



Are small and community forest-based initiatives financially viable?

- What are their rates of return on investment?
- What income do they provide?
- What are their challenges for financial viability?

Green Value was developed to help answer these questions. Green Value is a tool comprised of a User's Guide and pre-formatted worksheets, and provides 6 steps for simplified monitoring and analysis of costs and revenues for forest-based initiatives (FIs), from family businesses to community enterprises and large cooperatives. The tool was originally developed for Brazil, and has been used across the Amazon region to analyze FIs producing different products and services.

The tool not only provides **crucial decision-making information** for FIs, its results also respond to the questions above with **important inputs for policies and programs** that seek to conserve forests and stabilize climates while supporting economic development for families whose incomes depend on forests.

Why are small and community-based forest initiatives important?

- Families and communities own or control approximately 32% of forests in Latin America
 - Most have rights to harvest timber and non-timber forest products
 - They can significantly impact forest cover and carbon emissions
- Family and community-based FIs could be key to low emission rural development, providing jobs, community investment, environmental services, and legal forest products.

How has Green Value been used to date in the Amazon region?

We have used the tool to date to train 136 people in Bolivia, Brazil, Ecuador, Colombia, and Peru, and to analyze 21 forest-based initiatives (FIs), which vary by product type and scale. In the analyses we included ALL COSTS, e.g., subsidized technical assistance and donated machinery and equipment. The results, including cost per activity and type of input, have been used by FIs to reduce costs, set prices, and plan investments. The results are also important for policy makers, donors, practitioners, academics, and others who want to better understand and support forest-based initiatives.



GREEN VALUE

A Tool for Simplified Financial Analysis of Forest - Based Initiatives

Key findings for policy makers

Very few forest-based initiatives (FIs) have the financial information or tools needed to calculate cost per unit sold, to determine minimum prices and to measure financial viability. We have found that FIs can be financially viable, even when all operating costs are included, but the most viable ones received 5 – 10 years of financial and technical assistance.

Rates of return:

In our analyses to date, we found

- Timber products: ranged from -30% to 150%
 - profitable operations had 5-10 years of technical and financial assistance
 - technical assistance was often the most costly expense
- Non-timber forest products/services: ranged from -64% to 37%
 - most were independent family operations
 - when the opportunity costs of labor were included many operations had negative returns.

* While this indicator is important, FIs may value other indicators more highly, such as the number of jobs generated.

Types of income

FIs provide income and other financial benefits to local peoples in various ways, including:

- wages for temporary and permanent staff (usually above minimum wage)
- purchase of local products and services
- allocation of profits to different funds (e.g., education, health, community infrastructure)
- profit sharing among community members

Challenges

There are relatively few FIs selling timber legally in the Amazon region due to several main challenges:

- lack of documentation of ownership or use rights
- technical documentation and bureaucratic requirements
- short periods of support for FIs through projects that usually focus on technical resource management issues
- limited enterprise development capacity:
 - access to finance and markets
 - capital to invest in forest management and harvesting
 - business and financial management tools and skills (marketing, monitoring and analyzing costs)

To be financially viable, FIs need

- technical support for at least 5 to 10 production cycles
- financial support to build sufficient operating capital over several production cycles
- training in business management, including financial monitoring and analysis, for several production cycles
- preferential access to finance and markets
- simplified approval processes for producing and selling forest products and services.

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