

## Community-based Forest Enterprise Development (CBFED)

### Discovering its Status and Significant Obstacles

#### BACKGROUND

Historically, state or government forest institutions have managed most forests under centralized management systems. Consequently, the use and production of forest resources was subject to governments' stringent policies and top-down decision-making. Since the late 1970s, however, the participation of local communities in forest management has been emphasized in the South or Southeast Asian Countries to decentralize forest management<sup>1</sup>. As a result, decentralized forest management regimes that utilize various forms of community forestry, social forestry, participatory forest management, village forestry, and joint forest management have emerged after political, legal, and institutional reforms in most countries.

Community Forestry (CF) is defined in various ways based on each country's legislative framework and context. It encompasses all initiatives and activities for sustainable forest management with the participation of local communities, with a significant range of use, access, and management rights granted to those local communities. As a result, CF can fulfill local communities' subsistence needs and has the potential to establish community-based forest enterprises that can generate economic value, increase social welfare, and ensure rural development.

#### COMMUNITY-BASED FOREST ENTERPRISES

Community-based Forest Enterprise (CBFE), also known as Community Forest Enterprise (CFE), refers to community-led forest product commercialization, nature-based tourism, or carbon-trade, where individuals, communities, and/or cooperatives extract, process, add value, and market forest resources. In order to activate CBFEs sustainably, community-based forest management is adopted as a win-win approach for enhancing forest conservation while improving the livelihoods of local people. Particularly, the following key components should be incorporated into management regimes for further progress of CBFE:

- Enabling a legislative framework
- Clear and secure tenure and management rights
- Effective governance and strong community commitment
- Practical technology and access to financial sources
- Knowledge of market information and access to market channels
- The capacity of communities and engagement of relevant stakeholders through the accommodation of their interests
- Sufficient availability of forest resources, e.g., raw materials

#### Key Messages

1. CBFE increases local communities' economic potential, improves social welfare, and contributes to rural development.
2. Legal provisions to ensure secure forest tenure, as well as simple and clear procedures, are fundamental for the proper implementation of CBFE.
3. Cooperation and coordination among governments, local communities, and other stakeholders can fill existing gaps in communities' business operation needs.

## STATUS OF CBFED IN AFoCO MEMBER COUNTRIES

The CBFED stages of member countries are diverse, ranging from the subsistence to operational stage (Table 1). The main criteria to categorize the “CBFE operational stage” is whether the country endorses legal and regulatory frameworks for CBFED at the national level. Of the eleven countries, Bhutan, Cambodia, Indonesia, Philippines, and Viet Nam are currently functionalizing CBFE development utilizing various forest resources from raw materials to fine products, including ecosystem services.

**Table 1. CBFED stages of 11 AFoCO Member Countries**

| Stage  | Countries  |
|--|--|
| In the operational stage at the national level<br>(e.g., raw materials, fine products, nature-based tourism, and ecosystem services) | Bhutan <sup>2</sup> , Cambodia <sup>3</sup> , Indonesia <sup>4,5,6</sup> , Philippines <sup>7,8</sup> and Viet Nam <sup>9,10,11,12</sup> |
| In the transition from subsistence to CBFE operation<br>(e.g., mostly raw materials)   | Lao PDR <sup>13,14,15</sup> and Myanmar <sup>13,16</sup>   |
| Advanced concept of CF but still in subsistence stage requiring a supportive regulatory framework for CBFED                          | Thailand <sup>17</sup>   |
| Subsistence stage requiring a supportive regulatory framework for CBFED  | Kazakhstan, Mongolia and Timor-Leste   |

## BOX 1. Training Summary

The training course entitled ‘Community-based Forest Enterprise Development’ was virtually organized from May 31 to June 4, 2021, and welcomed 50 participants from 11 AFoCO Member Countries: Bhutan, Cambodia, Indonesia, Kazakhstan, Lao PDR, Mongolia, Myanmar, Philippines, Thailand, Timor-Leste, and Viet Nam.

A total of eight sessions were fruitfully contributed by the trainers of AFoCO RETC and RECOFTC, with various case studies by the Biodiversity Management Bureau of the Department of Environment and Natural Resources, Philippines, Sosial Bisnis Indonesia, FOREST 1983 of the Republic of Korea, and Taking Root/EnRacine.

The course aimed to:

- provide in-depth knowledge of the policies and practical strategies for planning and encouraging CBFED in the forestry sector;
- explore risks and enabling conditions for sustainable CBFED initiatives; and
- teach practical and sustainable solutions through the sharing of practical cases and experiences of the Asia region.

<sup>1</sup> Kulbhushan Balooni and Makoto Inoue. 2007. Decentralized forest management in South and Southeast Asia. *Journal of Forestry*, 105: 414-420.

<sup>2</sup> Bhutan National Strategy for Community Forestry and CF Manual 2018

<sup>3</sup> Cambodia legal framework of the CF sub-decree (2003) and CF guideline (2006)

<sup>4</sup> Indonesia’s Guidelines for Social Forestry Business Development. (Decree No. P2/PSKL/SET/KUM.1/5/2018)

<sup>5</sup> Indonesia’s Regulation on Community Forest. (No: P88/Menhut-II/2014)

<sup>6</sup> Indonesia’s Regulation on Social Forestry. (No: P83/MENLHK/SETJEN/KUM.1/10/2016)

<sup>7</sup> Philippines’ Executive Order (EO) No. 263

<sup>8</sup> Pulhin, Juan M., and Mark A.M. Ramirez. 2016. Timber Regulation and Value Chain in Community-Based Timber Enterprise and Smallholder Forestry in the Philippines. *Forests* 7, no. 8: 152.

<sup>9</sup> Moira Moeliono, Pham Thu Thuy, Indah Waty Bong, Grace Yee Wong, and Maria Brockhaus. 2017. Social Forestry - why and for whom? A comparison of policies in Viet Nam and Indonesia. *Forest and Society*, Vol. 1(2): 1-20.

<sup>10</sup> Viet Nam’s Decree No.01/1995/ND-CP

<sup>11</sup> Viet Nam’s Decree No.02/1994/ND-CP

<sup>12</sup> Viet Nam Land Law (2003) recognized the legal status of village communities in land tenure while Forest Protection and Development Law (2004) recognized social forestry formally and allocated the management right to the local communities.

<sup>13</sup> The Center for People and Forests (RECOFTC). 2020. Building resilience through community forestry: Annual report 2017–2019. RECOFTC, Bangkok.

<sup>14</sup> The Center for People and Forests (RECOFTC). March 2021. Tenure and social forestry in ASEAN Member States: Status, analysis, and recommendations. Bangkok, RECOFTC.

<sup>15</sup> Lao PDR Forestry Law (2019)

<sup>16</sup> Myanmar Community Forestry Instructions (1995)

<sup>17</sup> The Center for People and Forests (RECOFTC). June 2021. Thailand’s Community Forest Act: Analysis of the legal framework and recommendations. Bangkok, RECOFTC.

<sup>18</sup> The Center for People and Forests (RECOFTC) and The Rights and Resources Group (RRG). 2018. Community forestry enterprise development in Myanmar through socially responsible business approaches.

## POLICY HIGHLIGHTS ON CBFED IN AFoCO REGION

Member countries identified significant obstacles hindering CBFED from reaching a mature stage through discussion during the five-day training course. Based on baseline information from country reports and feedback from the participants, problem with CBFED implementation in the AFoCO region were identified. The core problem at the regional level is 'Low impetus in the progress and development of qualified CBFEs,' under which three challenges were highlighted as major causes to address (Figure 1).

### **1. Funding sources are still limited and insecure.**

One of the common issues hindering CBFED in most member countries is limited funding sources. The fact is due to unsustainable financial support from project-based CBFED interventions. Additionally, an enabling legislative framework without an incentive mechanism will not attract investment and engagement from the private sector. This might also be due to their low trust in tenure security and unclear commercial use rights on forest products. The issue could be addressed through supportive and facilitative legal provisions. This would eventually ensure secure forest tenure, clear and simple procedures in the taxation system, and the successful harvesting, processing, marketing, and transportation of forest products. Likewise, governments' legal instruments and related policies should include incentives to attract the interests and investments of the private sector in CBFED. Thus, a viable business environment could be developed where the outputs generated can be shared with private organizations, while the needs of local communities' businesses can be fulfilled.

### **2. Products from CBFED have low competition in the market.**

Another challenge for CBFED is the limited skill, technical know-how, and capacity of the local communities to manufacture qualified products. As a result, the semi-finished or raw materials are being sold with low competitiveness in the market. Therefore, vocational training on appropriate technology and business skills should be strategically organized for local communities with the support and collaboration of governments, the private sector, and other relevant organizations. Moreover, limited access to market information makes them heavily reliant on the middlemen who can monopolize the network. In this context, the establishment of a community-based information system would be one of the solutions to minimize this gap, wherein the collective information enables communities to achieve greater direct market access. It is critical to embed much more research on value change and market analysis so that communities can share the value-added on-site information.

### **3. Communities' weak participation should be enhanced.**

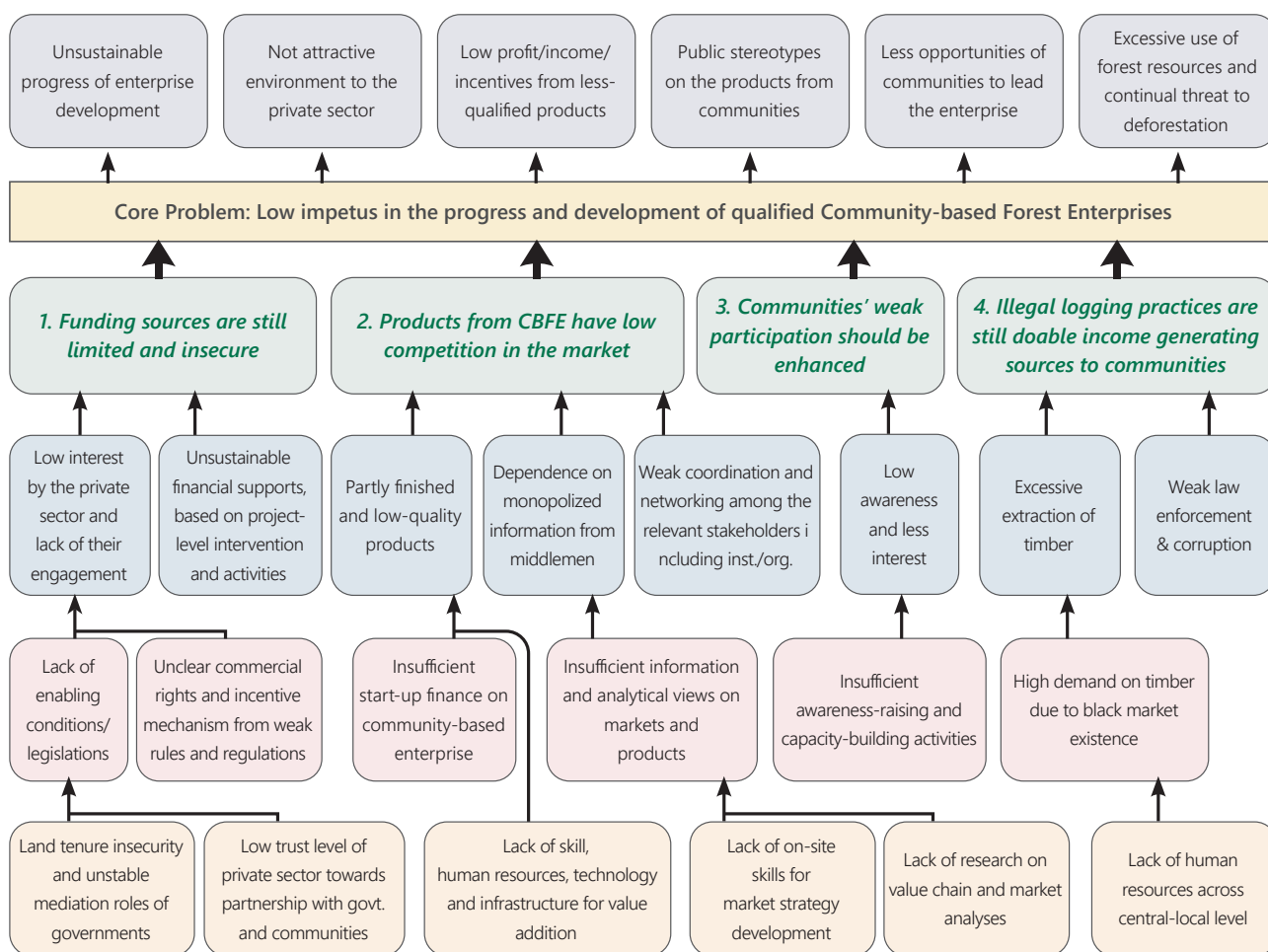
Communities' interest and commitment is the primary factor for the sustainable development of CBFED. Their active participation can be encouraged through the expansion of capacity-building activities conducted to provide local communities with fundamental knowledge and skills for forest management and business development. Local people and the capacity of forestry staff should be promoted to make them active and supportive facilitators in implementing CBFED.

### **4. Illegal logging practices are still appealing income generating sources for communities.**

Illegal logging and trade of flora and fauna are the primary causes of deforestation in most developing countries. Local people are often involved in that activity due to limited livelihood options and illegal markets, particularly across national borders. In this regard, law enforcement and anti-corruption measures are compulsory for taking action against illegal logging and other causes of deforestation in effective and efficient ways. Local people's awareness and participation in CBFED is another solution to reduce deforestation and increase conservation with their engagement and commitment to forest management.



**Figure 1. Problem Tree on the CBFED in the AFoCO Region**



Source: Interventions from 11 Member Countries at the AFoCO Short-Term Training Course on Community-based Forest Enterprise Development, 30 May-4 June 2021

## THE WAY FORWARD

The viability of CBFED can be efficiently strengthened when the relevant stakeholders, including local communities, governments, and the private sector, are effectively engaged and mobilized<sup>18</sup> and when legislation is supportive and facilitative. Under such circumstances, CBFED can create a win-win situation while increasing the socio-economic development of local communities, ensuring the return of profit for the private sector, and promoting the sustainable forest management that governments seek. To achieve the goal of CBFED for AFoCO Member Countries, the following interventions are recommended to minimize existing gaps and make CBFED progress efficiently and sustainably:

1. Activate dialogues or discussions among relevant stakeholders to enhance CBFED knowledge, opportunities, and potential and find proper solutions for its growth and progress.
2. Develop innovative public-private partnerships or buyer-supplier cooperation to create a long-term win-win business environment.
3. Enhance cooperation and coordination between the government and other relevant institutions/organizations to make CBFED procedures smooth and easy to undertake.
4. Strengthen the business skills of the local community via capacity-building programs with the support of governments and other relevant organizations.
5. Ensure good governance, sound transparency, and equitable benefit sharing in the internal CF body to strengthen management regimes in the long run.



### Asian Forest Cooperation Organization (AFoCO)

AFoCO is a treaty-based intergovernmental organization that is committed to strengthening forest cooperation and taking concrete actions to promote sustainable forest management and address the impacts of climate change.

[www.afocosec.org](http://www.afocosec.org)