

# Small forest enterprises are big!

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## What are we aiming for?

What is the economy for?

- Maximising economic growth?
- Or spreading well-being - subsistence, security, decent work, social relationships, environmental integrity and cultural identity?

What sustains forests?

- Control by the big few with financial capital, technology and scale efficiency?
- Or broad benefits to local communities, clear resource rights and local accountability?

What develops communities?

- A few scattered jobs and one-off philanthropic projects?
- Or widespread entrepreneurship and strong local associations?

## Small forestry enterprises predominate

	<b>Brazil</b>	<b>China</b>	<b>Guyana</b>	<b>India</b>	<b>S. Africa</b>	<b>Uganda</b>
<b>Number</b> as % of total	<b>&gt;98%</b>	<b>87%</b>	<b>93%</b>	<b>87-98%</b>	<b>33-95%</b>	<b>-</b>
<b>Employees</b> as % of total	<b>49-70%</b>	<b>50%</b>	<b>75%</b>	<b>97%</b>	<b>25%</b>	<b>60%</b>
<b>Revenues</b> as % of total	<b>75%</b>	<b>43%</b>	<b>50%</b>	<b>82%</b>	<b>3%</b>	<b>60%</b>

## Small forestry enterprises are growing

- 410 million – number of indigenous and other forest dependent people
- 25% - Forests owned or managed by developing country communities – doubling in last 15 years
- 80-90% - percentage of forest enterprises that are SMFEs in developing countries

- Trends - China and India demand, land pressure increasing, biofuels and avoided deforestation for climate – all bring opportunities and threats

## **Small forestry enterprises can benefit the poor and the forest**

- Wealth accrues locally
- Conflicts due to external resource appropriation are reduced
- Entrepreneurship spreads
- Service networks develop
- Cultural identity / niche markets are catered for
- Local environmental accountability is strengthened

## **Small forestry enterprises – the downside**

- Discriminated against in land and resource allocation
- Constrained by bureaucrats, public services and infrastructure
- Cut off from markets and information, shunned by investors
- Costs of entry are high and long time horizons are risky
- Can be volatile, insecure and unsafe work - poverty traps and trashed environments rather than upward mobility and responsibility

## **Strengthen associations that help**

- Access and influence - securing resource access (e.g. Uganda Wood Farmers Association suing Uganda Investment Authority)
- Production - reducing costs such as transport (e.g. Sakhokuhle association sharing trucks)
- Aggregation - ensuring volumes match demand and quality standards are met (e.g. FORCERT in PNG)
- Marketing - building image by sharing certification and fair trade costs (e.g. Kenya Coast Farm Forestry)
- Intelligence - finding out what buyers want (e.g. Rajasthan Handicraft producers - seminars on trends in home furnishing)

## **Opportunities for governments**

- Remove barriers – e.g. to land and resources, business registration, credit, policy forums
- Make good information available – e.g. databases of small enterprises, business service providers, market trends
- Join initiatives e.g. *Forest Governance Learning Group* an informal alliance that connects those marginalized from forest governance with those controlling it to effect change

## **Opportunities for support programmes**

- Link, promote, build capacity – e.g. strengthening associations, marketing councils, business support networks
- Finance – e.g. credit lines, guarantees, subsidies (FAO work on microfinance)
- Join initiatives - e.g. *Forest Connect* - linking small forestry enterprises with national forest programmes, markets and service providers

## **Opportunities for consumers**

- Consumer mechanisms– e.g. procurement policies, FSC, fair trade
- Watchdog activities – e.g. independent forest monitoring
- Distinguishing community forest products in the market – ongoing work steered by IIED with FSC, FLO, WWF funded by ICCO to develop fair trade timber

## **In conclusion...**

- Small forestry enterprises are the norm, and increasing
- Turn forestry governance on its head – stop rigging the rules in favour of large scale
- Small forestry enterprises work for local development – when rights and policy are favourable
- Invest in information, connection and capacity