



Rights and Resources Initiative

Scaling Up Locally Controlled Forest Enterprises

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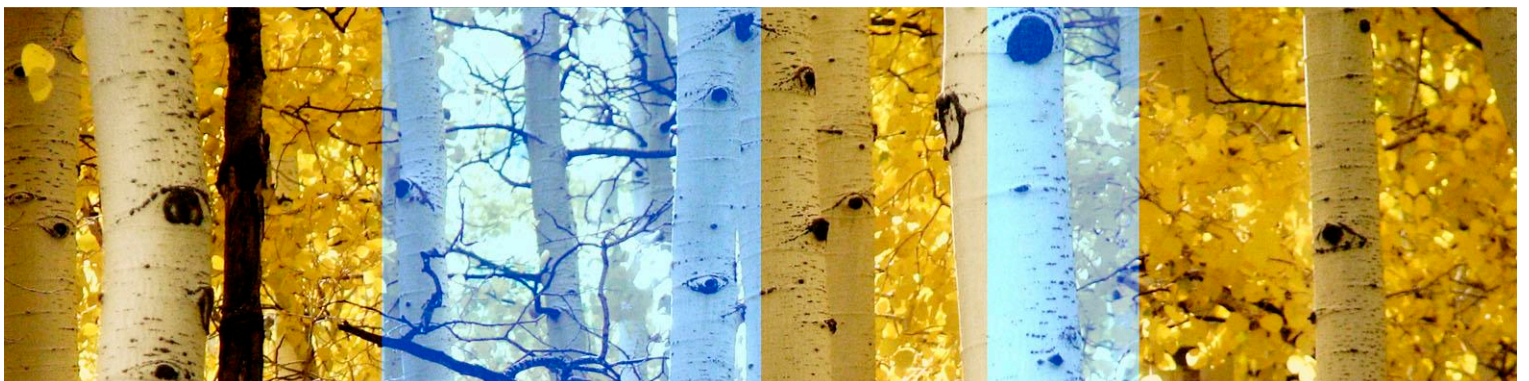




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INTRODUCTION

Industrial concessions and ownership occupy vast areas of the world’s forests. Yet, only a small fraction of that land is controlled by businesses owned and operated by Indigenous Peoples and local communities (Macqueen, Bolin, Humphries, Campbell, & Zapata, 2018). A wealth of evidence has illustrated, however, that under the right conditions, locally controlled forestry contributes to local livelihoods, ecosystem protection, and sustainable and equitable development (Macqueen, Buss, & Sarroca, 2012). And, although there is a growing shift in forest ownership and management to locally controlled forest enterprises (LCFEs), these small and medium sized enterprise models still face major policy and legislative hurdles.

The G3¹ defines LCFEs in terms of the local right for forest-owner families and communities to make decisions on commercial forest management and land use, with secure tenure rights, freedom of association, and access to markets and technology (Macqueen, Buss, & Sarroca, 2012). For rights-holder groups, ‘locally’ means on the periphery or within a forest, where owners live with the social and environmental impacts of their management decisions. ‘Controlled’ refers to operations where decision-making power and accountability is vested in the local people that reside in these forestlands, and without a distant board of directors or shareholders (Macqueen, Bolin, Humphries, Campbell, & Zapata, 2018). The growing movement of locally controlled forestry comes with the broader awareness that centralized state forestry has largely failed to guide forest stewardship, and that LCFEs meaningfully contribute to rural and local economies, the supply of sustainable timber and non-timber forest products, and the protection of vital forest landscapes.

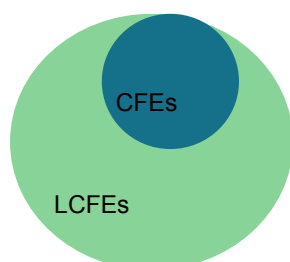


Figure 1 The analytical framework examines the intersection of four enabling factors and policy/legislative interventions that support community forest enterprises, a subset of LCFEs.

LCFEs, and a notable subset, community forest enterprises (CFEs), have been extensively covered in forest management and rural livelihood literature. Their role in the broader world of forestry is often discussed in terms of enabling environments; threats and challenges to overcome when scaling their operations; impacts of forest enterprises; and local, replicable solutions to common enterprise problems. Emerging in different contexts, LCFEs are highly diverse in terms of their enterprise development, types of forest ecosystems, tenure arrangements, production focus, and reliance on technical assistance.

This paper was prepared as background reading for a joint strategy and planning workshop in Oaxaca, Mexico (August 2018). It presents the findings from a limited-scope analysis of the regulatory barriers and policy reforms that enable LCFE and CFE

success. The analytical framework developed in the paper provides a line of questioning to examine enabling factors to success, to help practitioners determine the current state of play and identify potential areas for intervention. The paper goes further to identify areas for collective action and tools in the LCFE/CFE toolkit that can be used by practitioners to scale enterprises. With a spotlight on recent movements and trends at both the international and national level, the paper seeks to inspire a new wave of solutions-oriented approaches and collective action for LCFEs.

Key Questions

1. What are the key elements to consider when examining enabling environments for LCFE/CFEs?
2. What are key gaps in LCFE/CFE development and growth, and what are appropriate interventions at multiple scales?
3. What innovative tools are being used to scale LCFE/CFEs?

¹ G3 is the alliance of the three forest rights-holder groups: Global Alliances of Community Forestry (GACF), International Family Forestry Alliance (IFFA), and International Alliance of Indigenous and Tribal Peoples of the Tropical Forests (IAITPTF).

ANALYTICAL FRAMEWORK

This section examines the intersection of four enabling factors and policy and legislative interventions that enable LCFEs, particularly CFEs, to develop and scale in national contexts. Whether approaching CFEs from an international development, public or private sector lens, the analytical framework highlights factors to consider when examining their enabling environments, and a method to identify areas for intervention and policy reform.

Drawing from recent studies, we focus on four elements of a broader enabling environment for CFEs—tenure and ownership, regulatory frameworks, governance, and finance and trade. The elements are analyzed at the national policy level and are broken down to interventions that enable CFE growth. CFEs are a subset of LCFEs that require a focus on tenure and ownership.

It is important to note that the four factors covered here are a subset of a broader range of internal and external elements critical to CFE success. Positive and stable macroeconomic and market conditions, strong organizational and business management capacity, clear management and land use planning rights, and good forest management, are all elements that need to be considered in interventions to promote CFEs. In addition to the full expression of these elements is the importance of actors that promote capacity building and community organizing (Barsimantov, 2010).

Only a few countries² have had favourable enabling environments in place for a sufficient period to fully understand the long-term competitiveness, viability and sustainability of locally controlled forest enterprises, and especially community forest enterprises. The framework is applied to two countries, Mexico and Nepal, which have a wealth of available data on tenure and ownership, regulatory frameworks, governance, and finance and trade. These two countries lead in design and practice of CFEs, and the table below (and supporting evidence provided in Appendix 2) demonstrates how the framework can be used to organize and analyze each element and its supporting factors.

In both countries, community-based forestry plays a significant role in management of forest resources and livelihoods of rural populations. In Mexico, 55.6% of the land is held by communities or Indigenous Peoples (in the form of *ejidos* and Indigenous *comunidades*), while in Nepal, 30% of total land area is managed by the Community Forest Users Groups.

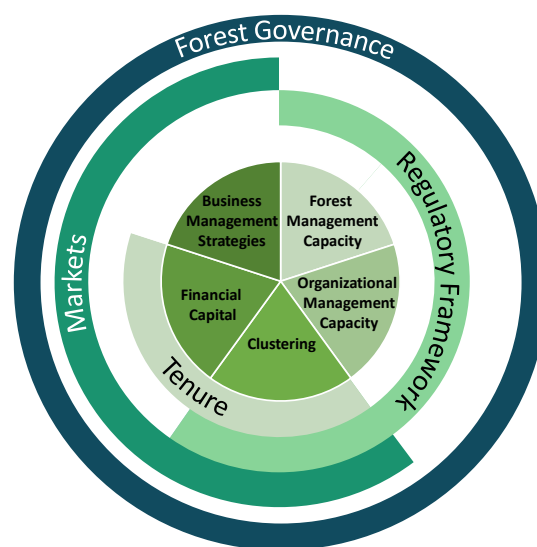


Figure 2: The analytical framework focuses on 4 of 9 factors (Tenure, Regulatory Framework, Governance, and Finance & Trade) in the CFE enabling environment, adapted from (Sanchez Badini, Hajjar, & Kozak, 2018). The 9 factors are both external (outer rings) and internal (pie-chart) to the enterprise. Good governance is a cross-cutting element in the CFE enabling environment.

² For example, Mexico, Guatemala, Honduras, Bolivia, Nepal, India and China have put in place enabling legal frameworks over several years to allow CFEs to develop (Elson, 2012).



Indufor

Evident from a quick scan of the scoring of the two countries in Table 1, is that even with design principles in place, implementation of critical policy and legislative interventions remains a challenge.

Mexico has notable strengths in **tenure and ownership**, in both design and practice, providing strong tenure rights and commercial rights to harvest and market timber products (Hagen, 2014). In Nepal, government policy hands over forests to user groups and provides them with the right to manage and protect the forests, including the rights to forest produce (Baynes, Herbohn, Smith, Fisher, & Bray, 2015).

Under the **regulatory framework** element, Mexican CFEs have benefitted from policies that encourage sustainable forest management and locally controlled forest enterprises at multiple scales, while in Nepal, community-based forestry regimes operate under constraints not shared by larger industrial scale entities.

Governance is particularly strong in Mexico, with strong local governance institutions responsible for forest planning, management and enforcement, while in Nepal, strong examples of broad inclusion in rule-making, particularly along gender and income lines exist. In both countries, bureaucratic inefficiencies are cited as a barrier restricting the growth and competitiveness of forest enterprises and further growth of community forestry.

Access to **finance** is also another major hurdle, with CFEs in both countries finding financing policies and procedures through the banking sector tedious and inaccessible to small and medium sized forest enterprises.



Table 1: Analytical framework of key elements in the community forest enterprise enabling environment and application to two example countries

Check marks denote cited evidence of examples – two ticks (✓✓) denotes full expression of criteria both in design and practice; one tick (✓) represents partial expression of criteria. Where there is no tick, it does not necessarily mean there is no capacity for best practice; it simply means this investigation has not found evidence in that jurisdiction. See Appendix 2 for supporting evidence of analysis.

Guiding Questions	Policy and legislative factors that enable community forest enterprises (CFEs)	Mexico	Nepal
Tenure and Ownership <ul style="list-style-type: none"> Does national law recognize and effectively protect legitimate land and forest rights of individuals and groups, including customary rights and informal tenure? Is the law effectively and equitably applied? Is there legally recognized and accessible documentation of ownership and/or management by IP/LC, and are there appropriate forums that allow for resolution of land disputes? Are there clear commercial forest rights? 	1. Recognition of Indigenous rights and collective tenure	✓✓	✓
	2. Formal documentation and titling supported by strong land administration capabilities	✓✓	✓
	3. Forest management policies that decentralize and devolve forest responsibilities to IP/LC	✓	✓
	4. Integrated, participatory landscape-scale planning, forest management and policy	✓	✓
	5. Proper monitoring and dispute resolution mechanisms	✓	✓
	6. Clear commercial forest rights	✓✓	✓✓
Regulatory Framework <ul style="list-style-type: none"> How stable is the regulatory environment? Do national forest, land and conservation policies recognize community forest management as a part of the resource management framework? How are CFEs legally defined? Are tax and regulatory regimes and requirements overly burdensome on small and medium sized enterprises? 	7. Forest, land, and conservation policies that encourage SFM and CFEs at multiple scales	✓✓	✓
	8. Simplified and equitable tax and policy administration; tax systems that consider the non-financial benefits created by CFEs	✓	✓
	9. Access to technical and financial support for forestry development (e.g. government programs)	✓	✓
	10. Procurement policies that directly target CFE products and initiatives	✓✓	-
	11. Clear environmental policies and regulations for legal forest management	✓	✓
	12. Commercial rights that favour small and medium sized enterprises	✓✓	✓
	13. Simplified and streamlined bureaucratic procedures and requirements to formalize and operate CFEs	✓	✓
	14. Flexibility in design of rules at the local level for managing forest resources in areas where decentralization policies are being implemented	✓	✓
Governance <ul style="list-style-type: none"> Is forest and enterprise governance coordinated, accountable, transparent, equitable and inclusive? Is there monitoring and enforcement at the multiple scales? What role do IP/LC play in establishing/ enforcing rules around the legal use of forest resources? 	15. Broad inclusion in rule-making, particularly along gender and income lines	✓	✓✓
	16. Strong local governance institutions responsible for forest planning, management and enforcement	✓✓	✓
	17. Transparency in the issuing of land titles, management areas, licenses and permits	-	✓
	18. Compliance, monitoring and enforcement systems at all levels supported by the rule of law	✓	✓
	19. Access to external financing including low-interest credit/ loans, matching grants, or government subsidies	✓	✓
Finance and Trade <ul style="list-style-type: none"> Do CFEs have access to both external and internal sources of finance? Is there a supportive environment for investments in LCFs? Do trade benefits equally benefit LCFs, as they do larger enterprises? 	20. Policies that encourage private sector investments and partnerships	✓	✓
	21. Openness (trade) of the economy and streamlined import/export systems and trade facilitation	✓	✓

LESSONS FROM THE LITERATURE: GAPS, LEARNING AND POINTS OF LEVERAGE

As individual locally controlled forest enterprises often struggle to access finance, advocate for regulatory and policy reform, or defend their tenure claims, platforms for collective action become increasingly important (e.g. co-ops and forest associations). This section spotlights some of the gaps in the four enabling elements: tenure and ownership, regulatory frameworks, governance, and finance and trade. The gaps are then linked to lessons from recent studies that highlight points of leverage at both the international and national levels. Actors looking to influence the policy and legislative landscape that LCFEs operate in could strategically target these gaps to overcome policy and legislative hurdles, and scale locally controlled forest enterprises.

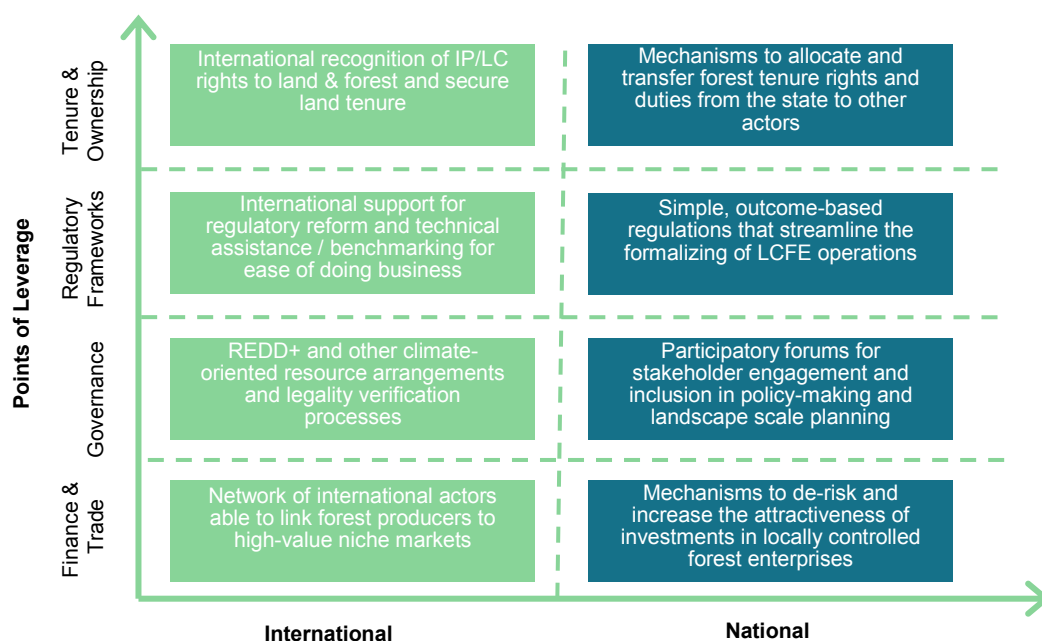


Figure 3: Points of leverage at the international and national level for the four elements underlying LCFE success.

Tenure and Ownership

International Level

Although many communities have managed forests for generations, they have only recently received strong international support and recognition of their rights to land. Both the 2007 **United Nations Declaration on the Rights of Indigenous Peoples** (UNDRIP) and the **Indigenous and Tribal Peoples Convention**, 1989 (ILO 169) have recognized the right self-determination for Indigenous Peoples asserting they have the perpetual rights to free, prior and informed consent over use of their land and natural resources. These declarations and a series of other landmark legal and voluntary commitments have paved the way for international instruments to promote rights-based approaches to community forestry. **Growing transnational networks of Indigenous and community leaders and land rights defenders have capitalized on this consensus and successfully secured critical rights to forests for Indigenous Peoples and communities—an important pre-condition for successful CFE operations.**

International recognition of IP/LC rights to land & forest and secure land tenure

Example: In Cameroon, Indonesia, Liberia, Mali, Panama, and Peru, efforts supported by the International Land and Forest Tenure Facility (the Tenure Facility) have shown that tenure and

management rights can successfully be secured at scale. These efforts have especially benefited from the international pressure generated by commitments such as UNDRIP and ILO 169.

National Level

While international pressure can help create the environment in which LCFEs can emerge, work at the national and local level is vital to secure the rights necessary for operations. Clear commercial forest rights are especially important in the context of LCFEs, as they serve as a starting point for an investment in locally controlled forestry.

Mechanisms to allocate and transfer forest tenure rights and duties from the state to other actors

Similarly, recognition of indigenous rights and secure land tenure is critical in the context of CFEs. **A ‘bundle of rights’-based approach can support statutorily recognized rights that permit LCFEs and CFEs to establish themselves and ensure they have sufficient rights to commercialize their forest resources.** By engaging local actors, who best understand the nuances of local tenure rights, ensures that communities have a basis to manage a CFE/LCFE if they desire.

Example: The rights recognized in Mexico’s *ejido*’s have enabled Indigenous Peoples and local communities to operate CFEs throughout the country.³ The success of Mexico’s *ejidos* lies in their integration of land tenure rights into their overall governance, as local and national authorities understand the interdependence of these factors.

Regulatory Framework

International Level

Many international technical programs target regulatory reform focused on forest governance and promote LCFEs as a path to tackling issues of deforestation and forest degradation, climate change mitigation and pro-poor empowerment. A gap exists in cross-country benchmarking that provides a way to compare country or sub-national enabling environments on critical factors to LCFE and CFE success. This form of benchmarking has the potential to serve as a motivating factor in regulatory reform.

International support for regulatory reform and technical assistance/ benchmarking for ease of doing business

Example: The World Bank’s Annual ‘Ease of Doing Business’ report is a form of benchmarking that serves as a model for this leverage point. Economies are ranked on their ease of doing business, from 1-190 and are compared with one another. A high ease of doing business ranking means the regulatory environment is more conducive to the starting and operation of a local firm. A periodic benchmarking exercise of LCFE success factors could provide a basis for international support of more effective policy and legislative reforms.

National Level

Locally controlled forest enterprises operate in a contradictory space. While there is high-level support and technical guidance for local communities and LCFE management, regulatory barriers often force communities to operate informally. In many countries, the regulations for forestry operations are uniformly applied, regardless of the size of business, and require large amounts of upfront capital to bring the operations up to standard. Work to equalize the regulatory landscape and promote sustainable and financially viable requirements (e.g. forest management plans) is particularly critical at this level.

Simple, outcome-based regulations that streamline the formalizing of LCFE operations

This involves simple, outcome-based and participatory rule-making that allows for examination of forest and business regulatory frameworks and identifies bureaucratic procedures and financial/technical requirements that are prohibitive to small and medium sized entrepreneurs. It also involves clarifying the

³ Ejidos must have a federally approved 10-year forest management plan before they can commercialize their forestry operations.

government's role as a regulator, producer and promoter of forest products and the interests of forest owners. It is vital to reduce the level of competition between government and local enterprises, to restrict government involvement to a regulatory role—with a focus on the sense of security felt by LCFEs, and thereby the level of active stewardship (Macqueen, Buss, & Sarroca, 2012).

Example: Excessive tax burdens often make LCFEs uncompetitive. Governments could work to create favourable tax policies that recognize the benefits obtained from formalizing LCFE operations—many financial and business services are only accessible to operations that have formal tax registration. Governments can identify unfavourable tax policies through analytical tools such as the Marginal Effective Tax Rate which can assess compliance impacts of differing tax regimes (Stern & Barbour, 2005).

Governance

International Level

Numerous international declarations, goals, and commitments involve Indigenous Peoples and local communities that live and manage forests. International guidance on governance can be split into climate/livelihood-oriented schemes and legality/conflict mitigation schemes. Efforts such as the **UN Sustainable Development Goals** (UN SDGs) and **Zero Net Deforestation Goals** (ZND) specifically state that changes in the land-use mosaic can simultaneously improve livelihoods and contribute to the wider conservation of the ecosystem. Community forestry operations and enterprises have also been found to meet the objectives of **REDD+** as they enhance the sustainable management of forested landscapes, reduce deforestation, and increase carbon stock. Efforts such as the **Lacey Act and other due diligence provisions** contribute to traceable and transparent supply chains to clamp down on illegal natural resource exploitation and trade. Legality verification has the added benefit of bolstering the market for small scale producers, including formalized CFEs, who struggle to compete with illegal timber prices.

REDD+ and other climate-oriented resource arrangements and legality verification processes

Example: These links have been tested in Indonesia, Malaysia, Vietnam, Thailand and Lao PDR, where EU FLEGT and REDD+ initiatives are collaboratively working to establish legal, sustainable forest governance (PROFOR, 2012).

National Level

Although there has been considerable success in improving forest legality and sustainable management on international initiatives such as EU FLEGT, many local stakeholders are often excluded. National and local actors can work to achieve these goals in collaboration with Indigenous Peoples and local communities, rather than see them as a tool to achieve climate/conservation-oriented goals. This can be accomplished by including community stakeholders in policy dialogues that affect their right to own, use, and trade forest products and services. Local perceptions of land should be integrated into governance schemes, understanding that Indigenous Peoples and local communities rarely view forests in the abstract manner that forestry agencies do—promoting landscape rather than forest-oriented land use plans. These participatory forums should be especially inclusive of women's and other marginalized groups' participation. Because substantial issues of distrust exist between local/provincial governments and Indigenous Peoples and local communities, government officials can seek to improve broader relations through capacity building and community development programs (especially around infrastructure and technology).

Participatory forums for stakeholder engagement and inclusion in policy-making and landscape scale planning

Example: In Nepal the legislative recognition of Community Forest User Groups (CFUGs) and their federation into apex bodies such as FECOFUN provides space to strengthen the voice of such organisations in decision-making. FECOFUN has been instrumental in improving dialogue between policymakers and forest users at the national and global levels, and it has enabled the identification and communication of priorities for enhancing investments in locally controlled forestry in Nepal (Macqueen, Buss, & Sarroca, 2012).

Finance and Trade

International Level

Due to the high costs required to formalize and certify a LCFE, a variety of international actors have worked to link Indigenous Peoples and local communities to financial institutions and funding sources. The majority of these efforts have focused on incipient enterprises that need initial capital or technical backstopping for forestry and land use management studies. Substantial gaps remain for market-oriented financing that aims to create lasting, sustainable businesses.

Network of international actors able to link forest producers to high-value niche markets

Example: Expansion of EU FLEGT VPAs to other countries could guarantee CFE timber sales and enable growth for legal timber economies (Saunders, 2014). Remote or isolated CFEs often struggle to access international markets. Work to broaden both the geographic scope and scale of VPAs would provide a long-term, mutually beneficial source of capital that could enable CFEs to expand operations and improve the livelihoods of their members. Along the same line, **international actors could work to link forest producers to high-value niche markets, such as NFTPs.**

National Level

Because LCFEs primarily serve domestic markets, there are considerable opportunities to improve their financing on a local level. National or local financial services are often wary of lending or working with LCFEs due to their relative risk and long-term return horizons. When they can secure funding, this generally occurs with prohibitive interest rates that lock LCFEs into repayment cycles that drag down their overall success. Local finance institutions, microfinance schemes, and trade associations can adapt lessons from concessional and blended finance approaches used in small-scale agricultural lending to develop forestry-focused approaches.

Mechanisms to de-risk and increase the attractiveness of investments in locally controlled forest enterprises

Example: Expanded financial instruments available to forest investment programs such as insurance products, equity investments, and results-based payments, as well as greater flexibility around collateral, especially in situations of insecure land tenure. Proof of concept has been piloted in Rwanda, Kenya, Ghana, and Uganda (Climate Investment Funds, 2018).

EMERGING TOOLS/ INNOVATIONS

Given the incredible heterogeneity of LCFEs around the world, analysis of innovations must be positioned in the cultural and political context in which these enterprises are developing. Profound developments in one region may be frequently practiced in another. The tools shared below can be both integrated into existing LCFEs and implemented in new arenas to pave the way for the next generation of enterprises.

The following tools or innovations have been used in a variety of landscapes to tackle common issues that LCFEs face when attempting to start or scale their operations. While these tools address some of the enabling factors critical to LCFE success, they have been used to solve a broader set of problems and are therefore not distilled to the four elements (tenure and ownership, regulatory framework, governance, and finance and trade) listed in the analytical framework above.

Tool 1

Benchmarking Against a Bundle of Rights: Substantial efforts have been made to secure local tenure rights through bi-lateral and multi-lateral aid programs, including new efforts like the International Land and Forest Tenure Facility. A gap remains, however, between many legally-recognized land tenure rights of Indigenous Peoples and local communities, and the bundle of rights needed for commercial forest operations.

What is the tool? In the last few years have actors begun to benchmark and assess the tenure regimes of the world (Rights and Resources Initiative, 2012). Other new initiatives provide data platforms and tools (such as the provision of tenure related data i.e. LandMark) to better track changes in tenure-related policies and regulations. Additionally, there is a growing recognition of the landscape management contributions of Indigenous Peoples and local communities (FAO, 2018). In an age of improved access to data and technology, there is an opportunity to expand on these efforts to track progress made on critical tenure rights to LCFE success.

Tool 2

Accelerated Rights Documentation: While international pressure has resulted in improved tenure legislation and frameworks to recognize the rights of Indigenous Peoples and local communities, governments have largely been unable to meet the technical demand at scale and failed to devolve and recognize the rights of all landholders.

What is the tool? A table-based tool to document land claims that does not require wireless networks or sophisticated spatial analysis skillsets.

The potential benefits from easy to use, non-network based, satellite mapping tools are best exemplified by efforts in India funded by the Tenure Facility (Halais, 2018). In early 2018 a team⁴ began work to secure the rights of 5,000 villages over the following two years. Along the way, they have employed a smartphone application (developed by the team) that compiles information from forest dwellers around their resource access and their consequent sustainable livelihoods and conservation contributions. By publicizing these claims, the team hopes to create a critical mass of informed business and government decision makers that are interested in continuing to establish the tenure of forest communities.

While there are few examples of governments that have fully implemented a bundle of rights approach devolution scheme, many local organizations have begun work to give local communities the tools to realize their legal rights to tenure. In tandem with these developments, NGOs and academic circles have continued to perfect carbon and natural resource modelling, bolstering the forest stewardship claims of Indigenous Peoples and local communities.

A recently published study shows that Indigenous peoples manage or have tenure rights to over a quarter of the world's land surface (~38 million km²), which intersects with 40% of all terrestrial protected areas and ecologically intact landscapes (Garnett, et al., 2018).

⁴ The Indian School of Business, the research and policy advocacy group Vasundhara, and the Society for Rural, Urban, and Tribal Initiative.

Tool 3

Easily Accessible, Enterprise-oriented Data: Although there have been strong CSO and governmental efforts to inform and engage Indigenous Peoples and local communities in their rights documentation, far less effort has been placed on providing up to date business-oriented data for LCFEs.

What is the tool? Regularly updated, publicly available, georeferenced environmental, climatic, and territorial datasets that level the playing field and inform LCFE operations. These databases stand to further reshape the way that Indigenous Peoples and local communities manage regulatory barriers if they provide a way to access transport, logistics, and cooperative/association registration information.

A key example⁵ of paired technological and regulatory innovations can be found in Mexico, specifically Jalisco. The SIGATyCC program⁶ has provided both the public and government institutions access to a set of tools that can analyze, manipulate, and display georeferenced information on social, cultural, economic and environmental factors (Secretaría de Medio Ambiente y Desarrollo Territorial, 2013). Shared access to information can open collaborative dialogues between LCFEs and relevant government officials, where all parties that come to the table for negotiations are equitably informed. Empowered enterprise members can champion their contributions to the local economy and environment—and advance government buy-in.

Moving forward, governments could work to virtualize the one-stop-shop approach to forest business incubation found in China and engage the private sector to standardize access to regional/international logistical and regulatory data (Macqueen & Bolin, 2018).

Tool 4

Inclusive Business Incubators: While international actors and funding sources have significantly broadened the market for LCFEs, few are able to independently navigate the business landscape. LCFEs face challenges in governance capacity, limitations in market assessment, organizational structures/community trust relations, community drive and entrepreneurship, coordination between support agencies, and access to legal and financial services. There is also a pressing need to scale up women's participation in entrepreneurship of LCFEs.

What is the tool? A business incubator that works to establish an institutional memory in LCFEs and actively include traditionally absent groups (i.e. women, youth, and politically weak actors) in their management and organization.

A collaborative effort between the Forest Farm Facility and two local actors, FF-SPAK (the Farm Forest Smallholder Production Association of Kenya) and GROOTS Kenya (Grassroots Organizations Operating Together in Sisterhood), recently worked to provide mentorship to 21 women entrepreneurs to improve their capacities to engage in leadership and governance of forest enterprises (Bolin, 2018). The actors worked to identify where women were participating in the value chain, power dynamics and 'gatekeeping' that prevented their advancement, and key national and regional women's networks to generate collective action. GROOTS Kenya implemented a similar project from 2012 – 2016 and found success in leveraging women's participation in coaching and community organizing (especially around structured conflict resolution); having 'men champions' advocate for and carry out village dialogues in support of women's empowerment; training to give local community members the ability to conduct continuous market research and build sustainable market linkages; and financial/loan literacy training to enhance capacities on accessing external financing (GROOTS Kenya, 2016). These strategies worked to actively incorporate

⁵ Another example in Peru, is the project GEBOBOSQUES which monitors five modules around forest management and provides updated information to government officials and local communities (Programa Nacional de Conservación de Bosques para la Mitigación del Cambio Climático, 2018).

⁶ Sistema de Información Geográfico Ambiental territorial y Cambio Climático, a GIS-based data source of environmental and climatic information.

and educate a host of decision makers, with an emphasis on pro-poor empowerment that aims to ultimately create self-sustainable enterprises.

Tool 5

De-risking LCFEs: Of the regions that are primed for LCFEs, there are substantial gaps in financing and market access. Many of these gaps lie in the perceived risk of LCFE investments and a lack of tools to diversify and mitigate inherent risks. There is a need for expanded financial instruments available to forest investment programs such as insurance products, equity investments, and results-based payments, as well as greater flexibility around collateral, especially in situations of insecure land tenure.

What is the tool? Example 1: Concessional financial products backed by innovative monitoring schemes that pair environmental and financing interests in loan terms. In doing so, this monitoring scheme reduces the credit default risk and increases enterprises' debt service coverage ratio (their ability to meet annual interest/principal payments on debt).

F3 Life is an intermediary that provides climate-smart monitoring and environmentally conscious loan de-risking to traditional and non-traditional credit services (F3 Life, 2018). As concerns continue to grow around the credit worthiness of actors in a changing climate, loan providers are looking for risk mitigation solutions and ways to reduce monitoring costs of conditionalities. F3 Life's land management and monitoring agreements seek to compliment ongoing efforts to finance locally controlled farm and forest enterprises.

Acting as a third-party, F3 Life monitors the progress of loan conditionalities, such as reforestation efforts or soil erosion control measures, using geo-tagged smartphone photos, as well as drone and satellite imagery. This ability to visually verify that enterprises are complying with the conditions of their loans both reduces risk for the investors and works to inform practitioners on the ground. The conditions monitored by F3 Life seek to insulate farmers/foresters from long-term environmental and climatic shocks or disasters. Enterprises' abilities to meet conditional targets are then used by the credit lender to assess their future credit worthiness and improve their confidence providing low-interest, long-term loans.

In 2016, F3 Life won the Global Innovation Lab for Climate Change Finance and is now developing three country pilots (Ghana, Rwanda, and an undetermined third country) for 45,000 farmers with backing from Deutsche Bank and Rwanda's largest climate fund, FONERWA (Ellis-Jones, 2018).

Example 2: De-risking investments through associations or co-ops that assist in the management and financing of individual enterprises.

ACOPAGRO, one of Peru's largest cacao producers and exporters, has shown the reality of cooperatives ability to achieve the 'triple bottom line'. Starting in 1992 as a cooperative of 27 producers through the United Nations' cocoa cultivation programme, ACOPAGRO now operates with over 2,000 members in four provinces, Mariscal Cáceres, Huallaga, Bellavista and Picota (G. Suárez de Freitas & P. Luna, 2018). In aggregating individual enterprises, ACOPAGRO has provided deforestation-free cacao production, facilitated reforestation efforts through a CDM (with 2,168,630 trees planted, equivalent to 48,871 VCU after buffer withholding), and secured funding from national and foreign investors (Verified Carbon Standard, 2016). ACOPAGRO has continued to be successful, and in early 2018 jurisdictional-level sourcing agreements were in negotiation.

A neighbouring cacao and coffee cooperative to ACOPAGRO, Cooperativa Agraria has secured over US\$12 million in financing from the impact investment fund Althelia—and improved the agroforestry-based livelihoods of 1,110 individuals and their families (Ormeño & Gregory, 2017). This loan has used innovative financing mechanisms such as:

- a fund-level guarantee from USAID DCA;
- REDD+ credits as loan collateral and a source of loan repayments;
- provision of in-kind packages of farming inputs to producers (US\$2,000/hectare);
- and primary revenue stream management through an escrow account (Althelia Ecosphere, 2014).



In many regions forest products associations already have strong links to LCFEs and intimately know their financial needs and market restraints. Pairing previously untapped funding streams, such as DFIs or private capital, with aggregators like forest products associations or enterprise cooperatives, could present a promising pathway forward to finance high-risk LCFEs.

CONCLUSION

Successful locally controlled forest enterprises are intergenerational sources of political and social capital, that are consistent with their ability to equitably provide livelihood benefits for Indigenous Peoples and local communities. In an era of declining timber production from natural forests, wise use of policy and strategic interventions by governments, donors, the private sector, and local actors, can position locally controlled forest enterprises as high-value providers of timber and non-timber forest products—contributing to sustainably managed landscapes, rural economies, and the protection of ecosystem services.

Identifying critical regulatory and policy factors that can hinder or support thriving LCFEs and CFEs is a first step towards targeting collective action at international and national levels to support changes required. Applying the analytical framework developed in this paper to other jurisdictions could support specific policy and regulatory reforms to strengthen LCFEs. In the meantime, an increasing number of innovations and tools that can support LCFEs to overcome specific obstacles to their development are emerging and can be used by communities and their partners

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APPENDIX 1: KEY DEFINITIONS

Communities	<p>Communities are groupings of individuals and families that share common interests in a definable local land area within which they normally reside. For the purposes of the baseline analysis and future tracking, communities are characterized by the following:</p> <ol style="list-style-type: none"> 1. They have strong connections to particular areas or territories and consider these domains to be customarily under their ownership and/or control. 2. They themselves determine and apply the rules and mechanisms through which rights to land are distributed and governed. This assumes they have the right to apply the rules and mechanisms. 3. Land is held under collective tenure and decision-making (with individual rights to land also possible within the collective tenure area).
Indigenous Peoples	<p>Indigenous Peoples are those individuals and communities who self-identify as Indigenous Peoples. Peoples in independent countries are regarded as indigenous on account of their descent from populations which inhabited the country, or a geographical region to which the country belongs, at the time of conquest or colonization or the establishment of present states boundaries and who, irrespective of their legal status, retain some or all of their own social, economic, cultural and political institutions⁷. Indigenous Peoples are recognized to hold specific internationally-recognized collective rights, including rights to land and natural resources (e.g. International Labor Organization Convention 169, United Nations Declaration on the Rights of Indigenous Peoples).</p>
Community Lands	<p>Community lands are all lands that fall under the customary governance of the community whether or not this is recognized in national law.</p>
Indigenous Lands	<p>Indigenous lands or territories refer to the collectively-held lands (and natural resources) of Indigenous Peoples. As with other community lands, some indigenous lands may be allocated with group consent for use and/or management by individuals and families. Other indigenous land is managed as common property.</p>
Collective Rights to Land and Forest	<p>Collective rights or community-based tenure regimes include all situations where rights to own or manage terrestrial natural resources are held at the community level under statutory law. This analysis uses “collective lands” as its unit of analysis for tenure tracking for Indigenous Peoples and Local Communities and focuses on national level statutory recognition to evaluate the state’s track record of recognizing all legitimate collective customary IP/LC rights to land and forest.</p>
Secure Land and Forest Rights	<p>This analysis recognizes that there are two sub-components of secure tenure rights:</p> <ol style="list-style-type: none"> 1. legally recognized documentation, and 2. perception of the security of tenure (UN SDG 1.4.2⁸). <p>The land rights that national-level tenure regimes recognize can be unpacked into: access, duration, exclusion, management, alienation, withdrawal and due process and compensation⁹. In this framework, secure collective land tenure rights are further defined by legal recognition and documentation of ownership and/or management by IP/LC.</p>

⁷ ILO Convention No. 169- article 1 (1) (b)

⁸ UN-Habitat and World Bank. 2018. SDG Indicators – Metadata repository. via <https://unstats.un.org/sdgs/metadata/> and <https://unstats.un.org/sdgs/metadata/files/Metadata-01-04-02.pdf> Accessed April 2018.

⁹ Rights and Resources Initiative. 2017. What is the bundle of rights? https://rightsandresources.org/en/tenure_data/what-is-the-bundle-of-rights/#.WvmzwoqyU Accessed April 2018.



	We recognize that secure land and forest rights are neither a condition nor outcome, but rather a process. Tracking legal recognition and documentation through instruments like land titles will allow TF to establish a baseline using a quantifiable metric. However, land titles are only one of several major milestones along the path of achieving respect and recognition, social and economic well-being and self-determination.
Legal Mechanism	Secure land and forest rights are achieved by successful, long-term establishment, maintenance, and defense of tenure rights. For this baseline analysis, legal mechanisms are analyzed and used to measure secure land and forest rights. The two sub-indicators are: legal recognition of IP/LC rights to land and forest, and requirements for the government to provide IP/LC with a formal title and map to their land ¹⁰ . Qualifying secure land and forest rights through legal recognition and requirements for legal documentation allows TF to establish a baseline using quantifiable metrics. Important to note is these sub-indicators are two of several major milestones along the path of achieving full and secure tenure rights to land and forest.
Land Disputes	Land disputes, defined separately from land conflicts, are contested boundary claims, occupations, sales, or operations within and on the peripheries of Tenure Facility projects. Land disputes can occur between i) communities, ii) communities and the government, iii) communities and external third parties, iv) third parties and the government, and v) within communities. Land disputes are defined as conflicts between parties (forms i, ii, iii, iv) relating to boundary claims, occupations, sales, or operations within and on the peripheries of Tenure Facility projects. ¹¹
Community-Based Forestry	Community-based forestry (CBF) includes “initiatives, sciences, policies, institutions and processes that are intended to increase the role of local people in governing and managing forest resources” ¹² . It includes formalized customary and indigenous initiatives as well as government-led initiatives. CBF covers social, economic and conservation dimensions in a range of activities including decentralized and devolved forest management, smallholder forestry schemes, community-company partnerships, small-scale forest-based enterprises and indigenous management of sacred sites of cultural importance.
Community Forest Enterprise	Community forest enterprises (CFEs) are legally-recognized, small or medium-sized commercial operations managed by Indigenous Peoples and local communities that are engaged in the production, processing, and trade of timber and wood products and commercial non-timber forest products. CFEs also participate in markets for environmental services (Clay, 2002).

¹⁰ L. Alden Wily, N. Tagliarino, Harvard Law and International Development Society (LIDS), A. Vidal, C. Salcedo-La Vina, S. Ibrahim, and B. Almeida. 2016. Indicators of the Legal Security of Indigenous and Community Lands. Data file from LandMark: The Global Platform of Indigenous and Community Lands. Available at: <http://www.landmarkmap.org/data/>

¹¹ Land disputes will be monitored and recorded in terms of number, nature, and intensity, by project proponents as they arise. Project proponents will additionally record resolved land disputes, if they are sufficiently mitigated.

¹² RECOFTC. 2013. *Community forestry in Asia and the Pacific: pathway to inclusive development*. Bangkok.



APPENDIX 2: ANALYTICAL FRAMEWORK- COUNTRY EXAMPLES

Mexico

Note: Check marks denote cited evidence of examples – two ticks (✓✓) denotes full expression of criteria; one tick (✓) represents partial expression of criteria. Where there is no tick, it does not necessarily mean there is no capacity for best practice; it simply means this investigation has not cited/ found evidence in that jurisdiction. The content of the table was developed by Indufor for this paper.

Policy and legislative factors enabling CFEs	Design	Practice	Notes
Tenure and Ownership			
1. Recognition of indigenous rights and collective tenure	✓✓	✓✓	As high as 80% of Mexican forests belong to communities as a result of agrarian reforms, and approximately 55.6% of all land is held by communities or Indigenous Peoples (in the form of ejidos and Indigenous comunidades), (Bray, et al., 2003).
2. Formal documentation and titling supported by strong land administration capabilities	✓✓	✓✓	80% of the total surface is in collective land grants (“ejidos” or Indigenous community’s categories), 15% is private property and 5% is national territory (Fonseca, 2014).
3. Forest management policies that decentralize and devolve forest responsibilities to Indigenous Peoples and local communities	✓✓	✓	There are still some pending issues around the decentralization process to encourage self-regulation of communities and ‘ejidos’ in some forest regions (Fonseca, 2014). Despite devolution of rights, the Mexican forest sector is overregulated in several important ways. Communities must comply with a range of requirements in order to legally undertake forest management. Some of these requirements are appropriate, but others are cumbersome, expensive and redundant (Hodgdon, Chapela, & Bray, 2013).
4. Integrated, participatory landscape-scale planning, forest management and policy	✓✓	✓	Systematic conservation planning seeks to propose new reserves through a scientifically rigorous process using databases and research selection algorithms. Future systematic conservation plans would be more truly systematic if they explored community processes which have led or not to led to conservation outcomes, instead of creating plans from afar without truly participatory landscape scale and conservation planning (Van Fleet & Bray, 2016).
5. Proper monitoring and dispute resolution mechanisms	✓✓	✓	CONAFOR has been in the process of building out a national safeguards system in Mexico that includes grievance mechanisms nested within a broader compliance framework. This is funded as part of REDD+ readiness in Mexico (CONAFOR, 2014).
6. Clear commercial forest rights	✓✓	✓✓	Mexico arguable benefits from the best combination of tenurial rights including strong commercial rights to harvest and market timber products (Hagen, 2014).
Regulatory Framework			
7. Policies that encourage sustainable forest management and locally controlled forest enterprises at multiple scales	✓✓	✓✓	Within policy, the focus is shifting to increasing economic competitiveness and meeting more domestic timber needs, while also keeping sustainability front and center (Cooper & Huff, 2017).
8. Simplified and equitable tax and policy administration; tax systems that consider the non-financial benefits created by CFEs	✓	✓	Value added transformation processes are more highly taxed and regulated which relegated CFEs to being only raw material suppliers (Valdez Villavicencio, Hansen, & Bliss, 2012).
9. Access to technical and financial support for forestry development	✓✓	✓	Budget shortfalls for key government departments and programs has become a challenge.
10. Procurement policies that directly target CFE products and initiatives	✓✓	✓✓	In Mexico, the financial viability of CFEs have been helped by political mandates for preferential procurement (e.g. government schools using furniture from local CFEs).



11. Clear environmental policies and regulations for legal forest management	✓✓	✓	Mexican CFEs are beginning to move toward the management of their forests for values other than timber, towards what can be called ecosystem management. While some of this is being driven by a heavier regulatory framework from the Mexican government, it is also being driven by community interest (Bray & Merino- Perez, 2002).
12. Commercial regulations that favor small and medium sized enterprises	✓✓	✓✓	To be granted a harvesting permit, community operations must produce a range of documents, including: (a) their agrarian title, (b) proof of legal status of the harvester (if it is not the community), (c) written statutes that govern the forest management unit, (d) an official act of the community assembly authorizing the extraction, and (e) a forest management plan.
13. Simplified and streamlined bureaucratic procedures and financial/ technical requirements to formalize and operate CFEs	✓	✓	There are still some pending issues around development of incentives or improvements in the regulatory processes for 'ejidos' and communities (Fonseca, 2014); Bureaucratic inefficiency has been cited as an important factor in the decline of timber production over the last decade, as well as a hindrance to the competitiveness of forest enterprise and the further growth of community forestry (Hodgdon, Chapela, & Bray, 2013).
Governance			
14. Flexibility in design of rules at the local level for managing forest resources in areas where decentralization policies are being implemented	✓✓	✓	
15. Broad inclusion in rule-making, particularly along gender and income lines	✓	✓	In some cases, participation may be mandated by CFEs, government or non-government agencies, but when this occurs participants may become passive rather than active Invalid source specified..
16. Strong local governance institutions responsible for forest planning, management and enforcement	✓✓	✓✓	The Mexican example provides what is in essence a democratic governance template inspired by indigenous tradition. Three main types of governance arrangements for forest enterprise exist: (i) the comisariado form, where a common property management institution under the community is in charge of the enterprise; (ii) the forest council/manager arrangement, where the community appoints a council or manager to oversee forestry and enterprise activities, and; (iii) the "work group" model, where communities create sub-communal enterprises and divide harvesting rights amongst groups (Hodgdon, Chapela, & Bray, 2013).
17. Transparency in the issuing of land titles, management areas, licenses and permits	-	-	
18. Compliance, monitoring and enforcement systems at all levels supported by the rule of law	✓✓	✓	There is a challenge regarding the lack of regulations which enforce compliance with the law and/or reprimand those who are in violation- the latter being particularly common among those who stand to profit from the production and sale of forest products.
Finance and Trade			
19. Access to external financing including low-interest credit/ loans, matching grants, or government subsidies	✓✓	✓	Traditional rural banks generally ignore CFEs. Many CFEs obtain government subsidies.
20. Policies that encourage private sector investments and partnerships	✓	✓	Still some pending issues around the development of fiscal incentives to encourage major investment from the communities (Fonseca, 2014).
21. Openness (trade) of the economy and streamlined import/export systems and trade facilitation	✓	✓	CFEs face challenges from cheaper foreign imports (Hodgdon, Chapela, & Bray, 2013). A handful of CFEs are internationally competitive, vertically integrating into sawmills and furniture and moldings workshops, particularly notable considering that they compete in the North American Free Trade Agreement with the world timber giants of the United States and Canada (Bray, et al., 2003).



Nepal

Note: Check marks denote cited evidence of examples – two ticks (✓✓) denotes full expression of criteria; one tick (✓) represents partial expression of criteria. Where there is no tick, it does not necessarily mean there is no capacity for best practice; it simply means this investigation has not cited/ found evidence in that jurisdiction.

Policy and legislative factors enabling CFEs	Design	Practice	Notes
Tenure and Ownership			
1. Recognition of indigenous rights and collective tenure	✓	✓	In 1993, Nepal passed the Community Forest Act, which recognizes Community Forest User Groups (CFUGs) as the managers of their forest. Lack of secure tenure rights remain a major barrier to CFEs in Nepal. Nepal's community forestry arrangements allow for de facto control and management rights that have led to dramatic increases in forest area and have also lead to some social cohesion between CFUGs with a shared vision of sustainable, productive forest management. These de facto rights are limited, and do not provide tenurial security to CFUGs and other forest-dependent communities (Campbell, 2018). There is also no legal instrument to respect customary rights of Indigenous Peoples and traditional forest dwellers (Yasmi, Dahal, & Bruyn, 2017).
2. Formal documentation and titling supported by strong land administration capabilities	✓	✓	The community's right over the forest is not an ownership right; the land legally remains the property of the state. This arrangement has not been without controversy (Pandey & Paudyal, 2015). Community groups and user groups have rights over the forest products but do not have land title.
3. Forest management policies that decentralize and devolve forest responsibilities to Indigenous Peoples and local communities	✓✓	✓	Despite the strength of the legal framework around community forestry, control continues to be centralized and the government has proved reluctant to hand over community forests to CFUGs. The law currently recognizes only user rights of CFUGs (rather than full ownership rights), leaving open the possibility that communities will one day lose control of their forests. An analysis of case studies across all major ecological zones in the country revealed that even though local rights of access and usage were guaranteed in national policies and laws, "a latent hesitation exists among government field officers to fully transfer the rights to communities" (Paudel, Banjade, & Dahal, 2008). There are frequent failures to finalize the creation of community forests even once they have been successfully registered in the District Forest Office. Thus a large number of CFUGs, despite preparing constitutions and management plans, have not in practice received their community forests (Pandey & Paudyal, 2015).
4. Integrated, participatory landscape-scale planning, forest management and policy	✓	✓	The management of forests is divided between the federal government and local communities, with weak interagency coordination. There is a lack of integrated landscape management (World Bank, 2018).
5. Proper monitoring and dispute resolution mechanisms	✓	✓	There is no specific dispute settlement mechanism in the forest sector. Although there is no specific institutional mechanism established for the settlement of disputes, judiciaries, quasi-judiciaries, and both formal and informal networks play an important role in debating and settling such disputes at different levels (Paudel, Khanal, & Branney, 2011).
6. Clear commercial forest rights	✓✓	✓✓	Government policy is to hand over forests to user groups and provide them with the right to manage and protect the forests, including the rights to forest produce (principally timber, fodder and firewood) (Baynes, Herbohn, Smith, Fisher, & Bray, 2015).
Regulatory Framework			
7. Policies that encourage sustainable forest management and locally controlled forest enterprises at multiple scales	✓	✓	The Forestry Sector Strategy in 2016 endorsed forest-based enterprises as a tool to provide economic opportunities and reduce poverty, and the National Biodiversity Strategy and Action Plan (2014-2020) went so far as to set a 'priority program for NTFPs and other green enterprises within community forests for the



			improvement of local livelihoods. Despite this significant achievement, Community Forest User Groups (CFUGs) have limited ability to access the market of forest products due to restrictive policies and regulations on CFE development (Campbell, 2018). Nepal also lacks national standards, criteria and indicators for sustainable forest management.
8. Simplified and equitable tax and policy administration; tax systems that consider the non-financial benefits created by CFEs	✓	✓	Tax and royalty sharing arrangements are scattered across a variety of laws, regulations, and institutions, making them difficult to monitor and enforce (World Bank, 2018). Cumbersome regulatory procedures, tax burdens additional to VAT and high transaction costs for harvesting and trade are considered as additional challenges.
9. Access to technical and financial support for forestry development	✓	✓	Conflict between community forest groups and government forest management agencies is common in Nepal (Baynes, Herbohn, Smith, Fisher, & Bray, 2015).
10. Procurement policies that directly target CFE products and initiatives	-	-	
11. Clear environmental policies and regulations for legal forest management	✓	✓	
12. Commercial regulations that favor small and medium sized enterprises	✓	✓	Community-based forestry regimes operate under constraints that do not apply to corporate entities, such as restrictions on having timber processing equipment in or close to forests. Such requirements constrain the ability of CBEs to operate efficiently and compete with private-sector entities (Glimour, 2016).
13. Simplified and streamlined bureaucratic procedures and financial/ technical requirements to formalize and operate CFEs	✓	✓	There remain extensive regulations and obstacles for CFE viability within community forests including complex registration processes for CFEs, and management restrictions on forest harvesting and governance (Campbell, 2018).
Governance			
14. Flexibility in design of rules at the local level for managing forest resources in areas where decentralization policies are being implemented	✓	✓	The Forest Act (1993) and Regulations (1995) make no specific legal provision for participation of civil society and other stakeholders in decision-making except at community level. But in practice, forest sector planning, especially for community forestry programs, has been based on a certain level of multi-stakeholder participation in decision-making processes for many years (Paudel, Khanal, & Branney, 2011).
15. Broad inclusion in rule-making, particularly along gender and income lines	✓	✓✓	In Nepal, community-based forestry has focused on achieving proportionate representation of women and other marginalized members of society by introducing systems of public auditing, public hearings, two-way communications and vertical and horizontal information flow (Glimour, 2016). 50% quotas for women at all levels of community forest decision-making bodies have ensured women play a leading role. The remaining 50% must include proportionate representation from the poor, lower-caste groups, minority ethnic groups and Indigenous People. Either the chairperson or the secretary of the committee must be a woman. The present (2014) management plan guidelines (which are required by all CFUGs) also play close attention to involving marginalized groups, with economic activities, capacity-building, land allocation, and reporting tools developed specifically for their needs (Pandey & Paudyal, 2015).
16. Strong local governance institutions responsible for forest planning, management and enforcement	✓	✓	CFUGs are legal, autonomous corporate bodies, governed by a general assembly consisting of all households in the boundaries of the applicant community, and an executive committee chosen by the CFUG through consensus of election. User groups who want to manage a community forest must submit a written application to the government, which then sends a technical expert to help the communities prepare a constitution, respecting the guidelines set out in the Forest Regulations 1995. Decisions must be made on a consensual basis, and boundaries with neighboring communities must be respected. The CFUG must then prepare a management plan to govern the community forest, also assisted by government staff (Pandey & Paudyal, 2015).
17. Transparency in the issuing of land titles, management areas, licenses and permits	✓	✓	Many jurisdictional overlaps, inappropriate assignment of roles, and institutional inefficiencies, as well as some gaps in the permit allocation systems for forest activities and products. Cumbersome permit



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			procedures are biased in favor of powerful elites (World Bank, 2018).
18. Compliance, monitoring and enforcement systems at all levels supported by the rule of law	✓	✓	The Forest Act (1993) gives authority to District Forest Officers (DFOs) to enforce forest laws with quasi-judicial powers. DFOs are responsible for protecting national forests, regulating forest related activities and enforcing forest laws. In many parts of the country, local communities are themselves forming peoples' anti-poaching groups and anti-corruption groups (Paudel, Khanal, & Branney, 2011). There is limited effectiveness of forest law enforcement and high levels of non-compliance.
Finance and Trade			
19. Access to external financing including low-interest credit/ loans, matching grants, or government subsidies	✓	✓	Financing policy and procedures through the banking sector is quite tedious. While many CFEs demonstrate need for startup capital, few can get loans from the banks. This is partly because the lending procedures are not practical or simple (Subedi, Ojha, Nicholson, & Binayee, 2004).
20. Policies that encourage private sector investments and partnerships	✓	✓	Many policies in Nepal that on the surface support the development of CFEs, by promoting business through alleged investment from the government and private sector, as specifically stated in the Forest Act (Campbell, 2018). However, constraints to private investment are apparent in natural resource development.
21. Openness (trade) of the economy and streamlined import/export systems and trade facilitation	✓	✓	Marketing of products through export is affected by burdensome exporting regulations (Subedi, Ojha, Nicholson, & Binayee, 2004). Lack of openness limits the degree to which Nepal benefits from the vibrant markets on its border, and from global markets more broadly (World Bank, 2018).



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