

Sociedad Koyam Limitada

Reforestation of Native Trees



Conservation Area **Lonquimay, Auracanía Region**
Country: **Chile**
Region: **South America**
Project Status **Ongoing**
Project Manager: **Adriana Madrigal, Verde Ventures**
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1. Company Description

Sociedad Koyam Limitada (Koyam) is a limited-liability business partnership between Lonko¹ and Timberline². Established in 2004, the Koyam venture is a for-profit entity representing the mutual business interests of its two parent organizations while it focuses on economically, socially, and environmentally sustainable business opportunities within rural indigenous communities. Koyam's mission is to promote sustainable development opportunities among the rural and indigenous peoples that help them maintain their culture and improve their livelihoods. The enterprise's core business is to provide natural resource management services to small indigenous landowners in rural communities. Such services include reforestation, forest planning and management, coordination between landowners and government authorities, business planning, technical assistance and training. Capitalizing on Lonko's strong network and recognition among indigenous communities, Koyam hopes to position itself as the leading forestry services provider in rural indigenous areas.

¹*Corporación de Desarrollo Mapuche Lonko Kilapang (Lonko)* is an indigenous NGO established in 1986 that serves Mapuche communities in development activities such as education, technical assistance and the preservation of culture. Lonko focuses on the integrated development needs of Mapuche families.

²*Timberline Gestión de Recursos Naturales Limitada (Timberline)* is the Latin America subsidiary of Timberline Natural Resources Group Ltd³, a Canadian employee-owned land and forest management services corporation based in Vancouver, Canada. In 2003, Timberline established a subsidiary in Chile to export Canadian expertise in the sustainable management of natural resources to Latin America, with a particular focus on working with small and medium-sized landowners, indigenous people, and on public lands.

2. Investment Background

One of Koyam's projects focuses on the reforestation of *Araucaria araucana* trees intermixed with pastures in the Lonquimay area (Auracanía Region), one of the poorest areas in Chile. With this project the company responds to and benefits from a governmental subsidy scheme for reforestation and abatement of soil erosion provided under Chilean laws. In addition, Koyam acts as a facilitator that helps indigenous landowners to benefit from the government's payments for reforestation and land recovery. In 2006, Conservation International's Verde Ventures program decided to support Koyam with a credit over 4 years, offering working capital for the planting of native *Araucaria*. As a parallel investment, the Equator Initiative issued a grant to Koyam in order to strengthen its operations and the capacity of the Pehuenche community to rehabilitate 500 hectares of degraded lands. Funding for the Equator Initiative grant came from DOEN Foundation.

3. Investment Objective

The Equator Initiative grant strengthens 1.) Koyam's accounting and financial reporting system, and 2.) the Pehueche people's capacity to participate in the project's nursery, reforestation, forest management services as well as ancillary enterprise activities.

4. Project Implementation

The Equator Initiative's Enterprise Development interventions are managed by Koyam whose technical staff has previous experience in managing forestation projects and is familiar with the implementation of this type of projects. Koyam receives active support from Timberline Latin America as well as Timberline Canada, two recognized experts in the design and management of complex forestry and forest reclamation projects. Timberline's support extends to the area of financial management, which as per request of the Equator Initiative partner Verde Ventures, needs to be improved. Timberline provides project oversight, whereas the company's controller assists Koyam until its new accounting system is in place.

5. Investment Thesis

The following key points make Koyam a compelling project for Equator Ventures:

- Support for an innovative business structure between an expert indigenous people organization and a successful for-profit natural resources consultant company
- Support for innovative government initiatives to pay for ecosystems services and forest restoration
- Assistance in the reforestation of a highly threatened, culturally significant tree species and the rehabilitation and conservation of native forests
- Improvement of internal business and management skills that are expected to result in certification and re-financing for growth and future projects that benefit Chile's ecosystem and indigenous communities

5.1. Business Impact

Koyam stands for a ground-breaking limited liability joint-venture between the indigenous Mapuche Nation, represented through Lonko, and Timberline. The partnership's inventive organizational structure brings about a complex set of internal and external challenges, including culture, remoteness, multiple stakeholders, etc. These challenges ask for additional attention, especially in the early stages of the venture. Koyam's internal management capacity is therefore one of the primary areas for grant support, as well as the community's capacity for participation and employment in the company's future projects.

5.2. Conservation Impact

The area of Lonquimay is located in south-central Chile along the foothills of the Andes. According to the Chilean Commission on the Environment in the Biodiversity Strategy for the Araucanía/UNDP-CONAMA 2002, this area has been designated of highest priority for conservation activities. The investment in Koyam supports the movement towards down-listing of red-listed species due to the reforestation efforts of threatened endemics in a hotspot region known for its high levels of endemic vascular plants (50% of the 3,892 species), endemic amphibians (70% of 41) and reptilian endemism (66% of 41). In addition, the project could eventually lead to increased corridor consolidation once trees reach maturity.

5.3. Socio-Economic Impact

The Equator Initiative grant helps a growing community-owned business and employer to succeed better in the long-term. The grant supports Pehuenche communities to reforest native trees on at least 500 hectares of traditional lands. Reforested lands will not be used for timber, but will remain intact for conservation and food/medicinal use by local communities. With the help of blended capital support Koyam initially addresses 30 landowners providing them with seedlings, fertilizer, fencing materials, tools, planting techniques, training, and salaries. 35 long-term jobs will be created that provide people with skills for future employment, such as providing reforestation services to outside landowners.