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# PRODUCTIVE LANDSCAPES (PROLAND)

## COMMUNITY-BASED FORESTRY ENTERPRISES MEXICO FIELD VERIFICATION REPORT – DECEMBER 2018

**DECEMBER 2018**

This publication was produced for review by the United States Agency for International Development. It was prepared by Tetra Tech.

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COVER PHOTO: Sustainable forest management in the Sierra Norte of Oaxaca supported by UZACHI. Tetra Tech.

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# ACRONYMS AND ABBREVIATIONS

| | |
|---|---|
| AC | *Asociacion Civil* |
| ASILVITLAX | Association of Tlaxco Silviculturists |
| CBFEs | Community-Based Forestry Enterprises |
| CONAFOR | National Forestry Commission of Mexico |
| FMPs | Forest Management Plans |
| FSC | Forest Stewardship Council |
| GDA | Global Development Alliance |
| GOM | Government of Mexico |
| NTFP | Non-Timber Forest Products |
| PES | Payment for Environmental Services |
| ProLand | Productive Landscapes |
| REPLACE | Restoring the Environment through Prosperity, Livelihoods, and Conserving Ecosystems |
| RRI | Rights and Resources Initiative |
| USAID | United States Agency for International Development |

# 1.0 INTRODUCTION

ProLand is undertaking a series of field trips to validate the draft Sourcebook for USAID field Missions on designing and implementing programs and activities incorporating community-based forestry enterprises (CBFEs) that emphasize timber production as an integral part of sustainable landscapes. These field visits provide information from in-country USAID officers and local practitioners as well as other knowledgeable sources.

The draft Sourcebook is based upon ProLand's "An assessment of critical enabling conditions for community-based forestry enterprises[1]." The assessment identified four categories of critical enabling conditions required for successful CBFEs:

1. **Secure rights** to develop, exclude others, and sell a forest product or service and enable long-term CBFE investment. While these rights are the most basic policy requirement, other policies contribute to a robust enabling environment.
2. **Governance, organization, and management** that provides effective leadership and technical knowledge to the CBFE, accountability to the community, and ensures the CBFE's financial integrity.
3. A **viable social enterprise model**[2] that produces financial benefits sufficient to reinvest in forest and business management and growth, and provides economic benefits (though not necessarily cash) to the community as a whole.
4. **Partnerships with value chain actors** to access external funding and technical support, help aggregate timber from several communities or individual producers, market timber to buyers, and build/maintain infrastructure. These partners include national and local government, donors, civil society organizations, and private sector entities.

The assessment included input from 18 key informants, including several from USAID field missions. ProLand asked the latter if their Missions welcomed, and were suitable for, Sourcebook validation. Mexico's Director, Office of Sustainable Development, expressed strong interest in participating on behalf of the Mission; thus, Mexico became the site of the first validation visit.

This report documents observations during field visits to CBFEs in Peru, intended to validate and refine guidance about CBFEs. Deeper background assessment, results of other field visits, and the guidance have been published as separate documents. The Mexico field trip took place from December 5–14, 2018. The ProLand team comprised Chief of Party Mark Donahue, Climate Change Mitigation and Adaptation Specialist and CBFE lead Ian Deshmukh; and locally based CBFE consultant Ben Hodgdon. The team visited key informants in Mexico City, Tlaxcala, Quintana Roo, and Oaxaca, following the schedule and locational map in Annex 1. Interviews followed a question guide exploring the CBFE-enabling conditions, found in Annex 2, and the ProLand team addressed other relevant issues as they arose. We wish to thank USAID/Mexico for hosting the team, and all the informants, who gave freely of their time with enthusiasm.

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[1] webref

[2] Social enterprise is used to reflect social, economic and environmental goals of CBFEs in contrast to the traditional economic and financial emphasis of many "business" models.

# 2.0 BROAD FINDINGS AND CONCLUSIONS

In addition to structured presentation related to the four enabling conditions (collated as Section 3 below, and by site in Annex 2) we present several broad observations here. Some are features that distinguish Mexico from many USAID-supported countries, and others are emerging factors relevant to countries less advanced in their CBFE programs that will help to improve the draft CBFE Sourcebook.

- Team observations and discussion with informants **validated the ProLand enabling conditions and other aspects of the assessment** both directly (when introduced) and indirectly. No additional factors arose that do not fit within this framework. One informant noted that the enabling conditions framework could be a useful guide to evaluate what other donors and government are providing and identify key gaps for additional assistance. Strengthening coordination can reduce overlap, duplication and prevent double counting of outputs and outcomes.

- Mexico has a long history related to community forestry dating back a century with the agrarian reforms following the Mexican revolution that established community tenure through designation of *ejidos* (land grants to mainly mestizo groups) and indigenous communities[3] (communal lands based on indigenous customary occupation). Approximately 60 percent of Mexico's forests fall within these structures, though a precise figure remains elusive. Effective community control over forest resources on those lands came much later, following a landmark court ruling 30 years ago, with CBFEs starting to develop iteratively at around the same time. Nevertheless, **Mexico has a century of officially sanctioned community tenure** and constitutionally based community land management institutions not found in most other countries where USAID supports CBFEs. These community governance institutions are not sectoral, nor are they under the direct purview of forestry institutions. This observation strengthens an earlier ProLand conclusion that community forestry institutions are likely stronger if based in existing governance structures instead of being created as stove-piped forestry-only entities.

- Most CBFEs that flourish in **Mexico do so in sites that do not experience significant deforestation** pressure from competing land uses, including the sites visited – another contrast with most developing countries. In the areas visited, given the biophysical conditions, agriculture has often declined as a competitive business partly because of compliance requirements of the North American Free Trade Agreement.

- Despite the constitutional constraints on community institution structures we were struck by **diversity in all aspects**: forest types, management regimes and products, institutional roles and arrangements, benefits accruing to the community, and CBFE position on value chains. This observation suggests that **emphasis on one *detailed* model of CBFE is not the best approach**. Though it makes implementation of supporting projects more complex, subtle, and case-by-case, an adaptive learning-dependent approach is preferable. Such an approach requires a broad institutional and economic policy framework within which various approaches may flourish according to sociocultural norms, operational needs, market strategy, and level of enterprise maturity.

- The perceived relative success of CBFEs in Mexico compared to many countries is built on **substantial, prolonged, direct, and explicit subsidy** (or investment—see below) from the Mexican government as well as from donors. These subsidies consist mainly of: technical support for preparing forest management plans (FMPs) and obtaining timber production sustainability

[3] Referred to as comunidades in this report; the English "community" is used generically for all types of community

certification; purchase of CBFE wood (though not to the extent "required" by policy); and direct provision of roads and of machinery for sawmills and other types of value addition. Many prominent CBFEs have additional subsidy from donor funding. Some informants suggest that more mature CBFEs could operate without subsidy, and some do not take all subsidies available (often because of bureaucratic issues, including corruption), but CBFEs have not tested a no-subsidy approach to a significant extent in the longer term. Significantly, the newest wave of government and donor investment in the sector focuses on sustainable finance, blending public and private capital to drive increased credit to the CBFE sector. The World Bank/Inter-American Development Bank Forest Investment Program's recently closed project and KfW[4]'s new national-scale effort are important examples. Given the major drop in the National Forestry Commission of Mexico (CONAFOR) budget for the coming years under the new administration, such financing mechanisms are central to the future of CBFEs in Mexico.

The ProLand team notes that subsidy is not unidirectional, as the **communities reciprocate, subsidizing community, national, regional, and global society by maintaining well-stocked forest** with its diverse social, economic, ecological, hydrological, and climate-regulating services. While a few payment-for-environmental-services (PES) schemes were evident, these likely do not match the extent, economic value, and range of services provided. In addition, many CBFEs subsidize or supplement what are typically seen as government services for their members, including forest protection (fire, illegal felling); infrastructure; and sometimes pensions, health, and education. CBFEs that improve their social enterprises with government support also pay more taxes. The notion of subsidy seems counter to USAID's emphasis on progress towards self-reliance, but research into who is providing the greater subsidy (donor plus government, or community), though difficult to assess, might reveal a fair balance of contributions. Financial and technical support to CBFEs is perhaps better regarded by the ProLand team as investment in community development and environmental services than subsidy per se.

We also note that subsidies are common in high-income countries, through government-sponsored land use and tax policies, research, extension services, and other mechanisms. As stressed in the draft CBFE Sourcebook. self-reliance in this context is not a straightforward concept. It involves an understanding of complex economic, social, and environmental costs and benefits on local, national, and global scales.

As a counterweight to the subsidy argument, a recent study concludes that most of a sample of 30 of Mexico's CBFEs are net profitable (taking account of community benefits provided, though without accounting for subsidies).[5] The same study also confirms that on average, 90 percent of income came from timber and only 7 percent and 3 percent, respectively, from commercializing non-timber forest products (NTFPs) and implementing PES schemes.

In spite of how developed the community forestry sector is, well-developed **CBFEs account for a small fraction of communities with forest**. The Mexican model promoted by government and donors has led to success for those communities with mostly large, accessible high-value forest areas under limited deforestation threat, and more sound social institutions. The sector may have reached a plateau and new models are desirable to engage less well-placed forest communities and smallholders.

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[4] Germany's state-owned development bank.

[5] Frederick W. Cubbage, Robert R. Davis, Diana Rodríguez Paredes, Ramon Mollenhauer, Yoanna Kraus Elsin, Gregory E. Frey, Ignacio A. González Hernández, Humberto Albarrán Hurtado, Anita Merced Salazares Cruz & Diana Nacibe Chemor Sala (2015): Community Forestry Enterprises in Mexico: Sustainability and Competitiveness, Journal of Sustainable Forestry, DOI: 10.1080/10549811.2015.1040514

Several other factors give Mexico an advantage compared with many other countries assisted by USAID, including its status as a middle-income country with a well-developed economy; many relatively simple, easily managed (largely conifer) forests compared to the complex lowland tropical forests in many countries; and limited competition from cheap imported wood/wood products.

*Forests dominating landscapes: Sierra Norte of Oaxaca (left); near Tlaxco, Tlaxcala (right)*

# 3.0 FINDINGS AND CONCLUSIONS RELATED TO ENABLING CONDITIONS

## 3.1 TENURE AND ENABLING POLICY

**Community tenure is deeply rooted in the Mexican constitution**, though community governance of that tenure is not necessarily representative or equitable (see "institutions" below). **Forest resources are the mainstay of the rural economy** in the sites visited, so potential competing land use policies were not significant.

Several forestry-related policies spearheaded by CONAFOR are critical to successes in the CBFE sector, but are difficult to replicate in many other countries; notably:

- Private and parastatal concessions on community lands (representing around 60 percent of the total forest estate) were eliminated by the government three decades ago, creating favorable opportunities for commercial timber production by communities.
- Subsidies, as described above, provide significant and continuing technical and financial support to CBFEs, which has been fundamental to the CBFE system in Mexico.
- **Federal government procurement policy requires sourcing all timber from sustainably produced community forests**. To date, this policy is not effectively implemented but would improve CBFE viability if enforced. Informants hope that the new government will enforce this policy given its pro-poor stance.
- Where conflicts arise between neighboring communities, or within a community, regarding boundaries and land uses, any existing FMPs or harvest plans are suspended pending resolution of the conflict. While such policies are likely common in other countries, they do need to be explicit and implemented.

**Value-added tax is a deterrent to vertical integration** for some CBFEs (as well as a stimulus to tax avoidance through illegal timber production) as there is none on roundwood, but the government levies a 16 percent tax at successive stages, from sawnwood to finished products. Arguably, community-based social enterprises such as CBFEs could have a lower level of taxation compared to for-profit businesses or perhaps have the 16 percent applied once to whatever product-stage emerges from the CBFE. The latter would potentially encourage vertical integration. These types of policies could potentially boost CBFEs in other countries.

The new Mexican government is making significant changes, moving CONAFOR headquarters and drastically reducing its budget (down to under US $130 million from US $370 million in 2016). We understand that emphasis of government investment will move to reforestation and agroforestry, mainly in the country's southeastern tropical region, under the Secretaria de Bienestar. These changes underscore the need for CONAFOR investments in natural forests to take on new models, with increased partnerships with private sector and financial institutions.

## 3.2 COMMUNITY AND CBFE INSTITUTIONS

We observed CBFEs based upon ejidos, *comunidades* (indigenous communities), and, in one case, smallholders, as well as second-tier associations or support groups of these entities (Appendix 2). Of note is that ejidos and comunidades are not in essence community forestry governance institutions, but in the sites we visited, where forestry is the dominant uncontested land use, forestry is the economic

base for these institutions' broad community tenure, governance, and benefit-distribution mandate. The same community institutions—the General Assembly, the *comisariado* (common pool resources committee), and the vigilance committee—manage all aspects of economic life, especially in indigenous communities.

**Ejidos are not democratic institutions in the sense of universal adult suffrage**. Voting rights are restricted to male heads of households of designated ejido families; not all families in the community are necessarily members of the ejido, though some can purchase membership if an existing member wishes to sell. In Noh Bec in Quintana Roo, for example, the general assembly comprises less than 10 percent of the adult population. Moreover, in some ejidos granted on ancestral indigenous lands (especially in northern Mexico), mestizos effectively exclude indigenous peoples. The law also bars ejidos from increasing their membership numbers. In practice, many absentee ejidatarios—given high levels of out-migration—effectively sell their voting rights to nonvoting community members (*avecindados*), a situation that leads to various types of corruption and conflict. Indigenous communities, meanwhile, follow the same legal structure, although they can allow new members.

Oversight of forest management and enterprise falls under the comisariado, a committee of voting community members elected for fixed terms (time horizon varies but is usually two to three years). Sometimes incoming officials may disrupt existing CBFE or association arrangements. These provisions are in the federal constitution, making amendments such as more equitable voting rights and benefit distribution, or creation of independent institutions for CBFE management, unlikely. One result of this system is that officials tend to be older and perhaps resistant to changes that could be more appealing to youth and thereby lessen out-migration. Another result is a constant turnover in leadership, making continuity of internal policy and practice hard to establish. A vigilance committee monitors transparency of CBFE operations, and the comisariado must regularly report on CBFE activities and finances to the community general assembly. Corruption by ejido officials may lead to their expulsion as ejido members, clearly a severe penalty given the privileges of membership and a measure that may be transferable to other countries. Beyond these limitations, CBFE institutions we saw were operationally variable, including those at the second-tier aggregating level ("Associations," see following sections and Annex 2). The latter seem viable and useful in the circumstances observed, providing technical and social enterprise services, skills, and linkages to other relevant actors, including donors. Their relationships with individual ejidos and comunidades are sometimes challenging because of changes in elected officials and different attitudes and practices in neighboring communities, which the association needs to reconcile.

In line with the ProLand CBFE assessment, promoting women's empowerment through community forestry is difficult, especially with respect to timber and timber processing and given the constitutional male dominance in formal community institutions. However, strong CBFEs do seem to diversify into other products and services (see below) in which women can and do play a significant role. For example, although there is no "affirmative action" policy for women, they play prominent senior management roles in the sawmill and furniture factory described and pictured below. Many of this factory's carpenters are also women.

## 3.3 SOCIAL ENTERPRISE MODEL

The CBFEs visited are successful and most had a level of vertical integration as well as diversification. As such, they are not typical of the CBFE sector as a whole. **Approximately half of Mexico's forest-owning communities, many with commercial potential, produce no timber** for various reasons. Of those producing timber, most sell on the stump to third parties, while 11 percent

participate in harvest only; 8 percent have some commercialization and transformation capacity; and only 1 percent produce and market value-added finished products[6].

*On site charcoal production in clear fell patch, Sierra Norte, Oaxaca*

CBFEs visited had a range of social enterprise models for timber, ranging from sale on the stump, through roundwood and sawnwood (with some CBFEs operating their own mills) to finished furniture and other products. Besides timber, they often produce charcoal (from waste wood during felling or milling) and non-timber forest products (NTFPs) including mushrooms, herbals, honey, ornamental plants. Some of the more developed CBFEs also have significant ecotourism operations; many also benefit from CONAFOR's payment-for-environmental-services scheme[7].

In all cases, the social enterprise model explicitly or implicitly included government subsidy (and often donor financing), though some more mature CBFEs were currently functioning without, mainly to reduce bureaucratic obstacles. It remains uncertain how well CBFE's would function without government support especially in their early stages when infrastructure and machinery, and FMPs, certification and other transaction costs are heavy financial burdens in Mexico and elsewhere. For example, FMPs take the Ministry of Environment two to four years for review and approval. The Ministry often delays annual harvest permits such that CBFEs fail to harvest in a given year; this is often the case in lowland tropical forests where regulatory requirements are more burdensome. Indeed, government regulation in the forestry and other related sectors such as taxation are policy areas where **significant regulatory simplification and transparency could stimulate CBFE economic performance**.

**None of the CBFEs visited receives a price premium for certification,** though the certification process did provide access to local markets such as government procurement where sustainable production is required. There are cases in Mexico, however, where Forest Stewardship Council (FSC) certification does confer market advantage—in the north, where U.S. markets are important, and in the tropical southeast, where the market for hardwoods, like mahogany, requires certification. Most Mexican CBFE timber cannot compete with imported industrial-scale Chilean softwoods on price, but higher quality local timber is preferred for some uses.

CBFE-based furniture showrooms at two sites had good products. The larger, in Oaxaca, which targets local mid-range household furniture, experiences marketing problems due to price compared to imported timber products.

Getting designs and prices preferred in the market is challenging given the **differing motivations and business instincts of community enterprises** supplying the furniture. The other furniture outlet we visited, at Hotel Villanueva, Chetumal, offers higher-end products (including mahogany and a dozen other lesser-known species) and had used professional designers for elegant products. This outlet was relatively new, so its long-term viability is unknown. However, it is close to international tourist routes, which will help in sale of these high-quality items.

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[6] Hodgdon B, Chapela F, Bray DB (2013) Mexican Community Forestry Enterprises and Associations as a Response to Barriers. Rainforest Alliance, The Rights and Resources Initiative (RRI) and RECOFTC – The Center for People and Forests. https://www.rainforest-alliance.org/sites/default/files/2016-08/Mexican-community-forestry.pdf

[7] Forest Conservation in Mexico. Ten years of Payments for Ecosystem Serviceshttp://www.fao.org/3/a-bl935e.pdf

*CBFE sawmill and furniture factory, Oaxaca*

CBFE **benefits to the wider community are diverse** within and between communities, ranging from cash dividends and pensions to access to cable television and internet. Among other community benefits mentioned were NTFP access, research and education opportunities, road access, technical and social enterprise skills development, and fire management. One study estimates the value of investments in the broader community at 13 percent of CBFE income,[8] emphasizing the social enterprise nature of

[8] Cubbage et al. (2015) op. cit.

CBFEs. Given the ejido and comunidades structures described above, some benefits (especially cash distribution such as dividends) accrue only to their members rather than more equitably to all community members. Not all ejidos, however, distribute cash dividends; comunidades generally do not either.

**Diversification of products and services**, which in turn produce employment opportunities based on experience with the forestry enterprises, include ecotourism; water bottling and sales; stone quarrying; as well as harvest of a range of lesser known timber species; NTFPs; and water and carbon PES schemes. Some CBFEs with strong skills and experience also offer services to other less developed CBFEs, with fees often paid by government.

Second-tier associations visited do not have a uniform, or necessarily sustainable, financial model. Income from member CBFEs was not commercially determined (with respect to services provided), though associations are skilled in obtaining support from donor projects and government when needed. Changing from individual CBFEs to a more timber volume-based income model for associations is advantageous, but difficult to retrofit because of differences in perspective among the member communities and their elected officials.

**Commercial credit was used in some cases**, but other CBFEs either do not qualify or are not willing to seek loans, perhaps because of availability of government subsidy. At the time of ProLand's visit, KFW was about to launch a subsidized credit program, Euro 30 million, using Mexican development banks alongside a technical assistance program in forestry and business development. Relatively stringent conditions, including International Finance Corporation environmental and social standards and FSC certification for both production and chain of custody (currently most certification is of production), likely mean that **only well-established CBFEs will qualify**, at least for the first annual rounds of credit. Given the already high bureaucratic transaction costs for CBFEs, sometimes including corrupt payments, these additional costs will add to that burden.

Although CBFEs have received forestry and business development training, it was clear that so far **social enterprise skills remain weaker than technical forestry skills**.

### 3.4 VALUE CHAIN PARTNERS

Despite widespread advocacy by the development community (including the ProLand CBFE assessment and draft Sourcebook), **mutually productive linkages between CBFEs and private sector organizations remain difficult to form and operate**. The new USAID/Mexico Global Development Alliance (GDA) activities illustrate this situation because agreements are largely between USAID and CBFEs themselves rather than with third-party firms providing services or markets. We mention the commercial credit aspects of inputs above. Sales of furniture and other wood products to private wholesalers or retailers are weak compared to imported competition from Chile, except when favored by the government mandate for procurement of sustainable CBFE wood.

If the retail outlet at Hotel Villanueva (described above) is successful, it could perhaps be a model, though for relatively small volumes of finished wood products and NTFPs. In contrast, a private saw-miller taking a large percentage of local timber in Quintana Roo has captured much of the market even though he offers low prices and the communities regard him as an exploiter. Some CBFE sawmills take timber from other local CBFEs, thereby

establishing CBFE-to-CBFE value chain relationships.

While some CBFE-supporting activities have tried to facilitate direct international trading relationships for mass production (such as a proposed relationship with IKEA) or with overseas craft entrepreneurs (such as guitar makers in the USA), these endeavors are difficult to establish and keep going over the long term. In any case, volume sales to such buyers typically amount to only a small fraction of CBFE production (and an even smaller fraction of approved harvest volumes). This weakness may suggest a need for new types of capacity building—and require that both CBFE and private firms better understand the former as social enterprises. It may also require that CBFEs better understand the limitations and fluctuations of corporate attitudes to profits versus social and environmental responsibility. Progress in this regard requires co-investment from public sources to support the kind of ongoing training necessary to bring corporate-community alliances to fruition.

Government is the main value chain partner of CBFEs in Mexico, as both a financial investor and technical support service, and as a purchaser of CBFE timber products. Before the 1990s, commercial logging concessions were common, but often, including in sites visited, the most successful were parastatals, not private companies.

*High-quality wood and NTFP products at Hotel Villanueva outlet*

# 4.0 POSSIBLE AREAS FOR FURTHER USAID CBFE WORK IN MEXICO

As noted above, time limitations dictated that ProLand field visits were to relatively successful CBFEs in a few States as these are more likely to provide positive lessons for improving development of the Sourcebook. Given Mexico's long and rich history of CBFEs, we suggest that extending ProLand field visits to other areas with different forest types, and to include some CBFEs that are not as successful, would yield useful information. This work could be completed at relatively low cost if conducted by the same Mexico-based ProLand consultant now that he has an understanding of the ProLand CBFE assessment and Sourcebook development process. ProLand will review this option in consultation with USAID/Washington and USAID/Mexico, and in conjunction with programming other CBFE Sourcebook country validation visits.

USAID/Mexico is potentially interested in supporting some discrete activities with its Sustainable Landscape funding. Based upon ProLand findings, the team suggests three areas that might be productive, and which we discussed at the exit debrief with the Mission.

1. Around 80 percent of communities with commercial forest resources undertake no formal forest management for various reasons, or sell timber on the stump to third parties for harvesting[9]. Given the high demand for timber and wood products, an analysis of why some communities have not pursued CBFE development or value addition, in the context of the enabling conditions defined above, may reveal opportunities for future interventions. High-potential producers with no timber extraction or on-stump sellers could be contrasted with nearby active, vertically integrated CBFEs with similar natural resources. As observed in the UZACHI and Alianza Selva Maya models visited, exploring alternatives for creating alliances between more- and less-developed forest communities could form an important part of this proposed analysis. In addition, such an analysis could investigate ways of promoting CBFEs where they are currently absent or ineffective. New, competitive CBFE models that take into account conditions such as higher deforestation pressure (critical to USAID's Sustainable Landscapes programming) and weaker community institutions could be useful outputs.

2. Despite donor-funded and other attempts to develop business knowledge and skills, our observations and informants indicate limited success. An analysis of previous efforts may reveal why, and may allow for development and implementation of improved capacity building, which USAID/Mexico could possibly incorporate into their new CBFE GDA activities.

   The ProLand team did not have time to assess gaps in such capacity building, but possible areas to examine include: Did business training take account of institutional, economic and financial factors related to social enterprises (as opposed to purely commercial businesses)? Are there opportunities for using the most successful community or association social enterprises as case studies or to conduct training for less enterprising CBFEs? Are there opportunities to bring community leaders, constituent CBFEs, credit agencies, and commercial buyers together for joint capacity building to improve mutual understanding of the needs, costs, and benefits of these different actors? Is there a need to train trainers specifically in CBFE social enterprises? Has donor funding by USAID and others based on respective biodiversity requirements limited the emphasis on and types of business development?

   Timber production is a long-cycle business needing distinct technical, commercial, and financial

[9] Hodgdon et al. op. cit.

capacity (in the context of social enterprises with community governance) compared to more traditional short-cycle individual entrepreneur business skills development. A "learning by doing" process in which the trainer works with the CBFE on the processes of seeking credit or negotiating with a new buyer may be a more effective training mode than traditional classroom methods.

3. At policy level, a concerted advocacy and technical assistance effort to reduce bureaucratic burdens and technocratic transaction costs (such as those for FMPs and certification), as well as taxation policies that encourage vertical integration in CBFEs might stimulate greater investment in and benefit flows from CBFEs. This type of intervention would need to take into account the recently installed government's policy changes.

# ANNEX 1: SCHEDULE AND LIST OF KEY INFORMANTS

Contacts and scheduling outside USAID were made by consultant Ben Hodgdon based on his broad and deep experience with CBFE development in Mexico. The primary contact is listed, though other individuals joined discussions in most cases. Government contacts were not made because of the transition to a new administration, which will significantly restructure agencies related to CBFEs.

| Name | Title, organization | Contact information (all phone numbers +52) |
|---|---|---|
| **Mexico City: 5-6 December, and 13 December USAID debrief** | | |
| Don McCubbin | USAID Director, Office of Sustainable Development | dmccubbin@usaid.gov<br>(55) 5080-2000 |
| Karla P. Toledo Gutierrez | USAID Project Manager Specialist | ktoledo@usaid.gov><br>(55) 5080-2000 |
| Citlali Cortes | Senior Sector Coordinator, Biodiversity and Forestry, KfW | citlali.cortes@kfw.de<br>55 5523 5935 |
| Ivan Zuniga | Public Policy Coordinator, POLEA (Politica y Legislacion Ambiental) | ivan.z@polea.org.mx<br>55 2922 7863<br>www.polea.org.mx |
| Edgar Gonzalez | Mexico Country Director, Rainforest Alliance | egonzalez@ra.org<br>55 6318 0350<br>www.rainforest-alliance.org |
| Lesly Aldana | Project manager, Mexico, Rainforest Alliance | laldana@ra.org |
| **Tlaxcala: 7 December** | | |
| Juan Carlos Caballero | Director, SERVIFOR, S.C., Service provider to ASILVITLAX, A.C. | servifor@prodigy.net.mx<br>241 496 0664<br>www.servifor.com.mx<br>www.asilvitlax.org |
| **Quintana Roo: 8-10 December** | | |
| Alfonso Arguelles | Executive Director, Alianza Selva Maya<br>National representative, FSC Mexico<br>Founder, TropicaRural Latinoamericana<br>Comunero, ejido Noh Bec | alfarguelles@gmail.com<br>983 839 1381<br>https://mx.fsc.org/es-mx<br>Alianza Facebook page |
| Abraham Gonzalez Sosa | Comisariado and Forestry Technical Director, Ejido Noh Bec | Noh Bec Facebook |
| **Oaxaca: 10-12 December** | | |
| Salvador Anta Fonseca | Independent Consultant (former head of CONAFOR community forestry programs in Oaxaca and nationwide; consultant to World Bank, UN, gov't, CBFEs, many others) | salvanta@yahoo.com.mx<br>55 4940 6181 |
| David Bray | Professor, Florida International University | brayd@fiu.edu<br>(+1) 786 395 3592 |
| Francisco Chapela | Program Officer, Christensen Fund Founder<br>Estudios Rurales y Asesoría | pacochapela@gmail.com<br>951 526 0693<br>http://era-mx.org/ |
| Miguel Ramirez Dominguez | President of Administrative Council<br>UZACHI (Union de Comunidades Forestales Zapotecas Chinantecas) | uzachi89@gmail.com<br>951 539 2008<br>www.uzachi.com |
| Lucy Ruiz | Head of Projects and Development, UZACHI | uzachi89@gmail.com<br>951 320 0521 |
| Israel Santiago | General Manager, Pueblos Mancomunados forest enterprise<br>Director, TIP Muebles | 951 509 0199<br>https://sierranorte.org.mx/#/ |

| Name | Title, organization | Contact information (all phone numbers +52) |
|---|---|---|
| | | (Pueblos ecotourism site) http://www.indapura.com/ (Pueblos water bottling operation) http://tipmuebles.com/ |
| Laura Venegas | Furniture Factory Manager, Pueblos Mancomunados | |
| Magdalena Lopez Marquez | Sawmill Manager, Pueblos Mancomunados | |
| Pedro Vidal Garcia | Independent Consultant (Ixtlán de Juárez comunero and consultant to TIP Muebles and FIRA- Mexican rural development credit institution) | vidal1@live.com.mx 951 211 9311 |


*Map showing location of CBFEs visited*

# ANNEX 2: SITE VISIT DETAILS

The following tables, prepared by ProLand consultant Ben Hodgdon are arranged by the four enabling conditions, which formed the framework for organizing information gathered at each site. The first two columns are the guiding information for the interviews. The last and third columns are responses from informants (see Annex 1) with some clarification from Ben when needed, based upon his extensive knowledge of Mexican CBFEs in general and the sites visited in particular.

**Table 1: ASILVITLAX (Association of Tlaxco Silviculturists)**

| TOPIC | FACTORS | STATUS AND ISSUES ARISING | PROJECT/DONOR SUPPORT; current & key needs/gaps, issues |
|---|---|---|---|
| **Policy** | | | |
| **Tenure** Land/trees | Access, ownership, exclusion, timber harvest | ASILVITLAX comprises13 small ejidos and 19 smallholders owning 29,689ha, of which 5,213ha is under management for timber and a few NTFPs | Smallholder forestry, largely overlooked in the sector, is increasingly important in Mexico as forest areas are effectively parceled; supporting groups like ASILVITLAX is a priority area for donor support |
| Other policies | (support, neutral, interfere) | | |
| Forestry | | Ejidos and smallholders have full rights over forest resources and are encouraged to harvest timber and other products through a plethora of subsidies; however, overregulation disincentivizes production | Support to efforts aimed at streamlining the process for forest management permitting, harvest and sales is a priority for donor support |
| Land use conflict | | Clarity with respect to boundaries and lack of conflict with neighbors is precondition for forest management and membership in ASILVITLAX; there is significant illegal logging in the area | |
| Business (markets, trade) | | ASILVITLAX members harvest and achieve sales of nearly 100% of their authorized volume, a rarity in the CBFE world; growth in markets for value-added production is a priority | Supporting ASILVITLAX to grow its capacity as an aggregator and marketing body is priority |
| Other sectors? | Ag, mining, conservation, etc. | Small-scale agricultural activity in the region is declining post-NAFTA; the landscape is going back | Support to landscape-scale activities that undertake restoration forestry on abandoned agricultural lands, |

| TOPIC | FACTORS | STATUS AND ISSUES ARISING | PROJECT/DONOR SUPPORT; current & key needs/gaps, issues |
|---|---|---|---|
| | | to forest; mining of a sought-after type of rock (piedra laja) in one ASILVITLAX member ejido is currently being improved | as well diversification into new could be priority |
| CBFE policy advocacy | Need; presence, absence | ASILVITLAX and predecessor organizations were early leaders in the movements pressing for locally-controlled forestry in Mexico; current focus is on reducing bureaucratic burden from the Federal Government of Mexico (GOM) forestry oversight agencies (SEMARNAT and PROFEPA) | Not a priority area for donor investment |
| **Organizational Capacity** | | | |
| Community governance | Structures, relationships, legitimacy | ASILVITLAX has an internal governance structure in accordance with government requirements for local NGOs operating in Mexico (*asociacion civil*, A.C.) | Strengthening ASILVITLAX's internal capacity to extend its model to include more smallholders in other states is a priority |
| CBFE management | | SERVIFOR is a private consultancy that provides professional forestry services to ASILVITLAX members for a small fee, complemented by GOM investment captured by ASILVITLAX | Enterprise development capacity, especially through support for value-added processing by ASILVITLAX or a new entity to be established, could be an area for investment |
| Aggregation | Intermediary level; coops, associations, etc. | ASILVITLAX assists with marketing and sales, but doesn't charge a fee; it does not run itself as an enterprise, but may in future establish a sister entity to manage enterprise development | As above |
| **Social Enterprise Model** | | | |
| Forest resource | Quantity/quality | ASILVITLAX members manage pine-oak forest ecosystems using the "Tlaxco" silvicultural method (basically patch clearcuts varying in size and shape based on site conditions); over the last 5 years, on about 5,200ha of forested and, members have harvested over 47,000$m^3$ | Support to extend the ASILVITLAX approach to other montane temperate, smallholder dominated landscapes in central Mexico is a priority |
| Value chain position | On-stump – finished | Some members sell timber on the stump, some have their own equipment for logging, ASILVITLAX | Building a sister enterprise to ASILVITLAX that aggregates supply and adds value is a priority |

| TOPIC | FACTORS | STATUS AND ISSUES ARISING | PROJECT/DONOR SUPPORT; current & key needs/gaps, issues |
|---|---|---|---|
| | product spectrum | assists with marketing | investment, should members choose this route |
| Financial aspects | Revenues re-invested<br>Community benefits<br>Access to external finance | Ejidos are required to share benefits among ejidatarios through dividends; smallholders keep profits themselves; ASILVITLAX supports work to improve community governance in areas where ejido assemblies are weak | Support to ASILVITLAX to access credit is a priority strategy |
| Market access | Remoteness, transport | Tlaxcala state and Tlaxco are strategically located and well-roaded; there are some members that are more remote | Not a priority area for investment |
| **Value Chain Partnerships** | | | |
| Roles of private sector | Who are partners?<br>Finance<br>Marketing<br>Technical<br>Other | Wood is sold in local, largely undifferentiated markets | Building partnerships with buyers and investing in value-added are priorities |
| Roles of government | Finance<br>Marketing<br>Technical<br>Infrastructure/ equipment<br>Other | GOM subsidy programs appear fundamental to the social enterprise model for both ASILVITLAX and SERVIFOR; at the same time, lack of subsidy over the last few years (due to corruption in this CONAFOR region) did not pose an existential threat | Donor support should focus on getting GOM to implement its sourcing policy, introduced in 2009, requiring all agencies to source certified wood from domestic sources; compliance with this policy, which has not been implemented effectively, would make demand climb sharply for CBFEs throughout Mexico |
| Roles of civil society | Finance<br>Marketing<br>Technical<br>Other | ASILVITLAX has partnered with other civil society groups (e.g. ERA) on projects, most notably the piedra laja effort mentioned above | Building partnerships with similar organizations in other parts of Mexico to expand ASILVITLAX's reach |
| Roles of | Finance | ASILVITLAX has collaborated on donor-funded projects, most notably the piedra laja effort | Building partnerships with similar organizations in other parts of Mexico to expand ASILVITLAX and |

| TOPIC | FACTORS | STATUS AND ISSUES ARISING | PROJECT/DONOR SUPPORT; current & key needs/gaps, issues |
|---|---|---|---|
| donors/projects | Marketing<br>Technical<br>Infrastructure/ equipment<br>Other | mentioned above; SERVIFOR is currently working in Chiapas on agroforestry systems to improve management among smallholders | SERVIFOR's reach |

**Table 2: NOH BEC**

| TOPIC | FACTORS | STATUS AND ISSUES ARISING | PROJECT/DONOR SUPPORT; current & key needs/gaps, issues |
|---|---|---|---|
| **Policy** | | | |
| **Tenure**<br>Land/trees | Access, ownership, exclusion, timber harvest | Noh Bec is a forestry ejido in the Yucatan Peninsula state of Quintana Roo covering 24,122 ha. The community was settled in 1936 by mestizos from Veracruz that came to tap chicle from zapote trees (*Manilkara zapota*). | While title was granted in the 1940s, Noh Bec's forest was concessioned to a parastatal through the 1980s. The German-financed Plan Piloto Forestal supported ejidos throughout Yucatán to build forest management capacity. Currently, tenure is secure in Noh Bec and this is not an area for donor investment. |
| Other policies | (support, neutral, interfere) | | |
| Forestry | | Of Noh Bec's total area around 18,000 ha is under active forest management. There is little agriculture or livestock in the community, with no historical ties to such activity. | Noh Bec like neighboring ejidos is still feeling the effects of Hurricane Dean (2007) which blew down an estimated 35% of the ejido's forest. Mahogany stocks, the community's mainstay, were severely affected. Since then restarting forest management with a diversified approach has been the priority. Supporting even greater diversification is an area for donor investment. |
| Land use conflict | | Given the trends in other parts of the Selva Maya, the reported minimal threat from competing land use is notable. Conflicts with neighbors automatically suspends forest management plans and related government support. | |

| TOPIC | FACTORS | STATUS AND ISSUES ARISING | PROJECT/DONOR SUPPORT; current & key needs/gaps, issues |
|---|---|---|---|
| Business (markets, trade) | | The Peninsula's wood market continues to be dominated by a sole buyer (Azuara), accounting for nearly 90% of sales among ejidos. Noh Bec sought foreign markets for its FSC-certified timber, but such sales never accounted for much of its market. Current efforts focus on penetrating the huge market in the Riviera Maya together with neighboring ejidos | Efforts to expand market access – especially premium domestic markets in the Riviera Maya – through aggregation, value addition and creative finance are key areas for donor investment. Alianza Selva Maya, a 2nd-tier organization of 5 ejidos including Noh Bec and less-developed CBFEs in the region, is a prime example. Rainforest Alliance's GDA is partnering with the Alianza. |
| Other sectors? | Ag, mining, conservation, etc. | As noted, agricultural activities are limited in this part of the Selva Maya; conservation is a key priority given global biodiversity importance | A majority of outside projects that have supported Noh Bec have used biodiversity or conservation funding, in part explaining the paucity of support for enterprise development |
| CBFE policy advocacy | Need; presence, absence | Neither Noh Bec nor the Alianza formally undertake CBFE policy advocacy activities, but one of its leaders, key informant Alfonso Arguelles, is FSC's national representative and is close to GOM officials | Donors extended relatively little support to Noh Bec to proactively undertake policy advocacy activities; nor is it the role of a business organization like the Alianza |
| **Organizational Capacity** | | | |
| Community governance | Structures, relationships, legitimacy | Noh Bec is organized according to Mexican agrarian law, with a *comisariado* (common property resource committee) comprising a president, vice president, secretary and treasurer, overseen by a vigilance committee, which rotates every 3-5 years. Noh Bec is different from many of its neighbors in that it pays its *comisariado*. | Donor investments in internal organization and strengthening are a key priority. |
| CBFE management | | The CBFE does not have a separate management structure; it is managed directly by the *comisariado*. | Donor investments in alternative models of community organization that maintain legitimacy while increasing professionalization and consistency in enterprise management are a priority. |

| TOPIC | FACTORS | STATUS AND ISSUES ARISING | PROJECT/DONOR SUPPORT; current & key needs/gaps, issues |
|---|---|---|---|
| Aggregation | Intermediary level; coops, associations, etc. | As noted, Noh Bec has formed Alianza Selva Maya with less-developed neighbor ejidos in the region, including Bacalar, X-Hazil, Felipe Carrillo Puerto and Petcacab. They have opened a shop in Chetumal to market furniture produced using community wood and are implementing a business plan aimed at penetrating premium domestic markets in the Riviera Maya for FSC-certified community wood. | Alianza Selva Maya is a priority initiative for donor investment, especially through support for innovative finance mechanisms that increase the Alianza's capacity for aggregation, value-added production, negotiation with value chain actors and marketing. |
| **Social Enterprise Model** | | | |
| Forest resource | Quantity/quality | Noh Bec occupies lowland tropical forest that once had some of the best remaining stocks of natural mahogany in the region. Systematic high-grading and then the effects of Hurricane Dean severely reduced mahogany abundance. Noh Bec has reacted by diversifying (e.g. charcoal), while demand for lesser-known species (especially chicozapote) has resulted in new opportunities. | Noh Bec's strategy of diversification away from mahogany, long the mainstay for CBFEs throughout the Selva Maya, including in Petén, should be studied and supported as a donor investment strategy promoting resiliency in other CBFEs. The move to a more diversified approach involving up to 16 species, as well as non-traditional markets like charcoal, is of potential significance elsewhere. |
| Value chain position | On-stump – finished product spectrum | Noh Bec controls all aspects of forest management, from planning to harvesting to felling, transport and processing. A portion of sales goes out as roundwood, some is sawn, and much of what ends up as high-end furniture is processed by local carpenters, with design support from Alianza's network of furniture design specialists | Increasing the Alianza's capacity for value-added production is a key area for investment |
| Financial aspects | Revenues re-invested<br>Community benefits<br>Access to external finance | Noh Bec reinvests heavily in community development; beyond dividends paid to ejidatarios, the CBFE represents the economic motor for the whole ejido; it is a $1 million annual enterprise (taking out gov't subsidies), with a minimum of 10 million MXN of wood sales yearly; there is pressure to spend all profits from each year leaving the community vulnerable to | Support to the Alianza to access credits to finance working capital needs among its members should be supported; this arrangement could go a long way to breaking the debt cycle present in many forestry ejidos in the region (see Hodgdon report on finance in region[10]); at the same time, care must be taken to ensure that Alianza truly serve its members and does not become another predatory entity, as often |

[10] http://www.monitoreoforestal.gob.mx/repositoriodigital/files/original/9b4e5f50b0e83940decef9227f138f33.pdf

| TOPIC | FACTORS | STATUS AND ISSUES ARISING | PROJECT/DONOR SUPPORT; current & key needs/gaps, issues |
|---|---|---|---|
| | | predatory lending for working capital | happens. |
| Market access | Remoteness, transport | Noh Bec and most forestry ejidos in the Yucatan enjoy good access and road infrastructure in comparison to CBFEs across the tropics. | Not an area for donor investment. |
| **Value Chain Partnerships** | | | |
| Roles of private sector | Who are partners?<br>Finance<br>Marketing<br>Technical<br>Other | One buyer (Azuara) dominates up to 90% of wood trade in Yucatan; his methods, including divide-and-conquer and debt traps, have for years undermined CBFE development across the region. | Supporting the Alianza to access credit and enhance negotiation skills to cut Azuara from the finance picture in particular is a high priority. |
| Roles of government | Finance<br>Marketing<br>Technical<br>Infrastructure/ equipment<br>Other | As elsewhere in Mexico, GOM subsidy is fundamental to the success of Noh Bec's forestry activities, but the CBFE would likely survive without subsidies. | Donors should channel funds to activities perceived as gaps in GOM subsidy programs, most importantly finance, enterprise capacity and markets. |
| Roles of civil society | Finance<br>Marketing<br>Technical<br>Other | NGOs and other technical assistance agencies have been critical to Noh Bec's CBFE; both national and international NGOs have supported Noh Bec, and the community is extremely adept in "playing the game" to get NGO support for a variety of needs and new projects; sometimes, the agendas of different groups conflict with those of the community. | The two complimentary USAID GDAs starting in the Peninsula (Rainforest Alliance and Consejo Civil Mexicano para la Silvicultura Sostenible), as well as Forestry Investment Program financing (Project 4 and the Dedicated Grant Mechanism for Indigenous Peoples and Local Communities), The Nature Conservancy programming and the coming KfW support are good examples of how donor funds and civil society groups continue to channel support to the region, but not always well coordinated; planning such investments more strategically ishighly desirable. |
| Roles of | Finance | See above | |

| TOPIC | FACTORS | STATUS AND ISSUES ARISING | PROJECT/DONOR SUPPORT; current & key needs/gaps, issues |
|---|---|---|---|
| donors/<br>projects | Marketing<br>Technical<br>Infrastructure/ equipment<br>Other | | |

**Table 3: UZACHI**

| TOPIC | FACTORS | STATUS AND ISSUES ARISING | PROJECT/DONOR SUPPORT; current & key needs/gaps, issues |
|---|---|---|---|
| **Policy** | | | |
| **Tenure**<br>Land/trees | Access, ownership, exclusion, timber harvest | 4 member communities of UZACHI – Capulalpam de Mendez, Santiago Xiacui, La Trinidad y Santiago Comaltepec own their forests (see table below for land use information). | Winning rights over forests was a struggle early on led by UZACHI communities as part of the ODRENASIJ alliance of 40 communities in the Sierra Juarez; outside support from local NGOs (e.g. ERA) helped with legal costs and community organizing |
| Other policies | (support, neutral, interfere) | | |
| Forestry | | Forestry is the main land use in the area, with agriculture largely abandoned post-NAFTA | UZACHI receives considerable support from government and a few donors (including, in the past, USAID MREDD) – grants cover 75% of operating costs; CONAFOR investments long supported forestry in the region; donor-supported projects have come and gone over the last 35 years but have been consistent |
| Land use conflict | | Recent conflict between Capulalpam and a neighboring mining concession has led to suspension of forestry activities in the community for 3 years | |
| Business (markets, | | Wood markets are 100% domestic, communities sell both round and sawnwood; FSC certification does not confer premium | Most support was historically directed to forestry, social organization and conservation; a priority is for more support to social enterprise capacity and market access; doing so will |

| TOPIC | FACTORS | STATUS AND ISSUES ARISING | PROJECT/DONOR SUPPORT; current & key needs/gaps, issues |
|---|---|---|---|
| trade) | | price but could create access to advantageous markets | substantially change UZACHI's trajectory |
| Other sectors? | Ag, mining, conservation, etc. | Agricultural activities are limited in this part of the Sierra Norte; mining is a growing problem, communities don't own rights to subsoil; conservation is a key priority given global biodiversity importance | Most outside projects supporting UZACHI used biodiversity or conservation funding in one form or another, in part explaining the paucity of support for enterprise development |
| CBFE policy advocacy | Need; presence, absence | UZACHI communities were key to the struggle for retaking forests from concessionaires 35 years ago, and they continue to lead on issues of relevance to CBFEs nationwide (e.g. overregulation, mining, etc.), but the Union is not a policy advocacy organization per se | Donors have extended relatively little support to UZACHI to proactively undertake policy advocacy activities; this is an area for increased support, including with groups from outside Mexico, especially through knowledge exchange and the possible establishment of a "community center of excellence" |
| **Organizational Capacity** | | | |
| Community governance | Structures, relationships, legitimacy | UZACHI is a second-tier organization that has its own organizational structure, rooted in the community-based institutions that populate UZACHI's leadership (see Table 6 organigram below) | See below |
| CBFE management | | Over time, UZACHI has evolved more professional management that is paid and somewhat independent from institutional change and pressures that occur at the member community level | See next |
| Aggregation | Intermediary level; coops, associations, etc. | UZACHI was formed as service provider for member communities to undertake forest management and trade; it does not aggregate production or undertake marketing. Sales are handled at the community level | UZACHI is considering changing its model to begin undertaking aggregation and marketing of member production; doing so would be a radical departure from its last 30 years but is an obvious area for donor support should the Union opt to go this route |
| **Social Enterprise Model** | | | |

| TOPIC | FACTORS | STATUS AND ISSUES ARISING | PROJECT/DONOR SUPPORT; current & key needs/gaps, issues |
|---|---|---|---|
| Forest resource | Quantity/quality | See tables 4 and 5 below – notable is the high productivity of these "temperate" pine-oak forests; with only 6,570ha under active management, the 4 communities have an authorized volume of over 660,00$m^3$ over the current 8-year cutting cycle, almost 83,000$m^3$ per year | Investments in improved forestry practice are not a priority for donor support since UZACHI communities are leaders in the field and have ample government support, not to mention the rather aggressive style of clear-cutting, while sustainable and in line with best silvicultural practice, would probably scare off conservation-minded projects with limited forestry knowledge |
| Value chain position | On-stump – finished product spectrum | No UZACHI communities sell off the stump; all sell some roundwood and some sawnwood; two of the four communities have a drying kiln; two communities also have carpentry shops that are privately owned by community members | Donor support should build UZACHI's support to improved marketing of community-based value-added production, should UZACHI decide to go this route. Care is needed not to over-invest in UZACHI at the expense of its members, which is where the value-added production will likely remain |
| Financial aspects | Revenues re-invested<br>Community benefits<br>Access to external finance | UZACHI communities have a strong commitment to reinvesting profits in community development; no dividends are paid to members, but profits are regularly invested in social needs like healthcare, local pension funds, education and community projects, representing a substitute for government services | UZACHI is a logical candidate to manage credits for working capital, infrastructure and other needs among member communities, ideally as part of a commercial agreement requiring enterprise growth. Donor projects concentrated on access to finance should work with UZACHI to build its credit worthiness |
| Market access | Remoteness, transport | UZACHI communities are in an area that was under longtime parastatal concession, which left the enviable road infrastructure | Not a priority for donor investment |
| **Value Chain Partnerships** | | | |
| Roles of private sector | Who are partners?<br>Finance<br>Marketing<br>Technical<br>Other | Wood buyers are all domestic, nearly all wood (round or sawn) stays in the state of Oaxaca; there is no premium paid for FSC product even though all UZACHI communities are certified | There is prime scope to develop partnerships with wood buyers in the city of Oaxaca and beyond that demand FSC product; a key informant is working on this now with UZACHI and building this approach would be a logical area for donor investment. Rainforest Alliance's USAID GDA could be leveraged |

| TOPIC | FACTORS | STATUS AND ISSUES ARISING | PROJECT/DONOR SUPPORT; current & key needs/gaps, issues |
|---|---|---|---|
| Roles of government | Finance<br>Marketing<br>Technical<br>Infrastructure/ equipment<br>Other | GOM is fundamental to UZACHI's social enterprise model at present; it is less important as a source of direct subsidy to the communities themselves | Donor support should focus on how to get the GOM to implement its sourcing policy, introduced in 2009, requiring all agencies to source certified wood from domestic sources; compliance with this policy, which has not been implemented in a meaningful way, would make demand rise steeply for CBFE timber throughout Mexico |
| Roles of civil society | Finance<br>Marketing<br>Technical<br>Other | CSOs have been fundamental to the establishment and growth of UZACHI and forest management and enterprise in its member communities; the consistent yet non-paternalistic presence of local NGOs has been particularly key | Donors should support UZACHI to build its own capacity as a CSO and service provider, as an incubator to help with CBFE growth in less-developed areas of Oaxaca and beyond; the 10-year partnership between UZACHI and a community in the Sierra Sur of Oaxaca (San Juan Ozolotepec) is a good example of how this could work |

**Table 4: Land area in UZACHI communities**

| Predio | Municipio | Superficie (Ha) |
|---|---|---|
| La Trinidad | Santiago Xiacuí | 804.94 |
| Santiago Xiacuí | Mismo Nombre | 1,680.61 |
| Capulálpam de Méndez | Mismo Nombre | 3,850.00 |
| Santiago Comaltepec | Mismo Nombre | 18,070.17 |
| **Total** | | **24,405.72** |

**Table 5: Forest management in UZACHI communities**

| Superficies y volúmenes bajo manejo forestal | | | | | | |
|---|---|---|---|---|---|---|
| **Comunidad** | **Superficie total (Ha)** | **Superficie forestall (Ha)** | **Superficie a aprovechar (Ha)** | **Vol. autorizado m3** | **Sistema silvícola** | **Método o Sistema de manejo** |
| Capulálpam de Méndez | 3,799.98 | 2,813.18 | 2,201.52 | 220,951.26 | Combinado o mixto | MDS y MMOBI |
| La Trinidad Ixtlám | 791.72 | 748.47 | 583.85 | 64,011.05 | Combinado o mixto | MDS y MMOBI |
| Santiago Xiacuí | 1,680.6 | 1,636.78 | 1,230.43 | 160.260.51 | Combinado o mixto | MDS y MMOBI |
| Santiago Comaltepec | 18,070.17 | 11,863.89 | 2,553.70 | 217,113.54 | Combinado o mixto | MDS y MMOBI |

**Table 6: UZACHI organizational structure**

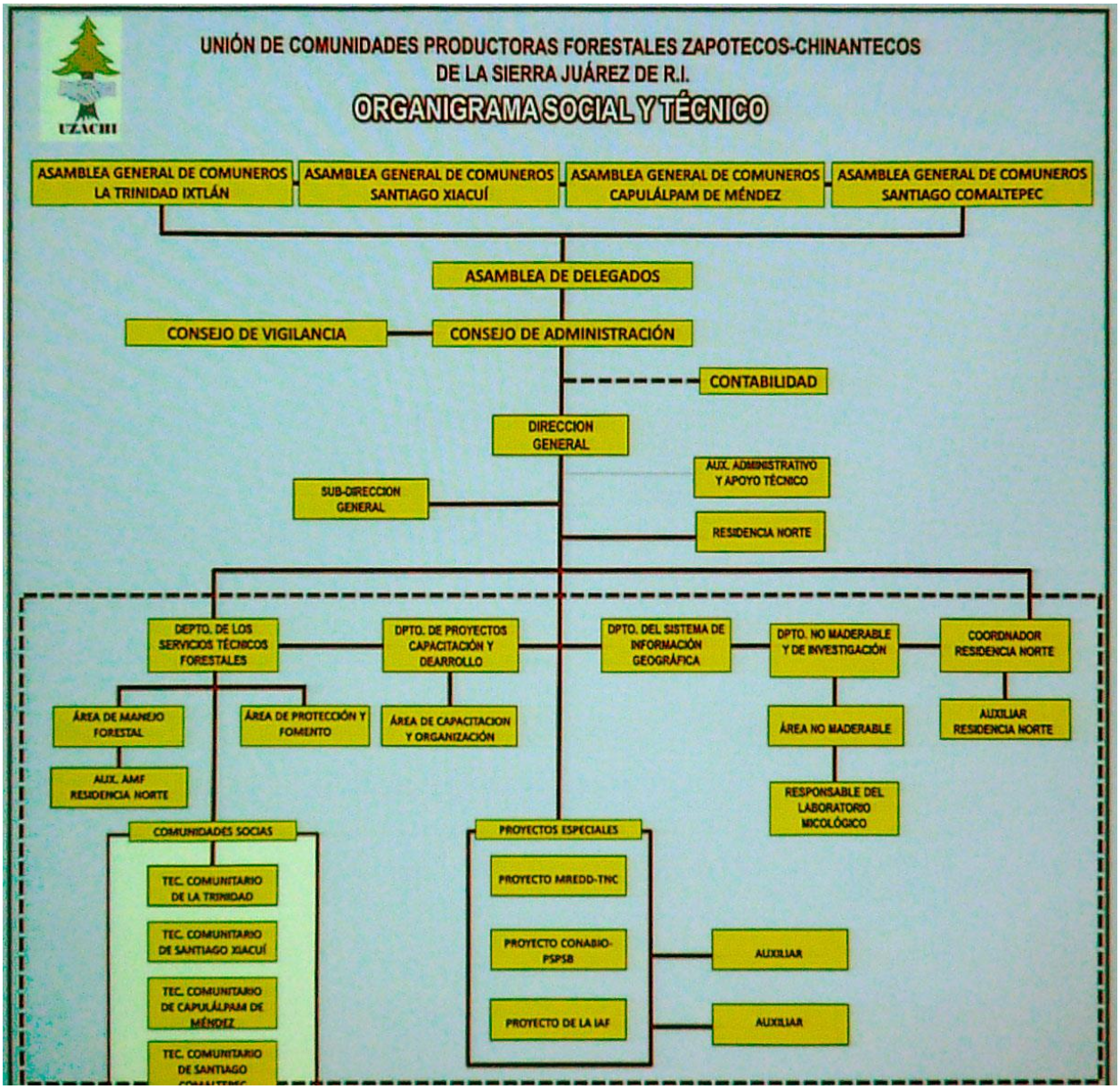

**Table 7: Pueblos Mancomunados and TIP Muebles**

| TOPIC | FACTORS | STATUS AND ISSUES ARISING | PROJECT/DONOR SUPPORT; current & key needs/gaps, issues |
|---|---|---|---|
| **Policy** | | | |
| **Tenure** Land/trees | Access, ownership, exclusion, timber harvest | Pueblos Mancomunados is a unique aggregation of 8 rural indigenous Zapotec communities in the Sierra Norte of Oaxaca whose lands cover more than 29,000 ha, and who hold a collective land title; historical record shows these communities have inhabited the area since the early 1600s; government title was issued in 1961 | Tenure is secure in the site and this is not an area for donor investment, although there are conflicts over forest use (see below) |
| Other policies | (support, neutral, interfere) | | |
| Forestry | | There is no active forest harvesting in Pueblos, due to a more than 20 years dispute between member communities over both the need to undertake forest harvesting, and the boundaries of forest management areas. The only harvesting is salvage in stands affected by mountain pine beetle, a major problem in Pueblos' forest | Support to social engagement process that might resolve conflict and allow for better forest management is a priority |
| Land use conflict | | See above; beyond this dispute, there is no imminent threat from land use alternatives | |
| Business (markets, trade) | | Although Pueblos does not harvest timber in its own forests, it operates a large sawmill and furniture factory in the Valley of Oaxaca. The Pueblos operation is one of the biggest buyers of wood in the state, employing 130 people (about half are women, including the two top managerial posts). The mill processes some 20,000 $m^3$ of roundwood and 1 million board feet of sawnwood per year, selling to buyers all over Mexico; one buyer is Pueblos' own furniture factory, on site, which is in turn part of a retail alliance of Oaxaca CBFEs called TIP Muebles (see below) | Over the past few years, under the leadership of Pueblos' manager, both the Pueblos mill and the TIP operation have undergone significant change from being a cooperative retailing its own members' products to one with a much bigger, non-exclusive enterprise vision; supporting Pueblos and TIP to act as 'anchor' or 'lead' businesses in opening new markets for smaller CBFBEs is a priority for donor investment |
| Other sectors? | Ag, mining, conservation, | Though not as limited as in UZACHI communities, agriculture is minimal as a competing land use; mining is a bigger issue as | Support to using Pueblos' experience as an incubator for similar ecotourism enterprises |

| TOPIC | FACTORS | STATUS AND ISSUES ARISING | PROJECT/DONOR SUPPORT; current & key needs/gaps, issues |
|---|---|---|---|
| | etc. | throughout the Sierra Norte. Pueblos also has a successful ecotourism operation serving tourists primarily coming from Oaxaca City | among CBFEs in other parts of Mexico could be fruitful; such exchanges have been supported by CONAFOR forest management but not for ecotourism |
| CBFE policy advocacy | Need; presence, absence | TIP owes its existence in large measure to policy advocacy by its civil society arm (ICOFOSA) aimed at getting the state government of Oaxaca to source from communities for school furniture; Pueblos and ICOFOSA plan to expand such advocacy in the future | Support to replication/expansion of ICOFOSA/ state government sourcing agreement as a model for implementing the federal sourcing policy is a priority |
| **Organizational Capacity** | | | |
| Community governance | Structures, relationships, legitimacy | Pueblos internal management follows Mexican agrarian law, with a *comisariado* (common property resource committee) comprising a president, vice president, secretary and treasurer, overseen by a vigilance committee, which rotates every 3-5 years | Donor investments in internal organization and strengthening are a key priority |
| CBFE management | | Pueblos CBFE is different from many in Mexico as it maintains a paid professional management team which oversees the sawmill and furniture factory, which run as independent businesses; still, the businesses report regularly to the community and all profits go to Pueblos *comuneros*; it is thus a social enterprise | Learning from Pueblos alternative model of community organization that maintains legitimacy while increasing professionalization and consistency in enterprise management is a priority |
| Aggregation | Intermediary level; coops, associations, etc. | As noted, Pueblos is part of a CBFE alliance (ICOFOSA) with 2 other Zapotec CBFEs in Oaxaca (Ixtlán and Santiago Textitlán, the latter has since left the alliance) which in turn formed a retail business (TIP Muebles) in response to a Oaxaca state gov't commitment to source school furniture. TIP Muebles has evolved significantly and now has a much more business-oriented vision, sourcing from all over Oaxaca, not only member CBFEs | TIP Muebles is a key initiative that should be a priority for analysis and investment, especially through support for innovative approaches that link TIP to less-developed CBFE producers |
| **Social Enterprise Model** | | | |
| Forest resource | Quantity/ quality | Pueblos, though providing milling services to others, has a large highly productive pine-oak forest but due to ongoing internal conflict there is currently no forest harvesting. Lack of forest management is cited by many as the reason why the area has more severe infestations of mountain pine beetle than many of its | Support to social engagement process that might resolve conflict and allow for better forest management would be a priority. |

| TOPIC | FACTORS | STATUS AND ISSUES ARISING | PROJECT/DONOR SUPPORT; current & key needs/gaps, issues |
|---|---|---|---|
| | | neighbors | |
| Value chain position | On-stump – finished product spectrum | Pueblos' mill purchases around 20,000 $m^3$ of roundwood annually, as well as around 1 million board feet of sawnwood, most directly from CBFEs in Oaxaca. The mill sells to clients all over Mexico, the most important buyer being upholstered furniture manufacturers. Pueblos' furniture factory purchases about 10% of its mill's production; only a portion of Pueblos' furniture production in turn winds up on TIP Muebles showroom floor | Supporting Pueblos and TIP's capacity to expand sourcing from CBFEs and production is a priority; presently demand for their product outstrips supply capacity |
| Financial aspects | Revenues re-invested<br>Community benefits<br>Access to external finance | Profits from Pueblos highly competitive enterprise go to *comuneros* and community-determined development project; there is pressure to spend all profits each year disincentivizing long-term business planning and reinvestment, but Pueblos agreement to professionalize its management has helped to address this tension | Support to Pueblos and/or ICOFOSA to access credit to finance working capital needs among allied CBFEs should be supported; KFW's pending project supporting innovative forest finance mechanisms could be a key partner for investments |
| Market access | Remoteness, transport | Pueblos and CFE allies in Oaxaca generally enjoy good access and road infrastructure in comparison to CBFEs across the tropics | Not an area for donor investment |
| **Value Chain Partnerships** | | | |
| Roles of private sector | Who are partners?<br>Finance<br>Marketing<br>Technical<br>Other | Pueblos has expanded its reach significantly, now selling to buyers throughout Mexico, especially manufacturers of upholstered furniture. FSC certification does not confer price premium, but clients do increasingly ask for it. After a period of expansion TIP Muebles, by 2013 had set up 8 stores in 4 different Mexican states, but is now back to its original 2 shops in Oaxaca, and will soon close one; it is again reevaluating its social enterprise model to be more competitive | Supporting Pueblos to access better and bigger markets sourcing more from CBFEs, while supporting TIP to find its niche are priorities; in both cases, alternatives for sourcing from lesser-developed CBFEs should be the guiding priority |

| TOPIC | FACTORS | STATUS AND ISSUES ARISING | PROJECT/DONOR SUPPORT; current & key needs/gaps, issues |
|---|---|---|---|
| Roles of government | Finance<br>Marketing<br>Technical<br>Infrastructure/ equipment<br>Other | GOM subsidy is fundamental to the success of Pueblos and TIP's enterprise activities; for example, Pueblos mill burned down in 2009 and was rebuilt using CONAFOR funds. Just last year, Pueblos received US $150,000 in subsidy to support factory machinery upgrades; from the start TIP received subsidy, for everything from business planning to a (now-defunct) design center, to marketing training | Donors should channel funds to activities that are perceived as gaps in GOM subsidy programs, most importantly innovative finance, enterprise administration and private sector partnerships |
| Roles of civil society | Finance<br>Marketing<br>Technical<br>Other | Both national and international NGOs and other technical assistance agencies have been critical to Pueblos and TIP's development. Sometimes, the agendas of different groups conflict with those of the community | Strategic assessment of investments by key donors (e.g. KFW, DGM, IDB, foundations) and GOM agencies would be informative for USAID investment planning |
| Roles of donors/projects | Finance<br>Marketing<br>Technical<br>Infrastructure/ equipment<br>Other | See above | |

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