in the tropics.¹ The number of small-scale family forest owners can be estimated at about 30 million in developed countries². Reliable estimates on developing countries are lacking but their number is measured in tens of millions as well. In addition to livelihood contribution through subsistence safety net, the forests can also provide a source of cash income, a capital asset, a source of employment, and an alternative health care system based on forest plants.

Indigenous groups and communities own or manage about 20% of the forests in developing countries³. According to the Global Alliance of Community Forestry more than 9 million people depend directly on products and income from community forests but this is likely to be a gross underestimate as in many countries community forests are not sufficiently organized to provide reliable estimates on their members. The community forest sector is expanding fast as the governments in many developing countries (Cameroon, China, Ghana, India, Thailand, Peru, Bolivia and Colombia among others) are transferring ownership, management or use rights to local communities and their members under various arrangements.

These communities are, however, often poorly equipped to manage their forests sustainably and to add value to their products. In many cases, the forest areas transferred

¹ Chomitz, K M. 2007. At Loggerheads? The World Bank. Washington, D.C.

² The estimate is based on consultation with selected members of the International Family Forest Association (IFFA)

³ White, A. & Martin, A. 2002. Who Owns the World's Forests. Forest Trends. Washington, D.C.

are degraded with limited development potential. Even where legal reforms of tenure arrangements have been carried out, the regulatory frameworks reflect outmoded and traditional legal and tenure arrangements and can make it impossible for small-scale actors and communities to benefit from the policy and legal reforms. Regulations often act as barriers for legal access to forests and markets, unduly raise the transaction costs of community enterprises and promote unfair sharing of benefits and corruption. Increasing numbers of smallholders are becoming involved in forestry through the planting of trees, which in some cases may involve community-company partnerships or cooperative enterprises.

In general, indigenous people, forest communities and smallholders are poorly organized which means that, as market actors, they cannot tap the sales price potential of their products. Weak managerial and technical capacity is a key constraint for their development and makes communities vulnerable to external pressures for illicit activities. In addition, lack of access to capital is a common fundamental constraint not least because community or indigenous lands can rarely be used as collateral and the banking sector may have no or very limited understanding of forest investments financing. Communities and smallholders are also particularly disadvantaged in meeting market requirements, which are becoming increasingly demanding and complex. Requirements such as verification of legal compliance, attestation of sustainable practices and traceability of forest products can prove to be particularly challenging. On the other hand, there are new opportunities: (i) national and regional markets in developing economies are growing fast and offer a vast potential, (ii) community/smallholder-corporate partnerships are spreading and can help overcome some of the capacity constraints in community forest management, and (iii) in developed countries high-value market niches that appreciate the social value of community-produced products from sustainably managed forests are emerging.

Internationally there is an increasing awareness of the problems being faced by indigenous people, communities and smallholders in the management of their forest. Past support efforts have revealed several common weaknesses including (i) inadequately defined land tenure and user rights, (ii) lack of attention to the economic feasibility of forest-based activities needed to make them sustainable, (iii) limited access to finance and technology, (iv) inadequate legal and policy framework, (v) weak governance, prevalent corruption and high transaction costs of legal compliance, (vi) lack of local level capacity to control and manage forests, (vii) limited market access coupled with lack of market transparency and exploitation of small-scale operators by intermediaries, as well as (viii) weak organization among indigenous people, forest communities and smallholders to defend their rights and to promote their interests.

To ensure that they are not adversely impacted and have equal access to these financial mechanisms, forest dependent people are demanding a key role in the decision-making processes leading to the design and implementation of investments. Moreover, in an interest to address climate change, the promotion of afforestation / reforestation to sequester carbon from the atmosphere and to reduce emissions from deforestation and forest degradation (REDD), and the role of forests in adaptive strategies have recently

received increased attention at the highest national and international levels. Due to the strong influence this will likely have in forest investment and therefore the type of management that is put in place, these strategies will be a central element in this dialogue.

A wide range of successful examples of locally controlled forest management exists and the lessons learned from these successes should be built upon. The following underlying factors of success have been tentatively identified:

- the political will and enabling conditions;
- the recognition of land tenure and use rights;
- good governance at local and national levels;
- transparent and efficient markets with adequate access by forest communities and smallholders;
- effective organisation of forest stakeholders;
- adequate capacity development in sustainable forest management and business management;
- the enthusiasm and resources of intermediary support organisations;
- transparent and well defined benefit sharing mechanisms.

Ensuring that the above factors of success are better integrated into financing mechanisms for locally controlled forestry is one of the key challenges facing the forestry sector today. Through improved dialogue and partnerships, including indigenous peoples, forest communities and smallholders in the North and South, this dialogue aims to decrease the gap between forest dependent people, the actors providing the finance and those designing and implementing investment into the forestry sector.

In the initial phase during the scoping dialogue, the following key questions will be addressed:

1. What are the key constraints and opportunities that indigenous people, forest communities and smallholders face in accessing investment?
2. What are the key constraints and opportunities that investors (suppliers of finance and supporters of human resources and practical management systems) face in their relationships with indigenous people, forest communities and smallholders?
3. What potential exists for common efforts to address these constraints and take advantage of the opportunities?
4. What should further dialogue, and practical actions linked to dialogue, focus on?

Objectives, Outputs and Outcomes

The initiative intends to establish an ongoing process and platform that enables dialogue between international financing sources, governments, forest dependent people and other stakeholders. The long term objective is to ensure that investment streams, especially those emerging from climate change initiatives, address the concerns of forest dependent people and strengthen the positive role of locally controlled forestry. The design of the forum will enable continued dialogue beyond 2009 to ensure that forest dependent people

have a platform to share their experience and have a voice to improve the quality and quantity of investment.

The proposed outcomes of the initiative in 2009 will be:

1. Improved South-South, North-South and North-North knowledge sharing on the conditions under which locally controlled forestry successfully contributes to local livelihoods and sustainable development.
2. Stimulated learning from multi-stakeholder processes and partnerships as a means for assuring active participation of forest dependent people in forest management and forest policy design.
3. Improved trust between stakeholders involved in locally controlled forestry
4. A functioning platform to link country level multi-stakeholder processes and partnerships to the international dialogue on forests (UNFF, UNFCCC, UN-REDD, FCPF, FIP, etc.).
5. Identified catalytic actions, which demonstrate ways forward and their effective dissemination.
6. Improved understanding of the need and challenges for improved investment flows to locally controlled forestry with particular focus on alleviating poverty and pressures on unsustainable use of natural resources, and addressing climate change mitigation and adaptation.

Anticipated Outputs in 2009

1. Increased awareness on the opportunities and constraints of locally controlled forestry among about 500 people
2. Submission of a joint, consensus-based statement of all participants as part of Forest Day 3 at UNFCCC COP 15 Copenhagen.
3. Identified ways in which this Initiative will move forward in 2010 and beyond.

Program for 2009

An initial scoping dialogue organized by TFD will be undertaken on June 9-10, 2009 in Brussels, Belgium (hosted by CEPF) to develop the concept further and ascertain key design issues.

Regional & International events

A series of 4 to 5 regional dialogues in 2009 and 2010 will be developed to share lessons and experiences from locally controlled sustainable forest management activities and establish a dialogue framework of key issues needed for improved investment streams at the local level. The themes of the dialogues will be based on critical forest management issues: tenure, governance and market access.

To ensure strong regional representation, TFD will work with local partners to convene dialogues in Africa, Asia, Latin America, Europe and North America. In addition, several events will be planned for the World Forestry Congress in October in Buenos Aires, Argentina. The events will be intended to share and build on the lessons and messages from the regional dialogues.

Key collaborators we are working with include International Family Forestry Alliance (IFFA), International Alliance of Indigenous and Tribal Peoples of Tropical Forests (IAITPTF), Global Alliance of Community Forestry (GACF), International Institute for Environment and Development (IIED), International Union for Conservation of Nature (IUCN), Food and Agriculture Organization (FAO), and the World Bank (WB).

Funding

Funding for 2009 activities has been secured through GFP. IUCN will act as the fiscal agent and administrator for this Initiative on behalf of GFP. Staff time, organisational resources to develop and implement the Initiative and participant support will be coordinated by TFD.

Scoping Dialogue

June 9-10, 2009 - Brussels, Belgium

Format and Content

About 30 individuals will be invited to participate at the Scoping Dialogue. Participants will represent social and environmental NGOs, indigenous and community groups, forest companies and corporations, investment community and development assistance agencies.

TFD's informal dialogue process will seek to share perspectives and learning, identify opportunities, strengthen relationships and move towards joint solutions and collaborations. There will be several background and scene setting presentations, however, the bulk of the meeting will be devoted to a dialogue among participants aimed at understanding personal experience and opportunities for collaboration.

Preparatory and logistical material will be circulated to all meeting participants. Simultaneous translation will be available for Spanish, French and English speakers. There are no fees for participation in this dialogue although participants are asked to cover all travel and related expenses. There will be limited travel support available for those participants that requested it directly from the TFD Secretariat.

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More information

For more information about The Forests Dialogue please see the website at www.theforestdialogue.org or email info@theforestdialogue.org