GREEN VALUE

A Tool for Simplified Financial Analysis of Forest - Based Initiatives

Introduction to *Green Value: A tool for simplified financial analysis of forest-based initiatives*

February 2017

USAID FROM THE AMERICAN PEOPLE

Earth Innovation Institute

INBAR RED INTERNACIONAL DEL BAMBÚ Y EL RATÁN

www.green-value.org

Background

Work on Green Value originated with a study performed by Drs. Shoana Humphries and Thomas Holmes in 2007 and 2008.

- They investigated the financial viability of 2 community-based forest enterprises (CFEs) in the Brazilian Amazon which received financial and technical assistance from an internationally-funded government program.
- They decided to combine participatory methods for data collection and analysis with training of the CFE staff in financial analysis.
- There was a lot of interest in the study and the methodology used, and the idea arose to develop a financial tool.
- Drs. Humphries and Holmes worked from 2009 to 2012 on the first version of the Green Value tool.

Photo: S. Humphries

Photo: MSDR

Background

In 2012 the **Strengthening Community-based Forest Enterprises in the Amazon Region** project began with funding from USAID and the US Forest Service.

- The Green Value tool was launched to improve the capacities of CFEs and forest-based initiatives (FIs) in financial analysis, administration, and business management.
- Workshops to train people to use the tool were held with the collaboration of 11 local NGOs and several government institutions in 5 Amazonian countries (Bolivia, Brazil, Colombia, Ecuador, and Peru) .
- Information was compiled with collaborators in each country on:
  - Forest policies and the history of community forest management
  - Numbers and models of community forest management

Photo: EII

Photo: EII

Who?

The tool is designed for forest-based initiatives (FIs), who can operate at different points in value chains (from harvesting raw materials to selling finished products) and can include:

- family producers
- community associations
- community-based forest enterprises (CFEs)
- cooperatives
- private businesses.

Who?

Green Value tool users can include:

- Administrators of forest-based initiatives (FIs)
- Technical teams of FIs and their collaborators (e.g., NGOs, governments)
- Professors and students
- Scientists/Researchers
- Finance programs
- Politicians.

Users can apply the tool to a diversity of types of products and services, such as:

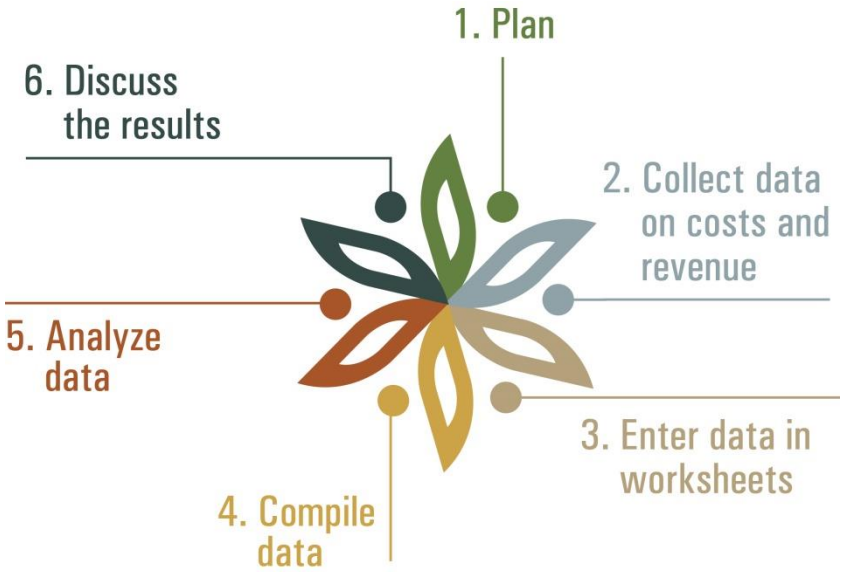
- Timber, non-timber, and agroforestry products
- Fish
- Tourism
- Environmental services.

What?

The tool is for monitoring and analyzing costs and income for one product or service.

- It calculates the financial viability of 1 production cycle, including all costs
- It provides many other financial indicators.

Simplified approach with six steps



Why?

- To increase the confidence of forest-based initiatives and their collaborators in performing financial analysis.
- To improve the business management capacity of FIs and help them to set more realistic goals (e.g., profits, employment generation).
- To improve the information FIs use to make decisions, e.g., the purchase of machinery for adding value.
- To increase the transparency of FIs, and as a result, strengthen their governance capacity.
- To strengthen the long-term financial viability and sustainability of FIs.
- **Knowledge is power!**

How?

The tool is comprised of

- User's Guide
- pre-formatted worksheets for each step.

The worksheets are used to organize the costs and income by

- activity: productive activities, administration, and sales
- types of inputs: labor, materials/services, and machinery/equipment.

A Facilitator's kit is also available, which includes:

- Facilitator's Guide
- posters
- presentations (in Power Point)
- quick reference sheets.

Some applications & findings to date

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15 workshops, 6 countries, 250 people trained, 40 products analyzed

Timber products (BO, BR, CO, GT, PE):

- Standing trees
- Logs in forest and in the patio
- Blocks
- Finished products

→ -30% to 150% return

NTFPs and services (BO, BR, CO, EC, GT, PE):

- Artisan textiles
- Bamboo
- Brazil nut (natural, processed)
- Freshwater fishery
- Green house for tree sp.
- Natural latex
- REDD projects
- Tourism

→ -64% to 37% return

Photos: EII

Examples of results: Brazil nut (family)

Photos: EII

Cost per activity (US$)

Activity	Labor	Materials & Services	Machinery & Equipment	Subtotal Cost ($)	Percent	Average Cost per unit ($)
↓						
Collection	219	302	-	**521**	57%	26
Nut extraction	131	46	-	**177**	20%	9
Transport	29	32	-	**61**	7%	3
Sale	15	19	-	**34**	4%	2
Administration	44	67	3	**113**	12%	6
Cost subtotal ($)	**438**	**466**	**3**	**906**	100%	**46**
Percent	**48%**	**51%**	**0%**			

Cost per activity in $ and %

Total Income	$ 992
Total Cost	$ 906
Net Income	**$ 86**
Rate of Return	**9%**

Cost per type of input in $ and %

Total cost

Profit

Rate of return

Critical information for forest-based initiatives

Examples of results: Brazil nut (family)

Photos: EII

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The amount that the FI must save to replace equipment in the future

Cost per unit sold

Critical information for forest-based initiatives

Examples of results: Brazil nut (family)

Photos: EII

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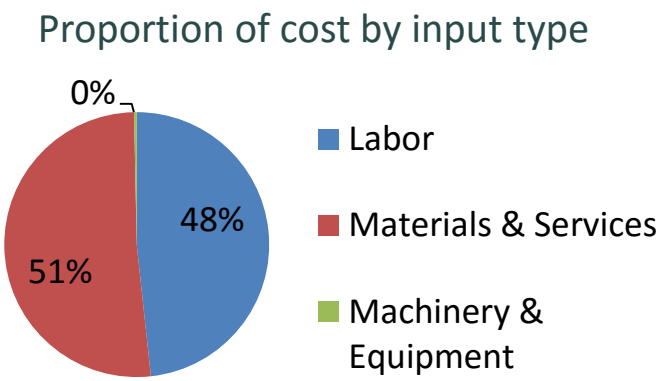

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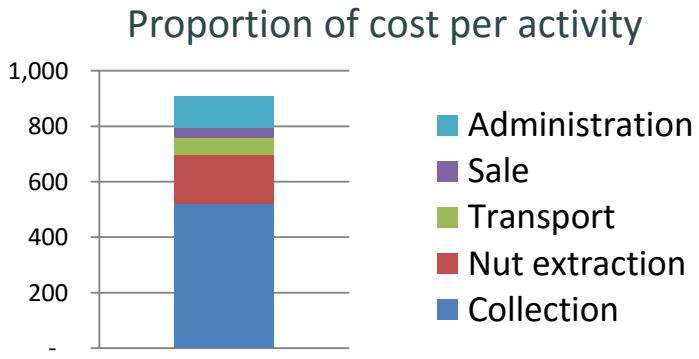

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Financial viability

Income for workers and local families

Income for local businesses

Critical information for collaborators, donors, governments

Value of results

- **Strengthen forest-based initiatives** with regard to:
  - management capacity (financial information, decisions, transparency)
  - long-term viability and sustainability.
- **Increase awareness** within the forestry sector about the role of FIs in:
  - local development (financial benefits)
  - management of forests and other natural resources.
- **Motivate** governments, donors, industries, and other collaborators to:
  - invest in FIs: credit, technical assistance, purchases
  - improve the context in which FIs operate: illegal markets, inappropriate and/or conflicting policies, highly bureaucratic systems, poor infrastructure.
- **Improve reference information** and data for forest management and rural development policies

Impacts to date

A follow-up survey was implemented in 2015:

- 35% response rate: 39 of 112 people who provided emails
- **46% have used Green Value** to analyze information on costs and income for FIs
- **41 products and services analyzed**: including
  - timber products, non timber forest products, bamboo, aquaculture, agricultural products, environmental services

Impacts to date *cont.*

Impacts identified from the use of Green Value

- The transparency of the FI improved (50%)
- The FI improved its system for monitoring and analyzing costs and income (44%)
- The FI reduced its costs (38%)
- The FI improved its income (38%)
- The FI improved its rate of return (39%)

Training of others

- 36% of respondents trained at least one other person in how to use the Green Value tool.
- In total, respondents trained 150 people, including 118 people from rural communities and 30 from government agencies.

Impacts to date *cont.*

Who is using Green Value now? A few examples include:

NGOs

- AIDER in Peru for forest management
- IBC in Peru for forest management and fisheries
- INBAR in Peru and Ecuador for bamboo
- ASSEMA in Brazil for babaçu nut (production and processing)
- IDESAM in Brazil for forest management (timber and NTFPs)

Forest Initiatives

- NorAndino in Perú for environmental services
- Allpabambu and Río 7 in Ecuador for bamboo
- CORGuadua in Colombia for FSC certified forest products

Acknowledgements

- USAID and the USF Forest Service's Office of International Programs for their financial support
- The International Network for Bamboo and Rattan's (INBAR) Latin America and Caribbean Office for contributions to the Facilitator's kit
- Representatives of the initial 11 NGOs (shown below) that participated in phase 1 of the project and the participants in the Green Value workshops from 2012 – 2015 who contributed to improving the tool
- The government institutions that helped organize and promote Green Value events.

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