

forestry

research findings for development policymakers and practitioners

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Helping or hindering development?

Many forest areas in Africa are used for industrial logging. While some people claim that logging brings economic development, there is evidence that the negative environmental and social impacts outweigh any economic benefits, and that those benefits themselves are questionable.

A report by the Rainforest Foundation and Forests Monitor, both in the UK, looks at industrial logging contracts (known as concessions) in west and central Africa and their impact on tropical forests.

Most forest management agreements involve only logging companies and government forest authorities. Local and indigenous people, who often depend on forest resources, are excluded from the process; their rights are not recognised either in forest laws or in practice. This has resulted in conflict between local communities, logging companies and forest authorities.

Although logging has been promoted as a way to bring development and decrease poverty, Africa's main timber producing countries have seen economic and human development worsen. This is because governments do not retain much income from timber. Companies avoid paying taxes and governments do not have the power to enforce laws and regulations. The model of forest concessions means corruption is also common, as governments have little or no capacity to monitor and enforce laws.

It is also difficult to enforce regulations to reduce the ecological impact of logging, such as soil erosion, biodiversity loss and pollution. As a result, environmental degradation is common in logging areas.

Armed conflict has also been associated with logging. In Liberia and the Democratic Republic of Congo (DRC), money from the timber trade has supported armed rebel groups. The research shows:

- Concession agreements allow logging companies to continue working, even in areas of conflict and areas beyond government control. This happened in Liberia and in parts of the DRC.
- Both corrupt governments and their armed opponents allow companies to ignore forestry

laws in return for financial and logistical support during wars.

- Support by logging companies for any one group (either government or rebels) creates enemies, which can increase conflict between groups.
 - Some logging companies support groups that commit atrocities against local people or rival groups. This can be considered as complicity to these crimes on the part of logging companies.
- The links between conflict and industrial logging are similar to other natural resources in conflict regions.

The concessions system has not brought expected development and poverty reduction, but has actually increased the level of corruption. Taxes and other revenue do not reach legitimate government funds to support development.

In reality, many poor people are even worse off, losing their access to forests resources. To change this situation, policymakers must:

- include local people in forestry decision-making and management and recognise local and indigenous people's rights in forest laws
- shut down logging operations in times of conflict, if monitoring and enforcement are no longer possible
- agree an international definition of 'conflict' timber, alongside a system to enforce a ban on its trade
- hold to account logging companies that are complicit in human rights abuses and ban them from future logging licences.

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Non-timber forest products

Meeting conservation and development goals?

In the 1980s and 1990s, many organisations working in tropical rainforests promoted the sustainable extraction of natural products by local people. By collecting and selling non-timber forest products, local people could benefit from biodiversity and, as a result, had an incentive to conserve it. Do non-timber forest products successfully support conservation and local livelihoods?

Research from the Overseas Development Institute in the UK, and Centre for International Forestry Research in Indonesia, looks at non-timber forest products (NTFP) projects around the world. The researchers assess whether they meet the twin goals of conservation and development.

Some NTFP transactions are simple, for example when a producer sells directly to a local buyer. However, sales beyond local markets involve production, collection, processing, storage, transport, marketing and sale. This value chain can be especially complex for NTFPs. Some products come from wild sources and remote places, so volumes collected tend to be low, and transport and communications can be difficult. Low volumes mean that processing,

storage and transport may not be economical unless several collectors group their produce together.

There are several challenges to the wider commercialisation of NTFPs:

- Industries that use NTFPs, such as cosmetic and pharmaceutical companies, are often led by changing market trends and fashions. However, new products take time and investment to develop, so the risks to producers are high.
- Small producers often cannot meet the quality, quantity and reliability demands of buyers. They have poor understanding of the market and do not plan for likely demand.
- The technology required to add value to some raw products is expensive and sophisticated, and beyond most rural producers.
- Certification schemes for environmental standards, social quality and health are usually expensive and complex to meet. They do not always mean a better price for producers.
- When natural products become valuable, rich elites are likely to take control of access, production and sale. This can exclude poor people from resources they rely on.
- As demand increases, there is risk of over-exploiting wild species, causing ecological damage.

NTFPs are not a simple answer for

conservation and development, but they can offer a way for poor people to improve their incomes. Policymakers should offer support where it will be most needed and useful. To help commercialise NTFPs, they should:

- Create policies that view market chains in an integrated way and support areas most likely to help small local producers. This may include investment in transport and recognising land tenure.
- Help small producers to understand production costs and ensure they can compete with larger competitors.
- Encourage producers to use NTFP opportunities as part of a wider group of income generating and subsistence activities, so that risk of falling demand is spread.
- Ensure that a market, whether local, national or international, exists before developing a product, and that producers can meet the quality, quantity and reliability demands for this market.

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'Commercialisation of Non-timber Forest Products: A Reality Check' *Development Policy Review*, 25(3), pages 355-377, by Brian Belcher and Kathrin Schreckenberg, 2007

Small producers often cannot meet the demands of buyers – they have poor understanding of the market and do not plan for likely demand

Fair trade timber

Increasing the returns to responsible producers

Poor, rural communities can benefit from timber production. However, it is proving difficult to connect a significant number of the more responsible community timber producers to markets that pay a reasonable price.

Fair trade is one option and certified Fair Trade Organisations do trade some timber products. There is no fair trade product label for timber, however, so the main retail outlets are currently unable to help.

Community forest ownership and management now covers a quarter of natural forests in developing countries. Research from the International Institute for Environment and Development in the UK explores the options for increasing community benefits from responsible timber production.

Communities that practice responsible forestry generally struggle to make a decent living from it. Timber buyers might be willing to pay a little more or give preference to community timber, but there is currently no widely recognised way to distinguish community timber products from those of larger industries. Forest certification is the most widely recognised market mechanism in the forest sector.

This does not yet allow such distinctions, however, and its high costs discriminate against community enterprises. Even when community enterprises are certified as sustainable, they are often constrained by their lack of business management skills and poor product design, quality or packaging.

What is needed, therefore, are ways both to build community capacity to produce competitive products, and also to distinguish their products from larger industrial competitors. Fair trade meets these requirements. As a concept, fair trade aims to improve opportunities for disadvantaged producers and link them to ethical consumers.

However, fair trade is less familiar with the complexity of sustainable forest management. If fair trade certification schemes could work together to help community producers, it might be possible to develop a certification process that covers all these issues.

Key problems exist, however:

- There is little demand from existing fair trade organisations to expand into the main timber trade. These organisations focus on highly processed products in small volumes, rather than primary processed timber.
- There are significant institutional challenges in getting the fair trade and forest certification schemes to work together, not because of a lack of will, but because of the different processes by which they develop and monitor standards.

- Making sustainable forest management the common trend within the forest industry through forest certification has been a significant challenge – and there may be little desire or willingness to add further social concerns.

To increase the scale of existing community operations, the authors recommend:

- quantifying the industrial demand for product lines originating in communities
- considering how to distinguish community products from those of larger producers
- developing mechanisms that draw on the strengths of existing fair trade and forest certification schemes and resolve issues of standards, accreditation, audits and producer support
- piloting mechanisms to coordinate buyers who are prepared to give a fair deal to well-organised community producer groups to see what is possible within this sector.

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Which forest verification systems work for rural poor people?

Forest verification systems are a response to growing international concern about illegal practices in the forestry sector. However, while verification aims to ensure compliance with existing laws, the impacts on poor people who depend on forest resources have not been fully considered.

Forest verification systems have been set up in several countries where illegal logging is a problem, for example in the tropical forests of Cambodia and Ecuador. Research by the Verifor project at the Overseas Development Institute, UK, examines the developmental impacts of forest verification systems on poor people.

The developmental impacts of verification systems – for example how they affect incomes and costs for small-scale operators and forest-dependent people – are poorly understood. Verification systems are fairly new and assessing impacts is difficult, requiring time and money to establish suitable monitoring and evaluation practices.

Apart from ensuring compliance with existing laws, some forest verification systems also aim to support economic growth from forestry in a sustainable way. To achieve this, however, it is necessary to reconcile the interests of several groups involved in forestry, including government ministries, donors, industries (timber harvesters and processors), communities and consumers. In this context, the interests of poor rural people are often overlooked.

The developmental impacts of verification are both direct and indirect, and vary across countries. Increased compliance with forestry laws is the most obvious direct impact; for example in Ecuador, the seizure of illegal timber doubled and 120 logging licenses were withdrawn for non-compliance whilst the national verification system was in operation.

Another important impact is increased operating costs. Smaller producers often cannot compete, leading to the concentration of the forestry industry into fewer producers. Furthermore, this can push small operators towards illegal practices, as in Papua, Indonesia, where community forestry licenses were withdrawn because they were being abused.

Other impacts include:

- increased government revenue from penalties and taxes
- increased availability and accuracy of information about the source and movement of timber, leading to better planning and greater involvement of community groups
- increased number of disputes related to verification, which can lead to its downfall, as in Cambodia.

Verification is only as effective as the laws that it seeks to uphold. If these laws are not in the interests of poor communities, then

enforcement may worsen their situation.

The authors suggest the following to minimise negative impacts:

- an explicit statement of objectives by all groups involved in forestry, by incorporating verification within broader forestry reform processes
- parallel processes of legal reform within the forestry sector so that laws better support poor people
- undertaking poverty and social impact assessments of verification systems as they are introduced
- recognising the legality of poor people's use of timber, including community forestry
- increasing poor people's access to legal systems, for example by bringing

administrative services directly to communities and improving information flows

- establishing an easily accessible system to resolve legal disputes
- country-specific monitoring and evaluation systems to keep track of developmental impacts.

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case study

Smallholder palm oil production

Palm oil production has doubled over the past ten years, and is set to double again in the next decade. Smallholder producers could meet this demand, whilst ensuring that the sector is environmentally and socially sustainable.

Smallholders account for as much as 33 percent of palm oil output in Indonesia and Malaysia. Research from the International Institute for Environment and Development in the UK examines the challenges to independent smallholders and those supported directly by either the government or the private sector.

Smallholders face significant challenges:

- The main constraints are unclear land ownership, a lack of financial capital to start operations, and limited information on markets and legal rights.
- Further constraints include vulnerability to the volatile price of palm oil and balancing food crops with cash crops.

Smallholders with access to modern technology have demonstrated their ability to operate as efficiently as large-scale plantations, increasing yields whilst keeping input costs low. Furthermore, market trends offer increasing opportunities for smallholders. For example, the increasing demand for biofuel crops is creating new markets specifically for smallholders.

The challenge is to share good practice more widely. This has started; the Roundtable on Sustainable Palm Oil (RSPO) includes a dedicated Smallholder Task Force to help smallholders meet RSPO principles and criteria. Wider progress will require action from smallholders and their associations, government agencies, plantation and milling companies, traders and retailers, and key third parties such as



A young man carries palm fruit on a plantation that produces palm oil, a major agricultural export in Malaysia

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non-governmental organisations, banks, insurance agencies.

There are several policy support options, including:

- distribute information on markets, legal issues and technical issues to smallholders
- provide high quality planting stock
- pilot incentive mechanisms for smallholders, such as share-based ownership of plantation assets, group certification, cooperative mills and local procurement
- establish loan facilities with flexible terms for collateral and repayment
- extend tax credits to investors and processors that work with smallholders
- collect evidence to assess the environmental and social impacts of palm oil smallholdings compared to large plantations.

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The impacts of carbon trading in developing countries

The global market for carbon trading is growing rapidly. Many schemes set up to offset carbon emissions are hosted in developing countries. While these schemes claim to help companies and individuals in developed countries to mitigate the carbon emissions they produce, they may be less well suited to the needs of the host countries.

Researchers from the Overseas Development Institute in the UK examine how carbon offset schemes could better benefit the countries in which they are based. Carbon investment schemes either fall under the Clean Development Mechanism (CDM), which is heavily regulated by the Kyoto Protocol, or under voluntary schemes run by companies or retailers. Voluntary schemes invest more in forest projects, because these can be cheaper than other schemes, such as alternative energy sources. Forestry is also easier to sell to consumers.

Some voluntary schemes are set up and run for individual companies. Other 'retail' schemes sell 'carbon credits' to businesses or individuals. Voluntary schemes are often more flexible than those regulated under the CDM, which means costs, such as planning and monitoring, are lower. This makes them more accessible for small businesses and individuals.

However, this lack of standardised processes can allow negative social and environmental impacts, such as restricted access to natural resources; inflexibility in options for land use; loss of employment from displaced activities (such as those associated with harvesting of wood products); and monoculture plantations, which can lead to reduced soil quality and biodiversity. Standards are important for increasing consumer confidence in a scheme, but the large number of competing schemes that now exist can confuse investors.

It is also important to ensure that local needs are met as well as investors' needs. The research has some key findings:

- Since the science behind carbon offsetting is inconclusive, assessors may change programmes, causing problems for producers committed to long term land use
- There are fewer offset schemes in Africa than other developing regions. Reasons for this include a lack of expertise, insecure land tenure and high costs resulting from the dominance of smallholder land ownership.
- Monoculture land use is favourable in technical terms as it is easier to calculate how much one crop contributes to carbon sequestration (the removal of carbon from the atmosphere by plants). However, monoculture is often unsuitable for poor people, who lose access to forest products and land.

Voluntary schemes must consider host countries' priorities more. While CDM schemes must be approved by a national body,

Voluntary schemes invest more in forest projects, because these can be cheaper than other schemes, such as alternative energy source



Community forestry in Cambodia: can carbon sequestration provide pro-poor financing? Cecilia Luttrell/ODI

voluntary schemes must only ensure they are within national laws. Several policies could improve the benefits from voluntary schemes:

- Project implementation and carbon trading businesses should be based in host countries, to increase the role of these countries in global carbon markets.
- Host governments should regulate voluntary schemes to ensure they match national priorities, and reward those that do this.
 - Projects should set out clear legal rights for producers and protect them if programmes change throughout their lifetime.
 - Contract lengths, the timing of payments and types of activities carried out should all consider the priorities of small producers.
 - Community self-monitoring can improve evaluation and increase the involvement of local people.

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