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Mexican Community Forestry

Enterprises and Associations as a Response to Barriers



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Summary

- In this brief, the case of Mexican community forestry is presented, with a special focus on the diversity of local enterprises and inter-community associations that have developed over the past twenty-five years, as well as an assessment of some of the main regulatory barriers that communities face in undertaking legal forest harvesting.

- In Mexico, communities control roughly sixty percent of the country's forests. Agrarian, forest, and other reforms implemented in successive waves after the Mexican Revolution (1910-1917) redistributed land to rural communities and granted them the right to extract both timber and non-timber forest products from common property forests. Over the last 25 years, a diversity of community forest enterprises has developed throughout the country.

- Despite devolution of rights, the Mexican forest sector is overregulated in several important ways. Communities must comply with a range of requirements in order to legally undertake forest management. Some of these requirements are appropriate, but others are cumbersome, expensive and redundant. Such bureaucratic inefficiency has been cited as an important factor in the decline of timber production over the last decade, as well as a hindrance to the competitiveness of forest enterprise and the further growth of community forestry.

- In part as a reaction to regulatory requirements, as well as to overcome market barriers and achieve scale, Mexican forest communities have developed a diversity of enterprise and association models. Three main types of governance arrangements for

forest enterprises exist: (i) the *comisariado* form, where a common property management institution under the community is in charge of the enterprise; (ii) the forest council/manager arrangement, where the community appoints a council or manager to oversee forestry and enterprise activities, and; (iii) the “work group” model, where communities create sub-communal enterprises and divide harvesting rights amongst groups.

- Communities have also built inter-community associations to overcome some barriers. Two models prevail: (i) the technical forestry service associations, where communities band together to lower the costs of forest management and operations and develop their own professional forestry team, and; (ii) entrepreneurial alliances, where communities collaborate in business ventures, such as value-added production or furniture marketing.

- There remain significant internal tensions and external threats to overcome. Key internal tensions include the difficult coexistence of business administration with traditional governance, inefficiencies in traditional decision making processes, lack of accountability and, in many communities, the continuing prevalence of corruption. External threats include conflicts between collaborating communities, challenges from cheaper foreign imports, and burdensome and inefficient bureaucratic procedures.

- Streamlining and judiciously decreasing regulatory requirements – especially for community operations that comply with international standards – could help Mexican community forestry flourish further.

The Mexican Community Forestry Sector

Background

Mexico is characterized by a strong community forestry sector. The Mexican Revolution (1910-1917) introduced an agrarian reform process implemented in successive waves during the 20th century. Over a period of 70 years, lands nationwide were titled to two types of rural communities – ejidos and indigenous communities – which now collectively hold an estimated 60.3% of the national forest estate¹. The National Forestry Commission of Mexico (CONAFOR) has identified roughly nine thousand communities who are forest owners, perhaps a third of which have negligible commercial potential. Among those communities that have a more sizeable forest resource, over 3,000 manage their forests in accordance with a management plan.

Over the past two decades, a transition to greater autonomy in forest management has been consolidated. Communities throughout the country have extended traditional governance institutions in innovative ways to administer a growing diversity of community forest enterprises (CFE). They have also created complex inter-community alliances to generate economies of scale and undertake joint ventures. Numerous analyses show that successful CFEs substantially contribute to local development, and that community forest management is as effective as protected areas in conserving natural forests and their services².

In spite of its many successes, the Mexican CFE sector faces significant challenges. In particular, a cumbersome and expensive set of regulatory requirements, as well as weak competitiveness of many community enterprises, impedes further development of CFEs in the country.

Overview of forest communities in Mexico

Table 1 presents a classification of forest communities in Mexico. Roughly half of forest communities with commercial potential are not presently undertaking forestry activities. One third of forest communities have management plans and timber harvesting permits, but contract operations to third parties and have no direct participation in harvesting. About 11% of Mexican forest communities participate in some phase of forest harvesting on their lands, as well as in some part of transport, sales and primary transformation.

Around 8% of forest communities in Mexico not only harvest their own forests, but also process the timber they extract from them in their own facilities. These communities often carry out marketing activities as well. A mere one percent of all Mexican forest communities both harvest their own forests, undertake processing, and also own infrastructure for secondary transformation and finished products. Typically, such communities control forest product marketing as well.

Table 1. Level of CFE development and percentage of overall forest communities³

Type	Definition	% of forestry communities
Type I – Potential producers	Owners or possessors of forest resources that have commercial potential but that presently are not undertaking forest planning, use, conservation or management of their forest ecosystems, having no management plan and/or the inability to implement one	48%
Type II – Producers selling timber on the stump	Owners or possessors of forest resources that have management plans and timber harvesting permits, but that contract operations to third parties and sell timber to outsiders, with no direct participation in forest harvesting	32%
Type III – Primary producers	Owners or possessors of forest resources that have management plans and timber harvesting permits, and that participate in some phase of forest harvesting as well as in some part of transport, sales and/or primary transformation	11%
Type IV – Producers with primary transformation and commercialization capacity	Owners or possessors of forest resources that have management plans and timber harvesting permits, and that have infrastructure for primary transformation and that directly carry out the marketing of their products	8%
Type V – Producers with secondary transformation, industrialization and commercialization capacity	Owners or possessors of forest resources that have management plans and timber harvesting permits, and that have infrastructure for primary and secondary transformation for the production of finished products, and that directly carry out the marketing of their own products, or through productive associations	1%

Community institutions and internal challenges

Mexican Agrarian Law mandates that members of the ejido or community form an assembly and appoint a *comisariado* (a managerial and representation body, including a president, a secretary and a treasurer) to manage common property resources. The assembly must also appoint a committee to oversee the *comisariado* and guarantee legal compliance and transparency. The way communities and ejidos organize and govern their enterprises, however, is not specifically mandated by law. Over time, three main forms of enterprise governance have evolved:

1. **The *comisariado* form**, where the *comisariado* is enterprise manager, under the supervision of the community assembly. All administrative posts are temporary (usually three-year terms), typically unremunerated,

and integrated into ejido and community governance mechanisms.

2. **The forest council/manager form**, where the assembly elects a specialized forest council that in turn supervises a professional forestry team which is paid and not subject to rotation.

3. **The work group model**, where sub-communal enterprises based on kinship and other ties authorize and carry out annual harvests by dividing up the authorized volume in the community forest territory..

Across this diversity of governance mechanisms, Mexican CFEs tend to face similar challenges and internal tensions, including:

- Business management versus traditional community governance. Although community members may not fully understand enterprise needs, the assembly ultimately has the power to make key decisions on business

management issues. Additionally, community members may find it challenging to supervise fellow community members in a business management setting, and there is confusion over shareholder, manager and worker functions.

• **Inefficiencies in traditional practices.**

Agrarian governance positions are rotated every three years (or more frequently in cases of under-performance). The same practice is followed with managerial positions in CFEs that do not have a professional forestry management team. Position rotation can be an important safeguard against corruption, but it also can result in a kind of a permanent

incompetence, requiring redundant and high-cost trainings.

• **Accountability and corruption.**

Political elites can manipulate and control the assembly. Low skill levels can result in poor accounting, leading to confusion or suspicion even if actual corruption is not present.

• **Conflicting objectives.**

Even in cases of cultural homogeneity, community members may have varying objectives for their forest enterprise. Many see the CFE as a source for jobs and profit sharing, not as a profit-maximizing enterprise, which can lead to tensions over wages and employment policies.

Box 1: The Zapotec-Chinantec Union of Forest Communities (UZACHI)

A service provider for a number of communities, UZACHI was founded in 1989 as a successor organization to a grassroots movement that rose up against the renewal of a 25-year concession to private industries in the pine-oak forests of the Sierra Norte of Oaxaca. Today, UZACHI provides forest services to three Zapotec communities and one Chinantec community, which together manage over 23,000 hectares. The union has been at the forefront of experimentation in forest management in Mexico, and was a pioneer in implementing land use zoning exercises that established permanent forest and agricultural areas in the communities, and were also amongst the first in Mexico to implement new silvicultural practices that encouraged regeneration of pine. Further, UZACHI communities were amongst the first in Mexico to receive FSC certification for well-managed forests, and to apply traditional knowledge of mushrooms and other non-timber forest products for commercial purposes.

Inter-community collective action

The community forestry sector in Mexico has a long experience with collective action and inter-community associations, starting in the 1960s and 70s with struggles against logging bans and industrial concessions. In some cases, the organizations created to sustain those struggles became productive associations, and in others they became service providers. There are many examples of the service provider model in Mexico (see Box 1). Here, communities typically with relatively small forest holdings band together for the primary purpose of lowering the costs

of forest technical services. The key function of such associations is to employ their own professional forester (certified by the state) who works directly for them and who can thus provide a variety of services, including forest management plan preparation, annual harvesting approvals and operations.

Beyond such technical cooperation, a growing number of communities are also banding together to undertake joint ventures and collaborative marketing efforts in order to reduce costs, improve efficiencies, achieve scale and access better markets (see Box 2). Such entrepreneurial associations are an increasingly important feature of the community forestry landscape in Mexico.

Box 2. TIP Muebles

Formed by the indigenous communities of Textitlán, Ixtlán de Juárez and Pueblos Mancomunados in Oaxaca, TIP Muebles was formed in 2006 as a result of state government purchase orders for certified school furniture. After working together to fill these orders, the communities made the decision to develop new lines of furniture and to sell them in their own retail store in the city of Oaxaca. All three communities maintain their independent enterprises, with the principal business continuing to consist of sawn-wood sales on the domestic market; furniture contributes around 20% of total sales, with around 30% of total sawn-wood production going into the furniture factories. Each community also has its own set of wholesale furniture buyers as well. The trust enabling the collective action was helped by the fact that all the communities are indigenous Zapotec, they had all been managing their forests and sawmills for decades, that all had made the transition to professional managers, and that all were certified or in the process of being certified by FSC. Since its founding, TIP Muebles has expanded rapidly, and as of January 2013 operates eight retail stores in central and southern Mexico.

Regulatory requirements

Although the Mexican community forestry sector is highly advanced – and although there are a diversity of organizations and enterprises demonstrating significant success – forest harvesting in the country is overregulated in important ways. The host of expensive requirements CFEs must comply with in order to legally harvest their forests may hamper the development of the forestry sector in Mexico. Overregulation has been cited by one notable

study as the principal factor in the decline of timber production and logging permits in the country over the last decade . It has also likely impeded the expansion of successful CFE development to a wider share of forest communities in the country.

To be granted a harvesting permit, community operations must produce a range of documents, including: (a) their agrarian title, (b) proof of legal status of the harvester (if it is not the community), (c) written statutes that govern the forest management unit, (d) an official act of the community assembly authorizing the extraction, and (e) a forest

Table 2: Main technical requirements and associated costs for a temperate forest CFE

Item	Cost (USD)
Forestry Technical Services	
<ul style="list-style-type: none"> ▪ Forest management plan preparation (\$5.35/ha x 25,000 ha) ▪ Tree marking and operational plan (3/m³ x 20,000 m³/yr) ▪ Other technical services 	<ul style="list-style-type: none"> ▪ \$133,750 ▪ \$60,000 ▪ \$12,500
Other professional services	
<ul style="list-style-type: none"> ▪ Accounting and finance ▪ Legal and notary 	<ul style="list-style-type: none"> ▪ \$8,000 ▪ \$5,500
Transport, follow up, incidentals to ensure FMP and permitting approval	<ul style="list-style-type: none"> ▪ \$3,300
Total cost	<ul style="list-style-type: none"> ▪ \$223,050

management plan. Of these forest management plan (FMP) is the most expensive and technically challenging requirement. Costs of the preparation of the FMP range between US \$2.50 and \$8.50 per hectare (FAO 2012, CCMSS 2008). Thus for a large CFE operation of 25,000 ha, FMP preparation can be expected to run the community in the range of \$135,000 (Table 2).

Although such requirements as listed above are in the main appropriate and legitimate, there is a host of other costs borne by producers in order to ensure that documentation is officially acceptable, received, reviewed, revised (as needed) and ultimately approved. Such costs are difficult to quantify and vary significantly based on operational measures, forest locale, and community capacity, but include: accounting services (usually provided by the forestry services firm), legal and notary services, requests for official documentation, and travel costs related to submission and follow up in state capitals. In many cases, producers are forced to submit to such redundant and costly exercises to meet requirements from various agencies.

Adding the costs of all these requirements up for an “average” CFE adding value to its product in Mexico, FAO estimated total costs at \$11.8/m³, with technical services, taxes and “rights” payments as the highest costs, respectively. The requirement to undertake an environmental impact assessment for tropical forests makes logging such forest ecosystems even more costly. Oftentimes even more onerous than the costs themselves is a bureaucratic inefficiency in issuing logging permits in a timely fashion, delaying forest operations and impeding enterprise development.

Such barriers, combined with market access challenges, hinder the competitiveness of CFEs in domestic and international markets and reduce the benefits flowing to communities and other indirect beneficiaries. Although in general there is a strongly supportive enabling environment for community forestry in Mexico, reductions in bureaucratic requirements and costs for communities, especially those certified to international standards, could result in significant gains for community producers.



An *ejidatario* works in a community forestry operation, in central Mexico.



A brigade extracts mahogany in an *ejido* in Quintana Roo, in the tropical forests of Mexico.

Policy recommendations

- The Mexican experience demonstrates that forest reform and devolution of rights over the products of those forests to communities should involve: (i) clear rights over communal property territory and all community governance mechanisms; (ii) the establishment and legal recognition of formal community governance mechanisms; (iii) access to technical and financial support for forestry development, and; (iv) a supportive policy environment at multiple scales.

- Community governance arrangements may follow the Mexican example, which provides what is in essence a democratic governance template inspired by indigenous traditions. This may facilitate the policy reform work of nation-states that have to deal with a wide array of traditions and local contexts, while at the same time setting the institutional mechanisms to govern common property.

- Fostering both collective action over forests and inter-community associations can help to reduce the costs of technical services and pursuing joint ventures. Numerous cases demonstrate that forest associations have positive impacts on investment in both forest operations and public goods, as well as adherence to forest rules and conservation.

- Overregulation of forest planning and harvesting creates high costs for community forest enterprises. Some regulatory requirements are burdensome and extremely inefficient in practice and act as barriers for the expansion of community forestry. These, combined with market access challenges, hinder the competitiveness of CFEs in domestic and international markets, reducing the benefits flowing to communities and other indirect beneficiaries. Streamlining and reducing regulations, especially for CFEs that comply with international standards for forest management and processing, would help to improve the competitiveness of the sector.