

ECONOMIC VIABILITY TOOL (EVT) FOR COMMUNITY AND FAMILY FORESTS - V2.0

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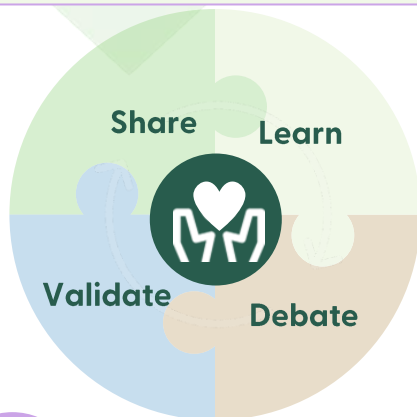


What is EVT and what does it aim to do?

The objective of the EVT is to strengthen the **empowerment** of stakeholders who manage community and family forests to make data-driven decisions to increase their well-being or benefits, within a broader landscape context than the forest management unit.



Note: In the FSC system, family forests are classified as **small scale and low intensity managed forest (SLIMF)**, which can be managed directly (by the owner) or by a third party (forest manager). They often form groups to work collaboratively. In this document, when we refer to **SLIMF users**, we consider owners and managers.



The tool helps its users from communities and SLIMF to **share, learn, debate, and validate their data**, and then **prioritize viable forest management improvement options within their broader landscape**, using their own collective and traditional practices and processes. In this way, the EVT reinforces self-determination of people from communities and SLIMF in their decision-making processes. For Indigenous Peoples and traditional peoples, the tool is consistent with the practice of Free, Prior and Informed Consent (FPIC) throughout the process and to meet decisions.



EVT is a voluntary tool of the FSC® Community and Family Forests Toolbox, suitable for decision-making, specially at two FSC phases.



Pre-certification: users from communities or SLIMF motivated to make decisions to improve forest management in an inclusive and self-determined manner. Users may or may not be interested in obtaining FSC Certification.



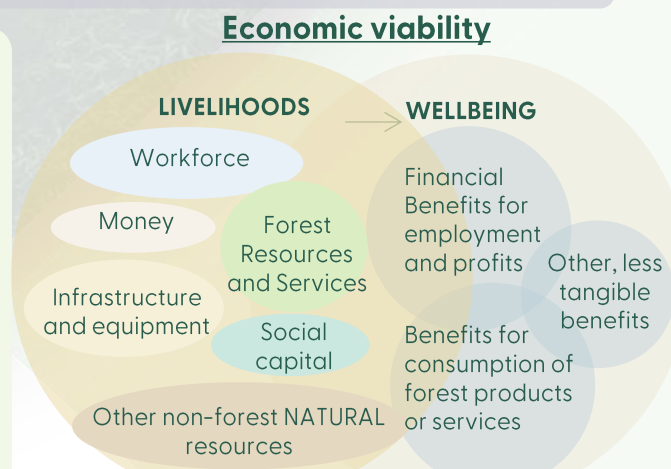
FSC certified: users from communities or SLIMF, that hold an individual or group certificate, who are uncertain about maintaining it, or who are seeking to :

- Verify some benefits of forest management referred in Principle 5 of < FSC-STD-01-001 V5-3. Standard of Principles and Criteria for Forest Stewardship > or impacts related to <FSC-PRO-30-006_ES-PRO_V2-0 Ecosystem Services Procedure>.
- Identify projects to maintain or enhance benefits and wellbeing, to be supported or sponsored by CFF steward's partners,.



What is the economic viability of community and family forests?

Conceptually, **economic viability** focuses on the "**social wellbeing**" of the people, while **profitability** focuses on the financial indicators of a productive operation or project. However, the data from the profitability analysis are key in the economic viability analysis (they are an additional input). An unprofitable operation will not be sustained over time (unless it receives continuous subsidies); therefore, it will not be economically viable.



Note: **Economic viability** is the “capability of developing and surviving as a relatively independent social, economic, or political unit. Economic viability may require but is not synonymous with profitability”. Responsible Forest Management Standard / FSC-STD-01-001 V5-2 (2015).

The financial analysis is required for: i. identify and order all the items of investment, costs and income that can be deduced from previous studies; and ii. Prepare the analytical tables and additional background information for the evaluation of the project or productive initiative (in this case) to determine its **profitability**. Sapag Chain, N., and Sapag Chain, R. (1989).



Why and how was the tool developed?

Community forest management, under existing conditions, normally generates insufficient income to cover the related costs, even less if it is expected to obtain and/or maintain an FSC certification. Faced with these high costs, communities may instead choose to focus on other land management that is more profitable but less sustainable than forest management.

Faced with this problem, we then asked the following:

- How can the community forests management be **economic viable** in such a way that people are motivated to continue and improve managing their forests?
- How can FSC certification add value to forest management and generate more benefits to communities? Is it economically viable or not?

The EVT **conceptual design and approach**, reflected in **Figure 1** (page 5), was born in 2021 with the technical advice of FSC to the project "Mainstreaming local Non-Carbon Benefits (NCB) into national climate change strategies for adaptation and mitigation strategies ", funded by EUROCLIMA+ and carried out by Forest of the World in Bolivia and Panama. Although the EVT was born with community users, it was adapted to 3 SLIMF stewards, and is ready for wide implementation with both users, and even others such as local communities that perceive externalities from third-party forest management.



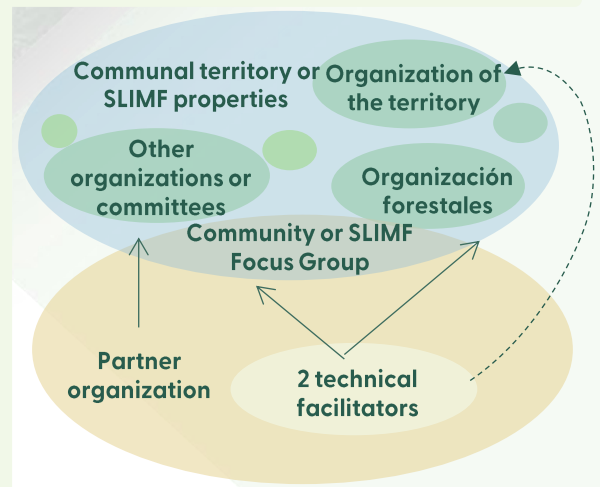
Note: Between 2021 and 2023, the EVT has been tested and implemented with twenty-four (24) users in six (6) countries in Latin America and one (1) in Africa. One hundred and twenty (120) leaders participated in focus groups for analysis and discussion, with the support of twenty-three (23) facilitators from their partner institutions and technical advice from FSC. The territory of these stakeholders covers 150,000 ha, inhabited by around 2,500 families; 21 are communities from Indigenous Peoples with an average of 90%-95% forest landscape, and 3 SLIMF groups with lower forest cover.





Who are the users of the tool?

The EVT users are people who own or manage community or family forests, in a territory and/or SLIMF management units, through forestry organizations and/or territorial ones in certain cases. It is important that the users work with a **partner organization** to accompany and guide the tool implementation. The tool users select a **focus group** that dialogues and debates in several workshops for 2-3 days each. These workshops are accompanied and guided by **2 facilitators** (woman and man) who have technical capacities, experience in the territory, and are not members of the community or SLIMF users to avoid conflict of interest. After analysing, completing, and validating results, the focus group meets with the rest of the users (people from the community or SLIMF) to share and validate them, and finally to make collective decisions.



Note: Forest management includes: 1. Use of forest resources (timber, non-timber, or both) and ecosystem services; 2. Forest conservation; and 3. Restoration.



What methodology approaches does the tool consider?

Empowerment is at the core of the EVT, creating space and time for communities to reflect on their realities and define their own priorities. It offers an additional process to earlier FSC-led efforts to Forest Management certification within communities or among SLIMF stewards. In many of past initiatives, business plans and forestry operations were developed without securing the active participation or self-determination of local users or stewards. Although such plans were often accepted due to the availability of financial support, they frequently lacked genuine local ownership. As a result, these efforts – along with other attempts to support value chains outside the FSC system – have often failed, particularly once external funding was withdrawn. To counteract the above, the EVT methodology includes the following approaches:



Proposes a **landscape approach** of the entire territory, considering all the economic activities (forestry, agriculture, livestock, provisioning of goods or services for consumption, etc.)



Applies a **systemic approach**, considering the **enabling and disabling conditions** (favourable and unfavourable) in addition to the situation of each forestry operation in the **value chain** (and the forestry organization). Opportunities and alerts are highlighted to support findings of favourable and unfavourable situations, that may determine if forest management is economically viable.



Helps communities assess their **governance** both at the territory level (with cultural and traditional elements) and at the operational level with every forestry organization. FSC's experience emphasizes that proper governance is key to the success for responsible community and family forests management.



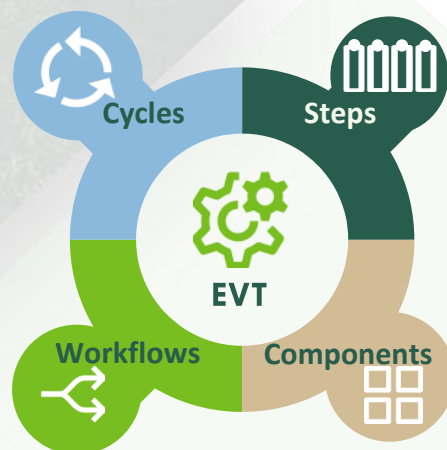
It includes data to **make visible part of the socio-economic benefits** of the forest for families, which can be useful for investors, civil society, or national authorities/government agencies (advancing towards the true value of Forests).



How does the tool work?

The implementation of the EVT entails a **process of empowerment** of community and family forest leaders, for decisions regarding forest management and other natural resources. It can be part of Free, Prior and Informed Consent FPIC practices for indigenous and traditional peoples, or part of a risk analysis for investors, among others.

This empowerment process has **cycles, steps, components, and possible workflows**.



Components

I. Socio-economic landscape

II. Enabling & disabling conditions

III. Situation of each forestry operation

IV. Profitability analysis

A **cycle** concludes when the community applies **4 steps**, including the collection and analysis of 3 or 4 **components**, which occurs in 2-4 workshops with the focus group of the EVT users at different times (it is required time to deepen and rethink the data and improvement options initially planted). **Figure 1** shows the 4 steps of the EVT, and the components. After data is collected in Step 2 and analyzed in Step 3 within the focus group, Step 4 uses those insights to support data-driven decisions with the community or SLIMF group members. Additional components and/or topics can be included if needed.

Due to the availability and sensitivity of financial information, the EVT may have 2 possible **workflows**:



A: excluding the “profitability analysis” with general options for improving forest management, and households’ wellbeing.

B: including “profitability analysis”, with specific improvement options that may include modelling of investment, costs, income, and profits.

The practical implementation of the EVT depends on the characteristics of the territory and each forestry operation carried out by an organization. Facilitators use an Excel® worksheet for data and charts and Word® for reporting. The scope and depth of EVT implementation depends largely on the **best available information**, the focus group’s same members involvement in the whole process, and **motivation** in the collective analysis from the community members and SLIMF users.

Finally, from a broader perspective of the EVT process, the outcomes for the users are:



The **First Implementation Cycle** provides a baseline diagnosis and prioritization of possible improvement options focus on forest management and people’s wellbeing. Options will be general when financial information is not available, and more accurate with consistent financial analysis.



From the Second Implementation Cycle onwards, EVT users obtain data for Monitoring and Evaluation (M&E). Improvement scenarios on community welfare can be built or improved continue to be modelled based on investment opportunities in the chosen forest activities. It is also possible to add other components of analysis if required.



Figure 1. EVT Framework by cycle

