

Achieving forest landscape restoration (FLR) through legal and sustainable business models and value chains

Guillermo Navarro
FAO Forestry Official

F A O - E U F L E G T P R O G R A M M E



Food and Agriculture
Organization of the
United Nations



Sweden
Sverige





Food and Agriculture
Organization of the
United Nations



Sweden
Sverige



Programme Objective

To tackle illegal logging, promote trade in legal timber products and contribute to sustainable forest management (SFM) and poverty reduction.

- 1) VPA Support.** *Incl. Guyana, Honduras*
- 2) Non-VPA targeted country approach.** *Incl. Columbia, Peru, Guatemala, Panama*
- 3) Private sector (focus SMEs)**
- 4) Improved knowledge of FLEGT and exchange of experiences.**
- 5) Impact Monitoring** *Coordinated approach of CIFOR, EFI and FAO*

Content

1. Context for legality & FLR
2. Potential investments and institutional approaches for FLR.
3. Applications & impacts of FLR with VC approaches in Latin America: The case of Teak in Costa Rica



Hojancha, Guanacaste, Costa Rica



1. CONTEXT FOR LEGALITY & FLR

Economic FLR Approach

- **Change logic of intervention for FLR:** Develop **BM&VC** that will produce human well-being, and rehabilitation of ES will come as a co-benefit!
- **FLR is expensive**, and it will have higher cost as landscapes become more degraded.
- It is imperative to invest in **governance reforms, technologies and BM** that will yield interesting **long-term returns** to attract private sector and financial institutions (profitability and ES)
- FLR technologies have to be **knowledge-intensive** to turn trade-offs into synergies (production & conservation as complementary).
- FLR requires a **strong institutions** to attract sound investments.

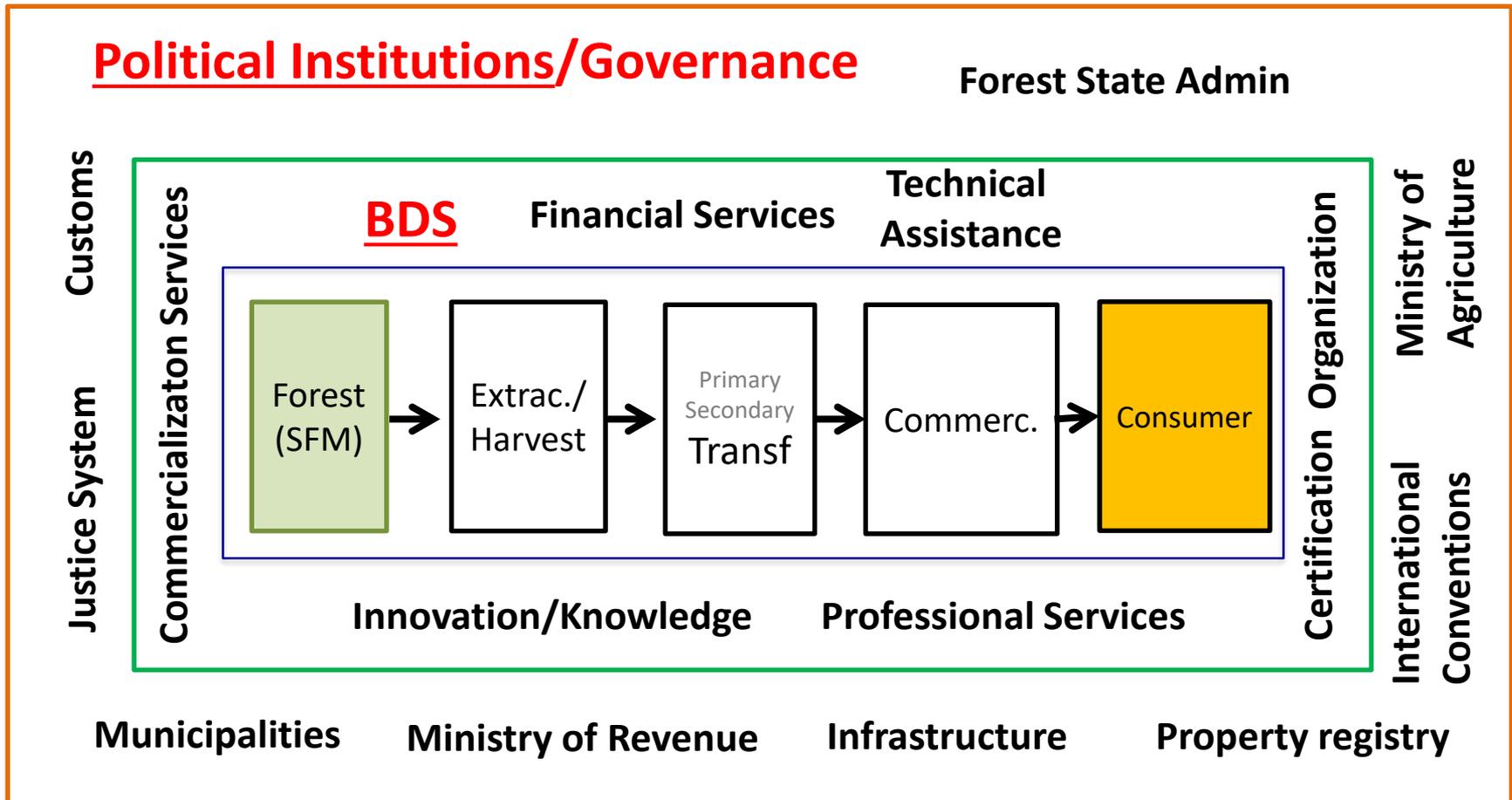


FLR value chain approach

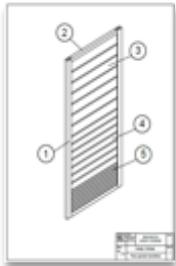
- Functional structure of interrelated actors in a sequence of productive operations,
- Bi-directional information transfer (product and prices)
- Political, institutional and a socio-economic context (**Clear and effective legal standards, and favorable investment environment**)
- Efficient allocation of resources provided by sustainable management of (agro-) forestry lands.
- Actors/links recognize the mutual need for working together for:
 - Identify common strategic goals,
 - Invest time, energy and resources for realicing an articulated work.
 - Share costs and risks in order to obtain bigger benefits and a common progress.



Understanding sustainable business models & value chains



Business Model = [VCh + BDS + Governance]



2. POTENTIAL INVESTMENTS AND INSTITUTIONAL APPROACHES FOR FLR.

FLR Potential

The need to integrate socio-economic focus:

- Increase productivity and improve access to markets.
- Identify/map where FLR is economically viable and ES can be internalized.
- Avoid that the poor will end up financing most of the FLR effort (**Avoid restrictive regulations, bans, and high transaction cost of being legal**).
- Provide long-term permanence to FLR transformations and impacts (**Recognize rights to farmers/communities**).



Hojancha, Guanacaste, Costa Rica

Driving private investment into Legal FLR



- Create consumer and investors aware on the importance of FLR and legally sourced products.
- **Legal framework** allows for innovation, competitiveness along BM/VC.
- **Risk management and governance**
 - **Clear rights and rules (legal certainty)**
 - Development of competitiveness indices and benchmarking analysis.
 - Knowledge/technological gap solved to ensure economic efficiency.
- **Business development services:**
 - Competitive financial products and services (impact investment)
 - Forest State Services (**Legality as an incentive and adapted to business dynamic**)



INSTITUTIONAL APPROACHES TO FLR

In order to be successful, FLR needs these necessary conditions:

- Being legal has to be cost effective
- Improve credibility of the forest sector/country of origin
- Protect dignity of forest actors.
- Improve competitiveness of forest sector (reduce transaction costs)
- Reduce impunity of illegal activities.



Administrative governance



Administrative procedures to export wood products from the CA region

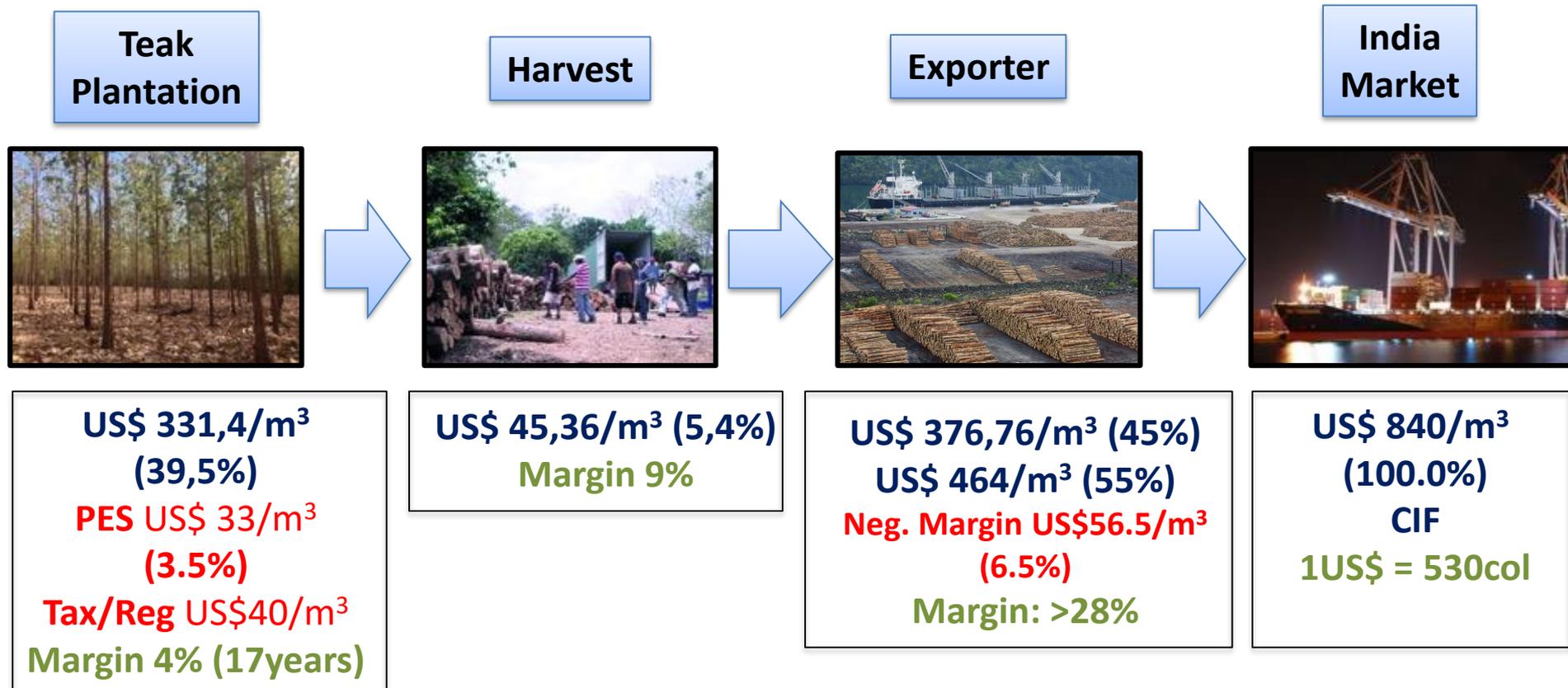
Tipo de Proceso/ País		BLZ	CRI	SLV	GTM	HND	NIC	PAN	DOM
Especies Forestales No-CITES	Cantidad de documentos	7	10	10	11	10	14	18	13
	Días necesarios	5-9	2-6	2-6	2-6	3-6	5-11	4-10	4-10
	Costo (USD)/contenedor	260-420	231-404	70-220	226-374	273-523	144-290	212-472	288-512
	Costo (US\$)/m ³	8.7-14.0	7.7-13.5	2.3-7.3	7.5-12.5	9.1-17.4	4.8-9.7	7.1-15.7	9.6-17.1
Especies Forestales CITES	Cantidad de documentos	13	13	13	22	22	24	22	13
	Días necesarios	13-17	10-14	4-8	13-17	33-36	13-19	4-10	4-10
	Costo (USD)/contenedor	260-440	231-404	85-235	242-524	573-1123	184-330	212-472	308-562
	Costo (US\$)/m ³	8.7-14.7	7.7-13.5	2.8-7.8	8.0-17.5	19.1-37.4	6.1-11.0	7.1-15.7	10.3-18.8



3. APPLICATIONS & IMPACTS OF FLR WITH VC APPROACHES IN LATIN AMERICA: THE CASE OF TEAK IN COSTA RICA

Best practices & impact on FLR with BM & value chain approaches

Teak Value Chain in Peninsula of Nicoya, CR Wealth Allocation among links (2013-2014)



Teak Value Chain in Peninsula of Nicoya, CR

Ecological Integrity (2013-2014)



Opportunity cost of protection water/slope areas.

US\$ 7.860/ha (17yrs) (100% Land area use in PF)

-US\$ 1.622/ha (21% protection area)

US\$ 6.238/ha (79% production area)

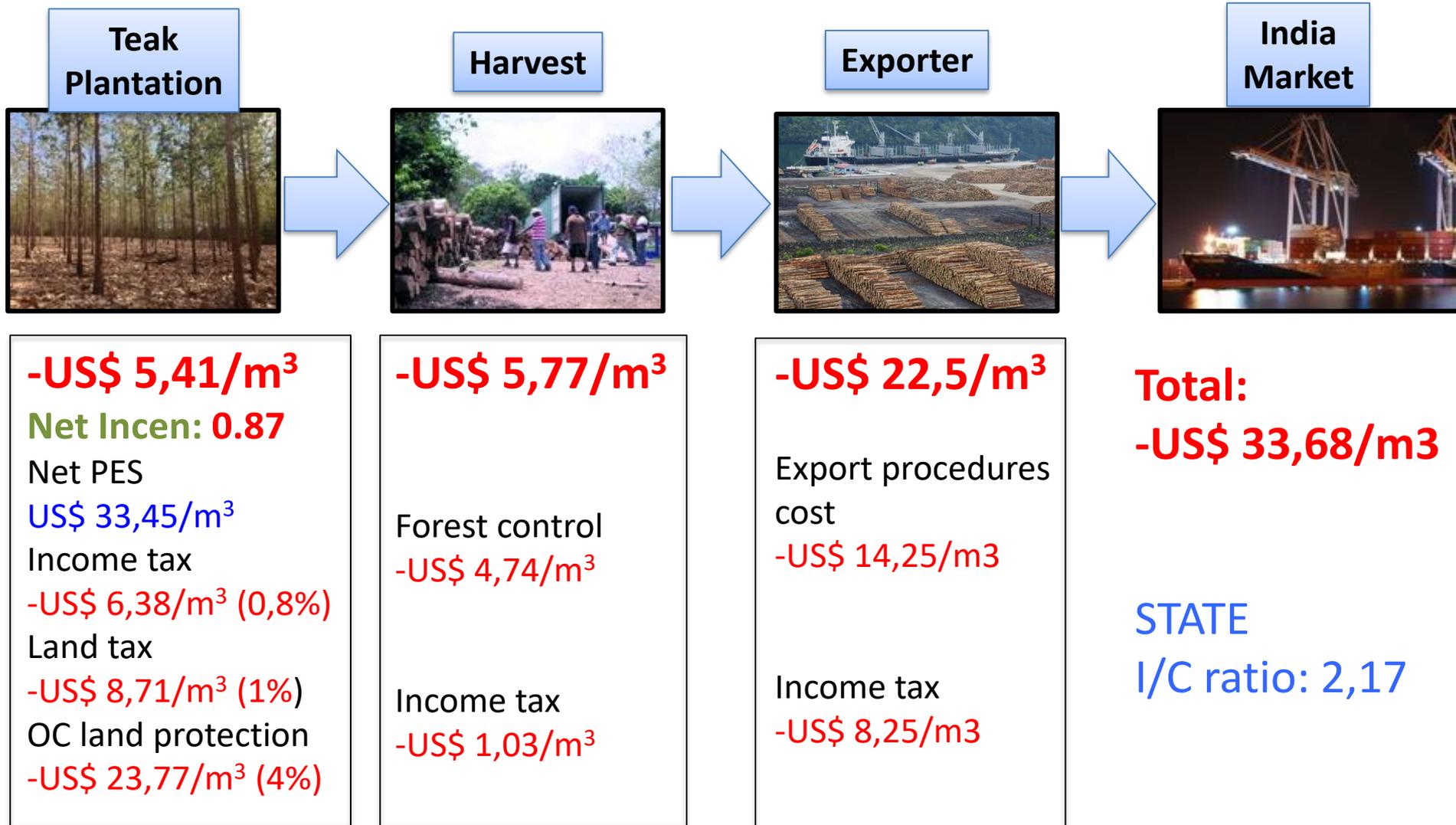
Land Price

•VET < PT (US\$ 7.547/ha)

(US\$ 23,77/m³ is the opportunity cost of land conservation).

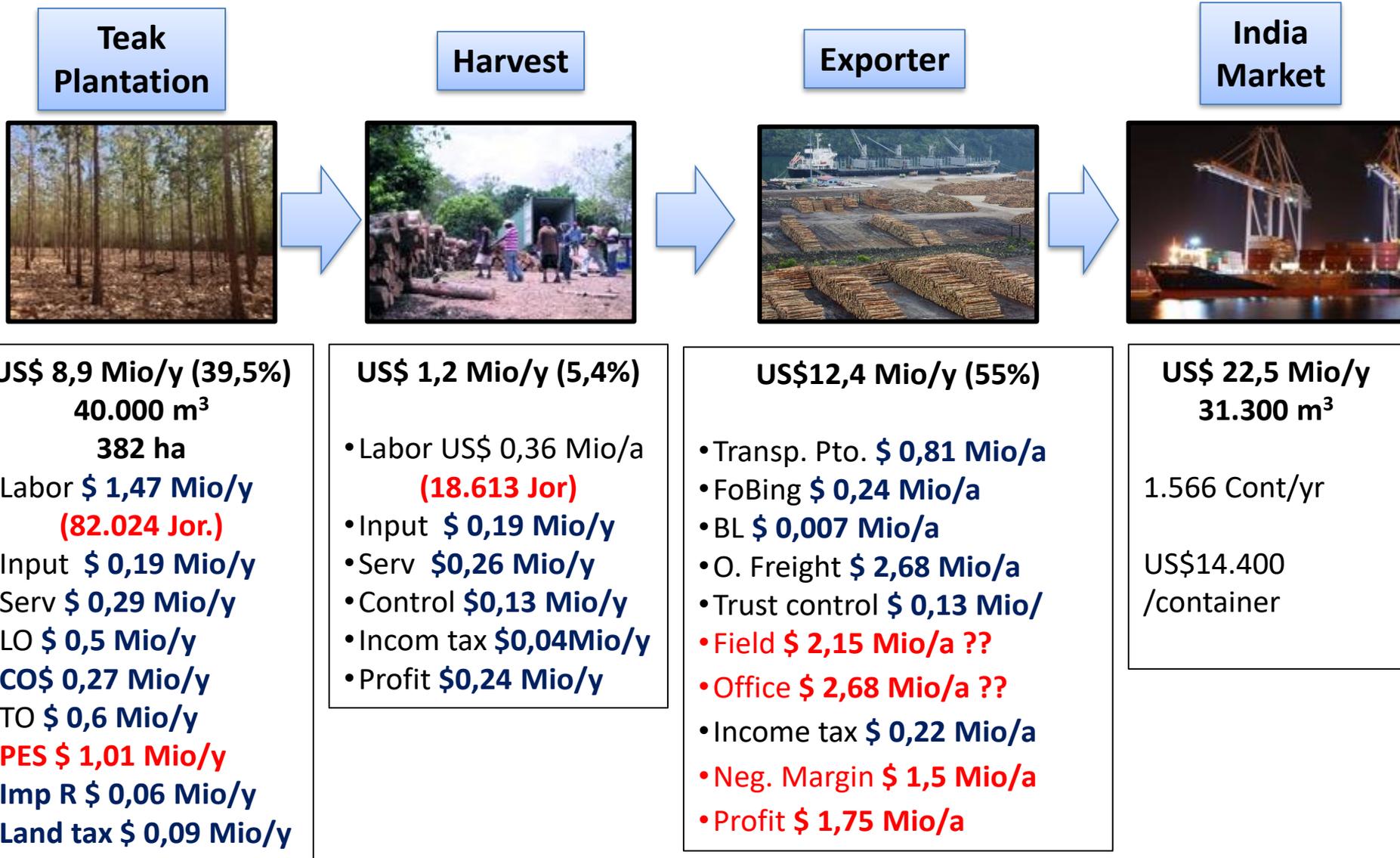
Teak Value Chain in Peninsula of Nicoya, CR

Administrative governance (2013-2014)



Teak Value Chain in Peninsula of Nicoya, CR

Macro Vision (2013-2014)



Strategies

Market:

- Organization of teak producers
- Capacity building in commercialization of teak to capture negotiation margins (improve bilateral negotiation)
- Create conditions for fair competition among teak exporters to make them more efficient so they offer better prices to farmers
- Organize a Cluster to standardized quality, create a teak productive base, and provide a sustained supply of teak

Legality:

- Simplification of procedures. Being legal has to be cost-effective.
- Opportunity cost of regulations can not compromise profit. PES has to be adjusted to compensate profit loss for providing ES.
- Policy incidence to prove that PES and Teak are good business for the State and the economy. Request additional support for Cluster development and market access.



What was the impact and sustainability of FLR outcomes?

- Income improved 250 families owners of Teak plantations.
- Farmers organized in one organization (PROTECA)
- Training of organizations for providing Technical services (CACH) and comercialization services (UNAFOR)
- Establishment of Timber Auctions - Increased prices by 31.5% (2016)
- Decree reform on simplifying procedures – It is Ministry ready for publication.
- Ministry – Created a Teak Cluster in the Nicoya Pennynsula, and FONAFIFO (Fund) committed to finance at least 500Has/yr of Teak plantations in the area.



*FAO-EU FLEGT builds a culture of governance and legality
to achieve food safety and to eradicate poverty*



Thanks for your kind attention

F A O - E U F L E G T P R O G R A M M E



Food and Agriculture
Organization of the
United Nations



Sweden
Sverige



UKaid
from the British people

