

FSC SMALLHOLDER UPDATE

Q1 2013

LETTER FROM THE EDITOR

Dear Readers,

This quarter's Smallholders Update presents articles related to entrepreneurship and business practices. We highlight programs in Nepal and South America that open up new opportunities for small producers to build their businesses and benefit from FSC certification. Himalayan Bio Trade Limited tells us about producing and marketing unique handcrafted products from community producers, highlighting the benefits back to producers and the role of great partnerships in creating more value for forest-based communities. Then, the Amazon Alternative about their work to help small and medium-sized enterprises find access to finance and FSC certification in the Amazon.

We also bring you some of highlights from the Smallholder Support Program related to the theme. First, we bring you an article from our new Smallholder Support Project Manager, Joachim Meier-Doernberg- who is coordinating the new Smallholder Fund. He is working to build a small grants program that will help small enterprises get certified and benefit from the label. We close the issue with some updates on programs we are developing at FSC to support small enterprise, including training, market access and a new collaborative strategy for the FSC Network.

Best,
Angeline Gough
Smallholder Support Manager

The Smallholder Fund

By Joachim Meier-Dörnberg,
Smallholder Support Project Manager

Many smallholders, family forest owners or forest related communities face challenges to cope with the requirements and procedures for adhering to FSC certification standards. Even with the SLIMF streamlined procedures and SLIMF national standards, smallholders are confronted with difficulties related to cost and technical demands of certification. In some cases the expenses of FSC audit are too high, or investment is needed to comply with the standard.

Often somebody is missing who could explain the technical language of the standard, and training can be costly or just not available. It also can be a challenge for smallholders to get access to finance to grow their businesses, because banks will not always give loans for new business ideas or they may decide that the quality and/or volume of products makes investment risky. Financial institutions are also usually not willing to give small loans, because the fixed cost of lending smaller loans means less return on investment. Furthermore, it can be difficult for smallholders to get good market access and fair prices or they face a lack of committed and steady buyers.

All these challenges point to a need for non-traditional forms of finance that can help smallholders get started and cover their costs as they prepare for certification and as they seek to leverage the FSC label in the marketplace. Therefore, FSC created the Smallholder Fund. It is a small grants scheme, where smallholders can apply for funds that they do not have to pay back.

What do we fund?

Fundable items are linked to preparation for certification (e.g. technical assistance, trainings on FSC certification, or development of SLIMF group procedures), covering compliance costs (e.g. inclusion of new management plans, resolution of non-compliances, or the process of establishing and managing High Conservation Values), investments in production (e.g. equipment or trainings) and marketing or sales strategies. The fund does not support direct audit costs, salaries, rents, payment of debts or taxes, or the acquisition of vehicles or office materials.

Eligibility and distribution of the fund

Eligible to apply are FSC-certified producers that qualify as small and low intensity (including SLIMF groups), and FSC-certified communities which communally own and manage their forest, or permit a third party to manage it on their behalf. Non-certified small and community producers are also eligible, although there are some restrictions and eligibility needs to be analyzed case by case.

The funds will be distributed through an application and selection process where the best project proposals in each region of the world are identified. The application process will start in May 2013. By the end of October 2013, projects will be selected and funds will be transferred. On the Smallholder Portal at FSC International's website and on FSC National Websites there will be more information available from April 2013 onwards, as well as guidelines and templates for applying. For further information, you can also contact Joachim Meier-Doernberg, Smallholder Support Project Manager, j.meier-doernberg@fsc.org.

Partnerships create opportunities for community forest users in Nepal

By Anne-Marie Burnside, CECI Unitera

Himalayan Bio Trade Private Limited (HBTL) is a non-timber forest product (NTFP) processing and trading company based in Kathmandu, Nepal. It is the group manager of Sustainable Bio Trade Group, which is FSC chain of custody certified and sources paper and essential oils from FSC certified community forests in Nepal. About 25% of HBTL's shareholders are community enterprises. HBTL promotes FSC certified products from these communities and creates benefits for the communities in terms of profit and employment. For example, a partnership between HBTL, the Nepali NGO ANSAB and the global cosmetics company Aveda Corporation has created improved livelihoods for community forest users in Nepal.

Formation of a partnership

HBTL's founding mission was to use underutilized, sustainable forest resources to provide incomes for community forest user groups. Indigenous, smallholder farmers occupy Nepal's Himalayan forest communities in remote and rural areas, and HBTL's goal is to link these communities with high value international markets. This mission combined with Aveda Corporation's desire to find sustainable, socially and environmentally responsible plant-based products found a meeting place in the world's first FSC certified handmade paper; Nepali Lokta paper.

A public/private alliance between Nepalese private companies, Aveda Corporation, the Nepali NGO ANSAB and international partners was formed in 2003 to facilitate FSC certification and NTFP marketing. FSC certification and group marketing through HBTL has allowed smallholder farmers to access an international buyer. Since 2007, Aveda has used FSC certified Nepali Lokta paper in its gift sets and holiday line all year.



Benefits for the communities

Aveda has chosen to source Nepali lokta paper from HBTL because of the FSC certification, and the partnership with Aveda has been successful. Aveda's initial annual order of 60,000 sheets in 2007 increased over 6 years to 358,500 in 2013. Since 2007, Aveda has purchased a total of more than 1.3 million sheets, which has given employment to 4,975 people in remote villages with few other opportunities for work. 90% of the papermakers are women, who spend their earnings to provide their families with foods and medicine, and save money in co-operatives, ensuring a better future. 2,400 families have directly benefited from Aveda's purchase of FSC certified paper. It has helped 5,470 children to attend school—many from very poor families who could not otherwise afford an education.

Under a benefit sharing program to promote Aveda's partnership with communities in Nepal; Aveda, HBTL and ANSAB together constructed a clean drinking water supply project in Dolakha. A total of 150 households, the majority belonging to indigenous communities involved in Lokta collection and paper making, directly benefit from the construction of this drinking water project.

Furthermore, HBTL's business relationship with Aveda has built the capacity of papermakers. International market requirements prompted HBTL's trainings in environmental sustainability, international quality control standards, and basic business skills. Enterprise and supply chain development have been a direct result of the international market linkages made possible by FSC certification.

Today 14000 hectares (equivalent to 34594 acres) of forest owned by 22 community groups have come under FSC certification. FSC certification of Nepali community forests continues to ensure well-managed forests and sustainable livelihoods from Lokta papermaking and other non-timber forest products.



FSC certification and community-based forestry management

By Desirée Immerzeel and Petra Hamers,
The Amazon Alternative

The Amazon Alternative (TAA) is a public/private partnership powered by IDH, the Dutch Sustainable Trade Initiative. The partnership advocates for FSC certification of forest management and chain of custody certification for companies and communities in Brazil, Peru and Bolivia. TAA also supports these enterprises to strengthen their business practices, facilitates access to finance and tries to connect its partners with markets that value sustainable timber.

Forest communities constitute an important target group of TAA. The program provides direct support to the communities by co-financing direct and indirect certification costs. Of the 850,000 ha of Amazon forest currently certified with the support of TAA, about 30% are managed by communities or community enterprises (mainly Controlled Wood certified). For instance, TAA successfully supported local community enterprises (so-called ASLs ('Asociación Social de Lugar')) in Bolivia who opted for sustainable forest management. These groups now cover a substantial part of their certification costs themselves through profitable sales of certified timber to local sawmills from local private and social enterprises. Another 400,000 ha of community forest is foreseen to be certified until December 2013. Furthermore, TAA stimulates the interest of international social lenders to become active in the forest sector. This has resulted in loans to micro-finance institutions providing credits to forest communities.

TAA has come across several key challenges related to FSC certification of community-based forest management. First, the



commercial organization should be separated from (but staying under supervision of) the social-political organization of the community. Both are important institutions for successful and long-term production and trade by the communities, but experience shows that these types of organizations have different dynamics and require leadership with different capacities.

Second, communities often lack the capacity to manage all aspects up to the value chain. Therefore they benefit from linking to other local chain actors (like saw mills or industry) who can process the timber, especially in the early stage of community forest management. However, TAA observes substantial differences in expectations and 'language' between communities and buyers, often leading to difficulties in mutual understanding, compliance with contracts and development of a joint business. TAA mainly addresses this issue through training of communities and facilitation of contact between communities and buyers.

Finally, communities generally manage relatively small forest areas which require group certification to benefit from economies of scale and be able to cover certification costs. The management of group certificates is often in the hands of timber purchasing companies or NGOs. This can generate a certain dependency for communities. In case of NGOs this means that management of group certificates is not part of their business case, i.e. NGOs often depend on donor funding for such activities. For companies, group certificate management is part of their business case, which means that companies determine the price that communities receive for their certified timber. Such factors can compromise long term agreements. At this moment, TAA is exploring the opportunities for involving third party service providers as group certificate holders.

For more information see www.theamazonalternative.org



Smallholder Network Advisory Group

This advisory group is made up of regional representatives from the FSC Global Network who have expertise with smallholder forestry issues and are interested in creating a global strategy for smallholders. Since the beginning of 2012, FSC Smallholder Support Program has been developing a strategy for increasing supply from smallholders while providing them with added value and support.

In late 2012, the Smallholder Network Advisory Group was formed to develop the existing concepts into a full strategy with regional contexts, a strong value proposition for small and community producers, and new ways of collaborating across the network to share experience and resources. In June 2013, the Smallholder Network Advisory Group will submit a Plan of Action to the FSC International Board that will include strategies and recommendations for a long-term vision on supply and support.



Train the Trainers Pilot Program for Asia

The Train the Trainers model is proving a success in Asia, with two trainings completed last year, including one in the Solomon Island that brought community producers and supply chain actors together on a 3-day training about value-chain analysis and FSC certification. Last month, both the community producers and the supply chain actors were audited and certified by FSC. In 2013, there are trainings planned for Japan, Indonesia, Papua New Guinea, Australia, New Zealand, Laos, and China. The modules focus on value-chain analysis and enterprise development, framing FSC certification as a positive intervention in the supply chain that can lead to higher prices, better reputation, and more market access.



Small and Community Label Option

The Small and Community Label Option (SCLO) is in a year of intense development, starting with the launch of the SCLO online marketing toolkit in April that will help retailers market products coming from small and community producers. The campaign focuses on how small producers can leverage their unique stories to help distinguish themselves and their products in the marketplace. Retailers who want to connect with the unique brands of small and community producers can download marketing campaign materials that help tell these stories and use them in their in-store and online promotion.

FSC is also working to identify products that come from producers who are eligible to use the small and community label option and create portfolios of these products to present to interested retailers in order to facilitate supply chains and business relationships. We are looking for products where 100% of the FSC-certified elements of the product are from small and community sources. Eligible producers include indigenous and traditional community producers and all small and low intensity managed forests.

We are interested to hear from you if you have any products or know of any products that could carry the label.

MORE INFORMATION

For more information on the projects, check out the Smallholders Portal on www.fsc.org/smallholders.

And stay tuned for more updates. The next issue will be published in July 2013.

CONTACT

If you have any comments and/or feedback on the Smallholder Update, please contact:

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