



Income Generation through Community Forestry

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Foreword

Community forestry has evolved dramatically in the last two decades. Community forestry was initially designed to arrest forest destruction, improve rural development and meet the basic needs of the rural poor. Today, in some countries the basic policy requirements are at the stage of discussion, in other countries an enabling policy and administrative framework has been introduced and effective support programs are in place to allow local communities actual management and control over forest resources.

In the process of implementing community forestry projects and programs, a range of now institutional, ecological and economic issues have emerged which require the development of new strategies. Where the initial issues of enabling effective local control of forest resources have been addressed (countries such as Nepal, India and to a certain extent the Philippines), new issues are emerging. One of these issues is income generation.

Many community forestry projects and programs are shifting from a focus on conservation, protection, and regeneration to how to sustainably utilize forest products. The potential for income generation in community forestry is now widely recognized and accepted and it seems local management institutions are evolving and ready to move beyond a focus on resource conservation, or in some cases legitimized subsistence use, into

the realm of value added production, marketing, and village asset creation and management. As discussed in many of the papers, income derived from community managed forests is being used to develop a range of community services such as infrastructure development, agriculture and banking cooperatives and community welfare projects. However, income generation projects can also be very problematic in that they have to address marketing strategies, equity issues, and conservation goals. Often times, Forestry departments and local communities lack the proper training and knowledge to address many of these issues.

RECOFTC convened this Seminar to explore how local communities have dealt with these issues and how outsiders have attempted to be more effective in supporting local communities' efforts to capture a greater share of the benefits from the marketing of forest and tree products. The objective of the seminar were to:

- Assess the opportunities and constraints for the generation of income by rural people in community forestry and other policies and programs
- Identify effective strategies to enhance rural incomes from community forestry activities
- Identify issues and strategies in management, distribution and allocation of income from community forestry activities
- Present case studies and experiences of success and failures in supporting the income generation and management efforts by and with villagers
- Identify priority issues and target groups for training, and provide the bases for the development of relevant training courses, modules and materials, through the presented papers and the results of the working groups.

Throughout the presentations and discussion it was evident that income generation projects and activities throughout the region are at different stages of development. While many of the projects felt there was great potential in marketing a range of products, there were also many problems such as: equity issues; vague policies and legislation which often did not support local communities in the development of products and services; and lack of marketing information. Another problem is that often times community involvement in management of forest and tree resources does not go beyond degraded forests and lands. As one speaker mentioned it is the problem 'of small trees for small people'

While a shift from solely protection of forest areas by local communities to actual control and management of forest resources is occurring throughout the region, policies and support programs need to be in place to assist local communities to derive better income from the management and extraction of forest and tree products.

We hope this proceedings will assist field workers, managers and others interested in income generation of forest and tree products to better understand the constraints and opportunities for such activities throughout the region.

Acknowledgments

The decision to have the Seminar on "*Income Generation Through Community Forestry*" arose from the perceived need in the region to document, exchange ideas and experiences and provide useful recommendations to better assist in the development of community forestry income generating activities throughout the region. The seminar provided a useful meeting point between those involved in income generating activities and others wanting to learn more about the potentials of income generation and community forestry.

The Seminar was attended by more than 85 professionals from 20 countries. Participants came from a variety of backgrounds including: NGOs, government offices, universities, international agencies, and training and research institutions.

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Conclusions and Recommendations of the Seminar

The central question for most income generating activities throughout the region, is: who makes the decisions concerning what can and cannot be utilized - either for domestic consumption or sale?

The presentations showed that the current status of income generating activities has a wide range of variation in importance. Projects in the initial stages often emphasize other aspects than income generation, whereas in projects and programs with a long history' second generation' problems emerge, such as equity issues, sharing of benefits, and sustainability of the activity.

As seen by the country case studies, income generation in community forestry programs is also at different stages of development. In general, income from forest to local communities depends very much on the degree of control they have over the forest resources. Presentations at the seminar demonstrated a wide range of experiences in the sharing of control, from government controlled (both the resources and the products) to joint control (with the state as the stronger partner) to community user groups managing their forest resources (but even here the state does retain some control, that may also affect income potential). Other actors that have an affect on income generating activities are concessions and (state and private) monopolies.

Another constraint that came out in many of the presentations is the impact of externalities. Policies and legislation have often been made without due consideration, and usually without input from local communities. For instance, in Vietnam, India and the Philippines policies that have given corporations (both public and private) monopolies for the production and sale of forest products, have marginalized local collectors and in extreme cases, as in the Philippines, created systems of indentured servitude.

Communities are also constrained by lack of organization and/or skills to deal with externalities (illiteracy, lack of confidence, etc.). They often lack the information that is relevant to deal with these externalities as well. Many countries throughout the region are just entering the market economy and marketing information and trained personnel in identifying and developing marketable forest products are often lacking. These constraints are compounded by their weak bargaining power, especially if they are physically distant, and/or dealing with state or private monopolies.

Moreover, seminar participants expressed the need for a conceptual framework for income generation in community forestry' that would enable the identification of patterns through a holistic approach.

The sharing of experiences in the region revealed the following issues and trends:

- There has recently been an increasing interest (both with communities and with projects) in income generating activities in community forestry,
- There is concern about volatility of demand (boom/bust cycles) and competition for forest products,

- There is concern about the impact of strong demand for (high value) forest products on both the community and the environment,
- There is a great need to study the interaction between (instability of income, resources and markets,
- There are many issues related to the management of income (who gets what, benefit sharing) that are inadequately understood,
- There are often problems in establishing financial mechanisms (credit, business plans, bookkeeping, etc.),
- Strategic alliances and networks have often proven to be critical for success,
- It is well recognized that there is potential competition in the utilization of community forest areas, with different users needing different products,
- In many community forest projects, there are limitations on the products that can be harvested and marketed - especially timber,
- There are often important equity issues arising in the access to resources and distribution of income.

Questions for the future of income generation in community forestry, raised during the seminar, include:

- The general question whether income generation will have a, more important place in community forestry in the future was answered in positive terms; most participants expressed their expectation that with regenerating forest resources, income generation and the management of community funds would become more important issues in the future. This led to the next question:
- For the forest resources of higher potential, would more powerful stakeholders allow local communities to control and benefit from these resources? In this regard, it was observed that in most community forestry programs, degraded forest areas were 'handed over' to villagers. As one of the participants put it: Why aren't the big trees handed over to the small people?
- Another caveat related to the future: importance of income generation, was the observation that in many cases income from the forest is considered by people as a source of last resort, implying that if more attractive income sources would emerge that people would lose interest in the forest as a source of income.

The main issues in income generation to be addressed for the immediate future were identified as:

- The monitoring of the sustainability and improved management and regulation of the resources was perceived as a major immediate issue to be addressed, on the 'supply side',
- On the demand side the need for communities to shift from selling what is grown to marketing what is needed (and in the formats required, including the processing of products) was perceived as a major challenge,
- But the main issue for income generation from forest resources in most countries in the region remains the core question of community forestry: Who is (to be) in control of the forest resources and their benefits

These issues were addressed in the working groups discussing ways and means to support the generation of greater incomes by communities and ways to enhance the sustainability of these activities.

Working Groups Discussions and Recommendations

Participants were broken up into three groups which were asked to address ways and means to facilitate income generation. The working groups were guided by the following questions:

- What are the objectives of income generation activities?

- How to know what to do (what products/activities can be successfully marketed?)
- How to increase the community's participation in the activities
- Financial planning and institutional development
- Alliances: who can assist and strengthen the activities
- Implementation: Who will manage? Is there local capability?

Training:

- What, how, who (provides training, who receives training)

The working group on sustainability addressed the following questions:

- How to manage forest resources
- Are there examples of long term sustainable use?
- What is the impact of collection/harvesting on forest resources?

How to measure?
What is measured?
Who measures?

Training:

- What, how, who (who provides training, who receives training)

Findings of Working Groups

The importance of participatory approaches in finding out what to do was emphasized. Three types of analysis were advocated:

- a situational analysis (of the local biophysical and socioeconomic conditions, including resources, institutions, and tenure),
- market analysis, including market chain, actors, distribution of benefits,
- feasibility study .identifying potential products and improvements in the existing systems.

The approach presented in the box demonstrates how these various stages in the analysis could be sequenced in one approach. It was emphasized that this type of approach should not be perceived as a blueprint, and could include various elements such as:

- biophysical & social inventory
- skills inventory
- local community experience/knowledge
- activities in practice (what is happening now)
- current and potential markets (local, regional ,international)
- competition
- consultations on local interests/needs political atmosphere
- resource ownership/tenure (legal and real)
- end product and level/degree of value addition (possibilities and practicalities); technology and skills needed and prospects for value addition
- sources of finance/credit
- levels of benefits to communities -
- equity
- institutional arrangements

- level of risk taking in communities

Identification of options for income generation in relation to conservation requires collaboration with a range of actors, including local communities, traders, financiers, NGOs and government agencies, markets/clients, training agencies and in some cases, politicians.

In determining feasibility, it is important to ensure that the feasibility is locally determined, and that the technical, economic, social and political acceptability are properly assessed. It was also suggested that test marketing of new products could be included in such feasibility studies.

Financial planning and institutional development

It was suggested to start off with a source book of donors and other useful contacts. Then, based on the nature of the product: update the information about the product, estimate the investment needed, identify the sources and timing of funds, including credit. Other activities include cost benefit analysis, strategic planning (also to assess the volatility of the market) and the identification of alliances, and of buyers and other producers.

Another working group proposed a more general enterprise planning approach in which financial planning is to be seen as one of the elements. In this type of approach, the forest management planning process (conservation, restoration and harvesting) forms the basis for the identification and planning of the enterprise. Then the financial and marketing aspects are planned, as well as the use of the income from the enterprise. And the cycle includes the usual monitoring and evaluation activities.

It was also pointed out that there are often possibilities to improve existing products and systems, e.g. through better grading of the products, negotiation with middlemen/ buyers, and other value adding activities.

For the development of local institutions, managing forest and benefits, the first requirement is the existence or development of leadership capacity and trust. Such leadership should encourage representation in decision making by all villagers, and courage the equitable distribution of responsibilities and benefits within the community.

Alliances, implementation and & training needs

One group advocated the use of a brokering approach, based on an alliance with an NGO, trading company or research institute, in which planning, implementation and training issues are addressed through a partnership with the local community.

- The following elements of such an approach were presented:
 - preliminary decision making on the type of enterprise/product to be developed
 - the formation of feedback loops between the partners in the alliance and
 - between the different stages in the process,
 - continuous dialogue between all partners
 - introducing information and resources,
 - networking and building partnerships
 - negotiations leading to results with various options
 - identification of consultants with brokering capabilities,
 - building capability/capacity (finding people, use Internet,):
 - agents
 - contractors

- distributors
- managers
- training at every step of the process
 - production
 - entrepreneurial
 - process
- training needs assessment (for community)
 - technical /apprenticeships - production oriented
 - entrepreneurial (dealing with markets)
 - management
 - training of trainers
 - modules/materials
- EQUITY: ownership and distribution of benefits
- producer groups
- promoting entrepreneurship
- dealing with specialization or diversification
- identifying risks of participation/ownership
- capital formation - loans, savings
- benefit distribution mechanisms - funds, mutual aid, community projects
- gender equity - looking at women's activities related to product identification

Findings of the Working Group on Sustainability

Sustainability of an enterprise is determined by ecological, economic and socio cultural factors. The group identified the factors and issues to be identified in planning and implementation in each of these dimensions so as to enhance chances of developing sustainable enterprises. The following planning cycle was proposed by this working group.

Ecological aspects that need to be considered to ensure sustainability of the enterprise, include:

- resource density
- growth and yield
- spatial distribution of the resource (to be investigated through mapping)
- the availability over time

It is important to monitor the population structure of the key resource(s), as well as its regeneration status, and key parameters of the ecosystem such as soils, hydrology, release of greenhouse gases, etc. Economic aspects to be assessed include:

- actual and potential use of the resources
- market analysis
- benefit sharing arrangements
- periodicity of the income flow absolute income/family ,
- value addition

And for monitoring purposes it is important to follow cost and the distribution of benefits. The social aspects affecting sustainability are:

- social structure and relationships
- cultural analysis
- benefit sharing and rights and responsibilities
- access and control over resources
- political environment

Monitoring of social aspects should cover benefit sharing, access and control, conflicts and cultural parameters.