WELCOME AND BACKGROUND

• PROFOR financed programmatic engagement focused on enhancing the contribution of SMEs in the forest sector to poverty reduction, jobs and growth.

• The work is led experts with backgrounds in natural resource management, trade and competitiveness and access to finance

• PDO: identify multi-sector solutions that support sustainable growth of SMEs in the forest sector and improve knowledge of these solutions among key stakeholders.

• One of the two pillars of this engagement is on:

  1. Sharing Knowledge
     • User friendly formatted knowledge from existing experiences (Webinars)
     • E-learning course (under development)
MICHAEL BRADY
FOREST INVESTMENT PROGRAM
Private Sector Projects In Southeast Asia

Supporting the establishment of industrial plantations and agro-forestry in degraded land areas to reduce emissions, sequester carbon and support local livelihoods

Main objectives achieved by project end:

1. Forestry firms improve performance in forestry procedures and adherence to international certification systems
2. Farmers trained in smallholder and outgrower engagement practices to strengthen partnerships with forestry firms
3. Forestry regulations will be strengthened to improve the enabling conditions for private sector plantation development, including smallholder participation

“Challenges of Farmer Aggregation through Group Certification in Indonesia and Laos”
Various stages in farmer group maturity can be identified:

- No aggregation
- Informal farmer groups
- Basic formalized (e.g. certification admin)
- Advanced formalized (e.g. joint buying/selling, exports, fin mgt)

CHALLENGES TO EFFECTIVE SMALLHOLDER SUPPLY CHAINS

- Service provision to farmers including input distribution and agrifinance
- Traceability along the supply chain
- Smallholder farmer aggregation, assessment and training

Forestry Laos, Indonesia
INFORMAL FARMER GROUPS
Examples of FSC Group Certification in Laos and Indonesia

Aggregation through certifying forestry farmer groups under the Forest Stewardship Council (FSC) Group Certification Scheme

<table>
<thead>
<tr>
<th>Certification component</th>
<th>Laos</th>
<th>Indonesia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group member (Forest Management)</td>
<td>Independent teak tree farmers</td>
<td>Independent pulai and rubber tree farmers</td>
</tr>
<tr>
<td>Group manager (Chain of custody)</td>
<td>The Forest Trust (CSO)</td>
<td>PT Xylo (Manufacturer)</td>
</tr>
<tr>
<td>Years to certify</td>
<td>2007-2011</td>
<td>1996-2000</td>
</tr>
<tr>
<td>Current status</td>
<td>Relinquished due to ↑costs &amp; ↓markets</td>
<td>Certified &amp; expanding to latex</td>
</tr>
</tbody>
</table>

Farmer aggregation must be supported for strategic reasons, including market access. Sequencing/stepwise approaches now available.
PT. XYLO INDAH PRATAMA
Musi Rawas, Indonesia

- Clients **require certification** (FSC: CoC + SFM)
- Clients offer long-term, dependable and specialised **markets** for the company
- Company offers long-term market security for growers
- No premiums offered – FSC certification a condition for market entry

Company sponsors smallholder Group Certification +/- 8000 members
LUANG PRABANG TEAK PROGRAM
Lao Wood Industries

Local industry keen to access FSC-wood to broaden markets in Europe

Interests of the Growers, the Group and the Company were not aligned:

▪ Primary aims for growers: land security, and use of tree resource as a flexible “bank account” to meet immediate family financial needs
▪ Primary aims for the Group: Manage the group dynamics, get better prices and more reliable markets
▪ Primary aims for company: reliable and regular supplies of FSC-wood

In 2016 LPTP reported “the lack of FSC markets and the costly and bureaucratic audits that simply don’t align to the economic reality of smallholders in Lao PDR”

Consequences:
▪ Group unable to offer better benefits than existing marketing systems
▪ FSC certificate costly, complicated and expired in 2016
▪ Company concerned about sustainable supply
TAKEAWAYS

- Smallholder wood contributes substantially to regional flows of **commercial wood**
- Smallholders group certification is an effective way to **aggregate** and strengthen forestry groups and SMEs
- A **graduated approach** to certification allows smallholders to progressively improve forest management based on capacity and resources
- Smallholder certification works when there is a dependable and **committed lead firm** with reliable markets
How the Forest and Farm Facility (FFF) has helped SMEs overcome constraints

Support to 947 FFPOs across forest landscapes

Duncan Macqueen

2013-2017
(US$ 16m)
FFF Theory of change

**PILLAR 1**
Strengthen smallholder, women, community and Indigenous Peoples’ producer organizations for improved business and livelihoods and effective engagement in policies.

- Strong, locally-controlled forest farm producer organisations, that build up their businesses and livelihoods, can engage...
- Sustainable, climate smart, forest farm management that delivers equitably the multiple goods demanded by local and global publics

**PILLAR 2**
Catalyze multi-sectoral stakeholder policy platforms with governments for enhanced policy dialogue between stakeholders and government.

- Multi-sectoral platforms that determine local forest farm resource rights, market access, and technical support, and feed into...
- Just, enforceable and integrated national legal systems and support mechanisms to create an enabling environment for...

**PILLAR 3**
Link local voices and learning to global arena through communication, genuine participatory processes and information sharing.

- National and global discourses on development goals, finance and trade leading to...
- Transformative, universal and integrated global frameworks, policies and agreements that help shape...
ORGANISATION FOR BUSINESS

- 80 new service provider links
- 262 new businesses diversifying or adding value to products
- 158 gained access to finance
- Income increases 10-65% with several outliers in excess 500-1000%
ORGANISATION FOR POLICY

- 248 planning meetings target 59 changes in policies and regulations.
- Participation of 140 FFPOs in 51 policy platforms: 33 changes directly plus 18 indirectly.
- Leveraged finance (Bolivia, Guatemala, Vietnam) worth >$ 100 million - 4 times the total expenditure of FFF.
COUNTRY EXAMPLE - VIETNAM

Business: seven value chains developed (Nurseries, Acacia, Magnolia, Cinnamon, Star Anise, Tea, Pomelo) - e.g. Yen Bai co-operative, 18 HH, FSC certified sawmill, Binh Minh Agroforestry - NAFACO investment 500-700 m³ of Acacia timber/month - income + 7-10% per HH

Policy: change delivered through roundtables at commune (25) district (9) provincial (6) and national (3): forest land use certificates sped up; finance support for value addition (50% of machinery costs); extended credit (to 10 years); provincial cinnamon program (5 years $44 - $130/ha); FSC piloting; road infrastructure etc.
COUNTRY EXAMPLE - BOLIVIA

Business - Higher prices and larger profits: 11 national FFPOs - e.g. ANPROCA with 85 first-tier FFPOs (17,500 HH) need to position Bolivian coffee as high quality / fairtrade - MA&D, Colombian exchange, coffee competition, Cochabamba FFPO sets new sales record at USD 53 per pound

Policy - Financial incentive programmes catalysed: Technical policy platforms to develop new national commodity programmes - Coffee (ANPROCA) and Cacao (COPRACAO) investing $30 and $37 million over 5 years. New European market for Bolivian chocolate via Autogrill
Human interest story

- Greece Lopez, Chair-woman Steering Committee for Ramon Seed Chain
- FFF support through ACOFOP
- 1.5 million tons of Ramon nut in Maya Biosphere
- Extract less than 1% (800 tons) worth US$ 640,000
- 5 business plans for new groups elaborated and implemented
- Training in administrative, technical and productive matters.
- 350 hectares of plantations / or natural forest management implemented.
- Organic certification supported.
- Marketing materials designed (promotional blankets, banners, leaflets, and radio spots).
- Aggregation and production centre planned.
Human interest story 2.

- Ohn Nyunt, Chair-man of Yoe Zone Community Forest Product Producers Association (CFPPA)
- FFF support directly to CFNWG 2014 and then to this CFPPA in 2017
- 90 ha of Sterculia plantation.
- Average annual income US$ 18,000/ha
- Total annual income US$ 1.6 million for
- Food and traditional medicine in Myanmar plus exports to China, Thailand, India and Bangladesh for cosmetics, denture adhesives, car windscreen shatter-proofing and industrial raw materials.
- National Energy Globe award in Tehran January 2018
Thank you