



TOWARDS SUSTAINABLE FOREST MANAGEMENT FOREST CONCESSIONS

PROTECTED FORESTS

- State protected forests
- State restricted-use forests
- Indigenous / traditional reserves
- Private forest reserves
- Community wildlife range zones

PRODUCTION FORESTS

- Corporate / industrial forest plantations
- Smallholder private forest lots
- Smallholder forest plantations
- Natural forests

FOREST PRODUCTS AND SERVICES

- Wood
- Non-wood forest products (NWFP)
- Environmental services
- Recreational environment

FOREST VALUE CHAINS

- Wood-based value chains
- NWFP-based value chains
- Payment for environmental services (PES)
- Tourism and recreation

Community based forest management

Industrial / corporate forest concessions

Sustainable Forest Management (SFM), as seen in the diagram above, comprises several categories, and involves varying degrees of human intervention, from actions to protect or restore forests to those for the sustainable use of forest products and services. This Quick Tips focuses on **corporate forest concessions of natural forests** and is part of a series of Quick Tips on forests.

Many tropical countries depend on forest concessions to sustain forest production, as not all forests can be managed by communities, and not all wood can come only from forest plantations.

Sustainable Forest Management (SFM)

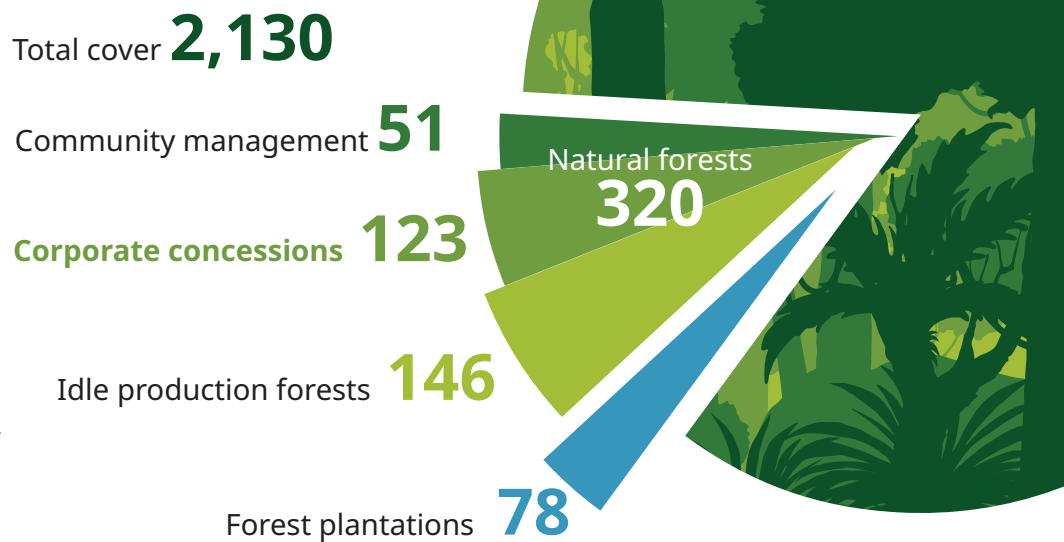
Officially recognised by the UN in 2007

The United Nations General Assembly in 2007 recognised SFM as a dynamic and evolving concept that aims to maintain and enhance the economic, social and environmental values of all types of forests for the benefit of present and future generations.



Tropical forests cover (in million hectares)

The total tropical and sub-tropical forest cover is 2,130 million ha. Around one fifth of this area, an estimated 400 million ha of tropical forests (320 million ha natural forests and 78 million ha forest plantation) is classified as production forest. 123 million ha (around 30%) is allocated for corporate forest concessions, predominantly in Africa and Southeast Asia, with respectively 56 and 48 million ha.



Source: Adapted from FAO Global Forest Resources Assessment 2020

The forest concession model: from exploitation to stewardship

In many countries, the forest concession model is transitioning from a model of exploitation to a model of stewardship. Today, concession holders need to perform a range of duties: to conserve a forest's regenerative potential; preserve biodiversity; ensure forest management and silvicultural measures; and provide local communities with social services, e.g. education, healthcare, electricity and transport connections.

Forest concessions, when managed sustainably, are a self-reliant 'nature-based solution' or 'green economy' entrepreneurial model: income earned from forest product is used for forest protection and management, while safeguarding biodiversity and environmental services such as carbon sequestration, climate regulation, water retention or soil stabilisation. Forest concessions can also be socially beneficial, providing local communities with jobs, services (education, health services, electricity, transport) and access to forest resources for subsistence, e.g. wood for housing, game and wild plants for nutrition, or drinking water.

In many tropical countries, the land covered by natural forests is owned by the state and managed by a state agency. However, the state often lacks the human resources and capital to adequately manage forests and so employs agents (private companies) to do so on its behalf by means of concessions that specify an operational area and period, and define rules and obligations. Forest concessions are mostly issued for the right to harvest wood in exchange for the payment of fees, but they are also issued for the right to harvest non-wood forest products (e.g. Brazil nuts), for payment for environmental services (e.g. ecosystem restoration concessions), or for tourism or recreation (e.g. hunting reserves).



Low-impact logging favours biodiversity

Large mammals such as jaguars can thrive in sustainably managed forests. Surveys found that densities of large and medium-sized animals in Forest Stewardship Council (FSC) certified logging concessions were similar to or even higher than in protected areas. Low-impact logging following the FSC standard can be compatible with biodiversity conservation.



Laos ©GIZ ProFEB Photo Bart Verweij

Forest concession key elements

Most countries have national forest management standards that prescribe operational procedures in forest management. Key elements include:

A forest inventory, as the basis for forest management plans; these can be 10-, 5- or 1-year plans and need formal approval before operations can start.

Silvicultural guidelines and criteria, e.g. restrictions on minimum diameter and harvestable volume; or rotational harvest schemes of 40 to 60 years; obligations to minimise damage to adjacent trees when felling trees.

Protection of the forest and especially of regeneration blocks that may seem 'idle' lands to those looking for land to open a farm.

Conservation measures e.g. creation of core protected zones for biodiversity conservation; keeping the banks of creeks and rivers intact or prohibiting forest labourers from hunting.

Rules and permits for the removal and transport of logs out of the concession.

The costs of wood harvesting and extraction

Costs can be significant and include the construction of logging roads and bridges across creeks and rivers; machinery operation, repair and depreciation; salaries of staff and forest workers; haulage and transport of logs, often over long distances under difficult conditions; payment of royalties, licences, permits and taxes; and often the costs of providing community services. As a rule, concessions find it hard to meet their annual allowable cut because of work interruptions due to adverse weather conditions, machinery breakdowns or delays with approval of permits.

To recover costs, concessions typically need to operate on a significant area. Tropical forests have a great variety of species, not all with a commercial value, so to recover their costs concessionaires need a large area to be able to harvest a sufficient volume of sufficient value. Additionally, concessionaires need to set aside conservation blocks and to allocate land to forest communities; their operational area is thus smaller than the actual concession size.



Challenges surrounding the forest concession model

Concessions have been criticised for failures that are often more general failures of forest governance than of the concession concept itself, e.g. short-term concessions provide no incentive for the concessionaire to plan for the long term and thus stimulate over-harvesting.

A large area of 146 million ha (see infographic on page 2) of unmanaged production forests (forests classified as production forests but which aren't used) in the tropics shows that the forest concession model is under pressure, for a series of reasons:

Bad reputation. Forest concessions have been known to disregard forest management standards and to harvest logs indiscriminately and/or illegally to optimise short-term gains, leaving behind a degraded forest with access to settlers or companies.

Large claims on land. Logging concessions typically cover a large area since the commercially harvestable species occur in low densities.

Tenure conflicts. Because governments grant concessions under the formal legal system, tenure conflicts are likely between the formal legal rights of concession-holders and the customary or traditional rights of communities living on or using the same land. In addition, forest blocks closed for harvesting under the rotational model may be seen as idle land and are prone to encroachment by settlers or illegal loggers or hunters. Finally, other government departments may have issued overlapping land-use permits e.g. for mining or oil extraction.

Market imperfections. Low prices either due to price under-cutting from illegal logging or because of timber export restrictions; illegal payments (bribes); or high costs due to poor public infrastructure (road conditions, power failure, poor ICT).

Limited capacity. In modern concessions, concession-holders are expected to fulfil a range of additional tasks, some of which have little to do with the logging operations as such (e.g. the provision of healthcare and education). Older concession companies may lack the trained staff to carry out such tasks.

Slim business margins. This is mostly due to low forest productivity (especially after the first rotation) and operational constraints (rain, machinery failure etc.), compared to substantial cost outlay. In practice, almost any other land use could generate more revenue for governments than forestry.

TIPS FOR SUSTAINABLE FOREST MANAGEMENT BY FOREST CONCESSIONS

EU support could consider the following interventions:

Create a conducive environment

To avoid short-term profit maximisation, long-term security of tenure is important. A fitness check of standing legislation or forest management standards for forest concessions may be considered. Support may also be offered to introduce legal and sustainability criteria in national forest management standards (aligned to FLEGT and EUDR). Strengthening law enforcement agencies in boundary protection in case of migrants seeing forests as vacant land for agriculture. Price under-cutting by illegal logging operators can be addressed e.g. via green procurement policies that disqualify unlicensed wood products from sales to state agencies or large institutional buyers (housing estates, construction firms, hotel and tourism sector, etc.).

Strengthen community involvement

Well-managed forest concessions will base their operations on the communities's free, prior, and informed consent (FPIC); they will provide social services to the communities and preferential treatment when recruiting forest workers or staff. In general, it is recommended to strengthen collaboration between a forest concession company and surrounding communities. With a growing interest in enabling communities to manage forests themselves (see [Towards sustainable forest management – Community Forests Quick Tips](#)), structural cooperation or a [mixed concession system](#) between a forest concession and surrounding communities could be developed, where the former provides forest management advice and training and leases out machinery, while the latter pool their logs with those of the forest concession for joint marketing, resulting in benefits for both parties.

Enhance forest value

The value of forests can be enhanced by broadening the range of commercial species via promotion or new product development for so-called lesser-known or lesser-used species. Logging concessions could move from single asset (logging) to multi-asset management. For example, where forest biomass is restored, new revenue streams may be developed via carbon finance. Restoration blocks may also have potential for biodiversity credits, or for tourism and recreation. Other revenue may be raised from non-wood forest products, or reclaiming logging waste, which can be substantial in volume. Finally, low forest productivity can be enhanced through enrichment planting, e.g. planting trees in degraded sections.

Facilitate cost reductions

Adjustments to the fiscal regime in favour of forest concessionaires that manage their concessions sustainably and provide environmental services for the public good. Upgrade public infrastructure (roads, access to power, internet or mobile phone networks). Reduce the cost of finance via guarantee capital for local banks. Promote joint ventures with EU wood companies who can provide capital, expertise and market access.

Facilitate sustainability training and education

To transform logging concessions into 'forest stewards', assistance is needed to meet national and international due diligence requirements, for example by supporting staff training, and curriculum development for training centres (vocational training centres, colleges, universities). Support may be provided to forest concessions to meet sustainability criteria, e.g. via facilitation of forest inventories, high-conservation value studies, training in reduced impact logging, wood tracking and geo-location systems for compliance to EUDR, or assistance with forest certification according to international standards ([FSC](#), [PEFC](#)).

Improve the marketing of harvested timber

Support the establishment of wood processing facilities nearer to forests (rather than in distant population centres) to help reduce marketing costs and create more rural employment. To enable logging concessions to harvest on a rotational schedule, set up rural wood depots for pooling of logs for improved marketing of harvested wood. Further tips in ["Towards Sustainable Forest-Based Value Chains"](#).

Development of a support services network

Although forest concessions usually have their own forest engineers, certain aspects require third-party support, e.g. conducting forest inventories and preparing forest management plans, the development of procedures to demonstrate due diligence, or independent audits as part of third-party verification. All this requires a domestic expertise network to provide support to logging concessions, be it from local institutes, forestry consultants or auditors.

Corporate and community concessions cooperation in Guatemala

The rainforests in the department of Petén in Guatemala belong to the so-called Five Great Forests of Central America. An EU consultancy in 2022 recommended to stimulate cooperation between corporate and community concessions both in forest management as well as wood marketing. Corporate concessions could assist the community concessions with silvicultural expertise and heavy duty machinery, whereas pooling of logs and sharing of processing capacity would be mutually beneficial. Currently, the corporate and the community concessions work in isolation of each other.



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References

[Global Forest Resources Assessment, FAO 2020](#)

[Forty years of community based forestry, Forestry Paper 176, FAO](#)

[Rethinking Forest Concessions, Forestry Working Paper 4, FAO 2018](#)

[Managing forests, supporting wildlife: can biodiversity thrive in responsibly logged tropical forests? WWF 2019](#)

More Quick Tips on forests

[Towards sustainable forest value chains](#)

[Why gender matters for forests](#)

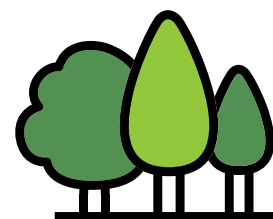
[Towards sustainable forest management – Community Forests](#)

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[Forests for the Future Facility \(F4\) - Webinars](#)

Forest Partnerships promote sustainable forest management

[Forest Partnerships - Communication materials](#)



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