

Public-Private Partnerships in Forestry

The issue of “who pays” to conserve forests and maintain their biological diversity offers an exciting entry point for design of environmentally sustainable development programs.



Threats and Opportunities

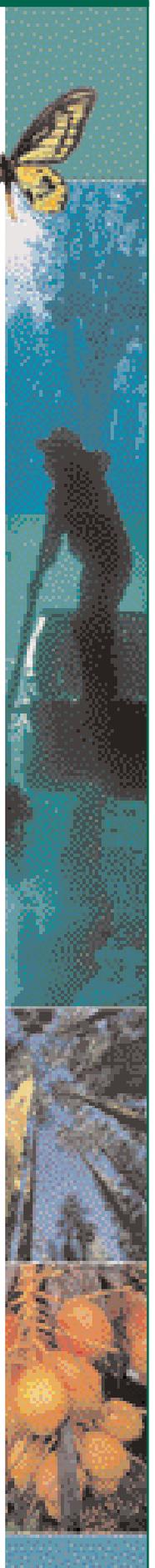
Addressing the challenge of poverty reduction requires the recognition that forests are critical to the poorest people in many developing countries around the world. Billions of people depend on forests to meet their agricultural needs, for organic matter with which to enrich the soil, for livestock fodder, and especially for fuel for heating and cooking. Development efforts must not neglect the linkage between poverty and the dependency of many communities on forest resources for their survival. The United States Agency for International Development (USAID) has been working at this critical nexus of poverty reduction and forestry for over 25 years.

Historically USAID has adopted a threats-based approach. USAID forest programs of the 1970s and 1980s focused on the threat that increasing numbers of rural poor in developing countries would out-strip their forest resources to meet fuelwood needs. The program response focused on supporting host-country, government-led efforts to promote fuelwood plantation, on-farm tree planting, and agroforestry. In the 1990s, USAID adopted a conservation focus, working on both forest protection and low-impact forest harvesting. This program responded to the threat of large-scale deforestation and loss of biodiversity worldwide, with a strong emphasis on tropical forests and

promotion of community benefits from natural forest and protected area management. It was also during this time that the concept of “conservation financing” was first introduced to address the question: “Who pays for conservation?”

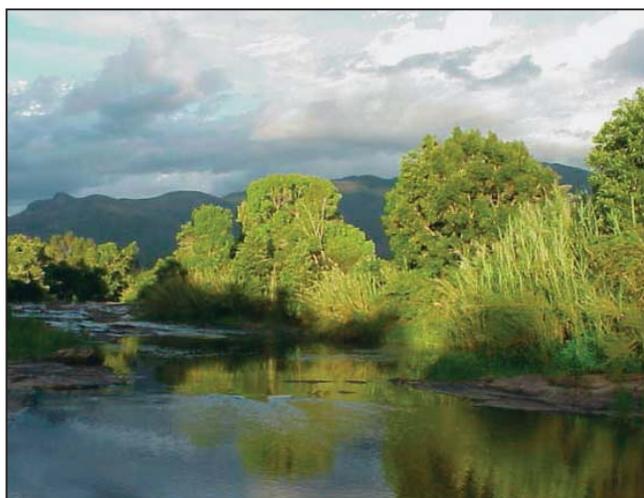
Conservation financing - Who Pays?

Forests must ultimately compete with alternative land use options and economic considerations. The decision to convert forest to other land uses, primarily agricultural uses, results in part from the fact that no market value is currently calculated for many forest goods and services. Thus, these benefits cannot compete against financial incentives to convert forests to farmland, pastures, or plantations. The short-term profit motive is further encouraged by the fact that the benefits of non-traded goods and services are currently flowing to others free of charge. For example, local communities may maintain upstream forests that supply water to downstream communities. This can also ensure the storage of atmospheric carbon in plant tissues, which helps reduce the threats of global warming. However, these goods and services are not “free,” and the poorest members of society are being forced to bear their costs by foregoing immediate profit from timber harvesting or land conversion. Trade-offs are required to maintain natural forest cover and manage it in a way such that costs and benefits are more equitably distributed. The issue of “who pays” to conserve forests and maintain



their biological diversity offers an exciting entry point for design of environmentally sustainable development programs.

A combined approach. The threats of deforestation and loss of biodiversity are pervasive world-wide and remain major obstacles to sustainable development efforts. Loss of forest cover, land conversion, and degradation of forests continue to threaten rural livelihoods. Addressing the underlying causes of these threats is critical to meeting the needs of expanding human populations and rural poor. USAID is building on lessons learned from previous approaches, while staying focused on the underlying causes. As the new century begins, USAID's forest program is expanding its development strategy beyond a threats-based approach to include an opportunity-based approach. This combined approach recognizes that forests can provide benefits beyond subsistence and serve as potential sources of revenue to help address the needs of the rural poor. The approach also recognizes both development challenges and development opportunities in forest conservation.



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Linking communities to the market. A critical concern regarding the sustainability of a combined approach to conservation and development is the issue of long-term benefits to local communities. To sustain livelihoods, communities must perceive and realize benefits in exchange for cooperation in resource protection and conservation. Too often this benefit stream has flowed from outside sources, primarily conservation or development agencies. The weakness in this approach is the dependency on continuous rewards to ensure continuous participation. Still, several innovative mechanisms have been implemented to ensure continued delivery of funds to facilitate the flow of benefits to communities in exchange for continued resource conserving behavior. These include the creation of environmental trusts; debt-forgiveness and debt-for-nature swap; establishing user fees; ecotourism; and co-management schemes tied to benefit-sharing agreements.

In 2002, USAID's Administrator challenged the agency to actively pursue strategic public-private partnerships or alliances as an additional way of promoting conservation financing. The goal of these partnerships is to strengthen the impact of development assistance by mobilizing the ideas, efforts and resources of the public sector in concert with those of the private sector and non-governmental organizations (NGOs). Alliance partners operate through a formal agreement, pool financial or in-kind contributions, and share a common commitment to achieving sustainable environmental and social development objectives.

Within the forest sector, USAID efforts to build public-private partnerships complement trends in conservation financing by utilizing market-based mechanisms as the entry point to tap into emerging international markets. By linking forest industries operating in developing countries to local producers who practice sustainable forest management, partnerships can help both parties by ensuring the long-term and reliable supply of sustainably harvested forest products reach the market. Public-private partnerships

are attractive to public sector and development agencies as a means of leveraging both the technical and financial resources of the private sector to help build local capacity and to promote sustainable management practices. The development challenge for the international community remains one of linking local industry and community participation to these expanding market opportunities.

The following program descriptions help illustrate USAID's focus on public-private partnerships within the forest sector in the areas of domestic timber products (Communities and Forest-based Industries in Brazil), international non-timber forest products (Non-timber Forest Producers in Nepal), and the international timber market (Global Development Alliance).

Domestic Timber Products

Communities and Forest-based Industries: Brazil

Threats. The Brazilian Amazon is home to almost 20 million people whose livelihoods are tied to the health of the forest, either directly through traditional activities such as rubber tapping and Brazil nut collection, or indirectly in large urban centers through dependence on energy, water, food and fiber. Although parts of the region are still sparsely populated, approximately one-third of the population lives in rural areas that are characterized by extreme poverty and politically excluded or under-represented. Economic development in the region has a history of boom-bust cycles that generated little lasting wealth. Earlier government policies viewed Brazil's forest expanse as a frontier for agricultural expansion and promoted land conversion. However, forestlands are not often suitable for agriculture due to poor soil or drainage conditions. Slash-and-burn agriculture, when practiced on such marginal lands often results in poor crop yield and can contribute to unstable, itinerant livelihoods. Commercial forest harvesting as it is commonly practiced in the region is unsustainable, and amounts to a forest 'mining' system that leaves behind joblessness



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and damaged forests that are frequently converted to unproductive pastures. Breaking this pattern will require an approach that sustains the natural resources on which the rural poor depend, while also improving their livelihoods and economic opportunities and enhancing their ability to influence decisions affecting their lives.

Opportunity - Mobilize the Private Sector. Public-private partnership opportunities under USAID's new development assistance model are becoming increasingly attractive to private companies, organizations, and foundations interested in supporting new and emerging 'green' markets, which have become a hallmark of environmentally and socially responsible enterprise development. Brazil is well positioned to attract foreign investment in these new mar-

kets given its stable and democratic form of government, movement toward decentralization, free press, independent judiciary, and increasing public commitment to conserve forests and promote social justice. Brazilian society is poised to shape land-use patterns, especially in the Amazon, and to influence decisions to protect the social and environmental benefits derived from the country's natural resource base. These developments can ensure ecosystem health and long-term productivity which are fundamental to improving rural livelihoods. Local forest conservation and management lessons learned through previous USAID - Brazilian cooperation are now ready to be scaled up to a regional level. Key markets, such as those in certified timber, organic and natural products, and ecotourism illustrate these new sources of environmentally sound products and services.

Huge potential exists to create or strengthen ties between companies and communities in order to link with emerging markets - an idea that is attractive to both sides. From the company point of view, ties with local communities provide social and political legitimacy that can serve as a hedge against potential threats such as resource destruction or land invasion. From the community perspective, linking with companies and organizations provides a critical source of employment and the opportunity to develop business planning and management skills that they lack and have few opportunities to develop. These are the skills that are prerequisite for future community-based enterprises and national growth and development. Community-based enterprises, typically small or medium sized, have been the backbone for innovation in developing countries over the last thirty years, accounting for about half of Latin America's GNP and employing 80% of the region's workforce. Emerging green markets offer a niche where smaller enterprises appear to have a comparative advantage over their larger counterparts.

Opportunity - Mobilize NGOs. A novel aspect of the USAID/Brazil Environment Program is



photo by Laura Miller

its commitment to formally promote formation of strategic alliances and networking among local NGOs. The current effort builds on the success of the Mission's early environment program, which was due to the strength and capacity of its local NGO partners. USAID has worked with NGO partners with demonstrated effective 'track records' in Brazil and strong linkages to Brazilian counterpart organizations. These linkages help to magnify the impacts of program investments and create multiple synergies. Long-term funding commitments, which have been characteristic of the program since its inception, enable partnerships to mature and organizations to grow and expand their capabilities. Through such approaches, USAID has helped build institutional networks that include rural communities, NGOs, technical schools, universities, public research centers, private businesses, governmental agencies, and policy makers at diverse levels. These networks work to empower local communities, generate and disseminate sound resource management practices, and formulate public policies to support and encourage such practices. USAID helps strengthen linkages between partners through annual meetings and support for networks of NGOs and grassroots organizations.

Previous program success was achieved, in part, by the willingness of diverse environmental groups to spontaneously form informal networks to join forces and concentrate efforts on specific environmental themes or policy issues.

Such partnerships have formed around functional alliances based on institutional and professional affinities. Experience has shown that this type of networking does not diminish an individual organization's identity, but rather adds value to groups that have established credibility in specific niche areas. The informal networks emerging among environmental groups in Brazil greatly expand the reach of successful models of conservation and sustainable development while creating the critical mass needed for effective public policy advocacy. It is proof of what strategic alliances can achieve.

Non-Timber Forest Products: Nepal

Threats. The second forest program to highlight USAID's new development model is a renewed focus on the long-running and successful community forest program in Nepal. Over 12,000 community forest user groups have formed across Nepal, directly benefiting more than 1.4 million households responsible for the management of an estimated 1 million hectares of forest. Many sites under community management are now producing both timber and non-timber forest products at levels beyond those needed to satisfy the community's needs. Non-timber forest products (NTFPs) offer a unique entry point to achieving the dual objectives of forest conservation and improving local livelihoods. Forest timber products have a long rotation period before their growth can yield cash benefits, while NTFPs such as rattan and essential oils can be harvested in a relatively short period of time. NTFPs thus serve as an intermediate crop that yields benefits while trees, which are slower growing take time to reach a merchantable volume. NTFPs play a vital role in contributing to the rural economy and providing immediate rewards for forest conservation. However, due to their value and demand, these products are not always harvested in a sustainable manner.

Promoting local management of forests, in part for the production of NTFPs, is a promising conservation strategy, offering the potential to

support community-based enterprises that help alleviate poverty in rural areas. The 'returns' for protecting the forest are quickly realized. Many rural Nepali families traditionally harvest these products for their medicinal, cultural, cosmetic and other uses. While collecting and selling NTFPs is a familiar concept, practiced in a traditional manner, the enterprise activities related to NTFPs (such as business plan development, production and processing, and marketing at a commercial scale) are not.

As currently configured, the market is inefficient from both industry and conservation perspectives. Over 90% of NTFPs leaving Nepal in raw form pass through several traders before they reach their primary markets in India. There are no certification programs, nor recognized industry standards, for NTFPs in Nepal, although there is demonstrated interest among international buyers to support sustainable product sourcing. For example, progressive companies like the U.S.-based Aveda Corporation (a subsidiary of Estée Lauder Companies, Inc.) are choosing to source only sustainable products. This decision reflects their commitment to support broader environmental and social goals and also serves to help address problems that occur due to the long supply chain. The problem from the producer perspective is that forest resource managers are separated from end markets and as a result see low returns in exchange for their forest steward-





Various types of essential oils ready for marketing.



ship. The problem from the buyer and market perspective is that few companies in Nepal process raw materials for export to the higher value markets. Most materials pass through multiple traders, often resulting in deterioration or adulteration of products.

The net result is processing companies receiving low quality materials that taint the reputation of Nepali industries.

Opportunity - Mobilize the Private Sector. In Nepal, USAID facilitates a public-private partnership to support a strategic alliance linking domestic and foreign NTFP buyers, Nepali producers, and NGO and government programs assisting the NTFP sector. Objectives of this strategic alliance include: increased income and employment for Nepal's producers of NTFPs, promotion of sustainable resource management, protection of Nepal's natural forests, and expansion of responsible buying practices among industry members. This public-private partnership, the "Certification and Sustainable

Marketing of Non-timber Forest Products Alliance," builds upon earlier work in certification and efforts to support Nepal's NTFP micro-enterprise activities. Nine partners, each offering complementary skills and resources, have joined the Alliance. The partners represent all the major participants within the sector: forest communities, Nepali and foreign private companies, Nepal NTFP network organizations (both governmental and non-governmental), donors, foundations, and certification representatives.

If NTFP certification becomes a proven conservation and forest-enterprise strategy, Nepal's NTFPs could be well-positioned in markets that are committed to responsible buying practices. Certification may also improve and maintain the quality and consistency of Nepali NTFPs. Implicit in the pursuit of a certification system is the assurance of social equity, environmental health, and sustainability of the natural resource. However, several issues remain unresolved. Will certification of Nepal's NTFPs allow entry into higher value markets? Will the certification process be cost effective for both communities and buyers? Can producers and



Cloth made of a shrub locally called allo.

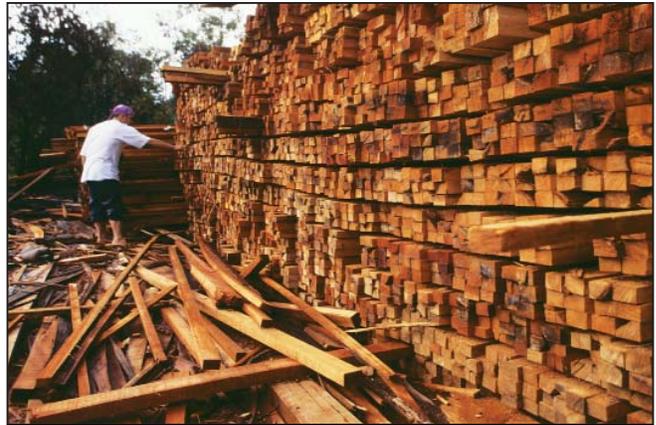
buyers achieve sustainable long-term supplies of quality NTFPs? It is the intention of this alliance that the answer to all these issues be an unqualified yes.

International Timber Market

The Global Development Alliance (GDA)

Threats. Forests must ultimately compete with alternative land use options and economic considerations. Forest conservation will only be achieved if both the costs and the benefits of forests are shared in an equitable manner that promotes environmental quality and long-term economic and ecological sustainability. This will require a combination of approaches, including measures to alleviate poverty and secure livelihoods, as well as to promote national-level efforts to balance forest management objectives (i.e., identifying trade-offs between different interests that optimize the social benefit from the national forest estate as a whole). Absent any profit or market incentives, there is little evidence that the timber industry is willing to pay the full cost of managing forests in a sustainable manner and little incentive for local people to bear the full cost of conservation by forgoing land and resource use options.

Opportunity - Mobilize the Force of the Market. USAID's development-oriented objectives can be integrated with business objectives. For example, efforts to support an increase in the supply of certified tropical forest products provide an excellent opportunity to capitalize on emerging markets that respond to consumer-driven demand for sustainably managed environmental goods and services. The development goal is to link local producers (i.e., communities, organizations, and indigenous groups) who adopt sustainable management practices with private-sector industries seeking to expand into these growing international markets. Strategic partnerships would leverage the technical and financial resources of the private sector to help build local capacity and promote sustainable management practices as a way to



Illegal timber stocks. Sebangau River, Central Kalimantan, Indonesia.

ensure a reliable long-term supply of products to the market. The level of support the private-sector could mobilize is great: the forest products industry in the U.S., for example, is an estimated \$100 billion annual industry. Strategic partnerships also leverage the creativity of alliance partners and may prove to be cost effective in producing results that any one member, working alone, could not achieve.

The goal of the forestry Global Development Alliance (GDA) is to promote sustainable local livelihoods, national economic development, and biodiversity conservation by linking local producers who adopt sustainable management practices to the international market for certified or responsibly harvested forest products. The forestry GDA, known as the "Sustainable Forests Products Global Alliance" was officially launched in 2003. Alliance partners include USAID, the World Wildlife Fund's Global Forest and Trade Network (composed of over 800 corporate partners and 19 local networks active in nearly 30 countries), and Metafore (a non-profit organization supported by over 300 agencies, foundations, individuals and corporations in North America that promotes responsible forest product buying practices). The Alliance operates on two fronts, building demand for responsible forest products and increasing supply of certified wood products. Targeted activities will be implemented at four levels: at the market-level, influencing corpo-



rate purchasing decisions of high volume businesses; at the technical level, supporting a comprehensive, peer-reviewed guiding framework for evaluation of credible certification schemes based on standard setting, certification, accreditation, and product tracking; at the product pathway level, developing a network of experts who have direct experience in importing, marketing, and selling products from lesser-known species of forest plants as a long-term substitution strategy for species that are becoming rare and depleted; and at the global information level, supporting a stand-alone independent educational website, powered by a comprehensive, accurate and global database of companies, forests and forest products certified under an array of independent third-party certification systems.

Expected results from this new alliance and its strategic focus on forming long-term partnerships include:

- Increased demand for and supply of certified forest products from key producing countries and associated increased linkages between the supply and buyers of certified forest products;
- Reduced level of destructive and illegal logging practices, particularly in tropical regions;
- Improvement of business and government policies to encourage the production and trade of certified forest products;
- Improvement of the capacity of communities, businesses and local governments to use technical approaches and market information for sustainable forestry and value-added enterprise development; and
- Development of a global information base in sustainable forest products and sustainable forest markets, including the role of lesser-known species in preserving biodiversity.

Based on a paper prepared for the World Forestry Congress, Quebec, Sept. 2003 by E.J. Brennan, C.J. Rushin-Bell, B. Acharya, and E. Stoner.

USAID FOREST PROGRAM

*25 Years of Progress Toward
Sustainable Forestry*



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