

forestry

Communicating international development research

2005

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Tropical forests are disappearing fast, while the number of people depending on them grows steadily. Tropical forests provide many environmental services, such as cleaning water. Payment for environmental services that retain or revive tropical forests while contributing to local livelihoods is being explored as a practical approach to conservation. However, this approach raises questions of who owns what, who must buy, who can sell, and how markets work.

Tropical forests are essential to environmental and human health. Despite this, forests are cut down because forested land is less valuable than timber and agricultural land.

Environmental services are often seen as public goods, so no financial value is attached and they are taken for granted. However, as they become degraded and users are affected, those users may be willing to pay for them.

Currently, the main markets for ecosystem services are:

- Watershed protection. Many tropical forests are in highly populated areas and people depend on them for water supply. This market depends on those downstream being directly affected by degradation upstream.
- Biodiversity markets. These include 'eco-labelled' products (for example timber, coffee or forest plants used for medicine), ecotourism and payments for conservation of wildlife habitat. These are usually paid for by international buyers.
- Carbon sequestration. International buyers pay for planting new trees that absorb carbon, which, under regulatory and voluntary schemes, offset the buyers' carbon emissions.

These markets continue to grow, but their economic value is still small compared with traditional forest industries like timber. However, for poor people, the value of selling services can be significant. Payment systems can benefit poor communities financially and provide the skills and power necessary to access these markets successfully. For all services, the role of governments is important. Governments buy and sell services, but also regulate private markets. Governments can also force other sectors to pay for services.

While watershed protection payments are usually made by domestic industries, irrigation districts or municipalities, most carbon and biodiversity service buyers are currently from industrialised countries. Consequently,

expertise in the markets is also found in these countries and in the private sector. For tropical forest communities to benefit, certain needs must be met:

- Property and resource use rights must be clarified. Without rights, the poor will not benefit and can even lose existing rights.
- Policy makers require information on appropriate legal systems to enforce the rights of local communities.
- Information on the links between land use, land management and environmental services is required.
- Ways to measure and monitor services are required so that costs and benefits to producers and buyers can be quantified.
- Technical assistance and the sharing of experience will help to assess the risks and opportunities of entering various markets and the costs to producers.

Governments and businesses are accepting the need to pay for environmental services and markets are developing, especially in the industrialised world. However, most tropical forests are in developing countries, many of which currently lack the capacity to develop markets for environmental services. Furthermore, a lack of legal frameworks and institutions means that those who depend on forest resources may be excluded. Local expertise must be developed to help poor people access markets, while producers must take a more active role in shaping these emerging markets.

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As environmental services are degraded and users become affected, those users may be willing to pay for them



How to make money from forest products

Many people in developing countries are dependent on forest resources for subsistence use and as a source of income. As well as timber, people use animals, plants and fungi, known as non-timber forest products (NTFPs). Improved management of NTFPs could help people make more money from these materials, as well as protect forests more effectively.

In some places, NTFPs are the main source of household income, while in others they provide supplementary income. The importance of NTFPs to a community depends on a number of factors, from the value of the product to the availability of other employment. NTFPs are generally more important to people with low incomes than to those with higher incomes.

There are several problems with the current use of NTFPs. Some products are cultivated but many are collected from wild populations. This collecting is rarely controlled or managed, leading to environmental damage if too many resources are taken. The way people make use of NTFPs depends on the opportunities and constraints they face. When conditions are favourable, such as good market access, forest products with high demand and high value will be harvested more intensively, causing further declines in resources.

NTFPs could play a greater role in supporting livelihoods if their extraction and sale was managed more carefully. Various strategies have been suggested but these have not always been successful:

- Increasing the production of one NTFP requires land and labour, which can reduce resources available for subsistence agriculture.
- Depending too heavily on one product leaves people vulnerable if it fails to grow or drops in value.

Non-timber forestry products have been identified as the most likely way of meeting the aims of development and conservation

- Increasing the commercial value of a crop can lead to overuse of the resource, threatening its future availability.

There are several ways governments and non-governmental organisations can support the NTFP sector:

- Intensified management of NTFP production areas may improve the quality and increase the quantity of products. This could result in higher incomes, provided there is a market available.
- Projects should train people in management skills, and ensure that people do not become too dependant on one resource.
- Increased post-harvest production and manufacturing could increase the value of products sold. Communities can take advantage of good access to raw materials and low labour costs to keep their prices competitive.

The demand for a product at small local markets is often easily met, causing a drop in price. Improving access to larger markets will enable people to expand their production. NTFP producers need more information about pricing and consumer preferences.

Producers can work together to meet the demands of larger markets. This enables people to share costs, such as transportation, and share knowledge of a product.

NTFP production has been identified as the most likely way of successfully meeting the aims of development and conservation. It is, however, not always possible to achieve all development and conservation goals; there will often be a need for trade-offs. Finding this balance is now the priority.

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How forest markets can benefit poor people

Ninety percent of the world's poorest people are dependent on forests as part of the way they make a living. However, forestry policies and markets for forest products often work against poor communities. New approaches are needed to consider how markets for forest products can benefit poor producers more effectively. Policies and investments to support community-based forest enterprises are vital to this.

Wood and non-timber forest products (such as fruits, fungi and resins) have many subsistence uses for forest communities. They can also be important sources of income and employment. Despite their dependence on forest resources, poor people have often been excluded from commercial forest markets. Many forestry policies assume that the global demand for forest products should be met through large-scale forestry organisations.

This thinking is misguided. These policies fail to protect forests or improve the livelihoods of poor people. Analysis of changing markets for forest goods and services shows that opportunities exist for poor communities in several forestry sectors: high-value timber, processed wood products, non-timber forest products and payment for ecosystem services (such as

biodiversity management and nature tourism). These opportunities could provide poor communities with incentives for the long-term sustainable management of forest resources.

There are several ways for forests to benefit poor people:

- There is considerable potential to expand small-scale commercial activities to reduce poverty.
- Community-owned forests create new opportunities for generating income, as communities are able to negotiate partnerships to supply high-value timber and set up community-run enterprises for non-timber forest products.
- Legal ownership enables communities to better protect their forests against encroachment and illegal logging by outside groups.
- Local communities often have advantages in forest markets, with lower production and management costs, a greater capacity to monitor and protect forest resources, and local ecological knowledge about forest management.
- Communities will often have a greater interest than commercial companies in strategies for long-term sustainable forest management.

The end of state-managed forests in many areas is an opportunity for poor communities to increase their economic activity. The growing demand for scarce forest resources means that markets are becoming increasingly competitive, however. The challenge is to work with

these changing market trends in a way that supports the incomes of poor communities in forest regions. National and international policymakers, local organisations and the forest business community need to respond effectively to ensure that this happens.

Priorities include:

- reducing and managing the risks associated with forest markets, such as price booms and collapses
- making trade more fair, to enable low-income producers to compete (for example, removing unfair subsidies for large-scale commercial businesses)
- involving poor communities in negotiations over resource use and forest management
- establishing business and technical advisory services for forest communities to support the development and management of successful enterprises
- ensuring that new rules and institutions developed for the payment for forest ecosystem services (like watershed and habitat protection) enable local communities to participate and benefit
- supporting and promoting the development of commercial partnerships between companies and small-scale producer organisations.

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Policies that benefit forests and people

Managing forests is not a simple matter. Policies affecting forests are formed in many different sectors at the same time. Political and economic realities – from pressures for local control to the globalisation of markets – strongly influence how people behave towards forests. If policies are to work for forests and people, they must engage with these realities.

A range of approaches has been used around the world to improve forestry policies. The impact of these approaches has been mixed; some have only lasted as long as donors support them, others have only benefited a few people. Approaches based on real stakeholder negotiation, however, have created new institutions that are aiming for sustainable forest management. Institutions can and do change policies – and policies are often more open to change than some people assume.

There are some common themes to successful policy change. Positive changes have been achieved where governments

have stepped back and allowed private sector and civil society stakeholders to take greater roles. Individuals committed to change have been better connected, to overcome a lack of action from previous management institutions. A wider view of forestry has been taken, which recognises the importance of smallholder forestry as well as large-scale forest reserves. Those people directly engaged with policy processes have brought the ideas and opinions of all stakeholders into discussions, and made sure the outcomes of policy decisions are widely known.

Good policies will:

- highlight and reinforce the objectives of all forest interest groups
- clarify how different objectives have been prioritised



- help determine how costs and benefits should be shared between different groups
- provide a framework for those involved to know where accountability lies
- produce forests that people want and are prepared to manage and pay for.

Success stories do not represent the whole picture, however. In the last decade, policies for forestry and land use have become more numerous and complicated. This constrains stakeholders, rather than enabling them to practise good forestry. It is important that this trend be reversed.

This requires straightforward, motivating policies that people believe in and organise themselves. The research recommends that:

- Approaches are needed that accept different views. It is often hard for parties to reach an agreement, which leads to cynicism and hinders the policy process.
- Groups must recognise the political nature of policies. There is a need to accept that all people's perspectives and priorities are valid.
- All stakeholders need to be involved in negotiations. Processes that help to identify and create agreed goals are critical.
- Forestry actions and policies need to be treated as experiments from which all groups can learn. This allows local experience of forestry management to thrive and be used at national and international levels.

What is needed is a constructive process of debate, analysis and negotiation. This is the basis for applying policy measures in a wider range of areas. Forestry can and should be an activity that changes the political environment for the better.

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case study

The future of forests in Namibia

In Namibia, the amount of forest cleared each year has increased by 80 percent during the last ten years. This threatens the livelihoods of people who are dependant on forests.

Forest-dwelling people clear large areas for construction materials, fuel wood and agricultural land. This process is not always performed using the most sustainable methods, however. Several factors contribute to this:

- Forest-dwelling people lack secure rights to land and resources, so they have no incentive to limit their use of these resources.
- Many forested areas have joint ownership, which makes it difficult to enforce restrictions on resource use.
- Markets for selling forest products encourage the overuse of resources.
- Services provided by the government, such as boreholes, cause further damage to the forests through a concentration of activity around water points.
- The traditional chiefs of communal forests are susceptible to corruption and give away too much land to individuals.

It is possible for people to live in a forest without causing lasting damage if activities are well organised. The government needs to assist communities by enforcing rules regarding forest access and use. Furthermore, ensuring access to markets for forest and agricultural products would increase economic activity in these communities. This can encourage improved transport networks, education and communication facilities. An improved infrastructure could attract other industries, such as international tourism and wildlife ranching. This would reduce the need for using forest resources and further improve rural economies.

There are several ways to achieve these changes:

- A communal land act outlining best practices for forest management, based on up-to-date forest resource data and advised upon by forest experts.
- Greater cooperation between different forestry sectors, such as the Ministry of Lands and the Ministry of Agriculture, for devising policies.
- Giving communities responsibility for the forests and strengthening their management capacity.
- A prosecution system for people who do not comply with forest laws, including fines which can be used to restore the environment.

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Forestry can help reduce poverty

Forests cover a small portion of West and Central Asia. Nevertheless, they are important to the livelihoods of the rural people who live in and around them. Forests have the potential to contribute to poverty reduction, if the poor are given greater control and access to these resources. Collaborative Forest Management (CFM), as practised in Kyrgyzstan, may be a way to link poverty reduction and forestry activities.

The rural population of Kyrgyzstan depend heavily on agriculture and natural resources for their livelihoods. Forestry in Kyrgyzstan has traditionally been highly centralised and run by government organisations. However, the government has recently experimented with CFM programmes based on issuing forest leases to individual households and groups. CFM aims to make rural people partners in decisions about the management and use of forest resources.

In 2003 a new forestry management concept was developed in Kyrgyzstan which encourages decentralisation, privatisation, and greater involvement of key stakeholders (the concept was formally approved in April 2004). This new concept clearly supports CFM. However, there are many limitations to using forestry as a means to reduce poverty:

- Some forest types are slow growing and offer little potential for use as commercial timber or income generation.
- A limited number of leases are made available for CFM and the criteria applied for the distribution of these are often not transparent.
- CFM is seen by foresters as a way of sustaining management bodies and protecting the forest, rather than as an opportunity to address poverty.
- There is very little group or community participation in CFM, due to reluctance amongst rural people towards collective agreements and action.

Collaborative Forest Management is seen as a way of sustaining management bodies and protecting the forest, rather than an opportunity to address poverty

Unequal access to forest resources and decision-making, and the lack of group action to solve this problem, may actually increase poverty levels, rather than reduce them. In order to effectively use forestry resources for poverty reduction, some fundamental changes must be made to forestry management in Kyrgyzstan:

- The State Forestry Service must be forced to prioritise poverty reduction, in accordance with government policy.
- All suitable forests should be made available for CFM and the selection of tenants and leaseholders must positively discriminate towards the poor.
- There must be improvements to procedures for allocating leases and reviewing decisions and complaints.
- The formation of voluntary tenant

associations must be encouraged.

Where commercial opportunities exist, there needs to be a clear policy for giving contracts to local people.

The forestry sector in West and Central Asia provides some opportunities for poverty reduction and sustainable livelihood development. Furthermore, experiences in implementing this CFM programme may provide useful insights for other countries in the region, particularly

those of the former Soviet Union. To date, however, policies and practices have focused too heavily on technology and have tended to favour local elites. This has

prevented poor people from gaining sufficient access to forestry resources and from influencing decision-making.

Changes must be made to the forestry sector throughout West and Central Asia and must be carefully introduced after extensive study on the current situation and potential alternatives.

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useful websites

Forest Trends

www.forest-trends.org

International Institute for Environment and Development – Forestry www.iied.org/forestry

Centre for International Forestry Research www.cifor.cgiar.org

DFID Forestry Research Programme www.frp.uk.com

Food and Agriculture Organisation – Forestry www.fao.org/forestry/index.jsp

Eldis - Forests www.eldis.ids.ac.uk/forests

European Tropical Forest Research Network www.etfrn.org/etfrn

World Agroforestry Centre www.worldagroforestry.org

Forest Conservation Portal www.forests.org

World Resource Institute-Forest Frontiers Institute <http://forests.wri.org>

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© Institute of Development Studies
2005 ISSN 1746-8655
Printed on paper produced from sustainable forests

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