

# Annual Statement of Business & Affairs

## Rights and Resources Group

### 2006



## BUSINESS & AFFAIRS STATEMENT OF THE RRG IN 2006

Prepared by the Rights and Resources Group  
May 2007

### Business Status

The Rights and Resources Group is the coordination mechanism of the Rights and Resources Initiative, a global coalition formed to advance forest tenure, policy and market reforms. Rights and Resources Group is a 501 c (3) non-profit organization based in Washington, D.C. Rights and Resources Group was formally created in 2005.

As of December 2006, the Rights and Resources Initiative was composed of nine organizations:

| Organization   | Headquarters                   | Date of joining RRI |
|--|--------------------------------|---------------------|
| CIFOR – Center for International Forestry Research   | Bogor, Indonesia               | 2005                |
| IUCN – World Conservation Union  | Gland, Switzerland             | 2005                |
| RECOFTC – Regional Community Forestry Training Center for Asia and the Pacific                         | Bangkok, Thailand              | 2005                |
| Forest Trends  | Washington, DC                 | 2005                |
| ACICAFOC – Central American Indigenous and Peasant Coordination Association for Community Agroforestry | San José, Costa Rica           | 2005                |
| FPCD – Foundation for People and Community Development   | Port Moresby, Papua New Guinea | 2005                |
| FPP – Forest Peoples Programme   | London, United Kingdom         | 2006                |
| Intercooperation   | Bern, Switzerland              | 2006                |
| ICRAF – World Agroforestry Center  | Nairobi, Kenya                 | 2006                |

### Location of Business

The Rights and Resources Group is currently located in Suite 204 at 1238 Wisconsin Avenue in Washington D.C., United States. The office space is leased on a 10-year lease, which was signed in 2005 and will expire June 30, 2016. The mailing address is:

1238 Wisconsin Avenue, NW  
Suite 204  
Washington, DC 20007, USA

### Governance

The Rights and Resources Group is governed by its Board of Directors, which is composed of members of the Rights and Resources Initiative coalition Partners, and representatives of other relevant organizations. As of December 30, 2006 the composition of the Board of Directors is:

- 1) Doris Capistrano, Chair  
Center for International Forestry Research (CIFOR), Bogor, Indonesia

- 2) Yam Malla, Secretary  
Regional Community Forestry Training Centre (RECOFTC), Bangkok, Thailand
- 3) Stewart Maginnis, Treasurer  
World Conservation Union (IUCN), Gland, Switzerland
- 4) Yati Bun  
Foundation for People and Community Development (FPCD), Port Moresby, Papua New Guinea
- 5) Alberto Chinchilla  
Asociación Coordinadora Indígena y Campesina de Agroforestería Comunitaria Centroamericana (ACICAFOC), San José, Costa Rica
- 6) Michael Jenkins  
Forest Trends, Washington D.C., United States
- 7) John Hudson  
UK Department for International Development (DFID), London, United Kingdom
- 8) Andy White  
Coordinator, Rights and Resources Initiative  
President, Rights and Resources Group, Washington D.C., United States

### **Staff**

As of December 30, 2006, the Rights and Resources Group has eight persons on staff, including experts in forest economics, community development, international finance, forest poverty and sustainable forest management. Staff persons originate from four countries (India, Mexico, USA and Canada), and four of eight are female.

Dr. Andy White, President

Arvind Khare, Director, Finance and Policy

Dr. Augusta Molnar, Director, Communities & Markets

Dr. William Sunderlin, Senior Researcher

Misty Jones, Operations Manager

Justin Bull, Research Analyst

Megan Liddle, Research Analyst

Tania Kaimowitz, Facilitator for the RedForestal community network (Costa Rica)

## **Financial and Operations Status**

### **Audited Statements for 2006**

Audited statements for 2006 were approved by the Governing Board in its meeting held April 19-20, 2007. See Annex A for the 2006 statement of activities and changes in net assets from January 1 – December 31, 2006.

### **Conflict of Interest Statements for 2006**

The Conflict of Interest statement is signed every year by members of the Governing Board and RRG senior staff members. This statement is attached as Annex B and was signed on April 21, 2007.

## Program Status

In 2006, the Rights and Resources Group (RRG) consolidated its organizational foundations and mechanisms for coordinating the Rights and Resources Initiative (RRI). RRG established systems for more efficient and effective coordination of RRI Partner activities, and engaged with Partners to organize a wide range of collaborative efforts in each of five program areas: (1) the global campaign, (2) strategic analysis, (3) country-level research and engagement, (4) network support, and (5) RRI coordination. These 2006 activities and products included:

### Global Campaign Activities

- Launch of an initial version of a website for the Rights and Resources Initiative, available at <http://www.rightsandresources.org>.
- An international meeting of the Rights and Resources Initiative (including Partners, Collaborators and key supporters and stakeholders) in Bali, Indonesia in June.
- Meetings and plans for collaboration with non-Partner organizations active in tenure and policy reform around the world, including the Global Alliance of Community Forestry (GACF), the International Land Coalition (ILC), the Food and Agriculture Organization of the United Nations (FAO), the World Bank, the UK and Norway branches of the Rainforest Foundation, among others.
- Coordination of the collaborative work of Partners engaged in the Listening, Learning, Sharing Launch (LLSL) of the RRI. RRG organized meetings to advance the planning of the LLSL in February in New York, in Bali, Indonesia in June, and in Bogor, Indonesia in August.
- Invited presentations on RRI, including presentations to the World Bank, SIDA, NORAD, the European Tropical Forest Advisory Group (ETFAG), the FAO, the USFS, US AID, IUCN, the ITTO, and others.
- Continued engagement with key government delegations to UNFF to influence the new International Arrangements on Forests.

### Strategic Analysis Activities

- A final draft of *Forest Governance in Federal Countries: Issues and Lessons for Decentralization*, in collaboration with CIFOR.
- A final draft of *China and the Global Market for Forest Products: transforming trade to benefit forests and livelihoods*, with Forest Trends.
- A study on *Community Forest Enterprise Markets in Mexico and Brazil: new opportunities and challenges for legal access to the forest*.
- A report on community forestry enterprises for the ITTO. *Community-based Tropical Forest Enterprises: Status and Potential* was submitted to the ITTO and circulated among Partners and Collaborators. It will be formally released during a conference organized around the same topics in Brazil in July 2007.
- A final version of the report *Where in the world is there pro-poor forest policy and tenure reform?* (by Mary Hobley). The report is available online.
- A final first draft *Rethinking Regulations*, reviewing case studies, revising input, and initiating the peer review process.
- A final draft of *Who Invests in Forest Conservation*. This report documents the status and trends of investment in forest conservation at the global level, and presents new data on the contributions of forest communities.

- Participation in the planning and design of a new research program in CIFOR to support the RRI: Improving Equity and Livelihoods in Community Forestry.
- An analysis of the major economic, social and political drivers shaping forest tenure and governance by 2020, invited by the Chatham House (Royal Institute of International Affairs, London).
- Analysis and presentations on forest industry and tenure in transition, for leadership of the US Forest Service.
- An outline for a new paper invited by SIDA, tentatively titled *The Role of Forests and Forest Governance in Addressing Priority Global Challenges: New Analyses and Narratives to Inform the Global Forest Community*.
- Plans and a tentative outline for the 5-year update to *Who Owns the World's Forests?*, to be published in 2007.

### Country-Level Research and Engagement

- Organization of an international delegation of policy-makers and policy experts to visit India and exchange views with policy-makers in four states in April and June.
- Concept and plans for a new analytical and policy engagement on “Alternative Tenure and Business Models” (ATBM) in Central Africa and West Africa.
- Background analysis for the ATBM work in Africa: “Status of Forest Industry and Trade in Central and West Africa” by Gene Birikorang, and “Industrial Forestry Concessions and Concession-Based Industry in Central and West Africa” by Alain Karsenty.
- Technical and financial support to Green Advocates for tenure scoping in Liberia.
- Support to RRI Partner Forest Trends to develop an analysis of Chinese-Africa trade in forest products.
- A survey of collective forest tenure in China, with collaborators at Peking University.
- Comprehensive analysis of forest resources and tenure in Vietnam led by Vietnam Forest University.

### Network Support

- Two meetings of the ITTO Civil Society Advisory Group (CSAG), in Mérida, Mexico in May and in Yokohama, Japan in November.
- A panel of community forest enterprise leaders at the 40<sup>th</sup> ITTC in Mérida.
- A policy-practice seminar with leading policy-makers from six countries at the biennial IASCP conference in Bali, Indonesia in June.
- Design and establishment of the Redforestal community network for Latin America, with ACICAFOP, ACOFOP and REDNOSOC.
- Three websites to support the Redforestal network—a public site, a private interactive site for communities alone, and a mixed-use site for marketing community products and services.
- Trainings for Redforestal throughout Central America, and hosting of a meeting of the Coordinating Council of the Redforestal in Costa Rica in September.
- A meeting of Megaflorestais, an informal network of forest policy leaders from large forested countries, at Grey Towers in Milford, Pennsylvania in October.
- A new network of critical thinkers and actors for ATBM in Africa, with RRI Partners, an collaborators Forest Watch and Civic Response.

**RRI Coordination**

- A new office to house RRG staff and seconded staff from Partner organizations. The office also provides a space for hosting visiting RRI Partners and infrastructure for hosting meetings, all enabling enhanced collaboration.
- The United States' Internal Revenue Service granted the Rights and Resources Group official 501(c)3 non-profit status, exempting RRG from the federal income tax and granting status as a public charity.
- A framework proposal for core support to RRG and operational support to RRI Partners, and sent the proposal to NORAD, SIDA, DFID and other potential donors.
- RRG established an informal donor support group, including the Ford Foundation, DFID, SIDA, and IDRC. RRG updated the informal donor support group with budget and finance information in November, and organized meetings to be held in Stockholm and New York City in February and April 2007.
- RRG organized three meetings of the Board of Directors in 2006: in February in New York, in June in Bali, Indonesia, and in November in Yokohama, Japan.
- RRG met with individual Partners to discuss roles in RRI and to plan and coordinate opportunities for collaboration, including: CIFOR in February, June, August and November, RECOFTC, IUCN, and ICRAF in February, June, August and September, ACICAFOC in August and September, and FPP in May and November.

**ANNEX A:**  
**Statement of Activities and Changes in Net Assets**  
**Year ended December 31, 2006**

|  | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Total</u>        |
|--|---------------------|-----------------------------------|---------------------|
| <b>REVENUE</b>                                     |                     |                                   |                     |
| Contributions                                      | 9,500.00            |                                   | 9,500.00            |
| Grants and Contracts                               | 589,340.00          | 1,215,843.00                      | 1,805,183.00        |
| Conference revenue                                 | 11,317.00           |                                   | 11,317.00           |
| Other Income                                       | 1,000.00            |                                   | 1,000.00            |
| Releases from restriction                          | 912,353.00          | (912,353.00)                      | 0.00                |
| <b>TOTAL REVENUE</b>                               | <b>1,523,510.00</b> | <b>303,490.00</b>                 | <b>1,827,000.00</b> |
| <b>EXPENSES</b>                                    |                     |                                   |                     |
| Program  | 1,027,941.00        |                                   | 1,027,941.00        |
| Management and General                             | 189,215.00          |                                   | 189,215.00          |
| Fundraising  | 12,318.00           |                                   | 12,318.00           |
| <b>TOTAL EXPENSES</b>                              | <b>1,229,474.00</b> |                                   | <b>1,229,474.00</b> |
| <b>NET INCOME</b>                                  | <b>294,036.00</b>   | <b>303,490.00</b>                 | <b>597,526.00</b>   |
| <b>NET ASSETS, JANUARY 1, 2006<br/>(INCEPTION)</b> | <b>-</b>            | <b>-</b>                          | <b>-</b>            |
| <b>NET ASSETS, December 31, 2006</b>               | <b>294,036.00</b>   | <b>303,490.00</b>                 | <b>597,526.00</b>   |

**ANNEX B:**  
**Conflict of Interest Statement, Signed. 2006**

**RIGHTS AND RESOURCES INSTITUTE, INC.**  
**CONFLICT OF INTEREST POLICY**

**Article I**  
**Purpose**

The purpose of this conflict of interest policy is to protect the interest of Rights and Resources Institute, Inc. (the "Corporation") when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or director of the Corporation or might result in a possible excess benefit transaction. This policy is intended to supplement but not replace any applicable District of Columbia and federal laws governing conflict of interest applicable to nonprofit and charitable organizations.

**Article II**  
**Definitions**

1. **Interested Person**  
Any director, principal officer, or member of a committee with powers delegated by the Corporation's Board of Directors, who has a direct or indirect financial interest, as defined below, is an interested person.
  
2. **Financial Interest**  
A person has a financial interest if the person has, directly or indirectly, through business, investment, or family:
  - a. An ownership or investment interest in any entity with which the Corporation has a financial transaction or arrangement;
  - b. A compensation arrangement with the Corporation or with any entity or individual with which the Corporation has a financial transaction or arrangement; or
  - c. A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Corporation is negotiating a financial transaction or arrangement.

"Compensation" includes direct and indirect remuneration as well as gifts or favors that are more than insubstantial.

A financial interest is not necessarily a conflict of interest. Under Article III, Section 2, a person who has a financial interest may have a conflict of interest only if the Board of Directors determines, after due investigation of the relevant facts, that a conflict of interest exists.

**Article III**  
**Procedures**



1. Duty to Disclose  
In connection with any actual or possible conflict of interest, an interested person must disclose the existence of the financial interest and be given the opportunity to disclose all material facts to the directors and members of committees with Board-delegated powers considering the proposed financial transaction or arrangement.
2. Determining Whether a Conflict of Interest Exists  
After disclosure of the financial interest and all material facts, and after any discussion with the interested person, he/she shall leave the Board of Directors meeting while the determination of a conflict of interest is discussed and voted upon. The remaining Board members shall determine if a conflict of interest exists or shall request additional information regarding the proposed financial transaction or arrangement.
3. Procedures for Addressing the Conflict of Interest
  - a. An interested person may make a presentation at the Board meeting, but after the presentation, he/she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement involving the possible conflict of interest.
  - b. The Chairperson of the Board shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.
  - c. If a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a conflict of interest, the Board shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in the Corporation's best interest, for its own benefit, and whether it is fair and reasonable. In conformity with the above determination it shall make its decision as to whether to enter into the transaction or arrangement.
4. Violations of the Conflicts of Interest Policy
  - a. If the Board has reasonable cause to believe a member has failed to disclose actual or possible conflicts of interest, it shall inform the member of the basis for such belief and afford the member an opportunity to explain the alleged failure to disclose.
  - b. If, after hearing the member's response and after making further investigation as warranted by the circumstances, the Board determines the member has failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

**Article IV**  
**Records of Proceedings**

The minutes of the Board shall contain:

- a. The names of the persons who disclosed or otherwise were found to have a financial interest in connection with an actual or possible conflict of interest, the nature of the financial interest, any action taken to determine whether a conflict of interest was present, and the Board's decision as to whether a conflict of interest was present, and the Board's decision as to whether a conflict of interest in fact existed.
- b. The names of the persons who were present for discussions and votes relating to the transaction or arrangement, the content of the discussion, including any alternatives

to the proposed transaction or arrangement, and a record of any votes taken in connection with the proceedings.

**Articles V**  
**Compensation**

- a. A voting member of the Board who receives compensation, directly or indirectly, from the Corporation for services is precluded from voting on matters pertaining to that member's compensation.
- b. No voting member of the Board who receives compensation, directly or indirectly, from the Corporation, either individually or collectively, is prohibited from providing information to any committee or Board member regarding compensation.

**Article VI**  
**Annual Statements**

Each director and principal officer shall annually sign a statement which affirms such person:

- a. Has received a copy of the conflicts of interest policy;
- b. Has read and understands the policy;
- c. Has agreed to comply with the policy; and
- d. Understands the Corporation is tax-exempt under Internal Revenue Code Section 501(c)(3) and in order to maintain its federal tax exemption it must engage primarily in activities which accomplish one or more of its tax-exempt purposes.

**Article VII**  
**Periodic Reviews**

To ensure the Corporation operates in a manner consistent with its tax-exempt purposes and does not engage in activities that could jeopardize its tax-exempt status, periodic reviews shall be conducted. The periodic reviews shall, at minimum, include the following subjects:

- a. Whether compensation arrangements and benefits are reasonable, based on available and competent survey information, and the result of arm's length bargaining.
- b. Whether partnerships, joint venture, and arrangements with management organizations conform to the Corporation's written policies, are properly recorded, reflect reasonable investment or payments for goods and services, further tax-exempt purposes and do not result in inurement, impermissible private benefit or in an excess benefit transaction.

**Article VII**  
**Use of Outside Experts**

When conducting the periodic reviews as provided for in Article VII, the Corporation may, but need not, use outside advisors. If outside experts are used, their use shall not relieve the Board of its responsibility for ensuring periodic reviews are conducted.

*End of Conflict of Interest Policy*

This statement is signed by all members of the Governing Board and senior officers of the Rights and Resources Group.