

Company – Community Forestry Partnerships: Identifying Opportunities



Why Partner With Companies and Communities?

A recent international review found [company-community forestry partnerships](#) in 23 countries, with 57 examples that cover outgrower schemes, supplemental company-grown fiber, tourism and timber concessions, joint ventures, processing and plantations protection services.

Companies are eager to seek alternative sources of wood by the decreasing availability of natural forests, greater restrictions on high-conservation-value and endangered forests, increased public scrutiny on investor and company activities in natural areas, and reforms by the public sector on government concessions. On the other hand, increasing recognition for the rights of forest dwellers and owners has translated into new opportunities to scale-up forest operations when conventional credit systems and government programs historically have blocked their participation. The confluence of companies seeking deals to secure access to land and labor, as well as a steady supply of wood, and communities seeking new markets, as well as access to credit, technology and employment, has created diverse experiences in many countries.

Business arrangements between companies and forest communities have often been characterized by unequal balance of power and terms of agreement. Despite the downsides, both parties continue to form these types of relationships.

Positive Aspects of Company-Community Deals

- clear economic benefits and better returns to capital, labor, or land that alternatives for both company and community
- enterprise diversification, such as expanding mixed cropping for households
- new opportunities, including development of skills for communities and new business pathways for companies
- meeting corporate goals, from profitability and market standing to public image
- increased security of land rights for communities or individuals, through contracts or less formalized external or intra-community recognition
- development of community infrastructure, especially in cases involving corporate responsibility agreements
- shared risk, which can enable otherwise impossible business prospects, as in typical outgrower schemes that allocate production risk to growers and market risk to companies
- better job opportunities for those directly involved, as well as other affected community members
- Positive environmental effects—most broadly promotion of sustainable multi-purpose forest management, but also micro-scale improvements in erosion and climate where trees are intercropped or planted on boundaries

Many examples already illustrate this range of positive effects. In Canada, the government of British Columbia allowed the Weyerhaeuser Corporation to transfer its concession rights to a new business

venture with a coalition of indigenous groups as the lead partner. Under this venture, [Iisaak Forest Resources](#), First Nations hold majority ownership and have access and use rights to a portion of their ancestral homelands. This agreement is seen as a step forward for indigenous groups who not only want employment in the forest sector but also management and decision-making power in the way forests are managed.

The Mexican door-making company [Puertas Monteslan](#), in addition to paying a premium for its certified wood from community producers, uses its financial resources to construct local roads and support community health projects in rural Mexico.

Possible Negative Aspects of Community-Company Partnerships

- high transaction costs on both sides
- misunderstandings between partners can lead to financial losses or litigation
- continued low-wage labor and inequitable land distribution in deals which perpetuate existing patterns of ownership and control
- environmental degradation where natural forests are cleared for plantations, or where plantations are badly managed and promote the spread of invasive species
- excluding disadvantaged community members in schemes requiring possession of land and some initial capital resources

There are fewer examples to illustrate negative impacts, which are more likely to arise in the early stages of a community-company partnership project. However, some misunderstandings stem from cultural differences, such as [concepts involving the valuation of time and money](#). Partnerships take time to grow and gain trust and that needs to be incorporated into the project from the start. Also, 97 percent of the forests in [Papua New Guinea](#) are owned by communities. Some corrupt leaders have made deals with timber companies without consulting the rest of the community, creating social problems and unequal access to the benefits of timber extraction.

It is important to remain realistic about the impact of these partnerships on the community and companies cultures. So far in the reviewed cases, these partnerships have produced unproved or neutral impacts on poverty reduction, conditions of employment, and development of bargaining power. This is mainly due to the complementary nature of forestry operations in a community. In most cases, forestry is one of many local economic activities.

The Role of Government

Governments can support company-community deals by:

- providing seed capital, revolving funds or fiscal incentives to star-up these deals.
- offering favorable loan terms or insurance packages through state financial institutions.
- educating interested parties about experiences in other countries to improve knowledge on the subject matter through forest departments.
- Legal advice to interested parties and in the appropriate language and cultural setting can be provided to inform all parties of their rights in partnerships.
- Governments can contract the services of non-governmental organizations (NGOs) already engaged in this work, in order to avoid duplication of resources. Some of these NGOs include the [First Nations Development Institute](#) in the U.S., the [National Aboriginal Forestry Association](#) in Canada and [Humboldt University's Biocomercio](#) in Colombia.

Lessons Learned for Companies and Communities

Experience suggests that those interested in exploring a collaborative deal should consider the following:

- a formal and realistic contract that is legally valid but not over-complicated;
- security of contributions, land, finance or labor from both sides;
- shared understanding of prospects and opportunities, as well as costs and risks;
- mechanisms for sharing decision-making and information;
- a joint work plan with clear demarcation of each side's rights, responsibilities and expected rewards within an overall management framework;
- flexibility and space for negotiation, including specific terms for review and revision;
- sustainable forest management practices in economic, social and environmental terms;
- regular technical support;
- procedures for conflict resolution – arbitration, defection, termination and recourse;
- systems of accountability to the community (especially benefit sharing) and the local government;
- clear roles for third parties, such as government, NGOs and financing agents; and
- integration with broader development plans for the company, community, district and country.

Lessons already learned by companies involves the need to respect and listen to community values and perspectives ([Greenstar Resources](#)), the need to craft workable agreements and contracts ([Renewable Resources LLC](#)), the need to plan for problems and conflicts with possible alternatives and sound dispute resolution mechanisms ([Sylvania Certified](#)), the need to enable capacity building for community partners and the need to remain flexible in order to reach socially responsible markets (Global Forest Products - [GFP](#)).

Communities have learned to use legal services to better understand agreements, in order to clearly understand legal and market rules, to gain internal consensus on markets and deals that are culturally compatible, to take advantage of educational and development opportunities offered by companies and investors and to capitalize their own enterprises to become stronger players with investors and buyers.

References:

IIED. [Company-community forestry partnerships: From raw deals to mutual gains?](#) by James Mayers and Sonja Vermeulen. 2002. London.

[Global Perspectives on Indigenous Peoples' Forestry: Linking Communities, Commerce and Conservation Vancouver, BC, Canada June 4-6, 2002](#). Conference organized by Forest Trends, UBC, First Nations House of Learning, Iisaak Forest Resources, Ecotrust Canada, the National Aboriginal Forestry Association and the Native American Forestry Program of Northern Arizona University.