

INDIA AND SUSTAINABILITY STANDARDS

Towards a Responsible Forest Economy: Session Brief

As part of the Seventh Annual flagship sustainable business Conference *India and Sustainability Standards, 2020* held virtually from October 28th to 30th 2020, the Centre for Responsible Business partnered with the Bharti Institute of Public Policy, Indian School of Business (BIPP-ISB) to host the International Dialogues. BIPP-ISB was the lead partner for the Conference that attracted over 800 delegates from across the globe representing a diverse set of stakeholder groups, including businesses, civil society, research institutes, academia, international organisations, government and quasi-government agencies. The theme for the Conference this year was '*Sustainability a key to Resilience in an Uncertain World*'.

The two organisations, BIPP-ISB and CRB co-developed and designed a high-level plenary titled 'Towards a Forest Economy' on October 30, 2020. In addition to the high level plenary BIPP-ISB also shared their perspective on the Conference theme at the Inaugural Session on October 28, 2020.

Prof. Ashwini Chhatre, Executive Director, BIPP-ISB in his inaugural address spoke about the relevance of the topic and some of the exemplary work BIPP-ISB is doing in creating an ecosystem that is responsive, equitable and responsible. At the closing plenary, Prof. Ram Nidumolu from BIPP-ISB congratulated CRB for organizing the Conference. In his address, he shared insights on the sustainable and innovative business models and the accentuated need for actively engaging in them.

The high-level plenary served as a springboard for ideas worth pursuing to forward the agenda of a responsible forest economy that ensues greater transparency and accountability in the value chains, respects and accords the rights of the community and forest dwellers and promotes environment sustainability. The session, given the salience, attracted 80 participants. The session also marked the beginning of a sustained collaboration between BIPP-ISB and CRB on a project looking building a responsible forest economy.

High Level Plenary on "Towards a Responsible Forest Economy":

Panelists:

- Dr. Rohini Chaturvedi, Forest and Landscape Restoration Expert
- Dr. Savita, Principal Chief Conservator of Forests in Himachal Pradesh
- Mr. Rakesh Chaturvedi, Principal Chief Conservation Officer, Chhattisgarh
- Sanjay K. Singh, Divisional Chief Executive, ITC Ltd.
- Vijay Aditya, Co-founder, Director and Chief Executive Officer (CEO) of Ekgaon.

Moderated by: Dr. Ashwini Chhatre, Executive Director, BIPP-ISB

The **objectives** of the session were as follows:

- Understanding the value chains forest economy, the different stakeholders/key change agents their role and importance

- Analysing the existing policy landscape vis-à-vis the need for policies and regulations that enable growth of a sustainable forest economy
- Assessing the challenges and opportunities in the value chain, with a focus on market linkages and thereby investigating the business case for community tenure security of forest resources and lands.
- Exploring various partnership models engaging forest-based communities, forest-based enterprises and buyers/businesses – the opportunities and challenges (*particularly for businesses*)

Given below is a Synopsis of the session:

Forests must be part of the post carbon future. We must figure out ways to balance all the different needs that forests must provide – wildlife habitat, carbon sequestration, industrial value chains etc. – this panel brings all these experiences and insights together.

- **Ms. Rohini Chaturvedi** sheds light on the role that communities can and should play and the conditions under which they can be enabled to participate equally in the new value chains. The idea of the forest economy or tree based economy exists since, in India and elsewhere what's new is the context in which it is seen – multiple agendas jostling for space on the same resource – climate, biodiversity, infrastructure development or industrial value chains reliant on forests. Irrespective of the lens one uses to view this resource, people have become centerstage – acknowledgment that we are able to restore regenerate and manage forests predominantly because of people and cases of noncompliance leading to mismanagement as well so they are just not beneficiaries in different schemes but as rightsholders in these forests. It is hence important to amplify the role of communities. Within the framework of existing forest based economy, since the 90s India has a history of PPP models being proposed in policy and practice, however, today there is recognition that no business model for forest economy will be successful unless there is clear and secure tenure – for individuals, state ownership, private sector and communities. 30-40 million hectares of forests are eligible for community tenure in India. It becomes a prerogative for any plan to be obligatorily inclusive of tenure security in any short- and long-term plan for forest- based economy. This reiterates the need to treat communities as equals – not through the state creating blueprint but through active involvement of communities and continuous dialogue. Recognition of rights and access of resource and land will create a balanced and healthy negotiations between corporate, governments and communities. The decision on how to shape the local and regional involvement of communities in the forest- based economy should be for the communities to make, which in the longer run creates faith and trust between all shareholders.

- **Dr. Savita** spoke of the experiences of Himachal Pradesh in trying to create wealth, jobs and



value in collaboration with communities and the challenges thereof. HP's forest cover is 27% and state is committed to bring it up to 30% by 2030 under sustainable development goals. According to the 2019 FSI report, there is a 337 sq km increase in forest cover despite high dependence on forest resources. 70 lakh of state population is dependent on forestry resources – livelihood, fuel, small timber and fodder. Since 1984, state is only getting revenue from this sector through salvage market. Plethora of medicinal plants being exported is unknown. Local communities depend on wage

model for these extractions. Sustainable harvesting protocols for majority of these species is unavailable till date. There is a lack of sound mechanism for market linkage for local communities to move on from this exploitative models. Forest communities need to be brought on board for the management of forests given their extensive knowledge of forests and its resources. The medicinal plant industry is worth 100 cr per annum if managed properly – bringing primary processing units and tools for product development at the farmer's doorstep to ensure fair pricing and livelihood security. Contract farming and cooperatives for forest products has immense potential. Nature based eco-tourism is another industry with tremendous potential through training and capacity building of forest communities.

- **Mr. Rakesh Chaturvedi** highlighted the current work towards forest economy of Chhattisgarh. 44% of state's geographical area is under forest cove hence forest plays an essential role in the economy of Chhattisgarh. Around 11,000 villages are dependent on forests for their livelihood. Currently the rate of unemployment drastically plummeted from 20 to 2 percent in the span of 2 years in the state, despite the sudden influx of Around 5 lakh people who



migrated back to the state during the pandemic. 2.5 crores of man days employment. Initiatives like the Chhattisgarh minor forest produce cooperative federation created by the government working with 1.2 million families involved in forest produce collection and 33% hike in MFP collection is recorded. Annual turnover of tendu leaves is 900 cr per annum which goes directly to forest producers as wages of which 80 % is also given as bonus to the collectors. Non specified MFP brings 1.5 crore annual

turnover in the state. In the last two years, the State established 139 Van dhan kendra, 800+ haat bazaars and 3000+ village level groups that are involved in procuring minor forest produce at minimum support price. Around 60000 women are collectors of MFP. The State has also provided seed money to 5000+ women SHGs and made provisions to enable them to compete with middlemen. Chhattisgarh purchased 74% of the minor forest produce that was collected during 2020 and ranks 1st in the country for maximum collection in an year. Forward linkages are yet to be established – no processing units, entire raw material goes out of the

State. Minor Forest Produce has been declared as the highest priority area under the State's industrial policy 2019-2024. State has also developed district and block level business plans for interested entrepreneurs. Policy for investing in primary / secondary processing units is also being formulated - the State forest department will be responsible for making available the required quantity or raw material. Lac cultivation is another area that can bring fundamental change in rural economy – 2nd largest State in production of lac. State has declared lac as 'agricultural produce' hence, subsidy or incentive is given to agricultural farmers especially for lac cultivation.

- Mr. Sanjay Singh** talked about ways in which businesses look at forest resource, and looking at local communities as economic agents and equal partners and state govt. / public agencies as enablers and facilitators. ITC brought the Clonal Multiplication Technology, from Brazil, and began cloning of eucalyptus. It decided that in 10 years, it will stop its dependency on forests. Post increased productivity the company approached farmers with huge land ownership for buying clones and growing eucalyptus trees. However, more intervention was required towards tribal farmers with 1-2 acres land. These farmers wanted products that had a market. Linking CSR funds to invest in social capital for business growth has brought perpetuity of responsible business. Under their CSR budget, ITC, loaned these farmers money (Rs. 20-25,000 per acre) to grow the trees and trained them and eventually bought back the trees 4 year later (eucalyptus crop takes 4 years to grow). Farmers were asked to put the profits into the 'Sangas' and buy land and grow more. It was also realized that the poor farmer does not have money to last 4 years, in case they decided to grow eucalyptus. So, the agro-forestry model was developed. Under this model, on 1-acre land, 2 rows of trees were planted followed by a wide gap. This gap in between rows of trees allowed for growing of other crops (maize, cotton) subject to soil condition, while the rows of eucalyptus trees kept growing. Consequently, ITC gets 50% of its raw material within 150 kms of its mills, thereby reducing transportation costs. Additionally, farmers in close proximity, get a share of the money saved from transportation, thus providing incentive, a continued trust base of assured livelihood security .

Mr. Vijay Aditya dwelled upon models of communities doing business directly with corporates, supervised and regulated by State forest departments.



Ekgaon's core principle is that it works only with farmers and provides them with market access without the farmers bearing the loss incurred within the value chain. Ekgaon is a farm to fork value chain in MP, Chattisgarh, Odisha, Tamil nadu and Northeast states. Currently, it works on 230 minor forest products with 34000 farmers. An important component of this value chain is traceability to build trust. Accordingly, a concept called 'Know Your Farmer' was developed – scanning the barcode on every product that is sold, will give the customer access to the farmer. Farm level traceability system based on blockchain technology that is

built on each essential detail about the farm and the farmers. Farmers are also provided with technical advisory services – agri-inputs, financial services like crop loans. All services are provided on digital platforms, thereby reducing costs and addressing the scale at which market linkages are developed. As compared to pilot programs the scale helps volumetric values to create quantifiable economic gains. Ekgaon has reached 600 cities through e-commerce platforms and 4 states through retail model (in-store products) and this being developed further through enabling value addition done by farmers themselves. Interestingly, the middleman is involved as part of the value chain because they are well

versed with the market and how to conduct the business with producer company. Uberisation of aggregators is one of the most successful models out of India and Ekgaon follows similar philosophy. The grassroot value chains for distributed raw material and to build volumes can be developed through a big entrepreneurial ecosystem within local communities as well as outsourcing business expertise, for instance the agro-technology incubator is set up in Assam. Farmer producer company is decentralized and physically managing the process of collection and processing the produce while the digital technology allows monitoring and assessing the produce and process which is managed by a handful of experts at the other business end of the chain. Under this, production clusters are formed and agro-entrepreneurs are provided seed money of 10 lakh rupees and trained for 1 year and connecting them with agro-ecosystem and thereby creating a market connect.

Concluding remarks

- Resource mapping is the primary step towards building state level value chains which can be done through digital infrastructure.
- Post inventorying and strategic business plan development, the digital platform is essential to build both B2B and B2C network.
- Commodity clusters with PPP model backed by strong policy measure would allow strengthening a stable forest economy.
- Payment of Ecosystem Services is a huge aspect of forest economy that can be further explored.

The session concluded with a broad consensus on the need for structured and systemic approach to creating a responsible forest ecosystem.

