



Smallholder Forestry Creating Benefits at Scale: The Case of the Quiche Forestry Association, Guatemala



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Preface

Over the last two decades, countries across the tropics have devolved increasing authority over natural forests to local actors. The ability of those actors to manage forests sustainably and make forestry a competitive land-use choice has therefore taken on a growing importance. This case study examines the experience of Quiché Forestry Association (AFORQ by its Spanish acronym), which serves smallholder forestry producers in Guatemala's Western Highlands region. Since 2014, the Rainforest Alliance has been providing technical assistance to AFORQ to improve operations, access new markets and increase the competitiveness and sustainability of smallholder forestry in Quiché Department.

Support has been provided through the Climate Nature and Communities in Guatemala (CNCG) project, financed by the United States Agency for International Development (USAID). CNCG is implemented by a consortium of environmental, academic, and business institutions. The consortium is led by the Rainforest Alliance, together with Fundación Defensores de la Naturaleza, Universidad del Valle de Guatemala, the Guatemalan Exporters' Association (AGEXPORT), The Nature Conservancy (TNC), and the World Wide Fund for Nature (WWF). CNCG supports climate change mitigation and adaptation through the conservation of natural resources, providing technical assistance in five focal areas:

- i. supporting small and medium enterprises in rural communities to market sustainable forest products and services;

- ii. promoting national strategies to reduce deforestation;
- iii. building community capacity to adapt to the effects of climate change;
- iv. increasing the capacity of ten environmental organizations in Guatemala, and;
- v. supporting a national low-carbon emissions development strategy.

CNCG operates in four regions of Guatemala: the Maya Biosphere Reserve, the Sierra de las Minas Biosphere Reserve, the departments of Alta Verapaz and Baja Verapaz (together referred to as the Verapaces), and five departments in the Western Highlands.

Executive Summary

Guatemala is a global leader in community forestry, having devolved control over forest resources to local actors in many parts of the country. While the community forestry concessions in the Maya Biosphere Reserve are widely known and often held up as a global model for community forestry, there is a diversity of smaller forest-based enterprises in other parts of the country that is less recognized but of growing importance. Most of these enterprises are at a more incipient stage of development, but are already producing significant benefits for local producers, many of whom are indigenous Maya, while restoring ecological values in often degraded landscapes. A history of marginalization and continuing high poverty rates amongst indigenous groups in such areas, as well as extreme vulnerability to climate change, underscore the importance of growing sustainable forest enterprise.

This case study focuses on Quiché Forestry Association (AFORQ by its Spanish acronym), which works with smallholder forest producers in the department of Quiché, in Guatemala's Western Highlands region. With the support of USAID, the Rainforest Alliance-led Climate Nature and Communities in Guatemala (CNCG) project has been working with AFORQ since 2014. Given AFORQ's significant progress, and recognizing the many challenges that remain, it is an important moment to analyze the results of CNCG support to date. The findings here also have relevance beyond Guatemala, in particular for similar associations of smallholder forest producers in other parts of the tropics.

The central finding of this case study is that smallholder forestry associations can dramatically improve incomes over a relatively short period of time by adopting a market-oriented approach that targets preferred buyers and cuts out middlemen. Income improvement, in turn, can motivate foundational change in areas of organizational governance and management capacity with support through technical assistance. While building up the internal capacity for service delivery and business administration, it is critical to ensure that revenue increases are passed on to smallholder producers, and not solely captured by the association itself.

Additional key findings of this case study include:

- During the period 2014-2016, AFORQ more than **tripled its active buyer portfolio**, focusing on preferred buyers further up the value chain, many of whom are willing to pay a higher price for legal product from smallholders.
- As a result of successful contracts executed with these new clients, AFORQ's **sales more than tripled**, from about US \$300,000 per quarter in the beginning of 2014, to more than US \$1 million in the third quarter of 2016.
- Significantly, AFORQ has passed these benefits on to the 525 smallholders they serve, more than **doubling the average stumpage price** it pays (from around US \$42 to \$95), while substantially increasing returns for its own members.

- As a result of such dynamism, AFORQ has been **motivated to improve its internal governance and administrative capacities**, supported by technical assistance.

While these gains are truly impressive, areas for growth identified by AFORQ include:

- **Diversification:** AFORQ still sells the bulk of its product in log form or sawnwood. Investment for production of value-added products (e.g. kiln-dried lumber, furniture, doors, moldings) is a priority, as well as ecosystem services and potentially non-timber forest products.
- **Market expansion:** AFORQ's buyer base is limited to the Western Highlands. Expansion of market contacts to other parts of Guatemala, Central America, and southern Mexico offers the prospect of increased demand. The association should also explore certification as a way to access preferred markets.
- **Credit:** for AFORQ to expand its operations and achieve capacity in value-added production, it will need access to finance. There are functioning credit mechanisms for forestry producers in the Petén that should be channeled to other parts of Guatemala.
- **Gender:** Currently, all of AFORQ's members are men, as are a majority of the smallholders it serves. The association should actively seek to recruit female members, and diversify activities to more directly benefit women.
- **Landscape-scale impacts:** Due to the small size and fragmented nature of smallholder forests, AFORQ's impact in the field is disperse. As AFORQ expands its member base and smallholder partners, it should do so with the goal of improving forestry practice

and ecosystem services in specific landscapes. Significantly, the area under management by AFORQ is home to regionally important oak (*Quercus* spp.) forest, as well as threatened wildlife, which landscape-level planning should seek to conserve.

Introduction and Context

The last two decades have seen a marked shift in tenure over tropical forests. Upwards of 30 percent of forests in the tropics is now under some form of local control (RRI 2014). This trend is taking hold as a result of a variety of factors—from wider shifts towards decentralized governance to a growing recognition that secure tenure is fundamental to protecting forests. The growing empirical evidence that community forests can perform as least as well as strict protected areas when it comes to conserving forest (Porter-Bolland et al. 2012), and that managed forests can power economic development via locally driven enterprise (Molnar et al. 2011), is also helping to turn the tide.

For community forests to be successful, however, local actors must be able to make sustainable forestry a competitive land-use choice. This goal forms a core focus of the Rainforest Alliance's work in forestry technical assistance globally, which aims to improve the competitiveness of community forest enterprises (CFEs) by building local capacity for forest management, value-added production, business administration, financial management, and market access.

In Guatemala, the experience of the community forestry concessions in the Maya Biosphere Reserve (MBR), in the northern Petén region, has drawn significant international attention. Multiple analyses have demonstrated the economic and environmental benefits of CFE development in the MBR, where the Rainforest Alliance has been supporting sustainable forestry and enterprise for more than 15 years (Grogan et al. 2015; Hodgdon et al. 2015a, 2015b, 2015c). Given the strong need for similar

solutions in other parts of Guatemala, the Rainforest Alliance expanded its support to CFE development to new areas of the country, including the Verapaces and the Western Highlands. While the potential for developing forest enterprise in these regions is high, the context is markedly different from that of the MBR.

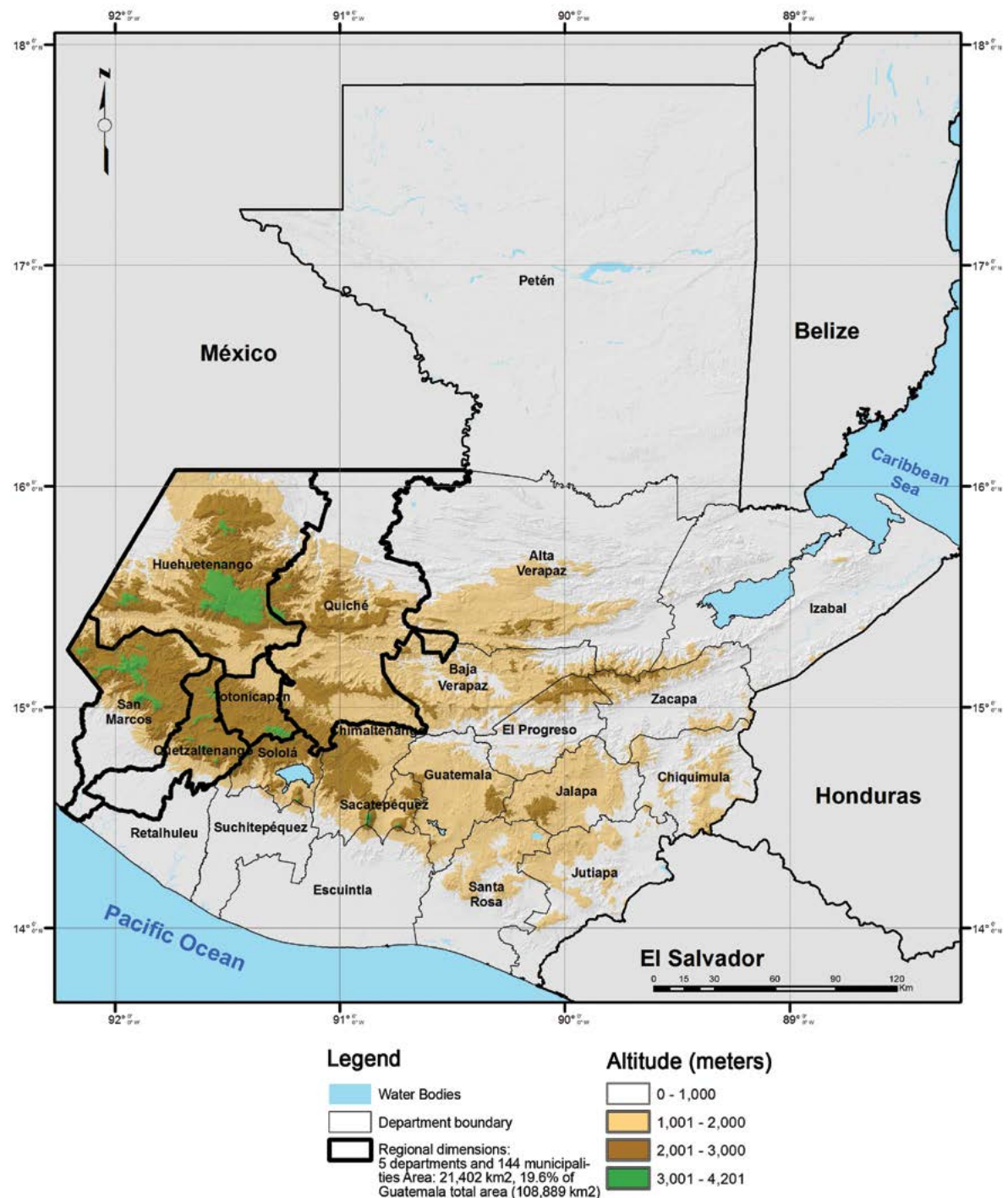
The Western Highlands region of Guatemala covers nearly 20 percent of the country's land area and includes five departments: Quiché, Huehuetenango, Quetzaltenango, San Marcos, and Totonicapán. Topographical heterogeneity is the rule. As its name suggests, more than three-quarters of the region's 22,442 km² lies above 1,000 meters (3,280 feet) above sea level, with more than 5 percent of the area over 3,000 masl (9,840 feet). More than 60 percent of the region has a slope of >25 percent, resulting in an environment where the risk of soil erosion is especially high, endangering both local and downstream livelihoods.

The total human population is around 5 million (more than 30 percent of the total population of Guatemala) and is overwhelmingly rural and disperse: nearly 90 percent of all settlements in the region have fewer than 1,000 inhabitants, and there are only a few cities with more than 15,000 people. Ethnicity is highly diverse: more than 70 percent of the population is indigenous Maya, including groups such as the Ixil, K'iche', Mam, and Q'anjob'al. Since the time of the Spanish Conquest, the indigenous Maya of the region have faced systematic marginalization, displacement, state-backed violence, and genocide. Even with the end of the civil war, the signing of a historic peace

agreement, and the return of thousands of displaced people, the indigenous Maya of the Western Highlands remain one of the poorest

populations in all of the Americas, with childhood mortality, malnutrition, and illiteracy rates on par with sub-Saharan Africa¹.

Map 1
Topographical
diversity in the
Western
Highlands.
Source:
CEAB/UVG 2017



Forest cover in the Western Highlands stands at just over 30 percent, slightly below the national average. Most of the forest in the highland areas are dominated by temperate

pine-oak² associations, while in lowland areas broadleaf forests occur. Maintaining and increasing forest cover in the region is of critical importance to avoid erosion

¹ See <http://eng.hpp-gt.org/snis/>

² See <http://www.alianzapinoencino.com/media/pdf/Mapa18.pdf>

and maintain watershed function in this area, which is home to the country's most important hydrological resources. More than half of the watersheds in Guatemala occur in the Western Highlands, where key river systems for neighboring Mexico also originate. As vital as watershed forests are for millions of people downstream, the forests of the Western Highlands are critical sources of fuel for domestic needs, as well as a safety net for highly vulnerable communities that increasingly need diverse livelihood streams to adapt to climate change. Additionally, the region is an important source of timber for local and regional markets.

The good news is that there is significant momentum on which to build. While deforestation continues to threaten many areas of the Western Highlands, the rate of forest conversion at a regional scale has decreased in recent years. Moreover, heavy investment in reforestation and incentive mechanisms put in place by the Guatemalan government has resulted in notable gains in forest cover in some areas. Building on these achievements and developing local forest enterprise is a crucial priority identified by many organizations, including the Rainforest Alliance and the CNCG program. Although there are models of CFE success right at home in Guatemala, in Petén, the context in the Western Highlands is entirely different, presenting a distinct set of challenges.

While the communities in the MBR manage large blocks of intact, lowland tropical forest—much of which is unpopulated—forests in the Western Highlands are mostly temperate, typically small in size, highly fragmented and heavily populated (CEAB 2009). While about a third of the forest area is in communal or municipal hands—much of which is dedicated for conservation—the vast bulk of forest under active production is managed by individuals or small groups whose forest holdings are typically under 10 hectares and disperse across large areas.

Organizing such an array of producers—who often have different objectives for forest management, and divergent priorities and capacities for business development, all against a backdrop of recent civil conflict and continuing inequality—is a major challenge.

The Rainforest Alliance Approach

AFORQ supports improved forest management among hundreds of smallholders in Quiché.

Photo Credit: Rudy Monzón



The Rainforest Alliance is an international environmental non-governmental organization that is active in more than 80 countries around the globe. The organization's mission is to conserve biodiversity and ensure sustainable livelihoods by transforming land-use practices, business practices, and consumer behavior. Core sectors are forestry, agriculture, and tourism, complemented by cross-divisional support programs that focus on climate, sustainable finance, education, and evaluation and research.

In the forestry sector, the Rainforest Alliance focuses on community and smallholder forestry operations. Technical assistance supports producers to maintain ecological values and ecosystem services in their forests, helping them to implement low-impact management practices, protect and buffer high conservation value areas, and plan silvicultural activities that mimic natural

regimes of disturbance and regeneration. At the same time, building local capacities in enterprise administration, market penetration, and access to finance forms an equally important focus, recognizing that for forestry to be a viable land-use alternative, it must achieve economic competitiveness.

In 2013, with support from USAID, the Rainforest Alliance began implementing CNCG. This five-year project involves a consortium of local and international NGOs, and is active in four key regions of the country: Petén, the Verapaces, Sierra de las Minas and the Western Highlands. In these regions, the project works along multiple strategic lines. In its work with forestry producers, a core focus of the project is to catalyze the **value chain development and market-led enterprise capacity building** in order to strengthen local enterprise competitiveness, increase benefits to local communities, and ultimately provide incentives to maintain and expand sustainable forestry in the country. The present case study documents results of CNCG investments with one of the project's partner forestry organizations: The Quiché Forestry Association.

Quiché: Tenure and Forests



Inequitable access to land is one of the main causes of poverty in Quiché.

Photo Credit:
Rudy Monzón

Of the five departments that make up the Western Highlands, Quiché is the largest, extending over 8,378 km². Nearly 90 percent of the more than 900,000 people that live in the department are indigenous Maya. While there have been improvements in access to some basic services since the end of the civil war in 1996, Quiché still ranks lowest nationwide following many rural development indicators: illiteracy among people over 15 years of age stands at nearly 42 percent, nearly 72 percent of the population falls below the poverty line, and more than 16 percent is considered “extremely poor.”

A fundamental driver of the persistent poverty and marginalization in the Western

Highlands in general—and in Quiché in particular—is insecure and inequitable access to land. Since the time of the Spanish conquest, inequitable land tenure has been the rule, except for a brief period during the early 1950s, when the Árbenz administration attempted land redistribution to benefit the rural poor. The reversal of this reform and continued lack of access to land helped lead to Guatemala’s 36-year civil war. Although the peace agreement signed at the end of the conflict promised to improve land distribution and recognize indigenous territorial claims, for the most part this agenda remains unrealized. Guatemala still lacks a basic land law, and attempts at rural reform are resisted by an entrenched, landed oligarchy with outsized political influence.

Forest tenure in Quiché reflects this history and continuing land insecurity. Although around 30 percent of the forests in the department is now under municipal or communal control, the bulk of land with standing forest is made up of a patchwork of smallholder plots (a majority of which are <0.1 ha), only some of which have obtained full legal title under Guatemalan law. Moreover, since nearly all of the forest under municipal and communal tenure is managed for conservation and/or household forest product consumption only, the overwhelming majority of forest under management for timber is in the hands of smallholders. This presents distinct challenges for the achievement of sustainable forestry and value chain enhancement at scale.

Forests in Quiché are mainly temperate formations of pine and oak, except in the northern portion of the department, where tropical broadleaf associations predominate. Forest cover stands at around 32 percent, down from 40 percent in 1991. In recent years, however, deforestation rates have slowed, and at present most forest conversion is concentrated in the lowland part of the department. In much of the temperate forest zone of Quiché, in fact, forest cover has increased over the last ten years. This is the result in large part of major government investments in reforestation. Two government programs—the Forestry Incentives Program (PINFOR in Spanish) and the Small Landholder Forestry and Agroforestry Incentive Program (PINPEP)—have together provided subsidies and technical support that have resulted in the reforestation of more than 23,500 ha in Quiché since 1998.

While these gains are impressive, the success of reforestation efforts has presented a new set of needs. On the forest management side, there is limited local technical capacity in silviculture and forest management, and insufficient extension services provided by the Guatemalan government. On the

enterprise and markets side, the forest sector in Quiché is underdeveloped, especially given the amount of pine that will soon be reaching harvestable age. Because the average forest holding is very small, investment in management and value chain development presents a major challenge. Without improved local capacities in forest management, enterprise administration, value-chain development, and markets—and, critically, without strong local organizations to achieve scale for smallholder forests—there is a risk that reforestation successes in Quiché might fail to achieve lasting benefits.

AFORQ



AFORQ was created in 2002 to support sustainable forest management and enterprise.
Photo Credit: Rudy Monzón

Anticipating these needs, the Quiché Forestry Association (AFORQ) was founded in 2002. The association's objective is to support responsible forest management in order to protect, conserve, and expand forest cover in Quiché. AFORQ presently consists of 28 members whose activities in this sector range across the value chain, from tree nursery operators to reforestation specialists, and from silviculturalists to wood buyers and sawmill operators. While a majority of AFORQ's members are forest owners themselves, not all are. They are unified by their efforts to provide services to a growing number of smallholder forests across Quiché. By the middle of 2016, AFORQ's members were involved in

the management of nearly 2,500 hectares, touching approximately 525 smallholders. (Annex 1 lists the municipalities and communities in which AFORQ has assisted smallholders.)

AFORQ is legally registered as non-profit association. The ultimate decision-making authority within AFORQ is the general assembly, which is made up of all of AFORQ's members. The assembly is legally required to meet once a year, but can organize "extraordinary" meetings to take decisions on matters of concern. The day-to-day management is handled by a board of directors, which consists of a president (who serves as the association's legal representative), a vice-president,

secretary, treasurer, and three regular members. Presently, none of these positions are paid. The board meets monthly, or more often, to make necessary management decisions. It is required to report on all major management and financial issues to the general assembly, and to submit major decisions to the assembly for approval. Membership is voluntary, and is granted to any Quiché resident involved in forestry who is voted in by a majority of members and pays a one-time membership fee (100 quetzales, or around US \$13).

AFORQ's services to smallholder forest owners run the gamut of the forestry value chain. A key role that AFORQ plays is helping smallholders legalize their forest holdings, a prerequisite for receiving government subsidy for reforestation and forest management activities. As noted, a majority of partner plots are very small, and rural producers typically lack the financial capacity or fluency with bureaucratic norms to engage the legalization process. AFORQ assists with this, and in the process helps to secure tenure in Quiché.

Crucially, it should be noted, none of the forest parcels that AFORQ has helped legalize fall within forests claimed by communities, nor are they under disputed tenure claims by other individuals (e.g. post-conflict returnees, a majority source of tenure conflict across the Highlands). Such overlapping claims automatically disqualify plots from obtaining legalization or any kind of reforestation support, until conflicts are resolved.

Once plots are legalized, AFORQ assists smallholders in the following key areas:

- Reforestation services
- Forest management planning
- Silvicultural treatments
- Harvesting

- Post-harvest operations
- Forest regeneration and monitoring
- Fire control
- Timber trade and transport
- Markets and commercialization

When the Rainforest Alliance began working with AFORQ, a majority of the association's activities were focused on field-level efforts: reforestation, improved forestry practice, and fire control. The association had the basics of organization, but the board did not meet regularly, and AFORQ had limited capacity to manage its own operations, or increase benefits for its members and wider smallholder base through improved market access.

Rainforest Alliance Technical Assistance

Based on the needs identified by AFORQ in a series of planning meetings during the start-up phase of CNCG in 2013, the Rainforest Alliance has been providing assistance to AFORQ in the following four key areas since early 2014:

- Forestry best practices
- Business administration

- Market outreach
- Technical exchange

Under these broad areas of support, the Rainforest Alliance has facilitated the following trainings and events between 2014 and 2016:

Theme	Detail	Number of events
Forestry best practices	<ul style="list-style-type: none"> • Trainings in silvicultural treatment options • Forest management planning and operations • Sawmilling efficiency 	12
Business administration	<ul style="list-style-type: none"> • Financial management and accounting • Cost controls and price structuring • Contracts • Access to credit • Internal governance 	13
Market outreach	<ul style="list-style-type: none"> • Organization of business roundtables • Participation in furniture expos • Support to forestry fairs • Client outreach trips • Client and sales management 	26
Technical exchange	<ul style="list-style-type: none"> • Visits to Petén • Visit to the Verapaces 	4

As can be seen above, a strong emphasis has been placed on market outreach as the linchpin to catalyzing transformative change in AFORQ's operations and business model. While trainings in forestry best practice and internal administration are fundamental, the approach that

the Rainforest Alliance has taken with AFORQ—in line with that of the Rainforest Alliance globally—is to facilitate improved market access as a vehicle for motivating change in operational areas, as well as for increasing revenues to invest in value chain enhancement. Improving the

With the support of the Rainforest Alliance, AFORQ expanded markets through participation in business roundtables.

Photo Credit: Rudy Monzón



competitiveness of enterprises in turn allows investment in best practices and, ultimately, increased benefits of sustainable production for locals.

The key way in which AFORQ has been supported to improve market access has been through the organization of events and attendance at forestry trade shows. In such events, AFORQ has been able to interface directly with buyers, explain the types of volumes and products they can offer, and establish initial business contacts that can then be followed up on individually. Such events have helped cut out middlemen, and have created visibility for AFORQ among national-scale buyers. At the same time, the Rainforest Alliance has provided support to AFORQ in client outreach, management and sales, helping to ensure that business contacts made at such events are stewarded effectively. Finally, targeted support has been given for the development of marketing materials, and for AFORQ's website.

Learning from the experience of more advanced forestry cooperatives in other parts of Guatemala where CNCG is active has also been a key motivator for AFORQ and its members. Over the past two years, the Rainforest Alliance has organized trips to both the Petén and Alta Verapaz departments, to learn from the experiences of the community forestry concessions of the Maya Biosphere Reserve and a federation of smallholder producers, respectively. In the Verapaces, AFORQ members learned about the benefits of diversifying product offers and improving internal governance to increase benefits for smallholders, while in Petén, attendees were exposed to the importance of credit in transforming value-added capacity and market access.

Complementing these efforts, the Rainforest Alliance has implemented technical training for AFORQ members around core themes in enterprise administration. These trainings—focused

on finance, accounting, cost controls, contract management and organizational governance—are aimed at improving AFORQ’s capacity to manage its own business as operations expand with increased market access.

To measure the results of these efforts, as well as to build AFORQ’s capacity in self-monitoring, the Rainforest Alliance applied its auto-diagnostic tool, called ADORE (*Autodiagnóstico Organizacional y Empresarial*). ADORE allows an organization’s leadership to conduct internal assessments of its enterprise’s level of business development and its performance in different areas, in order to identify weaknesses, plan actions to correct them, and measure improvement over time. Applied in a majority of the community operations supported by the Rainforest Alliance globally, including most of the CFEs CNCG supports in Guatemala, the tool helps to track enterprise development in the following key areas:

- Legal compliance
- Participation
- Administrative capacities
- Tax issues
- Financial management and accounting
- Production and marketing
- Credit
- Finance
- Solvency

By evaluating development according to a range of indicators and scoring performance against defined benchmarks, enterprises obtain a detailed qualitative and quantitative picture of their current operations. ADORE indicates areas where improvement is necessary, which helps with prioritizing internal efforts and external support. Once trained in the application

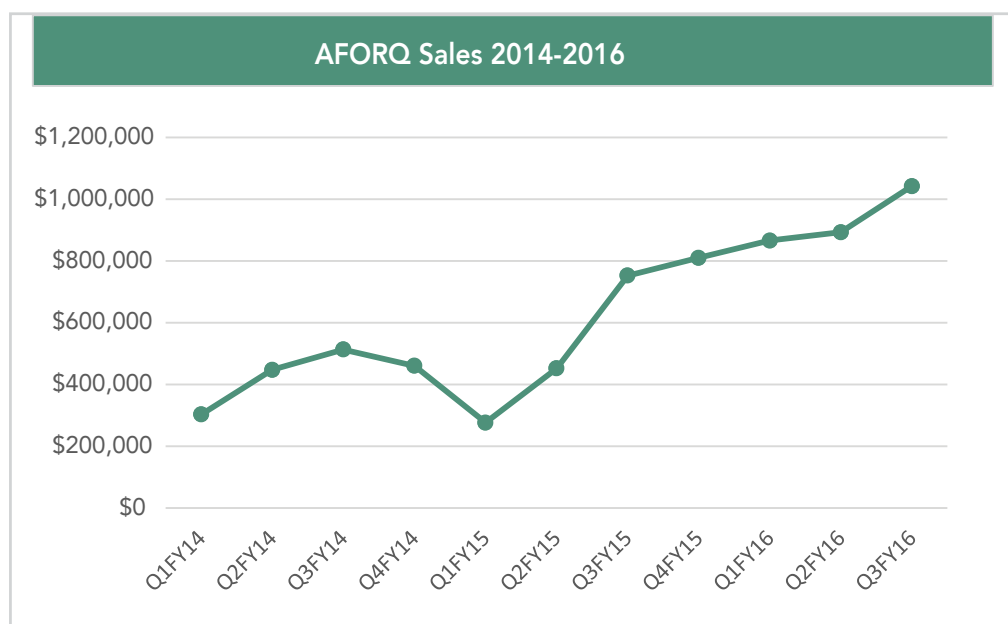
of the tool, enterprises use it to track their own progress over time.

Results

After more than two years of support to AFORQ, considerable positive changes have been achieved. The first, most obvious improvement has been the number of clients the association successfully engaged in sales. The association's buyer portfolio expanded from a baseline of 20 clients to a cumulative number of 68 clients in five departments, as of August 2016. This is a direct result of organizing business roundtables and

participation in wood expos at both the regional and national scale, as well as direct client follow up.

This dramatic expansion of client base resulted in large increases in sales made through AFORQ. When the Rainforest Alliance began working with the association, at the beginning of 2014, it had quarterly sales of around US \$300,000. At the end of June 2016, sales had more than tripled to US \$1,042,210.



Significantly, AFORQ has realized a nearly 60 percent increase in the price paid per board foot. When the Rainforest Alliance began working with AFORQ, the average price paid by buyers was US \$0.19 per board foot; the average price paid to AFORQ is now closer to US \$0.30. This notable increase in price was achieved principally through improved market access, negotiation skills, and cutting out middlemen, all direct results of Rainforest Alliance assistance.

Crucially, these increased sales have benefitted not only AFORQ's members, but also the approximately 525 smallholders that the association serves. In 2014, AFORQ typically paid smallholders a stumpage (or standing timber fee) of between US \$33 and \$52 per tree, or an average of around US \$42. Currently, AFORQ pays smallholders on average between US \$92 and \$99 per tree, more than double the price previously paid. By contrast, the going market rate for stumpage in Quiché stands at around US \$20.

Beyond the direct benefits realized for members and smallholder forests, the transformation of AFORQ’s business approach has motivated significant operational and organizational improvements. These changes have come about both as part of processes engaged to meet new demand, as well as in response to working to satisfy new markets. Along the way, Rainforest Alliance has supported AFORQ to identify needs for internal management improvements, and then delivered targeted training in line with identified priorities.

An analysis of ADORE results has, highlights important advances in nearly all areas of enterprise management over the course of two years. The below table shows results of AFORQ’s performance in three separate applications of the ADORE tool: a baseline (when CNCG began providing support), an interim application (some 18 months later), and a third application (around 10 months on).

Date	Legal issues	Participation	Admin capacity	Tax issues	Financial mgmt. and accounting	Production and marketing	Credit	Finance	Solvency	Overall averages
20-Feb-14	53%	62%	20%	17%	23%	27%	23%	27%	47%	33%
12-Aug-15	62%	72%	23%	40%	38%	48%	23%	27%	60%	44%
8-Jun-16	77%	95%	45%	53%	48%	75%	23%	53%	73%	60%

Beyond the positive change in AFORQ’s capacities related to sales, production, and marketing, three significant improvements were seen in more fundamental areas of operation: participation, tax issues, and solvency. With respect to participation, there is much stronger interest from members now than ever before. In 2014, the general assembly would meet once a year and only a handful of members would attend. Now, the assembly meets quarterly, and since there is so much activity the board regularly calls “extraordinary” meetings—and typically nearly all members attend. Regarding tax issues, AFORQ used to outsource all its tax payment issues to a third-party accountant, and had little control over its tax status and liabilities. Over the past two years, however, the board has become much more actively

involved in overseeing the accountant’s work, and requires detailed reporting on such matters at assembly meetings.

Ultimately, revenue increases, combined with improvement of internal management and controls, has allowed AFORQ for the first time since its founding to achieve enterprise solvency. At this writing, AFORQ counts a surplus of around US \$5,600 that it holds in a reserve fund. This fund can be used for minor investments in forestry equipment, plant material for reforestation activities, as well as operational expenses and field costs (transport, accommodation, food), which members have previously had to pay out of pocket. Use of funds as proposed by the board must be voted up on the assembly and agreed by a majority of members.

While the prospect of increasing AFORQ's own capital holdings, assets, and internal capacities is appealing to many members, the priority in the near term is to improve income among AFORQ members and the smallholders they serve. This is a strategic decision AFORQ's membership has taken, recognizing that the creation of a "second-tier" enterprise may allow for investments in any number of areas (value-added production, diversification, etc.) but that such an entity carries the risk of becoming "just another middleman" with its own costs to maintain and goals to achieve. Still, the prospect of diversifying its business operations is attractive to many members, and this issue is likely to persist.

One area where AFORQ failed to make improvements is around credit. This was not due to internal shortcomings, but rather the banking sector's hesitance to extend credit to rural producers in general, and to smallholder forestry operations in particular. Building on the successful experience of community forest enterprises accessing credit in the Petén—as well as partner smallholder cooperatives in the agricultural sector across the tropics—the Rainforest Alliance and AFORQ have identified access to finance as a priority for expanded support.

Recommendations and Areas for Growth

While the results summarized in this case study are impressive, areas for growth identified by AFORQ include:

- **Diversification:** AFORQ still sells the bulk of its product in log form or sawnwood. Investment for production of value-added products (e.g. kiln-dried lumber, furniture, doors, moldings) is a priority, as well as ecosystem services and potentially non-timber forest products.
- **Market expansion:** AFORQ's buyer base is limited to the Western Highlands. Expansion of market contacts to other parts of Guatemala, Central America, and southern Mexico offers the prospect of increased demand.
- **Credit:** For AFORQ to expand its operations and achieve capacity in value-added production, it will need access to finance. There are functioning credit mechanisms for forestry producers in Petén that should be channeled to other parts of Guatemala.
- **Gender:** Currently, all of AFORQ's members are men, as are a majority of the smallholders it serves. The association should actively seek to recruit female members, and diversify activities to more directly benefit women.
- **Landscape-scale impacts:** Due to the small size and fragmented nature of smallholder forests, AFORQ's impact in the field is disperse. As AFORQ expands its member base and smallholder partners, it should do so with the

goal of improving forestry practice and ecosystem services in specific landscapes. Significantly, the area under management by AFORQ is home to regionally important oak (*Quercus* spp.) forest, as well as threatened wildlife, which landscape-level planning should seek to conserve.

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Annex

Annex 1. Area of AFORQ intervention in Quiche (2014-2016)

Municipality	Community
1. Santa Cruz del Quiché	<ul style="list-style-type: none"> • El Tabil, • Xinbuxuj • Tecá • Chujuyú • Santa Rosa • El Cerro Mamaj • Cantón Chicorral • Xatinap 1-3 • Panaxic I-5 • Carmen Chicatùn • Xetic 1 • Pachinac • Chuacaman
2. Chiché	<ul style="list-style-type: none"> • Laguna Seca • Los Cerritos • Shoashan 1 y 2 • Capuchinas • Rincón de los Leones • Chipoj Primer Centro • Chipoj Segundo Centro • Caja de Agua
3. Chinique	<ul style="list-style-type: none"> • Shoashan Chinique • Cacabal • Ximbaxuc • El Manzanillo • Cordondillo • Aldea La Cruz • Chorro Blanco
4. Zacualpa	<ul style="list-style-type: none"> • El Arriquín • Los Cerritos

5. Chajul	<ul style="list-style-type: none"> • Pichel • Suchum • Ixibiquim • Iximujul • Bicucham
6. Chichicastenango	<ul style="list-style-type: none"> • El Molino • Cantón Chuabaj
7. Patzité	<ul style="list-style-type: none"> • Xixocol • Quinto Centro • Cantón Tzanjuyup • Cocopa
8. San Pedro Jocopilas	<ul style="list-style-type: none"> • Cantón Pachojon Grande • Tzujil • Aldea Santa María • Chuisalic
9. San Juan Cotzal	<ul style="list-style-type: none"> • Ojo de Agua • Cajilxai
10. Joyabaj	<ul style="list-style-type: none"> • Aldea Catzil • Cantón Chijuc • Aldea Pachilip • La Estancia
11. Nebaj	<ul style="list-style-type: none"> • Bachojola • Los Trapichitos • Cotzol (Humo Blanco)
12. San Andrés Sajcabajá	<ul style="list-style-type: none"> • Aldea Las Casas
13. Sacapulas	<ul style="list-style-type: none"> • Cerro Negro
14. San Bartolomé Jocotenango	<ul style="list-style-type: none"> • Las Cuevas • Las Guayabitas • Aldea Tacachac • Aldea Sinchaj

Municipalities with AFORQ interventions supported by the Rainforest Alliance



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