Key Messages

1. Developing CFEs requires the participation of community members at all levels, from conceiving the business idea to business plan development and validation. This allows for community ownership of the proposed enterprise. It also facilitates enterprise development and community engagement in the later stages.

2. Enterprise viability goes beyond regular profits. It includes community dividends and positive cash flow stability. Unlike standard businesses that rely more on financial return, that of CFEs hinges on three fundamental indicators: financial return on investment; environmental benefits of the activity; and community rate of return. A CFE is said to be viable when these fundamental indicators of profitability are adhered to.

3. Non-timber forest products (NTFPs) have emerged as preferred business options. Community members are more interested in developing agricultural and NTFP enterprises, and not timber as earlier thought.

4. Timber is only profitable when 2-3 community forest groups unite to create a joint enterprise model. The groups need to come together to reduce upfront costs involved in the purchase of heavy equipment such as mobile sawmills.

5. Businesses can be similar, but assumptions generate different outcomes. Any assumption made should be as realistic as possible. In the case of CFEs, development of entrepreneurial skills, accounting, record keeping and linkages to markets and banks are critical to ensuring sustainability.

6. For the enterprises to be sustainable, continued advisory services are critical.
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Why Community Forest Enterprises in Cameroon?

An increasing portion of state land has been devolved for community management over the last two decades, with initiatives covering close to a million hectares of forest land (Minang et al., 2017). This comes with great potential to ensure sustainable livelihoods while at the same time conserving the environment. In addition, several community projects have been implemented, while others are ongoing.

Promoting community forestry will help achieve the triple objectives of: (i) livelihood improvement; (ii) participatory natural resource management; and (iii) forest resource conservation (Oyono et al., 2012). These projects have essentially been devoted to assisting populations create community forests (CFs), capacity building in group dynamics and CF management (Cunny, 2011; 2007; Bakouma and Sève, 2010). Projects related to developing income-generating activities for livelihood improvement concentrated on capacity building in business management, provision of equipment and providing capital. Most of these initiatives did not provide funds to cover production processes such as labour, transport and marketing.

Comprehensive enterprise development assistance from conception to scaling up has been generally absent. Thus, there is need to develop community forest enterprises with local groups from conception. These should also include enterprise development and implementation. It allows the communities to be de-risked by providing the necessary start-up capital, training and technical support. As a result, CFEs could build a track record of revenue and production coupled with management techniques, which would in turn attract buy-in from the private sector.

Contemporary research on community forestry reveals that for CFs to fully benefit from devolved management, they must autonomously manage their forests and operate income-generating activities (Minang et al., 2017). The transformation of community forest enterprises into successful businesses have been deemed as the ultimate route to improved livelihoods and sustainable forest management (Wunder, 2001; White and Martin, 2002; Mbile, 2009). One aspect that should be incorporated into the development of CFEs is that they should not just be considered as profit-maximizing firms, but rather as entities that promote sustainable forestry practices.
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Community Forest Enterprise Selection and Capacity Assessment

The CFE selection and assessment process is necessary to ensure that communities possess the required competence and willingness to learn and develop profitable enterprises over the duration of the Dryad project. The process comprises three steps: pre-selection, analysis and due diligence (see Figure 1).

The pre-screening exercise aimed at identifying groups of community forests in Cameroon that met certain criteria such as location, development stage and incorporation. Based on the above, a long-list of CFS were sent to each IO by ICRAF. From there, it was up to the IOs to proceed with selecting and proposing CFEs for Dryad support. Communities were sensitized on the Dryad concept, and those that responded were invited to submit expressions of interest to the IOs. The IOs then evaluated and developed a 2-page business idea (teaser) with interested communities. These were submitted to ICRAF for indepth assessment of suitability for Dryad financing.

From here, an ICRAF-TMP panel evaluated the teasers based on the economic, social and environmental potential(s) of the project. Business ideas that were potentially viable were given the green light, and communities were requested to develop comprehensive business plan. They then moved to the analysis stage of CFE selection. With the help of IOs, communities developed business plans which consisted of an investment memorandum (descriptive part of business plan) and financial model (actual expenditure and revenue structure of the enterprise). ICRAF and TMP assessed the financial and operational viability of the business plans and made investment decisions. Communities that qualified for the next stage were then visited by a team comprising members from ICRAF and the IO for feasibility analysis (due diligence). Those that were deemed well organized and demonstrated that they met the requirements were moved forward to the inception phase.

Community Forest Enterprise Inception

Success in the due diligence process elicited an investment offer from ICRAF. The contract established the terms of reference for the project in three parts: a detailed plan of operations, training plan and a reporting schedule (Figure 2).

The funding schedule specified the amounts to be deployed to the CFE by Dryad, when they would be delivered and what conditions must be met before the group could qualify for disbursement. The selection and analysis process provided a clear picture of the knowledge and skills of each CFE, and

How did Dryad Respond to this Need?

Dryad is a system that provides financial support, training and technical assistance to selected CFEs via a network of local implementing organizations (IOs). The purpose of this five-year project is to provide financial resources to develop businesses that generate profits by in an economically and environmentally sustainable manner using resources within the CF area.

Dryad delivers continuous financial, capacity building and technical support to CFEs that demonstrate steady improvements in these areas. The system is designed to reduce deforestation by developing alternative income-generating activities and promoting sustainable forest management. The flow of support is designed to be as direct as possible. The delivery structure integrates financial assistance with the monitoring and tracking of services provided by downstream partners. A rigorous enterprise selection, capacity assessment and inception process has been put in place to select the best groups that can meet the exigences of Dryad-type investments.

Dryad is managed by the World Agroforestry (ICRAF), while TMP Systems serves as a technical partner.
highlighted possible areas of training. This included any area of weakness or where the required skills for the success of the project were missing.

One unique aspect in this whole Dryad mechanism is its participatory specification of indicators for performance tracking and compliance to social, environmental and economic sustainability.

**Methods, Typology and Analysis of Business Plans**

Following the sensitization of more than 200 CFs, 44 expressed interest in participating in the program by proposing a variety of business ideas. A total of 100 business ideas ranging from agriculture, exploitation of NTFPs, tourism, timber exploitation, wood transformation and aquaculture were proposed. A joint panel analysed the business ideas based on economic, social and environmental potential of the enterprises. From here, the authors of the 80 business ideas were requested to develop business plans. Based on data provided in the enterprise description and financial inputs spreadsheet, 80 financial models were developed, but only 41 of these qualified for Dryad financing (see Figure 3).

Feasibility analysis (due diligence) was conducted for CFs with profitable business plans; 36 businesses were evaluated while five could not be evaluated due to the socio-political crisis. Considering the required community capacity needs, one CFE did not make it for contract negotiation due to significant gaps in organizational capacity, community cohesion and governance issues. In the end, 34 CFEs signed investment contracts with ICRAF. The process of CFE selection and onboarding generated a number of key issues that need to be taken into consideration when developing community forest enterprises.

Data quality is important, but the sources are multi-sectoral

Collection of data for development of CFEs is not straightforward like in other businesses. Developing a business plan requires a business idea, unlike the case of standard businesses where investors make the decisions; in the case of CFs, the community decides which business they would like to engage in. The involvement of community members in the choice of business permits them to choose what they can do and are ready to appropriate as their own.

The choice of business idea hinges on several factors; availability of the resource, local knowledge and experience in resource exploitation, market demand for the resource and ability of the business to incorporate men, women and youth into the work force. Developing business plans from community-proposed business ideas requires data from different sources. Community members also provide information on the production and marketing process. Experts in the chosen business are consulted to provide information on improved and climate-smart methods of developing the selected enterprise. The forecast of agricultural productivity requires information from diverse sources, productivity history of the region, climate change history and soil experts on yields taking into consideration different agro-ecological systems.

The cost of labour and equipment is obtained from stores and related businesses. The business plan requires community validation at all stages. After compiling the plan based on community information, expert information and local competitors, the document is submitted to the community for amendment and validation. Unlike standard businesses where investors evaluate the business plan, communities evaluate its feasibility. This is important because it permits the group to ensure that they have the required capacity and resources to execute the business plan. Each stage is reviewed by community members, areas requiring amendment are modified and the final draft submitted for profitability analysis.

**Viability goes beyond regular profits – includes community dividends and positive cash flow stability**

Standard businesses require that for a business plan to be profitable, a dollar spent should yield maximum returns for the investors. Unlike standard businesses, the profitability
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of CFEs hinges on three aspects; financial profitability, minimal negative environmental impact and community rate of return. Therefore, for CFEs to be profitable, they must simultaneously satisfy the three profitability attributes.

Financial profitability refers to the maximization of enterprises revenue and minimization of cost. The enterprises must not contribute to environmental degradation or increase greenhouse gas (GHG) emissions. Benefits to the community in terms of salaries distributed to group members, and employment created must be maximized and financial payments made to community members (community rate of return).

CFEs must be able to make enough profits that can be used to resolve social problems (health, education, water, electricity, etc.) within the community. Thus, profit generation is very important. Analysis of CFE profitability does not use standard methods like internal rate of return (IRR) or net present value (NPV). Instead, it uses the cash flow method which ensures that the enterprise has enough cash in hand at all times. Although some enterprises can be very profitable using the IRR and NPV methods, they usually fail because they did not have enough cash in hand to run enterprise activities due to the seasonal nature of businesses. The cash flow method corrects this by making sure that at any point in time, CFEs have enough cash to meet enterprise goals.

**NTFPs emerge as preferred business options**

An evaluation of 100 business ideas from 44 CFs revealed that contrary to popular belief, timber was not the most desired business by community members (see Figure 4). Most of them ranked agriculture and processing of agricultural products (44%) as the most preferred business idea. This can be explained by the fact that these groups...
are mainly farmers, they have experience in agriculture and understand how the business runs. The availability of fertile land and ease of selling agricultural produce without transport difficulties and obtaining licenses influenced their choice. Agricultural enterprises also absorb members from all social groups of the community (men, women and youth) unlike timber which is dominated by men and the youth.

Exploitation and commercialization of NTFPs was the second most common business idea proposed (26.67%). NTFPs such as Njangsang (Ricinodendron heudelotii), bush mango (Irvingia), Eru (Gnetum africanum), Jonc leaves (Narcissus assoanus) and production of chairs and hangers using rattan were found to be profitable after analysis. Availability of NTFPs was a key motivation for the choice of these enterprises. These products are highly marketable, the rate of return for such enterprises is relatively high, and community benefits accrue immediately the enterprise begins operating. This business was equally favored because qualified labour required for its development is available and absorbs women, youth and men.

Timber was ranked third (14.44%). In most cases timber is preferred in areas that are forest-rich and community members have experience in its exploitation and trade. Wood transformation was essentially in communities were timber had been exploited before and the residue could be used for production of charcoal or other wood products like bottle openers and pens. Aquaculture (2.22%) and ecotourism (2.22%) were equally proposed by communities close to water resources.

Timber is profitable only when CFs come together in a joint enterprise model

In Cameroon, the Forestry, Wildlife and Fisheries Regulation Law 94/01 of 1994 requires that community forest land be divided into five compartments for exploitation over 25 years, thus five years per compartment (MINFOF, 2009). A compartment is further divided into five annual exploitation areas and logging is only permitted over the area which averages between 200-500 ha. Timber exploitation is often done per targeted species, thus within the annual exploitation area, the species in demand may not be available or if it is, it can only be found in low quantities. Within this current context, because timber exploitation requires heavy investment (a mobile sawmill costs about US$ 31,400), it becomes very difficult for timber CFEs to legally exploit large quantities to cover the high fixed cost. When the cost of labour and other related exploitation costs are put together, timber exploitation is not profitable when only one CFE has to bear the cost of the mobile sawmill.

For timber CFEs to be profitable, the cost of heavy machinery must be shared with 2-3 CFEs through a joint management system. However, production and revenue management are done on an individual basis. A number of pre-conditions are required for the joint management to be effective; the CFs must be sufficiently close to each other, and all parties must agree to the joint management and terms and conditions of the management.

Businesses can be similar, but assumptions generate different outcomes

The profitability of enterprises also varies even when these enterprises are running the same activity, same scale and even same funding amount. These differences in outcomes vary considerably due to assumptions during conception and other inherent characteristics of the community running the enterprise. Figure 5 illustrates how 10-year projected revenue to total investment vary amongst enterprises of same typology.

For bush mango enterprises, differences in scale accounts for the large difference in 10-year projected revenue/Dryad investment ratio. As for Njangsang enterprises, assumptions vary from production techniques to marketing of finished products. These variations in assumptions explain differences in outcomes; ADNG buys both cracked and uncracked njangsang from the community, and employs members to crack the uncracked njangsang; GICAFOR, FOCODJOCK and MEKOM buy cracked njangsang from community members; Tinto Njangsang Enterprise buys uncracked njangsang and uses the cracking machine; all the others use manual processes to crack the nuts. The variation is equally explained by differences in marketing strategies; ADNG seeks to package njangsang in small quantities and sell in supermarkets at higher prices, while the other enterprises sell to wholesalers.

In the case of plantain enterprises, Figure 5 indicates that three enterprises are at the same level, while the other two show significant differences due to scale of production. Meanwhile, revenue from the cassava transformation enterprises varies due to the transformed product, market demand and prices. The figure shows two enterprises with same assumptions and end products for cassava transformation, while the other two have different finished products and different target markets; this explains the significant difference in the 10-year projected revenue/Dryad investment ratio.

Maize enterprises have similar assumptions, scale of production and marketing strategies, except for two, PNNT and La Dynamique CFEs, which have two different production scales and different marketing strategies. PNNT intends to sell 20% of her production in the village and 80% in neighbouring cities, while La Dynamique intends to sell all her production in major cities. The development of charcoal enterprises was based on similar assumptions, both at the levels of production and marketing. Meanwhile, differences in scale of production explains the variation in timber enterprises.

When evaluating the capacity of communities to develop CFEs, special attention should be paid to the typology of enterprise. There are general aspects that should be verified to make sure all social groups are ready to work for the success of the enterprise. Check the experience of the community in the proposed activity, how they intend to organize the activity and if there is a marketing plan in place. Table 1 presents specific issues that one should look out for during evaluation.
Table 1: Typology of enterprises and special considerations during capacity check

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<th>Typology of enterprises</th>
<th>Special considerations during capacity check</th>
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| **Ecotourism**          | Verify if the ecotourism services are appealing enough to attract many tourists  
Check if community members know and can explain the history behind the tourist sites |
| **Aquaculture**         | Ensure that the water source to be used never dries up  
In case of smoking fish, confirm that they are using modern techniques with low carbon emission  
Ensure that chemicals are not used during feeding of the fish |
| **Wood transformation** | Check if there is sufficient wood residue in the forest to produce projected quantities  
Ensure that community members have agreed to replant to offset negative impacts of biomass combustion  
Make sure innovative techniques that minimize emission of carbon dioxide are used |
| **Timber**              | Check if the area designated for exploitation corresponds with what is in the simple management plan (SMP)  
Check if the different species projected for exploitation are available in the exploitation unit and within exploitable diameter  
Ensure that there is a plan to replant exploited species to conserve forest biodiversity |
| **NTFPs**               | Check if the resource is sufficient and can meet the projected production quantities  
Check if the resource is increasing or reducing over time  
Check how accessible the resource is to community members  
Make sure the strategy proposed in the business plan is good enough to keep middlemen from buying all the NTFPs in the village |
| **Agriculture and food processing** | Check if the area set aside is designated for agriculture in the SMP  
Check if the community members contributed the land to the community forest and make sure there is a benefit sharing system if such a case exists  
Check if the fertility of the soil permits one to grow the proposed crops  
Check if the chosen site is prone to farmer-grazer conflicts  
Ensure that agroforestry systems are practiced to enhance soil fertility and ecosystem services |

Conclusion

Developing community forest enterprises requires an integrated approach with a basket of services aimed at building the required entrepreneurial skills while providing adequate financial support. Care should be taken to avoid mission drift, for financial profitability alone does not ensure sustainability of these enterprises. Even though technical services for agriculture and forestry exist, business advisory services are missing, yet they are critical to the success of CFEs.
References


MINFOF. 2009. Manual of the Procedures for the Attribution, and Norms for the Management of Community Forests in Cameroon (Revised version), Ministry of Forest and Fauna, Yaoundé, Cameroon


