COMPANY-COMMUNITY FORESTRY PARTNERSHIPS

From raw deals to mutual benefits?

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Rationale

- Governance which can balance benefits of globalisation and local control - a major challenge for better forestry and livelihoods
- Partnerships between companies and local groups are potential mechanisms for this - under what conditions do they work?

Definitions

- *Companies* - private enterprises organised for making profit. From large to small
- *Communities* - local individuals and groups at community-level
- *Deals* relationships entered into on expectation of benefit. May be formal or informal. May aspire towards equity between the parties - *partnerships*

Analysis - type and scope

Examine impact of partnerships in two main ways:

- **Organisational/company analysis** – company market standing, innovation, productivity, physical and financial resources, profitability, manager performance, worker performance, public responsibility
- **Livelihoods analysis –** local livelihood assets, capabilities, activities, policies and institutions, shocks and vulnerabilities

56 examples in 22 countries examined

Why companies may like deals with communities

- Public pressure to behave well
- Discriminating markets
- High cost of other wood sources and land
- Potential to reduce costs of land-holding and fibre-growing
- Potential to increase resource security
- Potential to reduce labour costs
- Opportunity to avoid social risk

Why communities may like deals with companies

- Potential for higher returns from land and labour than alternatives would provide
- Chance to obtain reliable cash flow
- Opportunity to benefit from idle land without jeopardising food security
- Secure land tenure and tree rights
- Availability of technical and financial support, e.g. while trees mature
- Clear means of dealing with company

Why deals may not develop

- Markets not favouring deals
- Poor infrastructure, high transport costs
- Excessive red tape
- Weak regulation/ conflicting policy signals
- Inter or intra-community conflict
- History of bad relationships/ mistrust
- Weak bargaining power
- Long timeframes in tree-growing
- Insufficient knowledge and technology
- Clashes between farming and forestry

	‘COMMUNITIES’			
‘COMPANIES’	**Individual land owners / tree growers**	**Individual tree users**	**Group of land owners / tree growers**	**Group of tree users**
Large forest product buyer, processor and/or planter	Out-growers, Joint ventures, Land rental for tree growing	Product supply contracts	Out-growers, Joint ventures, Out-processors	Product supply contracts, Out-processors
Large forestry concession or plantation owner	Access and compensation agreements	Contracts for timber or NTFP use or growing	Local development agreements, Timber utilisation contracts	Inter-cropping / grazing schemes, taungya
Large land-owning and/or forest service-related company	Joint ventures Eco-tourism enterprises *Payments for environmental services*	Shared use agreements Contracts for tree growing *Bio-prospecting deals*	Joint ventures Eco-tourism enterprises *Payments for environmental services*	Shared use agreements Contracts for tree growing *Bio-prospecting deals*
Small locally-based processor or community enterprise	Credit/product supply agreements Shared equity	Product supply agreements	Credit/product supply agreements Shared equity	Product supply agreements

Informal deals - S.Africa

Sappi, Mondi and SAFCOL - social risk avoidance:

- Grazing schemes - good grass with eucalyptus
- Managed access - hunting and harvesting
- Intercropping
- Schools and literacy classes
- Clinics and creches
- Recreation management
- ‘Voluntary withdrawal’

Social responsibility agreements - Ghana

- **Communities own the forest**. Since 1998 Timber Utilisation Contracts require SRAs - to benefit communities – not just chiefs
- SRA consists of **code of conduct** (e.g. respect customs, employ local people) and **social obligations** (e.g. funds, bridges, schools, boreholes)
- Possibility of using value of **community responsibility as equity** in joint ventures

Both community benefits and company credibility have risen, but much argument continues

Taungya turns to venture partnership - Indonesia

State company Perhutani in Java with

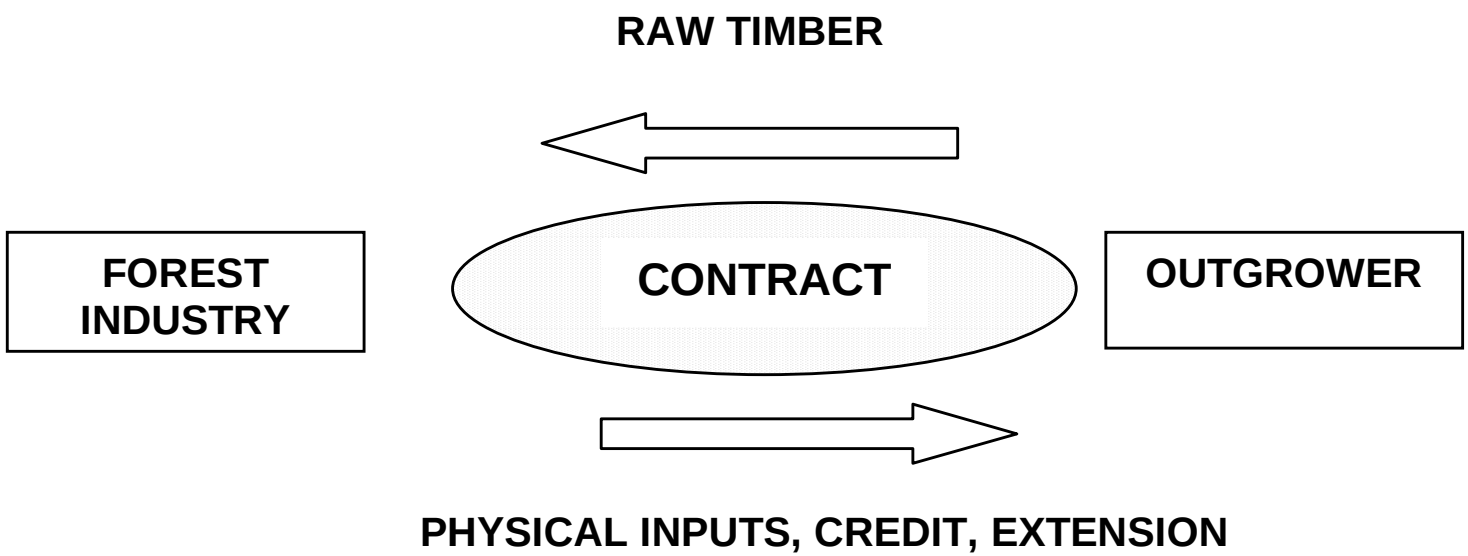
- **Working Partners** - 50 (4-5 households each) teak ‘taungya’. Increased timber and reduced conflict in some communities, raised tension in others
- **Venture Partners** - communities manage key sites for tourism (maybe more forest services soon). Good returns for both, group leadership with strong bargaining

Forestry business-First Nation partnerships - Canada

- **Forest management planning** – consultative or co-management
- **Socio-economic partnerships** – capacity building focus
- **Forest services contracting** – business to business deals
- **Cooperative business arrangements** – big companies linked to community enterprise
- **Joint ventures** – 14 of these, shared business ownership

Much business growth, but not yet equal partners

Outgrowers in South Africa



- Livelihoods analysis shows that schemes build household asset base - but not (yet) out of poverty
- Need **grower engagement with policy** and **processes** of industry

Land leasing – Georgia, USA

- Rising timber demand, but landowners without forestry skills
- **5 types of contract** (20 years) with companies: land lease with timber purchase; lease of both land and timber; land lease with cutting contract; management with cutting contract; or yearly credits against estimated final value of timber
- Landowners - steady annual income from land, risk of crop failure shifted to forestry company. Enjoy USA advantages - legal protection, investment advice, stable economy for forecasting
- Yet still there are deals with inadequate consideration of type of forestry, tax issues and condition of land after forestry

Some success factors

- Generation and access to sound information and forecasting
- Understanding of prospects and opportunities
- Enabling government action
- Flexible models
- Negotiated arrangements
- Formalised arrangements

Success factors - continued

- Secure contributions
- Investment in improving bargaining power
- Practices consistent with SFM
- Paying market prices
- Extension and technical support
- Third party roles

Some principles for better deals

- Mutual respect
- Fair negotiation process
- Learning approach
- Realistic prospects of mutual profits
- Commitment over a long period
- Equitably shared risks, clearly spelled out
- Sound business principles
- Proven livelihoods principles
- Independent scrutiny
- Integration with broader development strategies

Some big challenges remaining

- Developing the partnership brokers
- Empowering the community partners - to benefit the poorest
- Sharing downstream benefits