

## Rethinking Collaborative Arrangements with Local Partners

### Summary of Findings

More forest area is being designated for use by local communities and indigenous peoples. In a growing number of countries legislation is being introduced to ensure that local partners share in the benefits of forest operations and participate as active stakeholders in the sustainable use of forest resources. Private sector investment in the forest sector is increasing as well. For businesses in an expanding range of investment settings, establishing and maintaining positive working relationships with local communities is an essential part of gaining access to natural resources and local skills and labor. Afforestation and reforestation activities and programs to reduce greenhouse gas emissions from deforestation and forest degradation (REDD), including sustainable forest management (SFM) and forest restoration, seek to increase forest carbon sequestration, and their success or failure will rely in many respects on the effective cooperation of forestdependent people.

These developments are giving partnerships and benefit-sharing arrangements between local and outside partners greater prominence than they have generally had in the past. The significance of these collaborative arrangements is increasing whether the local partner is a community, a user or producer association, or a group of individual landholders, and whether the outside partner is a private firm, a government agency, or a nongovernmental or civil society organization. The arrangements vary widely in purpose as well for the respective partners. Local partners may be interested in employment and income generating opportunities, in the security of their access to forest land, in the protection of resources that have traditional or other values, or in capitalizing on small business opportunities. Outside partners may be interested in gaining and securing access to forest products, in obtaining the cooperation of local communities in how forest resources are used, in alleviating rural poverty, or in managing risks and ensuring the provision of environmental services.

Collaboration with rural people is also an urgent practical priority among international development agencies, whose goals include poverty reduction and the sustainability of positive social and environmental impacts. These development outcomes often rely heavily on the active engagement interested participation of the households and communities involved in a project. The conditions that lend themselves to successful collaboration have therefore become the focus of increasing attention on the part of international organizations that support sustainable forest operations.

The World Bank has published a report titled ***Rethinking Forest Partnerships and Benefit Sharing: Insights on What Makes Collaborative Arrangements Work for Communities and Landowners***. The report presents evidence from a large number of surveys and interviews that were intended to capture the priorities and concerns of the different partners that have been involved in collaborative arrangements. The results can inform the design and conduct of partnerships and arrangements between stakeholders who have different interests but who also potentially have much to gain through mutually-beneficial outcomes. They also provide important practical insights into what concepts such as “trust” and “mutual respect” consist of in practical terms, and how their presence or absence can impinge, sometimes decisively, on operational effectiveness.





## MAKING AND KEEPING GOOD ARRANGEMENTS

Collaborative arrangements between partners take many forms, from informal agreements, to agreements with provisions that permit one partner to leave the arrangement, to fully enforceable legal contracts. Some agreements are not documented. Some have elements that are set forth in or based on legislation, forest management plans, organizational bylaws, or property records.

Effective and lasting collaborative arrangements tend to be characterized by a number of features analyzed in academic literature on law, negotiation, and conflict resolution. The study examined the importance of twelve of these factors, including:

**Common expectations** about the undertaking and what it will deliver .

**Communication** - both formal or informal, which satisfies both sides and promotes transparency.

**Fully bargained** - parties in a negotiation feel they understand the other's motives to their own satisfaction.

**Incentives** tend to be specific as well. The collaboration must be worthwhile not just to the community as a whole, but also to the particular people who have the power to help or hinder the project.

**Legally recognized** - where details are optimally set down in writing.

**Mutual respect** - neither side comes to the table from a position of superiority or inferiority and neither leaves the table feeling that the will of their counterparts was imposed or that some larger advantage and disadvantage provided unfair leverage.

**Mutual understanding** of their own and each other's responsibilities, and of specific details that are important or unimportant, such as deadlines and certain record keeping requirements.

**Past history of conflict is thoroughly addressed** – the arrangement addresses past conflicts - particularly if the conflict regarded use of the resource being negotiated.

**Practical** - both sides view the terms of the arrangements as practical, and each has the technical knowledge, capital, equipment, infrastructure, or simply labor and time necessary to fulfill their obligations .

**Self determination** - neither party felt compelled to negotiate or sign the agreement – they acted on their own free will. If either party was persuaded to attend, they agreed to see what was being offered, and what was being offered was not viewed as an ultimatum.

**Trust** - the partners in effective arrangements trust one another.

**Verifiable obligations** –it is easy to determine if partners are fulfilling their obligations.

These features apply both to making agreements and to maintaining them. In keeping a long-term agreement, the sides frequently must come together, renegotiate bits and pieces, and revise their relationship to account for new information or changing conditions.

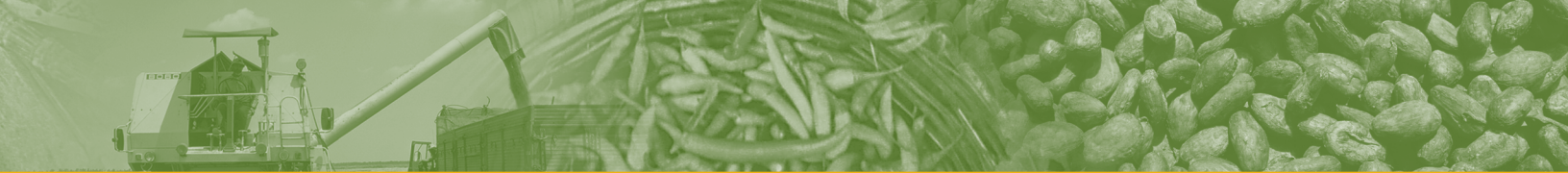
While different combinations of these features proved important in different types of collaboration, four emerged as nearly universally important among the respondents in Rethinking Forest Partnerships and Benefit Sharing: mutual respect, trust, practicality, and communication. Respondents also revealed that strong and lasting partnerships are characterized by processes and practices that go beyond what is captured in an agreement itself.

## CONTEXT MATTERS

The conditions in which partnerships are negotiated and in which the respective partners operate can be as important to the success or failure of the collaboration as the form of the partnership itself. The two factors are often inextricably interrelated. For instance, in situations in which a partnering community relies heavily on the natural resource concerned, the issue of bargaining proved highly significant. In fully bargained agreements, the two sides leave negotiations with a clear understanding of each other's interests and motives— an understanding not only of what the other side wants, but of why they want it. This level of disclosure and mutual understanding proved relatively less significant in situations in which communities did not rely as directly on the natural resource being deliberated. Where community livelihoods are less dependent on forests, incentives tend to become more important.

## ELEMENTS OF A GOOD CONTRACT

Contracts serve a number of important functions in collaborative arrangements, and their structure and content should be adapted to suit the purpose of the arrangement. In benefit-sharing arrangements for instance, contracts tend to emphasize communication and dispute



resolution, while commercially-oriented contracts are more concerned with contingencies, loss prevention, and how risks are divided between the partners.

A review of good forest partnership contracts reveals a number of distinguishing attributes. They are generally clear, understandable, and complete, and address issues such as practicality, verifiability, and incentives. They are also legally valid at the same time that they provide means to resolve disputes that do not require those involved to go to court. If there is any history of disagreements or disputes, the issues involved are fully taken into account by the contract.

The study found that contracts contain a variety of approaches for establishing formal communication, grievance-resolving institutions dealing with shared risks, structuring of milestones, transparency, and other issues of general interest to forest partnerships. The structure and content

of contracts was informed by the purpose of the contract. Context also explained some differences among contracts.

### SHARING THE BENEFITS: THINKING BEYOND COMPENSATION

Using forests imposes local costs, whether the use involves production or environmental services. Benefit sharing arrangements can ensure that the communities and households that bear these costs share in the benefits of the use. Properly employed, these arrangements can serve to make forest use activities more sustainable and more commercially viable. They can be very effective instruments in managing risk, and in improving the positive effects the forest use activities have on livelihoods.

Good benefit sharing arrangements characteristically go well beyond questions of compensation, and relate directly to

## INPUTS, OUTPUTS, AND OUTCOMES

Partnerships and collaboration can be usefully considered in terms of their performance and their outcomes. Performance is generally considered in terms of how effectively inputs are used to generate short and medium term outputs or the ultimate objective of the partnership. In *Rethinking Forest Partnerships and Benefit Sharing* a table is presented that describes inputs, outputs and outcomes for each of the twelve factors. Below is an extract from this table:

Factors	Inputs	Outputs	Outcomes
Practicality	<ul style="list-style-type: none"> <li>Carefully assess the following aspects of proposed actions:</li> <li>Legal, technical, financial, and material needs and constraints</li> <li>Risks</li> <li>Environmental and social impacts</li> </ul>	<ul style="list-style-type: none"> <li>Realistic overall project plan</li> <li>Training, technology transfer, credit, and other assistance integrated into plans</li> <li>Unwanted external impacts minimized or mitigated</li> </ul>	<ul style="list-style-type: none"> <li>Reduced risk of unmet expectations and resulting conflicts</li> </ul>
Communication	<ul style="list-style-type: none"> <li>Identify and try to overcome barriers to communication: cultural, physical, institutional, and so on</li> <li>Try to agree upon (or create) practical channels of communication</li> <li>Identify party representatives, set out their authority, and create an obligation for them to communicate with the people they represent</li> <li>Create procedures to deal with grievances during the term of the partnership</li> </ul>	<ul style="list-style-type: none"> <li>Regular and free flow of information among the parties</li> <li>Frank discussion of problems</li> <li>Regular flow of information between representatives and those they represent</li> <li>Prompt and fair handling of grievances</li> </ul>	<ul style="list-style-type: none"> <li>Fewer misunderstandings</li> <li>Control of rumors</li> <li>Enhanced trust</li> <li>Earlier warning of problems</li> <li>Better management of conflicts</li> </ul>
Mutual respect	<ul style="list-style-type: none"> <li>Open-mindedness: suspend judgment of other parties</li> <li>Consider different perspectives: be willing to listen and empathize</li> <li>Culturally sensitive: use courtesy in communications</li> </ul>	<ul style="list-style-type: none"> <li>Improved understanding of other parties</li> <li>Avoidance of small, unintended insults</li> </ul>	<ul style="list-style-type: none"> <li>Better working relationship</li> </ul>
Trust	<ul style="list-style-type: none"> <li>Use candor in discussions</li> <li>Build a reputation of reliability/persistence in keeping past promises</li> <li>Keep key project transactions, especially those involving money, transparent to all affected people</li> </ul>	<ul style="list-style-type: none"> <li>Increased credibility</li> </ul>	<ul style="list-style-type: none"> <li>Parties are willing to put faith in others' promises of future performance.</li> <li>Increased patience</li> </ul>



the needs and livelihoods of the local partners concerned. They tend to be purposefully tailored to local contexts, and to be transparent with beneficiaries whose interest are recognized as being legitimate by all partners involved. They sometimes entail cash payments to communities or individuals, which some project designers find eminently practical when the project's output consists of a marketable commodity produced through the efforts of an individual or small team, the value of which is readily measured. One project reviewed in *Rethinking Forest Partnerships* used cash payments for environmental services, based on participants keeping the land in particular uses. Where the project required a community effort or the use of a community-owned resource, some paid cash into a trust fund for community use, subject to outside review or control.

The use of cash payments can however be problematic. Unless they are made through a banking system, they can be difficult to trace or to verify. When the payments are made to community leaders, community members are not always able to hold them accountable and corruption and elite capture can become a concern. When they are made to heads of households, they may not benefit certain marginalized members of the household, such as women or youths. Some communities therefore elect alternative forms of payment. One community switched from cash

payments to market vouchers after seeing much of the cash used for short-term pleasures like alcohol. Another community switched from payments of cash to payments of productive goods such as beehives. These alternatives did more to advance the long-term prospects of the community and to reduce poverty than cash payments would have.

Communities may appreciate a number of other benefits as well. Some are interested in gaining access to additional land for agriculture, which is a common benefit in agroforestry projects. Some are interested in extension services and technical advice as well as cash. Access to credit is often needed to provide the initial capital for individual enterprises or larger community projects. Sometimes a loan is made against future benefits and is targeted to community development. Local employment opportunities are often a community priority. Income from jobs injects wealth into the community, increases the amount of money spent inside the community, and advances overall development. Control over land and other resources are a primary concern in communities

that place a premium on being a partner in decisions over nearly public lands and resources. Or the community may want its own ownership rights clarified and acknowledged.

## LESSONS FOR COLLABORATIVE ARRANGEMENTS

Contracts and other legal documents are useful instruments, but not ends in themselves. Writing out a contract can lead the sides to explore roles and risks in detail. Contracts provide a reference point for further discussion, and their execution impresses upon the parties that they are making a true commitment. Contracts can also be a means of informing potential outside investors and others about the agreement. If the contract can be recorded in the official property records, it may be a means of binding future owners of the land. Almost every case analyzed in *Rethinking Forest Partnerships* used written documents to record their agreements.

Contracts, however, are not the only mechanism for recording rules governing the partnership. Some partner-

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This note was prepared by Kenneth Rosenbaum (Sylvan Environmental Consultants) and Diji Chandrasekharan Behr (World Bank) with editorial inputs from Gunnar Larson (World Bank). It is based on the economic and sector work entitled *Rethinking Forest Partnerships and Benefit Sharing: Insights on What Makes Collaborative Arrangements Work for Communities and Landowners* financed by the Trust Fund for Environmentally & Socially Sustainable Development (TFESSD).





ships detail parts of their understanding in management plans. Some partners have agreed to adopt certification standards. A partnership may also put its agreement into the founding documents of a new association or business entity. To ensure that the rights of parties are fully documented, projects may need more than a single contract, and there may need to be subagreements with others besides the main partners, e.g., with a consultant or auditor.

Model contracts, model designs, and model partnerships. Fully bargained arrangements are more likely to achieve, especially when there is a large number of deals. The scale and scope of a partnership depend on whether the partnership is individually crafted—where the parties can afford to bargain, to innovate, to tailor the agreement carefully to each party’s needs—or based on a standardized agreement, because the transaction costs of bargaining each agreement would just be too high. In situations where standardized agreements are necessary, it is good practice to develop the contract template based on consultation and discussions with the key stakeholders. The “outside” partner may also use the advice of experts who have worked in the area for many years and have a good sense of the local context.

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Transplanting designs from one location to another is dangerous for two reasons. First, context matters, and each location presents different conditions and issues. Second, process matters, and attempts to shorten the process may reduce trust, respect, communication, and other characteristics that are important to the long-term success of the project. Partnerships based on standardized agreements need to involve some individual bargaining and tailoring of the project to the community.

Project design. Risk management is a vital element of good project design. Partners need to discuss possible risks and account for them in the design of the project. It is particularly important for them to mutually understand each other’s responsibilities in the event that the risk becomes imminent. Because not all risks or practical issues can be anticipated at the beginning of a project, agreements should be structured with sufficient flexibility to address unanticipated risks and potential conflicts as they arise.

