



## Developing a toolkit for facilitation of support for small forest enterprises



### Workshop report – Forest Connect



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National Museum of Scotland, Edinburgh

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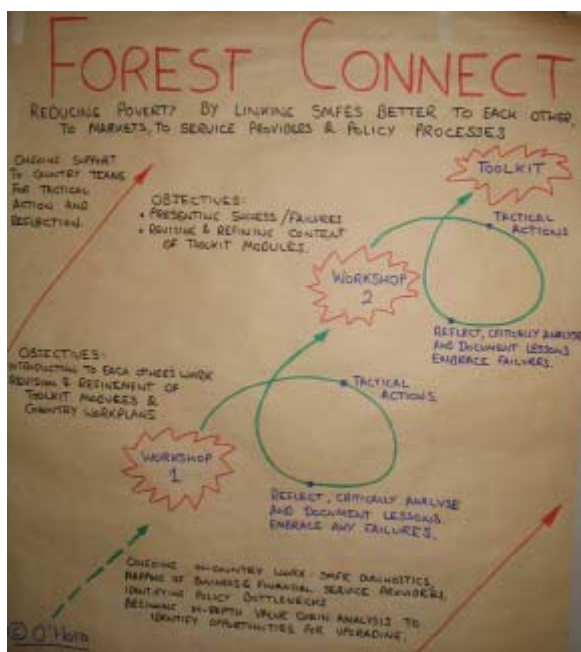
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## Executive summary

Forest Connect is an international alliance dedicated to reducing poverty by better linking SMFEs to each other, to markets, to service providers and to policy processes such as national forest programmes (nfps). It currently involves active programmes of work in 11 countries: Burkina Faso, China, Ethiopia, Ghana, Guatemala, Guyana, India, Laos, Mali, Mozambique and Nepal plus a broader network of supporters in 48 countries linked by an international social networking site (<http://forestconnect.ning.com>). With spiralling demand for forest products, anchoring timber and non-timber forest product (NTFP) rights to responsible but profitable local enterprises is seen as a key step in reducing poverty, avoiding deforestation and averting and adapting to climate change.

The Forest Connect alliance is co-managed by the Natural Resources Group within the International Institute for Environment and Development (IIED) and the Community-Based Forest Enterprise Development programme (CBED) of the Food and Agriculture Organization of the United Nations (FAO). New support from PROFOR and the FAO hosted national forest programme (nfp) Facility aims to draw on the emerging experiences of this alliance to develop (and roll out across Facility partner countries) a toolkit for the facilitation of support for small and medium forest enterprises. This workshop aimed to develop the framework for this toolkit based on the expressed needs of country partners.

Shared presentations on Day 1 from ten country teams highlighted a diversity of contexts in which small and medium forest enterprises (SMFEs) operate. Scattered over remote areas, these enterprises produce a wide range of timber, NTFPs, and in many cases, environmental services. The legal rights and administrative procedures to produce such products vary hugely between countries – and are often complex, poorly defined or biased against local enterprise. While informality is therefore high, many SMFEs belong to groups or associations that help them with markets, finance, business development and political representation. Forest Connect partners were actively beginning to work with some of these associations. The scale of what needs to be done is a real challenge. Such associations are generally still isolated from markets and financial and business development services (which are often absent or weakly represented in the places where SMFEs operate).

Presentations highlighted how Forest Connect partner institutions were working in various ways to connect SMFEs better. Almost all partners had now embarked on or completed a diagnostic of the types and numbers of SMFEs in their country / region – building databases for future reference. Many had mapped out potential service providers. Some had gone much further to support collective action within SMFE producer associations, identifying, benchmarking and linking service providers to them and exposing them to markets through newsletters, bulletin boards, mobile phone updates, buyer-seller meetings and trade fairs. Some were experimenting with tying support to Forest Connect membership based around particular ethical principles and criteria. Many had begun to establish local level contact points (e.g. at village level) often piggy-backing on existing government or private sector infrastructure. Most were working towards clearer understanding of how forest production could be made more sustainable and how forest governance in favour of responsible SMFEs could be enhanced. National steering committees with newly established monitoring systems were also emerging in many cases in support of such aims.

Better connections put ideas about communication centre stage within Forest Connect. A specific discussion on communication highlighted the extent of barriers founded in geography, language, culture, differential power, informality and mistrust and reciprocal lack of knowledge between SMFEs, service providers and decision makers. Getting the right information to the right people is being addressed by using a range of different media – from the high tech options emerging in countries such as China and India to the more routine pictorial and voice based services in some of the other partner countries. Greater emphasis was being placed on increasing the direct exposure of different actors (both market actors and decision makers) to one another through facilitated meetings, fairs and dialogue processes. In particular market information services were agreed to require more of such exposure, rather than relying solely on regular bursts of static information.

Following the initial information sharing sessions, the workshop participants turned their attention on Day 2 to the underlying causes of their struggle to support SMFEs. Policy discrimination or confusion and the lack of capacity to analyse policy impacts and push for effective change emerged strongly. Another area of real concern was the deficit in product development, basic business and finance skills in partner institutions, only recently becoming exposed to market system development (as one of a number of areas of activity). A third area of difficulty was in knowing how best to catalyse and support effective forms of producer group organisation – without creating dependency that would undermine future business success. Communication

and human capacity issues were also clearly identified (predictably given the low level of current project funding).

Expert respondents were given an opportunity to highlight important considerations in four areas: financial services, producer organisations, business development tools and market development. For finance, a strong emphasis was *not* to start by saying 'we need microfinance' but rather to work to see how existing services available to small producers (especially services focused on saving rather than loans) could be improved. In terms of catalysing better producer organisations, a key consideration was to allow groups to define first their business aims and systems and respond to their needs, rather than stepping in too early with support in ways that could breed dependency. A range of business development tools developed by the Rainforest Alliance showed how important it was to conduct careful diagnostics of business skills, production efficiencies and end products so as to identify how best to upgrade to more profitable ways of working. For product development, one stand-out message was the need to increase the real exposure of producer associations to buyers in order to increase their market understanding and develop tailored responses.

A final session on Day 2 allowed country teams to present posters describing the key areas where they felt further guidance (in the form of a toolkit) would be most useful for their work. There were felt to be a number of areas where further guidance would be useful: how to strengthen market understanding and better link producers with buyers; how best to strengthen SMFE organisational management; how to press for policy change; how to prioritise and sequence activities, especially relating to training in areas such as business planning; how to build in sustainability from the start; and finally best practice in communication and outreach.

Part of the strength of the Forest Connect alliance is the reach of its activities in support of SMFE producer groups. On Day 3 Agricorn laid out some potential areas of synergy between their programmes of work in support of agricultural producer groups and possible forest producer groups – especially those involved in NTFPs and working in countries with established Agricorn links such as Mali. Forest Connect partners were invited to ask their producer groups to approach Agricorn. The Ford Foundation has also been a prominent supporter of small forest enterprise and Sustainable Northwest presented some of the areas of innovation that have been occurring in the USA through the work of the Community Based Forestry Demo programme that has merged into the Community Forestry Business Alliance. The potential for peer learning and partnerships, collaborative marketing and collective policy influence were all prominent highlights.

Concluding sessions put in place a framework for toolkit development. Forest Connect partner activities in the coming year which could be used to capture lessons for such a toolkit were mapped through a matrix exercise. Additional sources of information were also mapped. There seemed to be some consensus for a toolkit framework that included at least the following elements:

- Facilitation planning for support to SMFEs
  - SMFE diagnostics and data collection
  - Mapping of support services
  - Value chain analysis
  - Prioritisation and sequencing of activities
- Facilitation proper of support for SMFEs
  - Communication platforms and strategies
  - Organisational strengthening (SMFE governance and structure)
  - Market understanding and literacy (market information systems)
  - Product development
  - Business and financial planning
  - Organised and benchmarked financial and business development service delivery
  - Building in sustainability from the start
  - Policy analysis for change

The workshop closed with commitments to support country team work over the next year – with a potential toolkit revision meeting at the same time in 2009. IIED would take the lead in developing some basic content for the agreed toolkit modules and soliciting inputs both from inside and outside the Forest Connect alliance. Communications would be maintained through an active email list and through the Forest Connect networking site, linked to increasingly sophisticated national websites. Country partners would endeavour to strengthen their steering committees with a view to increasing buy in from key stakeholder groups. Action learning to improve prospects for particular SMFEs and their association was now firmly in view over the coming year.

# Rationale

Small forest enterprises and their associations offer particular advantages for poverty reduction. They accrue wealth locally, empower local entrepreneurship, strengthen social networks and engender local social and environmental accountability. But in many countries, structures that connect small forest enterprises and their associations to markets, service providers and policy processes are weak. An international alliance supported and co-managed by the Food and Agriculture Organization of the United Nations (FAO) and the International Institute for Environment and Development (IIED) called Forest Connect has formed to address this lack of connectedness in Burkina Faso, China, Ethiopia, Ghana, Guatemala, Guyana, Laos, Mali, Mozambique and Nepal.

New support from PROFOR and the FAO hosted nfp Facility aims to draw on the emerging experiences of this alliance **to develop a toolkit for the facilitation of support for small and medium forest enterprises**. The idea behind this toolkit is to spread lessons on best practice in better linking small forest enterprises: (i) to each other; (ii) to emerging markets; (iii) to service providers; and (iv) to national forest programme (nfp) processes.

The anticipated outcome of this initiative is less constrained and more sustainable small forest enterprises, served by flourishing financial service and business development service markets. At this first international workshop, participants from Forest Connect partner countries, together with other small forest enterprise experts were invited to develop the toolkit framework, including revision and refinement of the proposed toolkit modules. These will then form the basis for the development of substantive content through action learning in Forest Connect partner countries between July 2008 and June 2009.

A cross-sectoral review of best practice in supporting small forest enterprises carried out by the Forest Connect alliance has shown how an approach called 'market system development' is proving successful, both within and outside the forest sector.<sup>1</sup> This approach encourages potential supporters of small forest enterprises to move away from direct attempts to supply financial and business development services or advocate policy reform. Instead they are encouraged towards a facilitation role: improving information on small forest enterprises sector, catalysing collective action, mapping out financial and business service providers, developing service provision capacity by training trainers, spreading information about policy bottlenecks and supporting public-private dialogues that allow small forest enterprise voices to be heard.

The needs of different actors for guidance on supporting small forest enterprises obviously vary. Two main audiences are contemplated by the proposed toolkit: (i) international or national donor agencies wishing to fund small forest enterprise work, and (ii) national agencies that have both a vision and mandate to carry out practical facilitation tasks. Before the workshop, a draft framework for the potential toolkit modules had been prepared (below). The objective of this first workshop was to refine and revise these modules.

## AUDIENCE 1. EXTERNAL AGENCIES

- Module 1. How to identify institutional host to facilitate market system development?
- Module 2. How to introduce the facilitator to market system development?
- Module 3. How to help facilitators select and apply value chain analysis tools with different 'lenses'?
- Module 4. How to build international knowledge networks to share findings and revise the tool?
- Module 5. How to exit in such a way that support for small forest enterprises is sustainable?

## AUDIENCE 2. NATIONAL FACILITATORS

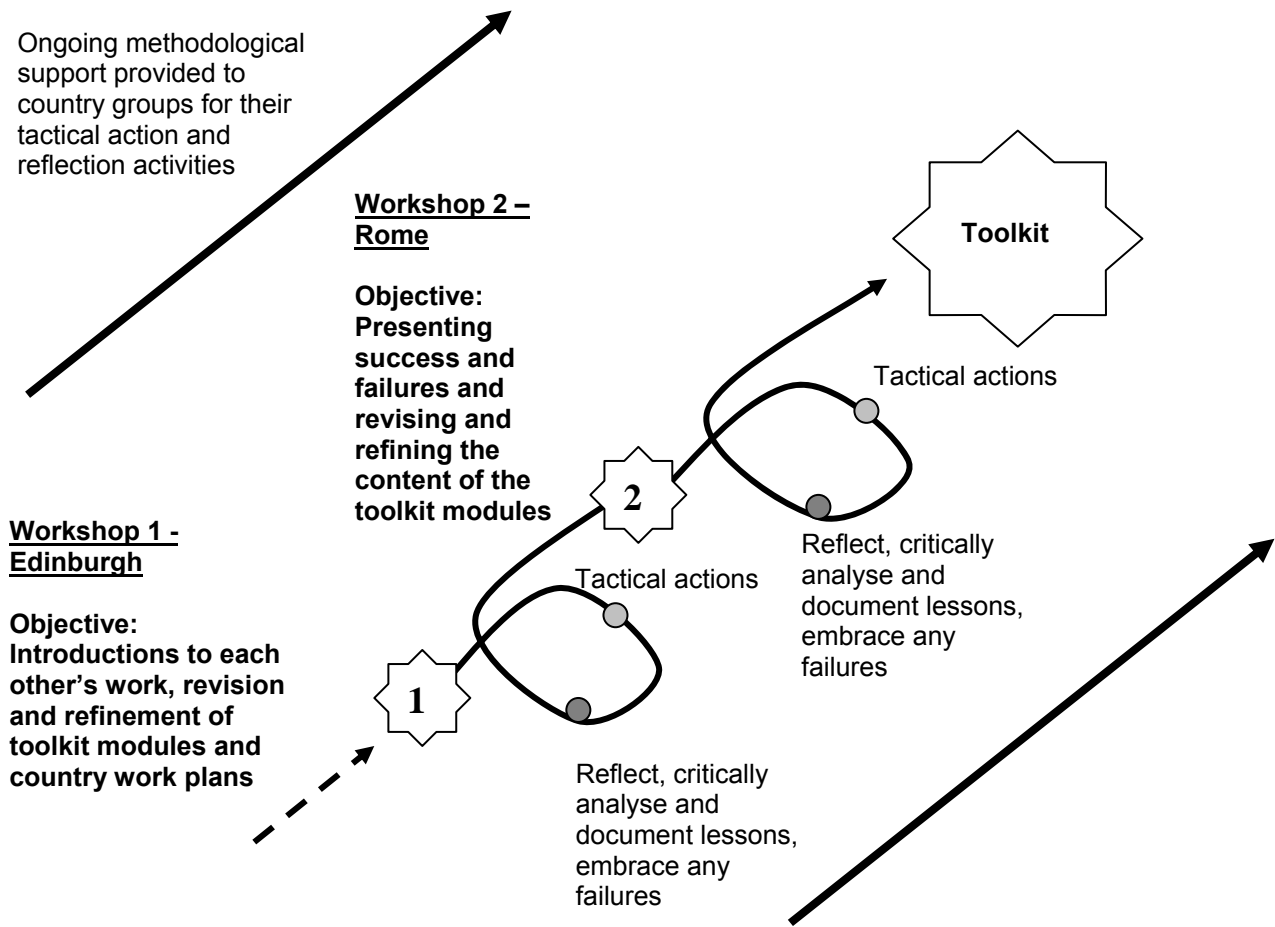
- Module 6. How to develop framework indicators and a process for monitoring progress?
- Module 7. How to use sub-sector knowledge to strengthen inter-firm organisation?
- Module 8. How to analyse financial services and business development services needs and facilitate better service provision?
- Module 9. How to identify business environment bottlenecks and strategies to overcome them?
- Module 10. How to set up national communication platforms linked to international knowledge networks?

The workshop was conceived as part of an iterative process of action learning spread across Forest Connect partner countries (see figure 1).

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<sup>1</sup> Macqueen, D.J. (2008) Supporting small forest enterprises – a cross-sectoral review of best practice. IIED, London, UK.

Figure 1. Iterative process of action learning of which this Forest Connect workshop forms part



# Day 1 - 2 July 2008 – Sharing what we know of enterprise support in different Forest Connect country contexts

## 9.00 Welcome to the Forest Connect alliance and introductions – James Mayers, IIED and Duncan Macqueen, IIED

Forest Connect is an ad hoc international alliance of those dedicated to reducing poverty by better linking SMFEs to each other, to markets, to service providers and to policy processes such as national forest programmes (nfps). There is a strong rationale for such work – founded in the following context:

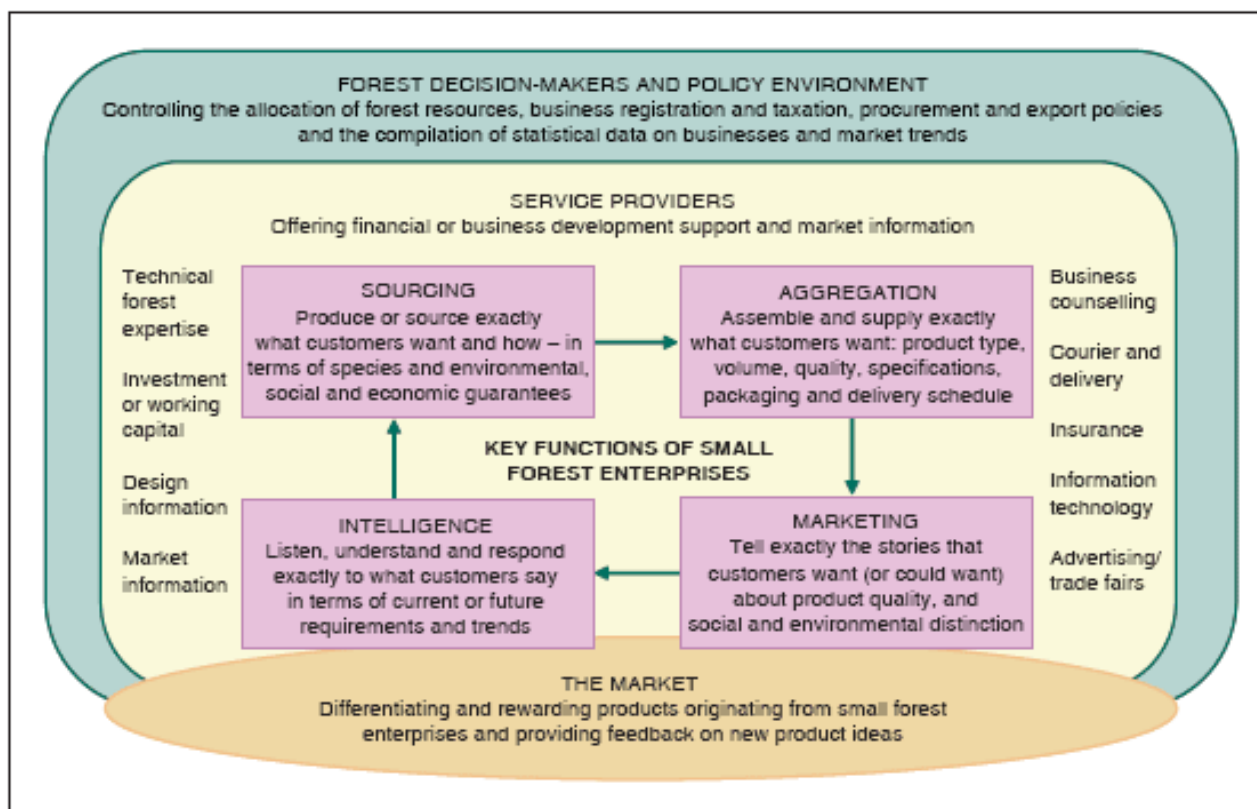
- More than 20 million people – formal employment by SMFEs (140 million informal)
- More than US\$130 billion/year – gross value added is produced by SMFEs worldwide
- 22% forests owned or managed by developing country communities – doubling between 1985 and 2000
- Vast – the extent of collective action by smallholders to improve their prospects (2-3000 associations in Uganda alone)
- Urgent – deforestation contributes 17% of global carbon emissions. With growing demand, securing timber rights is the key to avoided deforestation.

The central problem for small forest enterprises is their isolation from:

- each other
- markets and market information
- providers of business development services (BDS) and financial services (FS)
- policy and decision-makers that shape the business environment
- issues of geography, transport and communication infrastructure, informality, scale, staff capacity, language etc.

A number of key functions need to be connected (see figure 2):

**Figure 2. The key functions of SMFEs that need to be connected to each other, to markets, to service providers and to policy processes**



Recent years have seen a shift in the approach to fill the gap from direct provision of:

Association building (enforced cooperatives etc.)

- Financial Services (grants, micro-finance, equity finance, insurance, leasing etc.)
- Business Development Services (business training, technology inputs, design, information technology, trade fairs etc.).
- Advocacy for policy change (business registration laws, forest resource allocation, management rules, transport rules, taxation, labour laws etc.)

To facilitation of the above:

- Catalysing collective action – communicating, underwriting business linkage events etc.
- Provision of information about SMFEs, markets, service providers, policies
- Value chain analysis, policy critiques, training trainers, linking people...

A new support framework called Forest Connect has been launched as an alliance dedicated to action learning in support of SMFEs

- Institutional hubs now established in Burkina Faso, China, Ethiopia, Ghana, Guatemala, Guyana, Laos, Mali, Mozambique and Nepal
- Diagnostics of SMFEs and their associations undertaken (or underway)
- Service providers being mapped within and outside forest sector
- Value chain analysis is the next step to identify problems with collective action, the market, service provision and the enabling environment (e.g. that nfp processes might address)

Forest Connect aims to improve competitive advantage:

		Product	
		Present	New
Market	Present	<b>Market penetration</b> – e.g. work to promote your existing product to more customers in your existing market	<b>Product development</b> – e.g. work to improve products or product packaging
	New	<b>Market development</b> – e.g. try to sell your existing product in new places	<b>Diversification</b> – e.g. in addition to what you already produce, try to produce something new

Which involve facilitated upgrading:

**PROCESS UPGRADING**

increasing production efficiency – more outputs for the same input or the same level of output for less input.

**PRODUCT UPGRADING**

qualitative improvements that make a product more desirable to consumers (e.g. design).

**FUNCTIONAL UPGRADING**

entry of an enterprise into higher value-added levels by taking on new roles (e.g. sales outlet in new place)

**CHANNEL UPGRADING**

product diversification to enter new high value markets (e.g. producing something new for export market)

The PROFOR project has as its objective: “to develop a toolkit for the facilitation of support for small and medium forest enterprises”

- International networking site established
- Toolkit framework being designed – 2-4 July 2008
- Draft modules targeting external supporters and national facilitators



## 9.20 FAO's support to small scale forest enterprises, NFPs and the NFP Facility (hosted by FAO) – Sophie Grouwels, FAO

The Community-Based Forest Enterprise Development (CBED) programme of FAO is part of FAO's support to participatory forestry which focuses on people and is centered on Sustainable Forest Management (SFM). The CBED programme concentrates on the economic incentives necessary to engage people in SFM.

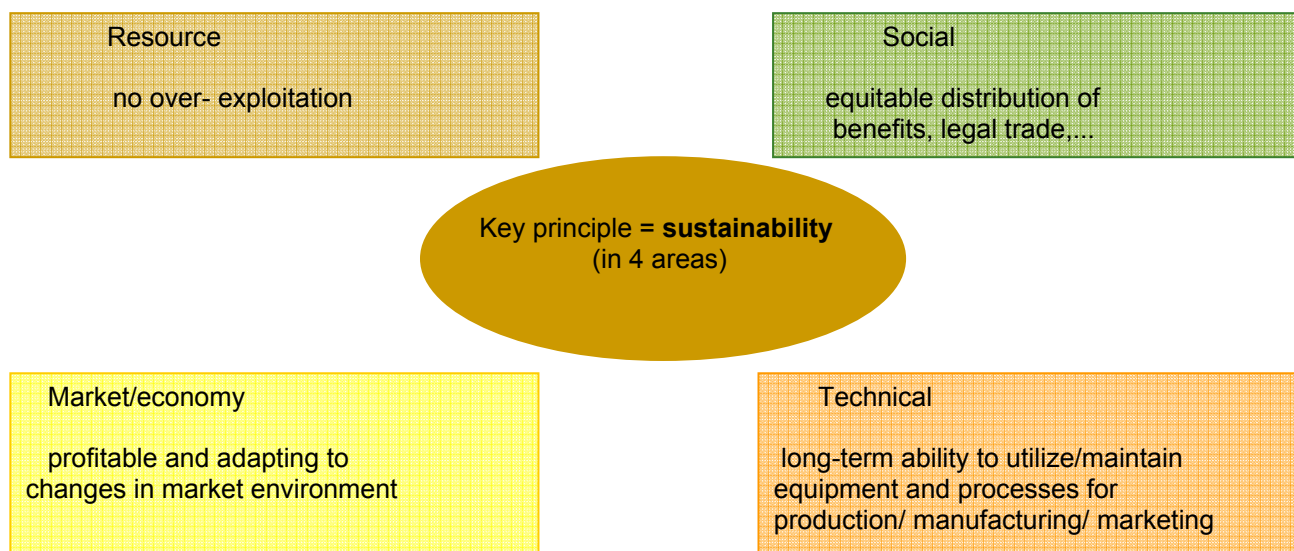
The CBED programme aims to assist local people in developing income generating enterprises while conserving tree and forest resources in: areas where poverty alleviation and natural resource management are priorities AND areas where natural resource-dependent populations need alternative sources of income.

How are we doing this?

- Supporting capacity building, based on the Market Analysis and Development (MA&D) approach, to all relevant stakeholders to enhance better understanding of SMFE (on request).
- Stimulating the ongoing discussion on the need for an enabling environment for SMFE (conferences, publications, studies, support to NFPs, etc.).
- Supporting inter-institutional information sharing/learning and in- and cross-country networking on SMFE (e.g. Forest Connect).

Capacity building is primarily achieved through the MA&D approach (see figure 3). MA&D is a comprehensive capacity building and planning framework for local people and (government and non-government) institutions to identify and develop viable enterprises based on natural resources products, including the support of organisational and marketing skills of these enterprises.

**Figure 3. Capacity building through the Market Analysis and Development (MA&D) approach**



Strengths of the MA&D methodology

- Flexible, participatory and gender sensitive
- Poor rural people at the center of the process
- Planning framework for supporting SMFE development
- Capacity building of key stakeholders on different levels
- Market, environmental, social/institutional and technical sustainability
- Building sustainable links between value chain actors and service providers

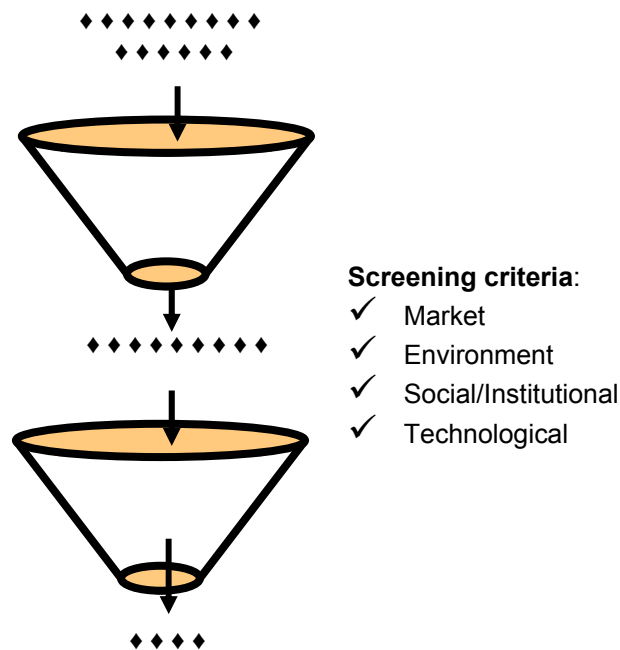
**Figure 4. Phases of the MA&D approach**

**Preliminary planning phase**

**Phase 1:**  
Identification of potential products

**Phase 2:**  
Participatory feasibility studies and final product selection

**Phase 3:**  
Plan enterprises for sustainable development & pilot testing



Examples of interventions of the CBED-programme come from 11 countries, mainly in Africa and Latin America.

How can NFPs contribute to SMFE development?

- Through multistakeholder and transparent processes, NFPs favour participatory decision-making, planning and implementation for sustainable forest sector development, creating an enabling environment for SMFEs development

FAO and the nfp Facility adopt a joint effort in support of NFPs. FAO provide support to NFP training modules promoted by the Facility.

- Introductory Module (ITM)
- Financing Mechanisms
- Conflict Management in NFPs
- Stakeholder Participation
- Climate Change
- Forest Policy Formulation
- FOREST CONNECT

The National Forest Programme “Facility” aims “To assist countries to develop and implement national forest programmes that effectively address local needs and national priorities, and reflect internationally agreed principles, through informed participation of all relevant stakeholders“. The Facility helps countries to improve their NFP process through:

- Sovereignty/ country ownership
- Integration beyond forestry sector
- Participation and partnerships

Country Support – Focus: (1) Info access, use and sharing; (2) Capacity building/training; (3) Stakeholder participation; (4) Formulation and adoption of policies; (5) Awareness raising.

- For more info :  
CBED programme: <http://www.fao.org/forestry/25501/en/>
- FAO/NFPs: <http://www.fao.org/forestry/nfp/en/>
- NFP Facility: [www.nfp-facility.org](http://www.nfp-facility.org)
- Or email: [Sophie.Grouwels@fao.org](mailto:Sophie.Grouwels@fao.org)

## 9.40 Structure of the meeting: format of Day 1 (panelists, time keeping, recap and energizers) – Duncan MacQueen, IIED

COUNTRY PRESENTATIONS			
COUNTRY	STRENGTHS	WEAKNESSES	PRESENTATION SCORE
GUATEMALA	VERY CLEAR OVERVIEW ACTION PLAN FOR FOREST CONNECT + HOW IT WILL HELP SMFEs	NOT CLEAR WHY A NEW SMFE SUPPORT ORGANISM IS NEEDED WHEN THERE ARE ALREADY MANY ORGANISATIONS	VERY GOOD BY HOW THEY ARE ORGANISED TO IMPLEMENT PROJECT (HOW - OFTEN FORGOTTEN) 22
INDIA	CURRENT CONTEXT, GOOD STATISTICS STRONG COHERENCE FOCUS BOTH + AND - (CEFI - STRONG COMPARATIVE ADVANTAGE TERRA GREAT ACHIEVEMENT)	NEED TO KNOW WHAT SERVICE PROVISION IS NEEDED NEED TO COVER GOOD-LOOKING TREES (MANGROVES) - BUT FINANCIAL ASSESSMENT ADDRESSING BOTH	LOGICAL, INFORMATIVE, EASY TO FOLLOW FONT TOO SMALL, TOO MUCH INFO ON EACH SLIDE 23
GUAYANA	MARKET + IMPACT ON IT ETHICS PRACTICAL USERS - IMPACT IMPACT ON REVENUE AND PEOPLE'S LIVES	NEED TO CLARIFY CONSTRAINTS IN CURRENT CONTEXT	VERY GOOD KEEP SENTENCES SHORT! 22
MALI	VERY NICE EVEN THOUGH DONE BY PROXY!	PROPOSED CHANGE IN LAW/NEW TAX - QUESTIONABLE IF TO ADDRESS POVERTY	GOOD OVERALL BUT UNCLEAR VISUAL IMAGE 23
MOZAMBIQUE	VERY CLEAR REASONS FOR JOINING FOREST CONNECT CLEAR ON HOW TO OVERCOME WEAKNESSES	STEREOTYPING ILLITERACY AS A CONSTRAINT?	LOTS OF INFORMATION ON SLIDES GOOD PRESENTATION BUT SHORT OF TIME 21

It was agreed that each country presentation would be reviewed by a panel comprising members of other teams. The aim of this was to ensure peer review of different team approaches and work – building ownership of the project among participants. The results of the panel discussion were captured and displayed as shown on the left.

There was also an opportunity for limited plenary discussion following each presentation. Both panel comments and plenary discussion are included below in the report.

The panels agreed to carry out ad hoc scoring exercises to help maintain interest over such an extended period of presentations. A prize was awarded (to India) at the end of the day in recognition for their work and presentation.

Teams of participants were assigned duties for timekeeping, recap and energizers. Each day these duties rotated, once again putting control in the hands of workshop participants.

## 10.00 Opportunities and constraints to supporting small forest enterprises in Burkina Faso – Yari Kamara, TreeAid

### 1. Burkina Faso country context

- Sahelian country with dryland forest
- Very small wood sector; NTFPs more significant but “invisible”
- Contribution of the forestry sector estimated at 5.2% of GDP in 1990... but large underestimation as several NWFP activities not considered
- Some main NWFP products:
  - Shea
  - Cashew
  - Tamarind
  - Dawadawa
  - Honey
  - Arabic gum

### 2. Types of SMFEs

- Very poor statistics on SMFEs – high informality and long considered subsistence activities
- Typology
  - Subsistence oriented SMFEs
  - Producer-collectors
  - Traditional processors
  - Semi-industrial processors
  - National traders
  - Exporters

### 3. Organisation of SMFEs

- 60% of survey sample part of an SMFE association
- Actors express little desire for an umbrella NTFP association...but level of organisation varies greatly across different product chains
- Availability of forest resources increasingly a problem
- Poor knowledge of policy: 50% of survey sample have no knowledge of forest or environment legislation

### 4. Market Links

- Better market information, esp. prices
- Main mkt info sources track few NWFP prices

- Improve communication across the product chains
  - semi-industrial processors most faced with supply constraints
- Improve product quality
  - processed products tend to face more sales constraints (e.g. shea butter vs shea nuts)
- Increase financial capacity
  - SMFEs often cannot build enough stock of seasonal raw material to enable them to conquer larger markets

#### 5. Access to financial and BDS services

- Increase awareness of SMFE sector amongst financial service providers...
- But also increase awareness of financial services amongst SMFE sector – lack of interest in financial services by certain category of SMFEs
- BDS services mainly provided by donor organisations and projects – often specific to geographical zone or product chain

#### 6. Communicating with SMFEs

- Note only semi-industrial processors and exporters cite using the internet as source of market info
- High illiteracy amongst some categories of actors
- Use SMFE associations to get information to all categories of actors

#### 7. Monitoring progress

- Baseline survey with repeat annual survey of sample of SMFEs covering all categories of actors and more than 3 regions of the country
  - Access to markets
  - Access to financial services
  - Access to BDS
  - Level of organisation
  - Impact of and influence on policies

Panel comments:

Country	Strengths of approach	Weaknesses of approach	Presentation feedback	Score
Burkina Faso	<ul style="list-style-type: none"> <li>• Clear description of actors along value chain</li> <li>• Good understanding of market</li> </ul>	Many challenges: <ul style="list-style-type: none"> <li>• Data collection</li> <li>• Participation</li> <li>• Information flow</li> </ul> Potential for these to support each other	<ul style="list-style-type: none"> <li>• Very clear and informative, excellent</li> <li>• Touched on important issues</li> <li>• Could use graphs/ diagrams to illustrate some points</li> </ul>	20

Burkina Faso discussion:

Q - It would be useful to have more information on property rights and the land tenure system. What are the links?

A - There is a dual land tenure system – both traditional and legal. Trees belong to the community or to the state. Tenure is never clear, especially when women are exploiting forest resources. This is important for regeneration: no-one wants to plant trees if they cannot harvest them. There is also an ongoing decentralisation process but it's slow.

### 10.20 Opportunities and constraints to supporting small forest enterprises in Nepal – Ram Subedi, ANSAB

#### 1. Nepal context

- Small country with rich diversity: nearly 7,000 species of higher plants, out of which 10-20% MAPs, 5% are endemic to Nepal
- 160 species in trade
- Nepal's export estimated over NRs. 2.5 b. (\$35 million) per annum- but low returns to collectors
- Over 14,000 FUGs, representing more than a one third population (23m)
- Nearly 1 million ha (>18% of forest area) under community management
- Vast majority (90%) harvested from wild by poorest of the poor in remotest mountains
- Lost opportunity of forestry sector estimated at \$588 million (MFSC)

## Number of enterprises / types

Enterprises / Industries	No of Unit	Types
Hand Made Paper	319	small
Handicraft	695	small
Furniture (Bamboo, rattan and wood )	4532	small
Herbal enterprises	119	small
Natural Fiber	109	small
Saw Mill	15	medium
Plywood	4	medium
Pulp and Paper	6	medium
Rosin & Turpentine	5	medium

### Strengthening organization among SMFEs:

- Support networking amongst SMFEs
- Promote BDS market amongst SMFEs
- Provide services in resource management, marketing, financing and technological development
- Build up service provider's capacity
- Provide forward linkages (fair trade etc.)
- Support on enabling policy environment
- Develop local resource persons

### Improving Links to Market

- Market information
- Identify potential buyers
- Assure product quality, quantity and consistency of supply
- Collective marketing scheme for small scale collectors and producers
- Facilitate buyer- seller meet
- Facilitate buyback agreements/contract
- Certification – e.g. FSC, Organic
- Promote Nepal Brand
- Access to financial and Business Development Services

### Access to financial and Business Development Services

- Develop a package of financial and non financial services
- Liaise with financial institutions (Banks, MFIs)
- External technical assistance for enterprise development
- Link with service providers
- Strengthen the Service Providers
- Establish Network amongst Service Providers
- Stimulate the Demand for BDS services

### Ways to communicate with small forest enterprises

- Market Information Services
  - Email circulation to support organizations
  - Publications
  - Bulletin Board
  - Web
- Alliance building and networking
- Exhibitions, trade fairs and study visits
- Local Resource Persons
- Publication and dissemination – e.g. Entrepreneurs directory
- Training

### Monitoring progress

- Develop and improve impact tracking system- ITS
- Methods of generating monitoring data
- Data sources – e.g. enterprise records

- Indicators – social, economic and environmental
- Beneficiaries/clients – by ethnicity, gender, and well-being group
- Update data periodically
- Revise ITS – as evolving method

#### Conclusion

- External technical assistance
- Enterprise Development – business planning support, start-up capital, technical backstopping
- BDS – market access, marketing info, market promotion
- Certification – FM and COC
- Marketing – market linkage, brand promotion
- Broad-based alliance and coordination – GOs, NGOs and private sector
- Favorable policy provisions with proper implementation – e.g. by supporting policy lobbying from civil society groups

#### Panel comments:

Country	Strengths of approach	Weaknesses of approach	Presentation feedback	Score
Nepal	<ul style="list-style-type: none"> <li>• Good identification of a huge number of local groups</li> <li>• Federation well organised – know the actors well</li> </ul>	Trying to address whole supply chain: perhaps too ambitious?	<ul style="list-style-type: none"> <li>• Beware of listing facts then reading them all out</li> <li>• Try to highlight selected points</li> <li>• Distinguish between 'fact' and 'wish'</li> </ul>	20

#### Nepal discussion

Q - Quality control and certification eg of paper: are producers ready to pay for services?

A - After 4 years support and training there is now minimal external support needed by enterprises; some paper producers are able to pay for certification. 3 forests and 32 products have been certified.

Q - How is product quality and consistency ensured?

A - An NTFP Alliance has been set up (GTZ, WWF, ANSAB, SNV etc.) and this has prioritised 5 species, and developed a code of conduct for consistent quality.

Q - Do ANSAB provide services on a commercial basis?

A - They work with the local chamber of commerce: ANSAB provides the information which the chamber of commerce then disseminates.

Q - How do they link with the private sector and government?

A - In the areas where they are working, they find out what the government is doing and make links between them and the community.

#### **10.40 Opportunities and constraints to supporting small forest enterprises in Lao PDR - Vu Phuong Thao, EDC**

##### Welcome to the Lao PDR

- A small landlocked country in South East Asia
- Border with China, Vietnam, Thailand, Myanmar and Cambodia
- Population: approx. 6 mill.
- Main economic activities is agrarian (in 2002 agriculture takes account for more than 50% of GDP, services – 26 % and industry – 24 %)
- Approx. 80% of population depend on agriculture and forests
- Plan to withdraw from the list of the Least Developed Countries in 2020

##### SMFEs

- 4 NTFPs selected in Lao PDR: Bamboo, rattan in the central part and mulberry bark and medicinal herb (galangal and cardamom) in the northern part
- 2 types of SMFEs

- Producers at village level:
  - Individual farmers, making bamboo, rattan products or collecting mulberry bark, herbs for sales as additional income to agriculture
- Processors/traders in towns:
  - Bamboo and rattan:
    - Small and medium furniture makers
    - Traders: collect weaving products and sell to the retailers and wholesalers in the city market
    - Wholesales: mainly in the capital, sell in domestic market and export to the neighbouring countries
  - Mulberry bark:
    - Traders: sell directly to Chinese and Thai traders
    - Processors: make paper and other handicraft products
  - Medicinal herb:
    - Traders: Gather the sun-dried products and sell directly to Chinese and Thai traders without further processing or grading

#### How to strengthen the SMFE organisations?

- Through groups/associations of producers, village traders and processors
- By providing technical and business management training, follow-up
- By introducing appropriate technology
- By helping them to get exposed to markets
- By working together in groups: getting order, samples from clients, borrowing money, making and selling products

#### How to improve the links to market?

- Access to Information: Set up a market and supply information hub at village and district level for domestic market and an information service (through website) for export market
- Exposure to market: Organise trade fairs, buyer visits, producers' exchange events and contests with participation of interested buyers
- Consultation with interested buyers on what they need before investing resources in supporting production is a must

#### How to facilitate the access to financial and BD Services?

- Finance:
  - Village Development Fund (saving and credit scheme at villages)
  - Production Group Fund (group internal fund)
  - Link SMFEs with bank by giving information on loan and helping banks in providing counselling/advice to SMFEs
- Business Development Services:
  - Help SMFE groups/associations in organizing learning events, raising fund
  - Set up a coupon system for BDS (how does it work in a context where both supplies and demands are weak?)
  - Create supply and demand (UNIDO supports a new not-for-profit Productivity & Marketing Center to play both roles in facilitating and providing BDS)

#### How to communicate with scattered SMFE?

- Set up a market information service at villages (through producers and traders' groups) and district and provincial level (in cooperation with Government and processors/traders groups)
- Use sms, village news board
- Still a plan!

#### How to monitor the progress?

- Indicators:
  - Satisfaction: of training participants, website users, ect...
  - Quantitative: number of people trained, visits organized, products developed
  - Economic impacts: increase in the number of enterprises involved, income/sales, employment and investment

- Social impacts: improvement in access to education for children, to health care for the families and in infrastructure and social benefits for the communities
- Environmental impacts: better use of natural resources, higher awareness of villagers on natural resource protection

Where is Forest Connect now in Lao PDR?

- Select 4 products based on a set of criteria and review secondary data available
- Get initial agreement with the National Agriculture and Forestry Research Institute (NAFRI) on launching information service (through website) and training NAFRI staff on web management
- Attend in the International Workshop in Edinburgh
- Moving forward (up to the end of 2008):
- Conduct field work to validate secondary data on 4 selected products and prepare reports
- Work on the website, decide on the website's level of interaction (static as a hub of reports, studies, researches to interactive as including updated information on supply of 4 products and handling queries from interested buyers)

Panel comments:

Country	Strengths of approach	Weaknesses of approach	Presentation feedback	Score
Lao PDR	<ul style="list-style-type: none"> <li>• Already selected 4 products</li> <li>• Starting from base with village savings groups (rather than external credit)</li> </ul>	<ul style="list-style-type: none"> <li>• Working in difficult circumstances: having to expose to the market</li> <li>• Unclear whether value chain analysis has been done</li> <li>• Also unclear how to intervene in the market</li> </ul>	<ul style="list-style-type: none"> <li>• Very clear but need to show what's been done, and what's a recommendation</li> </ul>	20

Lao discussion

Q - To what extent are traders involved – and are they supporting community development rather than just their own short term economic gain?

A - WWF are working with rattan producers to organise them into an association – but the producers don't want to be organised, so it's a very difficult process. [Sophie Grouwels] many NTFPs are subject to quotas, and there is an official trader appointed in each village, so not a real free market. Now evolving towards a more open market.

Q - Market information: what's the driver?

A - Traders get the info and the power: so remote villages don't have info with which to challenge the traders.

## 11.00 Coffee

### 11.30 Opportunities and constraints to supporting small forest enterprises in China – Xinjian Luo, Chinese Academy of forestry

Country context

- China has become a big forest product producer and exporter.
- Millions in China remain in poverty, especially in the rural areas.
- Forestry and timber enterprises can play a big role in alleviating poverty and the SMFEs can lead the way in this.

Development of SMFEs

- Definition of SMFEs in China
- 300 employees, Turnover: US\$4.4million, Assets Scale: US\$5.8million
- Number of SMEs in China 99.3%, SDPC, 2005
- Number of SMFEs in Yongan, 99.6%
- Number of SMFEs in main wood-based forestry products industries:



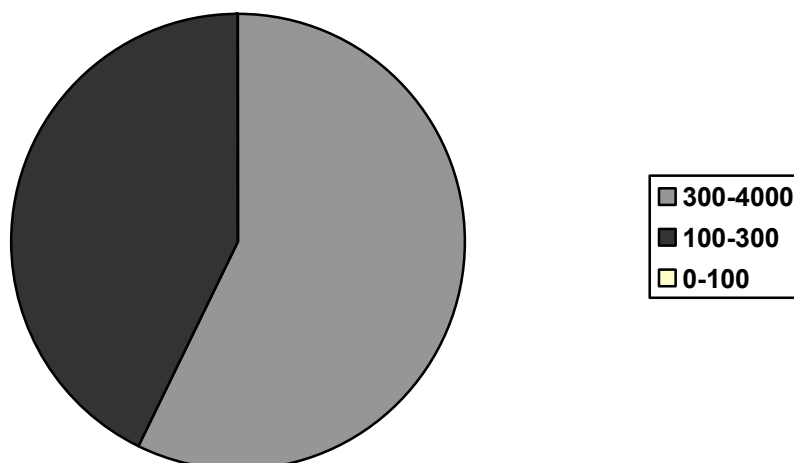
Industry	Plywood	Fiber Board	Particle Board	Wood Flooring	Furniture	Blackboard	Wooden Door
Numbers of enterprises	4,500	650	450	6,000	50,000	1,500	3,000

- \*Chinese Forestry Industry Association ,Chinese Furniture Association
- 65,000 SMFEs in China

#### Strengthen organization amongst SMFEs

- Existing Enterprise Associations are divided into two types, but SMFEs mainly occur in the second type (see Figure 5):
- Government Run Associations (GRAs)
  - Focusing on large enterprises, meetings, exhibitions
- Enhancing capacity of existing Enterprise Run Associations (ERAs)
  - Trainings
  - Personnel (technical extension, marketing, trade, legal assistance, etc.) Enterprises Run Associations (ERAs)
  - Group Bargaining with Government and Businesses
  - Facilitating marketing and procurement
  - Reality: Capacity constraints, underachievement

**Figure 5. Numbers and scales of enterprises participating in the Wood-based Panel Annual Conference held by the Government run Chinese Forestry Industry Association, 2007**



#### Improving links to markets

- Capacity building
- Capable personnel
- Acquisition and share of market information
- Enhancing standardization and branding of products
- Guiding enterprise to adopt technology and produce products with market potential

#### Financial and business development services

- Government assistance
- Example: The Hong Kong Productive Promotion Bureau supports SMEs
- Current government mechanism suffering high threshold and complicated procedure
- EREs
- Providing group guarantee for individual enterprise
- Lack of real example despite of the fact 80% enterprises complain shortage of financial resources

#### Communicating

- Extending internet communication among enterprises
- 50% SMFEs surveyed with access to internet

- Great potential to expand
- A website created to facilitate information exchange among SMFEs
- Price and marketing information
- New technology and patent
- Other means (magazine, meetings, etc.)

#### Monitoring progress

- Number of the website's member registered and access numbers
- Number of the magazine sent
- Number of worker being trained
- Number of Training events
- Telephone interviews with sample enterprises
- Visits to enterprises

#### Closing remarks

- The situation of the SMFEs in China is not so different from that in other countries. They all face similar problems. Many other countries have developed support programmes for the SMFEs and it is important for China to learn from others.
- A great number of SMFEs in China contribute significantly to the economy and they have a big impact in rural areas helping to reduce poverty.
- Seldom do the SMFEs get recognition or the necessary services and assistance to help them survive and developed in an ever more competitive business environment market
- There is a lot to be done

#### Panel comments:

Country	Strengths of approach	Weaknesses of approach	Presentation feedback	Score
China	<ul style="list-style-type: none"> <li>• Good information</li> <li>• Useful survey</li> </ul>	<ul style="list-style-type: none"> <li>• What about policy aspects?</li> <li>• Limited information on NTFPs</li> </ul>	<ul style="list-style-type: none"> <li>• Good to have pie charts</li> <li>• But there's too much information on each slide</li> <li>• Need to be more selective – have fewer points</li> </ul>	20

#### China discussion:

Q - Is there more information on the diagnostic survey?

A - Not yet, but clarification that the survey is in a forest area in Fujian province.

Q - How much are the SMFEs using domestic and imported wood? Given that China imports a lot of wood.

A - Many of the SMFEs use domestic wood in the study area because this was carried out in one of the most forested provinces of China.

Q - There's a quite low level of support to SMFEs: is this a general feature of support to other sectors?

A - Yes this is similar in almost every sector.

Q - Is there any research that compares working conditions and pay scales to larger forest enterprises?

A - No.

#### **11.50 Opportunities and constraints to supporting small forest enterprises in Ethiopia - Tsegaye Tadesse, Farm Africa and Ararsa Regasa, Oromia State Forest Enterprise Supervising Agency**

##### The forest situation in Ethiopia

- 4 million ha of high forest
- 29 million ha of woodlands
- 26 million ha of shrub lands
- 130,000 ha of highland and 800,000 ha of lowland bamboo
- > 500,000 ha of plantations
- Very high degradation levels

#### The current situation

- Lack of control of forest resources (shortages)
- Very limited management
- Massive encroachments in all forest types
- Widespread “entrepreneurship” activities extracting products from high forests (fuel wood, charcoal, timber, furniture, NTFPs)
- Informal and disorganized SMFEs

#### Types of forest enterprises

- Public (8)
- Informal community groups/ private (??)
- Forest cooperatives (18)
- Forest user groups (158)
- Forest conservation plants (7)
- Forest Unions (2)

#### Problems with current enterprises

- Lack of recognition (informal)
- Unstable policies and regulations
- Weak organizational capacity (low bargain power)
- Lack of business knowledge
- Difficulty in accessing credits, technology, information
- High rates of deforestation
- Inadequate market mechanisms/experiences
- Lack of proper institutional mechanisms

#### Strengthening the SMFEs

- Conduct an in-depth diagnostic of forest enterprise products and services being marketed (formal and informal)
- Organize existing entrepreneurs into workable groups
- Provide business training (business plan, value chain analysis, accounting, cash flow, marketing)
- Assist in business plan/forest management plan
- Benefit sharing mechanisms
- Move existing informal activities into legitimacy

#### Improving links to market

- Business partnerships between the public enterprises and communities
- Focus more on aggregation functions
- Identify high value market niches
- Adding value to what is going on
- Set up forest product market information systems

#### Improving access to financial/BD services

- Services by government (federal, regional and local), private sector, NGOs
- Understanding of the types of business or financial skill demands
- Connecting that demand with suitable service providers
- The public forest Enterprises act as trainer of local community enterprise groups

#### Conclusions/Opportunities

- Federal forest proclamation 2007
- Oromia regional forest proclamation 2007
- Re-investments/ rural development
- Founded on the basis private business sector
- Partnership OSFESA and BERSMP
- The Forest Connect Alliance
- Growing market for forest products
- Emerging markets (carbon, certification, etc.)
- PNRM approaches

Panel comments:

Country	Strengths of approach	Weaknesses of approach	Presentation feedback	Score
Ethiopia	<ul style="list-style-type: none"> <li>• Very strong vision/ road map</li> <li>• Clear identification of context for enterprises</li> <li>• Good description of policy and institutional context (important)</li> </ul>	<ul style="list-style-type: none"> <li>• Complex situation</li> <li>• What about the thriving (informal?) natural forest industry?</li> <li>• Market survey could have been done at an earlier stage</li> </ul>	<ul style="list-style-type: none"> <li>• Clear, well structured</li> <li>• More pictures?</li> </ul>	21

Ethiopia discussion:

Q - Explain more about benefit sharing mechanism between government and community.

A - There is a framework for benefit sharing but modalities yet to be developed.

Q - Is the government forest enterprise timber or non-timber sector?

A - Very new enterprises so focusing on timber from plantations forests now, but plan to go into NTFPs too.

Q - How is tenure being addressed?

A - Need to study this. The land belongs to the govt, as do forest resources, but the govt has said that forest resources can be handed to communities for joint management.

Q - Links between regional and federal forest proclamation?

A - Federal country with 9 regional states, each of which can issue their own proclamations, within the federal framework. We see this as an opportunity rather than a problem.

Q - What is the govt enterprise?

A – A public enterprise: the forest area belongs to the govt, the govt set up an agency to oversee the forests – with or without community engagement.

### **12.10 Opportunities and constraints to supporting small forest enterprises in Guatemala – Mario Rafael Rodriguez Palma, National Forest Institute, and Victor Lopez, Ut'z Che' Association for Community Forestry**

Guatemalan context

- 108,880 km<sup>2</sup>, 51% of the area has forest vocation, 41% forest coverage.
- The country is located near to the USA, who is the biggest business partner.
- INAB, CONAP and National Forest Program (npf).
- The reforestation rate in Guatemala is approximately 18,000 ha per year; but the deforestation rate is about a 60,000 ha per year (FAO-INAB).
- Forest management decentralization has been strengthened by the 149 Municipal Forest Offices.
- The forest sector contributes with 2.6% of the Gross Domestic Product.

Enterprise numbers and types

- UT'Zs CHE' = (Good Tree in maya-quiche language) Association of Forestry Community; 24 community enterprises.
- ASOCUCH: 21 communities.
- ACOFOP: 22 community enterprises.
- Fedecovera: 33 cooperatives.
- ASILCOM: 27 forest committee
- Types:
  - Tree nurseries
  - Foresters individuals and communities
  - Communities doing sustainable forest management, which include natural forests and plantations
  - Sawmills
  - Carpenters and furniture industries
  - Wood sales

- Professional services
- Firewood sales
- Peasant associations producing and selling non timber forest products
- Tourism and other environmental services.

#### How to strengthen the organization of SMFES

- By using a Utz Che – npf alliance as a local point of Forest Connect.
- By distributing and collecting information for the communities by the associations and Forest Policy Round Tables.
- By using associations as the only way to support communities.

#### How to improve links to markets by SMFES

- By creating an office who will develop a market intelligence for products and service of the SMFES
- By connecting the associations of SMFES with Guatemalan big enterprises.
- By supporting the forest trade network with the work together of the SMFES.
- By promoting the forest related to the SMFES in international fairs and commercial shows.
- By connecting the organizations with business and commercial organizations, either international or national.

#### How to facilitate access to financial and business development services

- By providing customer assistance through the Forest's office.
- By building alliances with the financial services (banking groups, cooperatives and micro-finance institutions) and training centers.
- Dialog with institutional partners (INAB, CONAP, Economy Ministry) in order to increase the SMFES participation in public policies making.

#### Plan of communication

- The Forest Connect Office has the responsibility of developing and managing the system and knowledge base.
- Development of the Forest Connect Guatemala web page, including all information about SMFES of the partners Associations, business opportunities business and services.
- Design a brochure for the communities and SMFES, easy to understand for all people.
- Customer assistance for the communities and producers.

#### System of monitoring

- To appoint a Steering Committee of Forest Connect, including institutional and associations partners, whose main objective will be the process monitoring.
- The office of Forest Connect (2 people) has to present to the Directive Group an annual working plan and monthly report.

#### Closing remarks

- Forest Connect Office:
- Coordinator: market intelligence and connecting the market and the services.
- System administration: manage the information and consumer assistance.
- The Forest Connect can be sustained when the communities see the aid; then the associations can finance the process.
- In Guatemala Forest Connect can have to much support from the institutional partners.
- Forest Connect have the chance to begin with the new age of the SMFES and Community Organization.

#### Panel comments:

Country	Strengths of approach	Weaknesses of approach	Presentation feedback	Score
Guatemala	<ul style="list-style-type: none"> <li>● Very clear overview</li> <li>● Action plan for Forest Connect and how it will help SMFES</li> </ul>	Not clear why a new SMFE support organisation is needed when there are already many organisations	Very good especially <i>how</i> they are organised to implement the project (the 'how' is often forgotten)	22

## Guatemala discussion

Q - Stated you can have too much support? In what way?

A - See it as an opportunity not a problem. Need to use existing structures but have to improve the specific forest sector SMFEs for access to services and markets etc. – need space for everyone to contribute.

A - We want to build networks of associations of small enterprises and need support for that.

### **12.30 Opportunities and constraints to supporting small forest enterprises in India – Leena Chakrabarti, CEFI and Rohit Magotra, CEC**

#### Small Forest Enterprises (SFE) in India

- SFEs play a significant role in India's economy – potential still not completely understood
- SFEs (India) – Small Scale Industry Sector : SSI has about 3.2 million registered units
- Significant share of SSFEs not registered
- Bulk forest product processing is within the ambit of SSFEs
- 87 percent plywood processing, 98 percent sawmills, 98-99 percent NTFP processing happens in SFEs
- Forests owned by government – enterprises in private sector
- At least 50 percent income of more than 30 percent rural labour in India comes from NTFP SFEs
- Policy environment – favourable overall but local interpretation and lack of information creates difficulties
- Rapid liberalisation of Indian economy – drying out some protection that was available to SSIs
- Increasing demand on quality certified produce from SFEs due to rapid growth of retailing in India
- Employment opportunity – 35 million person days (NTFP value addition)
- Seasonal employment to at least 20 percent population in more than 90 percent of 600,000 villages in India
- Raw material trade valued at 100,000,000 USD

#### Opportunities

- Increasing demand - increasing retail shelf space – growing domestic demand for several SFE products
- Certification – export demand being met by several SFEs, numbers are increasing
- Farm forestry – incentivised by policies (still restricted to very few states), relieving raw material supply constraint, fuelling SFE growth
- Income from agriculture declining – income diversification is an increasing necessity, SFE growth is an opportunity to absorb seasonal workforce
- ICT being harnessed to connect the isolated SFEs (Gol initiative to connect all villages through Common Service Centres)
- 11th Five Year Plan being formulated – Action Plans under preparation – Thrust to involve civil society and associations in planning process providing scope to inform change
- Budget outlay significantly increased to support production and value addition in SFEs
- Improvements in accessing finance – Correspondent banking norms improved, microfinance, microcredit and micro insurance receiving significant fund flow and policy thrust

#### Constraints

- Bamboo – supply to enterprises and accessing transit permits, lack of bamboo depots, decreasing legal access increasing demand supply gap
- Kendu leaves – decreasing bush cutting area, dwindling number of bush cutters, inadequate and untimely payments
- Sal seed – just taken out of government control, pricing system remains confused, village level bodies made responsible but with no know how of setting prices, low procurement, delayed procurement, rejection due to pesticide usage
- Mahua flower – freely tradeable under PESA act (Panchayat Extension to Scheduled Areas) but restricted by the Excise Act
- Some examples of field level constraints cited by SFEs
- Long term constraints – Information gap, lack of proper articulation of policies and representation of these enterprises in policy making forums, ambiguity in policy implementation, lack of access to markets and market VA infrastructure

## About CEFI

- CEFI – core objective lies in development of livelihood securing initiatives through
  - Promotion of entrepreneurship
  - Harnessing ICT for development
  - Increasing access to information and services
  - Research & Analysis Unit
  - Has undertaken several projects of varying scale across the country and in South Asia
  - Initiated strategic partnerships in Europe and Africa with organisation
- MAPSCON – is a multistakeholder consortium development initiative of CEFI
- Forest produce related Projects undertaken and currently under implementation:
  - Inventorisation of MAPs SFEs in 8 states across India
  - Initiation of Nepal chapter of MAPSCON
  - Inventorisation of gatherer and gatherer communities across states in India
  - Market information network across all NTFP (MAPs)raw material trading centres in India
  - Initiating development of FEINEX
  - 11th FYP Action Plan development for several states in India
  - SFE promotion venture fund (in partnership with banks)

## What is the FEINEX initiative all about

- Aggregate information on services and service providers
- Benchmarking of service provision
- Collate generic – haphazard – unorganised queries
- Investigate answers
- Synchronise a solution
- Package it – ready to use format
- Deliver to the client
- All this within a service delivery time that is only possible in the metros of India as on date
- RESULTS
  - Galvanise entrepreneurship skills
  - Develop service environment
  - Increase visibility of service demand and push infrastructure development
  - Positive livelihood outcome – rural, peri urban, urban.

## Current Scenario – Information Service Provision

- Quality of information supplied
  - Unorganised
  - Experientially gathered
  - Information service provided and that required have an inherent disconnect in the current context
  - Packaging for ease of usage – missing from the equation
  - Quality of information products and services provided does not come with a previous benchmark
- Do I know what to ask
  - Not always
  - One doesn't know what one doesn't know!!
  - Mapping of service environment at multiple levels not done by current service providers
  - One query if not met with an immediate and direct answer does not have avenues for other suggestions
- Delivery Sources
  - Entrepreneurs/producers environment – current context
  - Trade linkages (agents or brokers) in the nearest market points or trading centres
  - Community based institutions/Social networks
  - SHGs (information to this group comes from MFIs and NGOs)
  - NGOs/MFIs

## What will FEINEX do

- Allow consumers access to efficient and effective mechanism of information search
- Leave it to the system to organise your query – just put in your request
- Extremely reduced turnaround time for solutions
- The most important value add – Benchmarked service quality – rating of services and providers
- Database of existing service providers not only in the vicinity of the query source but increased access to providers at different levels and sites

- Promotion of service provision to enhance ability and quality of the service environment
- Keywords for information service delivery
  - Relevant
  - Real time
  - Clear
  - Concise
  - Updated

#### How will FEINEX deliver

- Reaching out to the client in remote rural settings is a challenge
- Physical and IT infrastructure remains inaccessible for prospective clients in these areas
- Telecommunication networks are however making inroads to some of these remote areas
- Advanced synchronization techniques supporting both SMS and wireless data technologies offered by GPRS as well as CDMA networks will be exploited
- Cost per transaction can be kept extremely low.
- Technology platforms are now available that
- Leverage a low cost mobile device
- A local individual at any site can use it to provide several services
- As yet initiatives are not known which have tried out to leverage the same in India
- Service possibilities
- Getting customised information
- Receiving alerts on market information related to products and commodities she /he is involved with
- On training and events related to their requirement area being available
- Remittances
- Fixed line and online delivery platforms would also be used
- A multilingual call centre at the backend will support service delivery

#### INEX structure

- End User categories
  - SFEPRACT – entrepreneurs/producers, facilitators, skill developers, MFI
  - SFERes – dev agencies, NGOs, academia, practitioners, government
  - SFEEdu – students and academicians
- Membership basis
  - Voluntary listing followed by rating followed by list activation (free and priced)
  - SFE listing for accessing services
  - Expected and forecasted need through query tracking
- Business Plan
  - Service providers pay – Users don't
  - Information repository to be scaled up to scale down cost of information mining and delivery
  - Promotion platform to be provided for products and services
  - Service bundling to be used to generate revenue

#### Technology Strength

- Ability of underlying technology platform to deal with the complexities of the connectivity infrastructure.
- The technology enables the application to work in offline situations when connectivity is not available or when the cost of connectivity is high.
- The technology involves opportunistic pre-fetching of data and masking the disconnectedness from the end application by fetching the data from the local database.
- The solution is also aimed at demonstrating the feasibility of such mobile solutions both from technology and cost perspectives.
- Key attributes of the solution are the ways the technology solution deals with factors like:
  - A. Non-availability of network connection
  - B. Cost of network connectivity (air-time) to access data
  - C. Security of confidential data transmitted/received over the air
  - D. Speed of transactions
  - E. Data loss and recovery
  - F. Application of mobile real time data for professionals



#### Leveraging existing strengths

- Software development – partnership formulated
- Ekgaon technologies pvt ltd
- Technology platform – purchase offer made
- Infosys
- Device readiness and feature enabling – collaboration initiated
- Nokia Siemens
- Outreach support – backend discussion completed
- Tata Teleservices
- Common Service Centres
- PCO Association of India (500000 PCO owners are members of the same)
- Service bundling – interest explored; offers initiated
- Banks
- JSK – Jansankhya Sthirta Kosh
- NGOs

#### Approach

- Development of database categorized by end user and service providers to that end user group
- Campaign for listing of members – all categories of end users
- Assessment of needs in terms of information and other services
- Assessment of information and generation of databases of information sets
- Capability assessment of service provider listing
- Designing the technology platform for providing information and aggregating information needs and requests
- Delivering the information on the basis of requested need and provide a tailored solution
- Membership campaign on a pilot mode
- Pilot testing of the INEX
- Broad-basing the membership campaign and increasing the outreach of the exchange.
- Develop multiple level of services that would be provided through the Exchange

#### Panel comments:

Country	Strengths of approach	Weaknesses of approach	Presentation feedback	Score
India	<ul style="list-style-type: none"> <li>• Great context, good statistics</li> <li>• Strong governance focus, both the positive and negative aspects</li> <li>• CEFI: strong comparative advantage</li> <li>• FEINIX: great acronym!</li> </ul>	<ul style="list-style-type: none"> <li>• Need to know what service provision is needed</li> <li>• Need to cover cross-border trade (Nepal)</li> </ul> <p>But FEINIX is already addressing both these issues</p>	<ul style="list-style-type: none"> <li>• Logical, informative, easy to follow</li> <li>• Font too small, too much information on each slide</li> </ul>	23

#### India discussion:

Q - Information on the projects in Nepal?

A - Have just started work with NEPA.

Q - Scale: huge scale in India. (eg compared to Guyana) [about 400 new NGOs each day in India; govt now regulating].

Q - Self-sufficient in timber?

A - Do import timber but also export to China.

Q - Who's financing?

A - FEINEX funded by PROFOR and Aga Khan. Some proceeds also from producers groups.

A - MAPSCON is almost self-sufficient – should be so in the future. Had Oxfam funding to set up, and from CARE International.

#### 13.00 Lunch

## 14.00 Opportunities and constraints to supporting small forest enterprises in Guyana – Sharon Ousman, Iwokrama and Vanda Radzik

### Guyana context

- Guyana: 75% forest cover
- Guiana Shield: one of four large remaining tracts of tropical forests
- High biodiversity: 40% endemism
- Approx. 3-5 persons per sq. km: low population pressure
- Approx. 50% of forest allocated for forest production
- 9 Amerindian Nations with forested territories
- Other forests: managed by concession system by the Forestry Commission

### Types of SMFEs

- Logging Enterprises:
  - State Forest Permissions
  - Wood Cutting Leases
- Charcoal licenses
- Furniture producers
- Firewood producers
- Sawmills (portable, static)
- Lumber retailers
- Speciality producers: Shingles, poles, piles
- Artisanal operations: craft, woodwork
- Eco-tourism business (Makushi culture)
- Medicinal products (MRU)
- Sewing products
- Agricultural products (peanuts, coconut, processed fruits, fruit cheeses, organic vegetables etc.)
- NTFP: Heart of palm, andiroba oil, etc.
- Manufacturing: flooring, moulding, windows etc.

### Enterprises Involved in Forest Connect

Type of associations – categories	No. of associations
Forest producers/loggers/agriculture associations	6
Women's handicraft and sewing development associations (The Rural Women's Network = 18 associations)	7
Research and development: Makushi Research Unit (MRU) and the North Rupununi District Development Board (NRDDB)	2
Community based eco-tourism enterprise	1
<b>Total</b>	<b>16 (+ 18)</b>

### Strengthening of the SMFEs

- Product Development and Market Access
  - Create Linkages between local producers/artisans and artists/designers to enhance and/or create new products.
  - Conduct market surveys and corresponding training in quality control and product demand.
  - Secure ongoing marketing support through existing national initiatives including access to trade shows and bi-lateral trade missions.
- Improve Organisation Management and Sub-Sector Representation
  - Organisational governance and accountability
  - Policy advocacy and lobbying skills
  - Understanding of the administrative procedures, laws and policies – NRM
  - Formation of a Small Business Association/Federation
  - Consistent support by govt., donors, micro-credit institutions etc.

### Improving linkages to Markets

- Market synergies: local, regional and international targeting the building trade. This should include synergies among architects, designers and small manufacturers
- Build Predictable Market: collective approach to buyers to facilitate producers to optimise their resources and ensure better sales

- Create producer groups or hubs in order to maximise yield and to attract buyers and importantly to mitigate cut throat pricing which is detrimental to all identify value added capacity of manufacturers; buyers and their needs through networking with end users or value added facilities
- Build market information base: pooling information and working towards a joint marketing approach- common and differentiated approach to supply
- Dimensioned Stock Outlets: bundles / dried/ priced- identify and providing quality materials for market; develop marketing centres that offer quality products to reduce waste and to enable small end users Links to Fair trade networks

#### Access to financial and business development services

- Iwokrama to play an interim facilitating role among government, donors, private sector, micro-credit institutions and the producers
- Donor programmes/expertise and funding: identify and lobby for appropriate programmes with donors and international and other NGOs
- Market surveys/funding/ market research/ linkages to end users: work through established mechanisms e.g. USAID GTIS programme/ GMSA/ FPA etc.
- Marketing Council: a sub programme for SMFE
- Trade shows/ local/regional /international by utilising existing institution in Guyana and other mechanisms
- Trade missions- in country and travelling missions to Guyana
- Goal is to strengthen sub-sector with a lasting base

#### Communications with SMFEs

- Utilising existing regional administrative centres established by the government (Ministry of Amerindian Affairs/the Guyana Forestry Commission)
- Individual reporting by associations on a monthly basis via HF radio, telephone, visits, internet where possible (one region)
- Community based radio (only 1 region) – to get information out to the larger communities – very effective
- Established communication to be formalised at national workshop with producers and other stakeholders
- Major challenge for timely information to communities
- Web interface with external groups

#### Monitoring Progress: Some Examples

- Community based monitoring and evaluation: evaluation of progress according to SFME expectations indicators identified as progress for SMFEs
- Track market success: no. of businesses, revenue improvement, product diversification
- Establishment of a viable sub-sector coordinating and representation system
- Application of wood cutting optimization technology: chainsaw/portable mills/small sawmills/high-end mills
- Survey of awareness of sustainable use criteria and no. of violations
- Coordinating hub and actual participants involved in monitoring

#### Concluding Note

- Focus is not only on what Forest Connect can do for SMFEs but also building awareness of the sub-sector's contribution to the economy and putting in place a strong sub-sector coordination mechanism for long term support and representation

Panel comments:

Country	Strengths of approach	Weaknesses of approach	Presentation feedback	Score
Guyana	<ul style="list-style-type: none"> <li>Market and impacts on it</li> <li>Ethics</li> <li>Practical ideas – market linkages</li> <li>Impact on revenue and on people's lives</li> <li>Identified services eg. tourism</li> </ul>	Need to clarify constraints in current context	<ul style="list-style-type: none"> <li>Very good</li> <li>Keep sentences short!</li> </ul>	22

Guyana discussion

Q - Creating window within financial service providers: is there any evidence that those providers lack capital, or is it that you want to control what that provider is doing with the money?

A - There are resources available but no mechanisms for working with associations.

Q - Any resistance to support for wood-based enterprises?

A - No – they work with both timber and non-timber enterprises. But currently very little profit for these groups.

#### **14.20 Opportunities and constraints to supporting small forest enterprises in Mali – Sophie Grouwels on behalf of Lassiné Sidibé, AOPP**

Main areas where NTFP are produced and harvested

- In the South of the country around Bamako including:
- Mopti, Kayes, Koulikoro, Sikasso, Segou

Non timber forest products in Mali

- A huge variety of different non timber forest products, are harvested, transformed and traded:
- The most important at national scale are:
- Shea nuts and butter (*Vitellaria paradoxa*)
- Gum Arabic (*Acaia Senegal*)
- Néré (*Parkia biglobosa*)
- Honey
- The sector is mainly informal and the true contribution to GDP and food security is unknown

NTFP: Incomes & Good Nutrition

- The price of shea butter sold in markets in the Ségou region has doubled in the last 12 months
- Néré seeds are fermented to make a condiment called « soumbala » which unlike the modern “cube-maggi”, provides important micro-nutrients

Partners in Forest Connect

- AOPP: representing 200+ rural organisations & others (CNOP, FENATRA ...)
- Sahel ECO + other NGOs :
- Research Institutes: IER, ICRAF
- Ministries : Environment; Commerce; Women etc.
- FAO; Tree Aid; IIED

Activities

- Signature of contract FAO-AOPP
- Meetings with Sahel ECO – coordinator of the Village Tree Enterprise Project (Tree Aid and FAO)
- Meetings with regional AOPP representatives
- Study of small and medium forest enterprises in Mali underway in three regions: Ségou, Kayes, Mopti

Principal constraints

- Sector dominated by informal enterprises. Products are made and sold with little or no transformation or other conditioning. Value added is small
- Insufficient collection, analysis and dissemination of data about the sector to key stakeholders

- Lack of consultation and coordination between the different actors
- Lack of access to long term funding to invest in developing enterprises
- Shortage of appropriate infrastructure and equipment for transformation, packaging and storage of products

#### Other challenges

- Recent interest in the sector has prompted the forestry service to draft a new law which, if it is adopted, will enable taxes to be levied by the forestry service or by local government, on all NTFP harvested. Previously people needed to purchase a permit to harvest only one NTFP (the leaves of the Doum Palm which used to make a wide variety of woven products)
- Organisations such as AOPP need to be vigilant to ensure that the interests of the poorest sections of rural communities are not adversely affected by changes in the laws

#### Panel comments:

Country	Strengths of approach	Weaknesses of approach	Presentation feedback	Score
Mali	<ul style="list-style-type: none"> <li>• Very nice even though done by proxy!</li> </ul>	<ul style="list-style-type: none"> <li>• Proposed change in law/ new tax-questionable if to address poverty</li> </ul>	<ul style="list-style-type: none"> <li>• Good overall but unclear visual images about products</li> </ul>	23

Mali discussion (curtailed as no representative present)

Q - Broader question on Forest Connect projects and how they are funded / supported

A - A joint IIED-FAO initiative: each supports some countries.

### 15.00 Opportunities and constraints to supporting small forest enterprises in Mozambique – Alda Salomão, Centro Terra Viva

#### Background

- Mozambique is rich in forests and natural habitats for wildlife (70% of total area)
- Forests cover a total of 40.6 millions hectares (51%)
- Wood formations cover about 14.7 millions of hectares (19%)
- Of the total forest area, 67% is said to be favorable for timber production and 22% is under legal protection status
- Varied interpretations of what an SMFE is! (see Table)

Agency/Institution	Micro	Small	Medium
Ministry of Agriculture (DNFFB, 2004)	1-5	6-25	26-100
GAPI (Gabinete de Promoção para Pequena Indústria (World Bank, 2003)	1-9	10 – 50	50-100
Ministry of Commerce and Industry (World bank, 2003)	1-25	25-124	125-249

Legal status of forestry enterprises can be seen in the following table:

Type of Product	Authorized*	Unauthorized**
Honey	4,000	30,000
Handcraft	1,000	6000
Charcoal	1,500	150,000
Firewood	350	9,000
Carpentry	127	-
Simple Licenses (2007)	668	-
Forest Concession (2007)	137	-
Game Farming enterprises	19	-
Total	7,801	195,000

Source: Adapted from Del Gatto, 2003; DNFFB, 2006; Alberto, 2006 DNTF, 2007 and Mangue & Oreste, 1999.

\* Authorized – SMFEs that are licensed and/or registered.

\*\* Unauthorized – SMFEs that are neither registered nor licensed but are well organized.

### SMFEs in Mozambique

- The forest sector is divided into two main sectors: formal forest industries and the informal or subsistence forest enterprises. Both sectors are engaged in the production of timber products, non-timber forest products (NTFPs) and provision of forest-based services such as eco-tourism, conservation of biodiversity and carbon sequestration.
- SMFEs are mostly informal, family-based from rural communities formed to generate some income to cover their basic needs. Most of them are not registered or licensed, the level of resource exploitation is low due to use of obsolete technology and illiteracy, they have no access to commercial markets, financial support and public decision-making processes.

### Forest connect - linking SMFEs in Mozambique

- We have so far worked with 19 forest enterprises focused on honey production, charcoal production, handicrafts, sawmills, carpentry and concessions, as it can be seen in the following table:

Type of Product	Number of Enterprise	Localization (Province)
Honey	2	Manica, l'bane
Handicraft	2	Manica, C. Delgado
Charcoal	5	l'bane, Manica, Tete, Zambeze, Nampula
Carpentry	3	Nampula, Manica, l'bane
Simple Licenses	4	l'bane, Gaza, Sofala, Niassa
Forest Concession	1	Sofala
Game Farming enterprises	2	Maputo, Gaza
<b>Total</b>	<b>19</b>	

### Types of Forest Products and Market

- The main timber products include sawn timber, railway sleepers, poles, parquet blanks, furniture, boxes, doors and window frames, and to some extent artefacts or designed products.
- The majority of these products are sold to domestic markets but a significant amount of logs and some processed timber, especially from Sofala, Zambezia and Cabo Delgado provinces, is exported mainly to China. Other important export products are parquet blanks (to Europe) and some sawn timber and railway sleepers exported to South Africa.

### Strengthening SMFEs

- Most of the SMEFs in Mozambique operate informally, are not registered, have no bank accounts and usually carry out temporary activities. As a result, it is very difficult to track them down and identify how they might prosper and grow.
- Some ways to support and strengthen organization of SMFEs:
  - Identification of members and establishment of a membership database for community forest enterprises (questionnaire)
  - Identification of gaps in service provision and collection of information on the service providers.
  - Technical assistance for institutional organization and formalization, and capacity building courses/ workshops in the areas identified

### Improvement of Market Links

- Identification of potential markets for the different products and services and assess the ability of existing SMFEs to access them (types of products, quality, enterprise location, marketing, etc.) in order to create a network of producers and buyers (market)
- Work with the Confederation of Economic Associations of Mozambique (CTA) to integrate associations of SMFEs as members, so that they can also participate and influence national policy debates and decision-making processes.
- Publicize the existence and work of SMFEs through information platforms such as pamphlets, newspapers, web pages, exchange workshops, etc.

### Financial & Business Services/Communication

- Access to Financial and Business Services
  - Establishing a communication platform between SMFEs associations and micro-credit banks and assist enterprises fulfilment of requirements to access credit
  - In the initial phase, provision of technical assistance to the SMFEs (legal support, design of the project, diffusion and access to markets, training, etc.)

- Communication with SMFEs
  - Organization of regular meetings with all members of the network in partnership with the CTA, for dissemination and exchange of experiences between SMFEs
  - Develop effective information platforms to keep communication flowing both with SMFEs and among them

**Monitoring Process**

- CTV has planned to organize regular quarterly meetings with regional focal points
- Attention paid to number of enterprises licensed and satisfying approved criteria for fair and for environmentally sustainable trade
- Number of short training activities delivered and number of the beneficiaries covered and progress made in their work organization and performance
- Determine in what extent SMFEs have improved their sales into domestic and other markets
- Assess coverage and impact of information disseminated.

**Final Remarks**

- We are in the beginning of "Forest Connect" phase II and so far we developed the following activities:
  - Conclusion of the 1st report of the Forest Connect in Mozambique
  - Identification of the focal points in the districts where we will develop the project
  - Initiation of the design of our database
  - Design of application forms for joining the SMFEs network
  - Initial identification of potential service providers

**Panel comments:**

Country	Strengths of approach	Weaknesses of approach	Presentation feedback	Score
Mozambique	<ul style="list-style-type: none"> <li>• Very clear reasons for joining Forest Connect</li> <li>• Clear on how to overcome weaknesses</li> </ul>	<ul style="list-style-type: none"> <li>• Stereotyping illiteracy as a constraint?</li> </ul>	<ul style="list-style-type: none"> <li>• Lots of information on slides</li> <li>• Good presentation but short of time</li> </ul>	21

**Mozambique discussion:**

Q - Level of exploitation is low because of illiteracy: clarify?

A - This is because most enterprises use rudimentary techniques, perhaps because of high illiteracy. Difficult to get access to info on what's new and how they can improve methods of production.

Q - Need for greater formalisation/legalisation of entities in the smaller sector – but why? Govt has pretty much authorised honey production etc.

A - Govt requires legalisation to recognise the right to benefits, but only if communities are organised in associations. So govt schemes force local communities to formalise their institutions so that they can be part of the process and not marginalized.

Q - What is Terra Viva's work with the FD? Is the FD active?

A - Yes – it's active. Some of the info is from the FD. Also this work is intended to help the sector, so important to work with FD. A recent national meeting revitalised a national forestry forum and Terra Viva are part of that. Will continue to share information with them and ensure project is not isolated from other initiatives.

Q -Illegal logging – is this a big problem? How relate incentives for becoming legal?

A - In training programmes etc. they put information on sustainability so that enterprises are aware of the correct methods to follow. Illegal logging is not only from small enterprise but also much done by big companies.

**15.30 Tea**

**16.00 Opportunities and constraints to supporting small forest enterprises in Ghana – Joseph Faniyan, Torpenbos International, Ghana – distributed for information**

Definition and scope of SMFEs in Ghana

- Three main categories – wood forest products (WFPs), non-wood forest products (NWFPs) and forest services (FS).
- Defined as all human activities that depend on material products obtained from forest, or managed or cultivated forests, for the purpose of sale and income generation either on commercial or subsistence basis.

<b>Timber products</b>	<b>NTFPs</b>	<b>Forest Services</b>
Small scale carpentry	Bushmeat trade	Ecotourism
Chainsaw operation	Shea nuts	Plantation growers
Charcoal production & trade	Cola	Taungya system
Canoe / wood carving & trade	Chewing stick & sponge	
Household utility items (mortar and pestle) production & trade	Gum Arabic/resins	
Lumber trade	Black & white pepper	
Fuelwood production and trade	Edible & wrapping leaves	
	Oily & edible seeds	
	Prekese	
	Baskets/hats/mats	
	Bamboo and rattan products	
	Snail	
	Mushroom	
	Medicines	

Selected SMFEs

- Charcoal
- Chewsticks
- Black/white pepper
- Cola nuts

How to strengthen organization

- Formation of associations
- Tenure security/permit system
- Plantation establishment
- Capacity building
- Value addition/preservation
- Assess to credit facilities

How to improve market links

- Set up market information system
- Improve packaging and advertisement
- Develop and adopt standards and market strategies to guide operations
- Capacity building
- Price regulation

How to facilitate access to financial and business development services

- Collaboration with business support programmes
- Negotiation with financial service providers
- Venture capital arrangement with export/international companies
- Encourage saving culture among proprietors

How to communicate with scattered SMFEs

- Set up a database of SMFEs
- Formation of local community groups
- Link local community groups at district, regional and national level



#### How to monitor progress

- Regular meetings with stakeholders
- Establishment of benchmarks
- Interviews and inspections

#### Closing remarks:

- More activity specific research to bridge information gaps
- A well organised and regulated sector for improvement in livelihood activities

## 16.15 Plenary discussion of challenges of communication and how to solve them

COMMUNICATION PROBLEMS			COMMUNICATION SOLUTIONS		
With SMFEs	With service providers	With decision makers	With SMFEs	With service providers	With decision makers
<p>Language and cultural barriers:</p> <ul style="list-style-type: none"> <li>• Difficult to reach grassroot levels because of language barriers with regional languages</li> <li>• High illiteracy</li> <li>• Illiterate in national language</li> <li>• Low education so it takes a long time to communicate ideas</li> <li>• Often tools and approaches are too academic for SMFEs</li> </ul>	<p>Language and cultural barriers:</p> <ul style="list-style-type: none"> <li>• Lack of local language content amongst service providers</li> </ul>	<p>Political access and aloofness</p> <ul style="list-style-type: none"> <li>• Difficult to reach (the right) decision makers</li> <li>• Decision makers easily offended especially when presented with a less than 'glossy' image of SMFEs: concern about govt reputation</li> <li>• High turnover at policy level mean that priorities change</li> </ul>	<p>Communication tools</p> <ul style="list-style-type: none"> <li>• Website and online communication permit some info exchange</li> <li>• Online communication allows SMFEs to get info not only from other SMFEs but also from specialists</li> <li>• Use visual media to communicate</li> <li>• Pull target audience to you using indirect services – places where SMFEs go</li> <li>• Community level theatre, leaflets, rural radio, mobile phones if network exists</li> <li>• Make much more info available in simple language/pictures on posters and leaflets</li> <li>• Online training modules (ipod, downloadable)</li> <li>• Community radio</li> <li>• Voice based services in local language</li> <li>• Bring assistance and toolkit to informal market directly</li> <li>• Pictorial communication for illiterate people</li> <li>• Simple and clear communication</li> <li>• Simple tools – connected to appropriate and available technical assistance</li> </ul>	<p>One stop shop of benchmarked info</p> <ul style="list-style-type: none"> <li>• Organisations and all stakeholders have to compromise and work together to distribute the information for the communities in a simple language</li> <li>• Benchmark service providers</li> <li>• Feed backwards (rating) of quality of service provided</li> <li>• Create an accessible list of service providers that is kept up to date on a central computer – like Forest Connect</li> <li>• National SMFE website with all relevant info</li> <li>• Link SMFEs with service providers, local officials and specialists with the website as well as magazine</li> </ul>	<p>Create platforms to break down communication and cultural barriers</p> <ul style="list-style-type: none"> <li>• Catalyse inclusive, multi-stakeholder forums/dialogues for face to face contact</li> <li>• Ensure industry involved to develop cohesive strategy</li> <li>• Linking public/ stakeholder outcomes to govt websites or policies</li> <li>• Use open blogs</li> <li>• Bring decision makers on board to the SMFE facilitation process e.g. through steering committees</li> <li>• Make use of informal engagement which usually works as an entry point</li> <li>• Highlight the 'market' as an important partner not just a client we serve</li> <li>• Increase sharing of info – transparency; to build a vision for SMFEs and promote the understanding of inclusivity</li> </ul>

COMMUNICATION PROBLEMS			COMMUNICATION SOLUTIONS		
With SMFEs	With service providers	With decision makers	With SMFEs	With service providers	With decision makers
Remoteness and lack of infrastructure <ul style="list-style-type: none"> <li>Scattered location and geographical challenges for sharing information</li> <li>Physical distance combined with lack of telephone networks</li> <li>SMFEs scattered</li> <li>Remoteness</li> <li>Lack of electricity</li> </ul>	Difficult to persuade service providers to bear costs of work with SMFEs <ul style="list-style-type: none"> <li>High costs of reaching disorganised producers</li> <li>Low telecom density</li> <li>Low outreach capacity among service providers</li> <li>Problems with frequency and quality of communication</li> </ul>	Low awareness of SMFE potential <ul style="list-style-type: none"> <li>Insufficient awareness on the potentials of forestry (and SMFEs) in the national economy</li> <li>Are all 3 parties communicating effectively with industry?</li> </ul>	Train local SMFE leaders or those directly engaged <ul style="list-style-type: none"> <li>Associations that deliver tangible benefits to their members will have little trouble engaging them</li> <li>Build capacity for prime movers among local people from provincial level to village level (accepting the fact that it takes a long time)</li> <li>Revitalise national forestry fora as a platform for info sharing and dissemination</li> <li>Promote 'study circles' (discussion groups) among producers, invite bankers etc.</li> <li>Establish livelihood resource centres with relevant info for SMFE</li> <li>Distribute info to organisations that can get info verbally to community level</li> </ul>	Localise service provision <ul style="list-style-type: none"> <li>Screen service providers and identify those with greater local outreach – or desire for such outreach</li> <li>Employ more people who have 'walked the walk' of enterprise development themselves</li> <li>Identify or develop localised service and support resources</li> </ul>	Find ways to bring decision makers and SMFEs together <ul style="list-style-type: none"> <li>Build exciting dialogue spaces including all stakeholders and to design initiatives based on everyone's inputs</li> <li>Create 'safe spaces' for SMFE organisations and politicians/ decision makers to talk</li> <li>Sponsor face to face meetings with SMEs – stimulates guilt and empathy</li> <li>Support a link programme including SMFEs, officials, specialists</li> <li>Encourage SMFEs, officials and specialists to dialogue regularly on website or meeting</li> </ul>

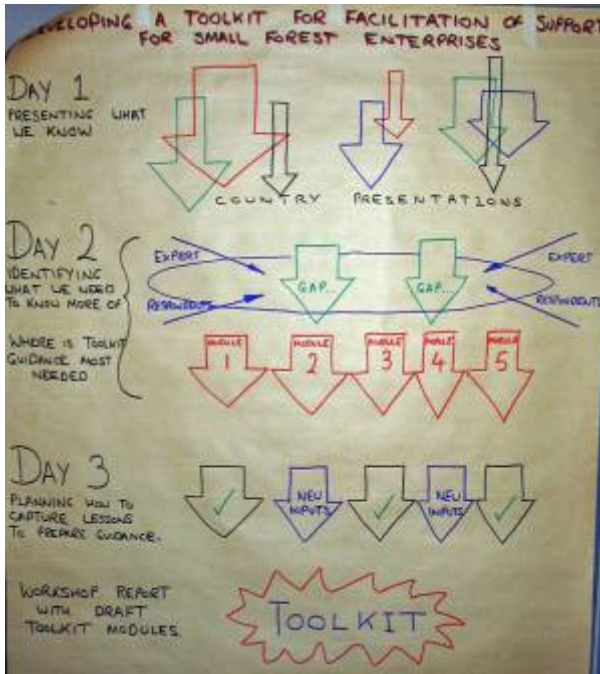
COMMUNICATION PROBLEMS			COMMUNICATION SOLUTIONS		
With SMFEs	With service providers	With decision makers	With SMFEs	With service providers	With decision makers
Lack of awareness of each other or service provision <ul style="list-style-type: none"> <li>No accurate updated information on the identity, location and contacts of SMFEs</li> <li>SMFEs are not aware of initiatives aimed to help them</li> <li>Lack of information on SMFEs</li> <li>Knowing what goods SMFEs have to offer</li> <li>Absence of efficient communication hub</li> </ul>	Ignorance of SMFE needs <ul style="list-style-type: none"> <li>Tend to focus on supporting bigger or best recognised SMFEs</li> <li>Don't understand needs of informal organisations</li> <li>Perceived 'high risk' due to lack of information on SMFE sector</li> <li>Often ignore existing informal wood based enterprise sector: tend to start from scratch or focus on NTFPs</li> <li>Difficult for service providers to find information on rural areas: 'cultural problem'?</li> </ul>	SMFE voices not heard <ul style="list-style-type: none"> <li>The initiatives are known when they are already running, but the SMFEs have no participation in prioritisation and design</li> <li>Tend to follow donor programmes rather than to suggest and convince donors to follow their own ideas (do not know how to buy in their ideas to donor programmes)</li> <li>SMFEs are the 'policy acceptor': no voice or channel for them to say what their needs are</li> <li>Forest related activities are not top of the agenda</li> </ul>	Formal structure revamp <ul style="list-style-type: none"> <li>Research – know SMFEs better – conduct surveys</li> <li>Engage local level forestry service agents as focal points for the collection of information and responsible for providing info to all stakeholders</li> <li>Put pressure for public finance to be directed towards competent rural enterprise advisory services</li> </ul>	Strategy – develop a well thought out communication strategy	Raise political profile: <ul style="list-style-type: none"> <li>Publish diagnostics on SMFEs</li> <li>Increase awareness (policy brief, panel discussion)</li> <li>Success stories</li> <li>Bring concrete examples to the table, lessons learnt and tools to motivate involvement</li> <li>Online portal for publishing stakeholders perspectives</li> <li>Pitch forest product SMFE formalisation ideas in a way that appeals to their interests e.g. the increase in tax that can be raised</li> </ul>

COMMUNICATION PROBLEMS			COMMUNICATION SOLUTIONS		
With SMFEs	With service providers	With decision makers	With SMFEs	With service providers	With decision makers
<p>Mistrust based on informality</p> <ul style="list-style-type: none"> <li>• Many SMFEs want to remain anonymous, enjoying informal local control, fearful of the law</li> <li>• Hard to reach, meet and gain trust of so-called illegal SMFEs</li> <li>• Mistrust – not sure who you are or whose side you are on</li> <li>• SMFEs have little time and are wary of association</li> <li>• Informality</li> <li>• Difficult to know who you should deal with and whether they really represent producers, gatherers</li> </ul>	<p>Illegality undermines willingness of service providers</p> <ul style="list-style-type: none"> <li>• Service providers hard to engage: SMFEs considered illegal</li> </ul>	<p>SMFEs lack presence in political circles</p> <ul style="list-style-type: none"> <li>• Politics mostly doesn't address SMFE needs – partly because they are seen as a 'problem'</li> <li>• Without SMFE organisation their issues are politically insignificant</li> </ul>	<p>Build case for organisation and formality</p> <ul style="list-style-type: none"> <li>• Find and convince proactive entrepreneurs, who can MOVE many others</li> <li>• Work to catalyse more formal associations that can have legal status</li> </ul>	<p>Act as guarantor</p> <ul style="list-style-type: none"> <li>• Lend the credibility of Forest Connect to the idea of improving services for informal SMFEs</li> <li>• Make the case for the scale of SMFE needs and the economic opportunity</li> </ul>	<p>Build organisation to increase voice</p> <ul style="list-style-type: none"> <li>• Strengthen the organisation of the SMFEs and work for inclusion in the policy spaces</li> <li>• Remind the politically motivated that SMFEs are big numbers = big votes</li> <li>• Political opportunity/representation</li> </ul>

COMMUNICATION PROBLEMS			COMMUNICATION SOLUTIONS		
With SMFEs	With service providers	With decision makers	With SMFEs	With service providers	With decision makers
<p>Available information often irrelevant to SMFE needs</p> <ul style="list-style-type: none"> <li>• SMFEs have difficulties in understanding what information might help them</li> <li>• No break down of complex market information to feed needs for product development</li> <li>• Difficulty in receiving and comprehending information on macro-level restrictions and requirements</li> <li>• Difficulty in getting away from concerns over current price to looking at future and development information needs</li> <li>• SMFEs don't know where to find service providers</li> <li>• Forest community capacity is often mismatched with market need</li> </ul>	<p>Agendas of services providers don't match community needs</p> <ul style="list-style-type: none"> <li>• Not enough service providers</li> <li>• Support programmes driven by external factors: little time to build relationships and trust</li> <li>• Commercial BDS providers only interested in SMFEs if they present a profitable opportunity</li> <li>• Support often short term</li> <li>• Lack of knowledge of local context</li> <li>• Lack of practical experience: 'do what I say' not 'do what I have done'</li> <li>• Knowledge provided too generic</li> <li>• No incentives for providers to develop new skills</li> <li>• Service providers follow own agenda or are under donor pressure</li> </ul>	<p>Lack of coordination between government agencies</p> <ul style="list-style-type: none"> <li>• Lack of centralised communication among potential state and NGO service providers</li> <li>• Different objectives, goals, timeframes, agendas</li> <li>• Lack of coordination between similar state initiatives supported and funded by different international agencies</li> </ul>	<p>Promote awareness of information needs</p> <ul style="list-style-type: none"> <li>• Show how prices of products and services can be recouped</li> <li>• Spread awareness of key regulations and how to respect them</li> <li>• Establish routine communication on problems, products and services</li> <li>• Train in web-based techniques</li> <li>• Use locations of other SMFEs and relevant government offices and responsible officers as conduits to market relevant training</li> <li>• Build confidence – demonstrate benefits of association and service provision</li> <li>• Develop simple tools for guidance with locally relevant case studies</li> </ul>	<p>Help develop interactive technologies</p> <ul style="list-style-type: none"> <li>• Work hard to explain prospective market for service provision</li> <li>• Focus on mobile based solution – transfer of info and access to info</li> <li>• Info kiosks</li> <li>• Make a big play of benchmarking</li> <li>• Look hard to build on service providers available technologies</li> <li>• Set up helplines to channel service demand to appropriate providers</li> <li>• Info exchange (web-based, mobile band and ratio and video content)</li> <li>• Make more use of mobile phones</li> </ul>	<p>Demonstrate benefits of improved information flows:</p> <ul style="list-style-type: none"> <li>• Promote discussion within national forestry dialogues including every initiative related to SMFEs</li> <li>• Create a status of recognition of common needs so as to build links</li> </ul>
<p>Timeliness</p> <ul style="list-style-type: none"> <li>• Information dissemination is often after the fact</li> </ul>	<p>Cost of service provision on regular basis</p> <ul style="list-style-type: none"> <li>• Need for low cost delivery solutions</li> </ul>		<p>Timeliness</p> <ul style="list-style-type: none"> <li>• Accessible and timely information to SMFEs</li> <li>• Provide technology to support SMFEs</li> </ul>	<p>Reduce costs</p> <ul style="list-style-type: none"> <li>• Help to organise SMFEs so that service provision is less costly</li> </ul>	

# Day 2 - 3 July 2008 – Identifying what challenges we face and what guidance might be most useful

## 9.00 Recap and introduction to Day 2 group work – Duncan Macqueen, IIED



The first day had provided a rich opportunity to share country contexts and the approaches that were being used to support SMFEs. It had showcased institutional capacity and what partners knew of enterprise support.

On the second day the focus switched from what partners new to an identification of areas where additional guidance could help to improve country work. The second day was structured in three sessions.

The first session involved a problem analysis to look at the underlying causes of why participants struggled to support SMFEs.

A second session involved a response by leading experts in four areas: rural finance, producer organisations, business development tools and product development.

The final session looked specifically at the areas where participants felt additional guidance – in the form of a toolkit – might have greatest impact.

## 9.30 Group work – brain storming about the root causes of ‘why we struggle to support small forest enterprises’ – using a problem tree analysis

Participants were divided into three working groups each tasked with identifying the underlying causes of “why we struggle to support SMFEs”

### Group 1 problem analysis

Group 1 identified three cross-cutting problems and seven main causes that underlay their struggle to support SMFEs:

The three main cross cutting problems that were identified included:

- The holistic knowledge that is required to support SMFE development
- The lack of in-country integration between Forest Connect partners and other institutions who can support SMFEs
- The challenge of adapting institutions originally structured to do policy analysis and advocacy and not technical support

The seven main underlying causes included:

A – Policies do not favour SMFE development:

- The legal and political framework is not favourable to the promotion of SMFE development
- There is a lack of political will, vision and budget
- Policy processes are not integrated
- Policy makers lack a holistic vision for SMFEs
- Policies are inconsistent with one another and over time
- Despite the rhetoric, donors lack real interest to support work with SMFE
- Major problems to do with tenure security and resource access
- Intellectual property rights are not given adequate consideration

#### B – Bureaucratic hassles

- SMFEs face many bureaucratic barriers to their operations
- There are also administrative hassles to supporting SMFEs

#### C – Isolation and lack of SMFE organisation

- SMFEs are scattered and in remote areas which make access to them difficult
- SMFEs are not sufficiently organised to reduce the cost of engagement

#### D – Enterprise development capacity is lacking especially with regard to:

- Product supply and quality
  - Limited knowledge about product development and quality requirements
  - SMFEs have limited capacity to supply goods in the right quality
  - The supply chains are not regular over the year
  - There are few economies of scale
  - Lack of quality testing facilities
  - Product quality standards are absent
- Marketing and business skills
  - SMFEs (and support agencies) lack marketing skills
  - There are no business planning development skills in the support team
  - Support agencies lack a 'business' approach
  - Most efforts focus more on production rather than marketing
  - There is no access to market information
  - Support agencies lack understanding of market dynamics
  - There is a lack of knowledge about how to do value chain analysis
  - Marketing must translate into sales
- Access to finance
  - There was felt to be a lack of interest from micro-finance institutions
  - Support agencies lack knowledge on micro-finance
  - There is a general lack of BDS and financial services
- Access to BDS
  - No institutions can help the support agencies with product development and marketing

#### E – Communication is difficult

- It is a challenge to get the right message to the right user
- There are generic problems with communication and information dissemination to SMFEs
- There is a general lack of information about the forestry sector

#### F – Natural resource management is deficient

- Techniques for resource inventory are lacking
- Elites have control over resources

#### G – Human resources are limited

- Insufficient human resources / finance is available to develop the project
- Lack of personnel to attend to the multiple issues
- Inadequate technical expertise in key areas
- Need better systems for evaluating SMFE needs

#### Underlying causes related to enterprise development

- Need skills, equipment and knowledge of market trends
- Difficulty attracting business professionals to NGO work
- In order to act as loan guarantors – higher quality business plans will be needed
- NGOs and businesses have different priorities

#### Underlying relating to policies

- Institutional and personal biases favours larger enterprises
- Government does not have enough budget for staff to go to the field
- Isolation restricts access to policy makers
- There is a general lack of advocacy on behalf of SMFEs



## Group 2 problem analysis

Group 2 identified four main underlying causes of why they struggled to support SMFEs, including a set of underlying causes for each:

### A – Lack of skills in facilitation of support for SMFEs

NGO workers are not business people, so it is hard for them to understand what enterprises need. They are therefore constrained in the way they do things.

- Staff need to develop trust with SMFEs – this takes time (often not available in projects)
- Facilitation capacity is low (understanding both sides to be able to match service demand with service supply to SMFEs)
- Advisors in support agencies often do not have personal experience of running a small enterprise
- Advisors lack understanding of informal enterprise ‘psychology’
- There is a general lack of business knowledge
- Lack of experience in running businesses and understanding what it takes to run a business
- There are often insufficient skills to support business plan formulation
- Advisors lack simple methods of explaining cash flow and finance
- Lack of skills to identify right service providers (i.e. provide a benchmarking function)
- Business development and market information services lack strength to improve SMFEs access to real market opportunities (quality, volume, time)
- There is a temptation to try to run the business rather than ‘supporting’ others to run the business
- Underlying causes to the above:
  - Lack of exposure and experience
  - Lack of proper training

### B – Lack of skills in market opportunity identification and business development

- Poor analytical frameworks to address constraints and realise the market opportunities
- Lack of skills in market intelligence
- Knowledge gap in diagnostic survey methods to identify promising SMFEs
- Lack of skills in business opportunity identification
- Lack of time for in-depth analysis to identify the right business opportunities and to build proper business plans
- Underlying causes to the above:
  - Inability of NGOs to deal with all the issues
  - Lack of specialisation

### C – Lack of skills in policy analysis – how policies are formulated and how they’ll affect the enterprises

- Absence of policy analysis skills
- Poor understanding of the role of stakeholders – government/ NGO/ public sector and agencies/ markets, private sector
- National arrangements or models to support SMEs lack accuracy when addressing SMFEs and their issues

### D – Lack of capable institutions

- Timeliness of support not always possible due to other engagements/ priorities (improper allocation of resources – human/ financial/ time)
- Supporting institutions are not enough to cover SMFEs, universe!
- Bureaucratic hassles – including institutions and their support for SMFEs – administrative hassles.

Open discussion:

Q – Could you expand on inability of NGOs to deal with issues?

A – There are so many issues to deal with – supporters need to be able to put themselves in the shoes of the SMFEs. Most NGOs have very diverse project portfolio but don’t have the resources to address all needs – tend to recruit generalists. So why not bring in potential leaders from SMFEs – recruit from SMFE level?

Q – Does lack of policy analysis include lack of advocacy skills?

A – There are unfavourable policies affecting SMFEs: so we need to understand likely policy impacts – mostly the skills to do that are lacking.

Q – You mentioned lack of relevant institutions – at what level?

A – We need the right kind of service providers where SMFEs are operating. Many NGOs have become quite corporate: are becoming irrelevant and are becoming part of the problem – including donors and the big NGOs. So how can they understand the SMFE problems? Associations of SMFEs might address this – they could be more democratic and more appropriate than NGOs? But there is a slim boundary between an NGO and producers association, especially when the latter is supported by donors.

### Group 3 problem analysis



Group three identified a complex interlocking web of problems that were presented as five main underlying causes:

A – SMFE internal governance

- It is difficult to provide services to SMFEs because they find it hard to understand the need for or absorb services
- SMFE internal governance systems mean that leadership keeps changing, support may be inappropriate
- SMFEs often have ineffective communication
- Illiteracy complicates matters
- Changing market incentives make gauging appropriate support difficult
- SMFEs have serious constraints to implement guidance given
- There is a general lack of management systems within SMFEs
- They often don't fit with current BDS thinking
- Differing views about a problem – SMFE versus support institution

B – Lack of SMFE organisation

- SMFEs often very weak or don't come together – i.e. they are not organised. This is often due to mistrust and short term thinking
- Many SMFEs operate informally or illegally
- Poorly structured internally and associations of SMFEs are weak – no voice
- Mistrust and short-term demands of producers
- High transaction costs dealing with dispersed groups

C – Policy confusion or contradiction

- This is often connected to the invisibility / lack of organisation of SMFEs, the fact that they are not legal

- Too many individuals derive benefits from status quo – rent seeking etc.
- Historical legacy in many places is ‘protect the trees from the people’
- Lack of formal government recognition

#### D – Lack of knowledge about SMFEs

- We often don’t know the needs of groups and there is a high cost to find out about them. So don’t know what support to provide
- Need for good diagnostics
- Need to do specific research to identify key needs

#### E – Lack of appropriate skills in support agencies

- Lack of hard business skills in support agencies
- Need to get balance between push and pull for skills – risk of dependency by (weak) SMFEs – how best to engage with them? Get balance right
- Hard to get funding – right type, right length of time to develop these skills
- Need cross cutting skills too – for example both soft social skills and hard business skills
- Lack of essential public services e.g. market information services
- Lack of credit access

Open discussion:

Q – What do you mean by push and pull for skill development?

A – Push and pull factors in service provision are pivotal. The Rainforest Alliance in Guatemala created a problem in the wood processing business. Their support grew out of another project in which everything had been done for the community groups. Rainforest Alliance had to wean them off. They hired a manager who then reported to the community (over 6 months) and turned around business plan. Now they have their own manager. So dependency is a real concern.

Q – But what about for the group to survive, you need to deliver tangible benefits to their members. Especially at the start – so this creates pressure to ‘do it for them’.

Q – Does policy confusion/contradiction arise out of ignorance or deliberate design?

A – Often people benefit from the status quo – the confusion. And often property rights laws etc. will not change in favour of SMFEs, but this doesn’t mean SMFEs can’t function. Do policies actually prevent anything: is it possible to set up an association that lets products flow from forest areas for export? Does policy really prevent this? It may not encourage it – but with creative thinking it should be possible to operate even in very hostile policy environments.

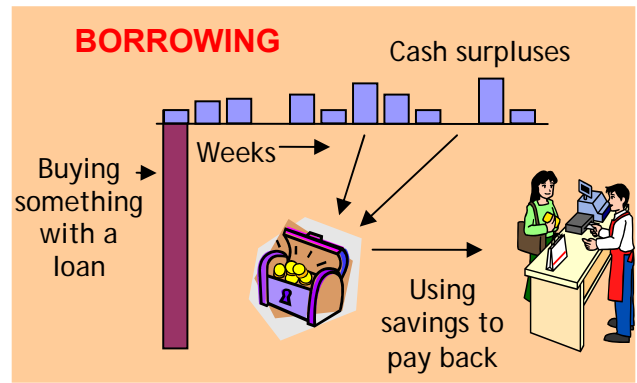
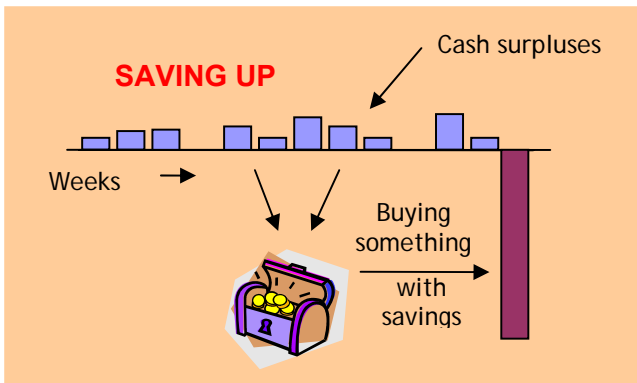
Comment: We need to get away from risk aversion: let SMFEs make their own mistakes – even though NGOs might know it’s wrong. SMFEs have to take sense of responsibility. Provide information on all the risks etc. but then let them decide.

#### **11.00 Coffee**

#### **12.00 Prepared response on facilitating access to financial services – Jennifer Heney, Edinburgh, UK**

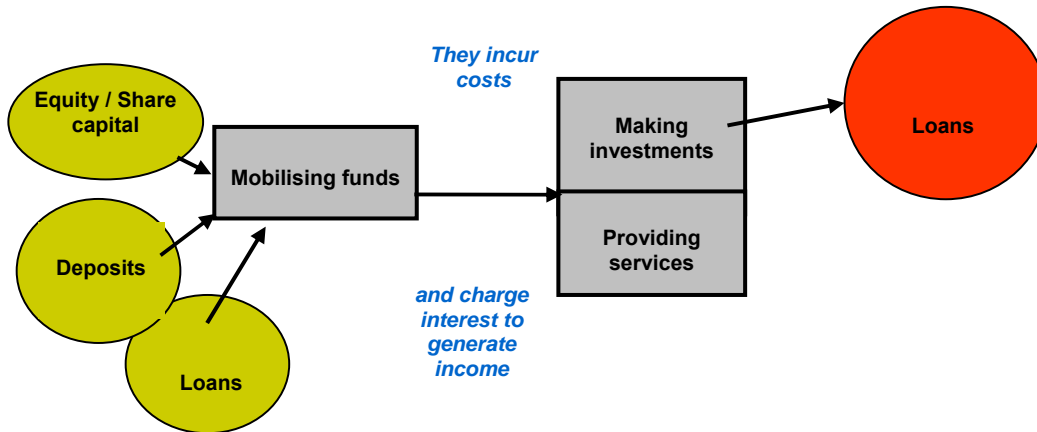
Let’s look first at the rural household. A rural household has very complicated cash management. If it includes a commercial enterprise – there is lots of risk of not having cash in the right place at the right time. There are probably lots of enterprises going on at once, not just one. Even when there is cash income – whose is it? The woman’s? Man’s? Also complex juggling of consumption needs, credit etc.

Saving is essential even when you borrow. The biggest problem is finding somewhere safe to keep your savings.



Since it is safer to save up rather than borrow, financial services should be about savings rather than credit. The poor have to save in various ways either way, even when borrowing. Again – who saves? Women? Men?

Financial service providers make a business out of people's needs to save and borrow – they usually make money out of lending (and sometimes by providing a safe 'bank').



Great range of possible financial services providers – and endless variety of providers large and small:

- Landlords, Moneylenders
- Shopkeepers, Pawnbrokers
- Commercial banks
- State banks
- Postal savings banks
- Input suppliers
- Traders, Processors
- Cooperatives / Credit Unions
- Savings groups
- MFIs, NGOs

In any value chain, there's a pattern of financial service provision – usually complex. Banks tend to link to big business in towns. Coops, public sector bank, NGOs etc. tend to link to local traders, processors and producer groups. And of course moneylenders operate at a local level.

Don't ever start from the point of saying 'we need microfinance'. The question is "how can the services available to small producers be improved?"

- Try to make changes in what exists as far as possible
- Don't assume that donor funded microfinance institutions are necessarily the best option
  - They have many constraints and limitations
- Do study the financial landscape and work with existing institutions to:
  - Reduce lending risks – client / loan appraisal, guarantees, collateral
  - Lower costs of increasing rural outreach – technology, linkages
  - Redesign products to suit small scale clients

Financial institutions often have money ready to lend – if it can be lent in a safe way. If clients have clear plans, good budgets etc. to minimise risks – then banks are very likely to lend. So work with clients to:

- Improve their planning, budgeting and management skills
- Promote saving and, if needed, self-help saving groups

Excellent guidelines are available for small-scale Village Savings and Loan Associations: <http://www.vsla.net>  
For more formal situations consider credit unions or financial cooperatives: <http://www.woccu.org>

Open discussion:

Q – Need to capitalise inventory – but to what extent is it considered security for a loan and what does it do to risk assessment?

A – Inventory credit in the agric sector would depend on legislation of the country – if you're supporting and facilitating, then raising those issues should help banks to be more open to accepting more collateral forms. Crucial thing – the loan appraisal in the first place – inventory may be the last thing you call in.

Q – Individual moneylenders essential to support SMFEs – but NGOs wouldn't touch them (Peter – Philippines). Is there any case of these moneylenders as the 'good guys' being engaged?

A – The general policy is let well alone – yes they're fundamental, but can be exploitative, so the solution is to create competition through self help mechanisms, not through NGOs. Probably can't stop people demonising them.

### **12.15 Prepared response on producer organisations – Chris Penrose-Buckley, Twin and Twin Trading, UK**

Overview

- Critical Challenges in Producer Organisation Development
- Possible Implications for Support Programmes

Critical challenges in producer organisation development

- Poor business models/strategies: grant dependence; unviable strategies; scale
- Weak drivers of collective action: external vs. local initiative?
- One man/woman show: personal vs. institutional capacity
- Weak governance: politics; right balance of power and understanding; cost of democracy
- Unsustainable growth: out of sync with institutional development; no commercial drivers
- Power and competition in the market: 'agribusiness normalisation'
- Access to BDS: no service; consultancy approach; critical gaps
- Finance: the missing middle

Possible implications for support programmes

- Clear business entry point and foundation: market-orientation; 'smart' subsidies/grants; allow for failure
- Be weary about setting up new groups; what skills & experience required?
- Need investment in systems and institutional capacity; how address gap in middle management?
- Grassroots empowerment critical: business & market literacy; + smart governance structures
- No short-cuts and quick wins: successful growth is organic and often slow and circuitous
- Prepare for competition: lean and mean organisations
- Identify different types of support roles and services and how they change over time: facilitation often not enough; 'accompaniment' role?

Open discussion:

Q – Please expand on your statement that 'grants might be necessary in some cases but in the right way'

A – Generally, grants not compatible with sustainable business model. It is often better to go for soft loans paid back over 2-3 years but doesn't always work. So think about: what are grants for? One-off investment or one-off running costs? Timing is critical – if first action is a grant, mentality of organisation is based on external assistance.

Q – Do we need to think in terms of long term service provision and 'accompaniment' – how should we provide that?

A – There is always going to be a need for intermediary organisations who will have to be grant funded – can't expect producers to pay for them in many cases. Also, there tends to be huge underinvestment in

infrastructure and services – so we need to overcome those challenges and may need grants to help with that.

Q – Role of big buyers in direct investment? Most don't want to deal with producers but outsource it to intermediaries. So there's a big gap in the market. Some more socially minded companies will, but most won't.

Comment: Soft loans are a bad idea. Why not grants to help with capital investment costs? It's been used in the UK – e.g. to encourage desirable forestry/other land use change.

### **12.30 Prepared response on business tools – Daphne Hewitt, Rainforest Alliance**

Productivity and efficiency are the main aims of Rainforest Alliance's business and production tools. The aim is to move from the current situation (cost of production, quality and delivery + marketing) to: increased control and efficiency over raw material use, maximization of machine utilization, better inventory management and the capacity to attract new investment. Rainforest Alliance has developed a number of tools to help achieve this.

#### **SME General Diagnostic Tools**

- Overall assessment from forestry management and raw material input, to production
- Organizational /Community structure
- Highlight strengths and weaknesses - Focus areas for improvement
- Questionnaire format

#### **Improved Processing Tools**

- Processing diagnostic
- Increase primary processing yields
- Improve percentage of production in class 2 and better
- Develop value added processing
- Assess cost/value of new product development
- Inventory control mechanisms

#### **Business Skills Development Tools**

- Business management diagnostic – Action Plan
- Business plan
- Marketing plan
- Human resources management training

#### **Case study ASILCOM – Alto Verapaz, Guatemala**

- Association with over 800 affiliates
- 2,100 ha pine plantations
- 34 community members
- Lacked business plan and no market for products from first thinnings
- Business model relied on mature timber, purchased gate wood from outside group
- Cost assessment for new product – Pallet components
- Business plan based on new market including FSC certification
- Processing training including new equipment
- Sell to Chiquita through intermediary
- 266 jobs created (seasonal and permanent)
- Increase in value of product around 345%

Q – Interested in processing diagnostic tool – is it available?

A – Only in Spanish at present – hopefully by September

Q – To what extent does the set of tools assume that a body like Rainforest Alliance is involved?

A – Idea is that they are independent – with RA support. Not geared to a particular buyer or supply chain. Need a big mix of buyers – don't just focus on export.

## 12.45 Prepared response on market access – Cyril Lombard, Phytotrade Africa

Phytotrade Africa is a Southern African Natural Products Trade Association

- Non-profit trade association representing 58 members
- SMEs, producer groups, NGOs, researchers, other groups in 8 countries
- 6 PQS, more when market ready
- Launched in 2001

Objectives and ways of working

- Objective – develop income for rural producers
- Indigenous plants only
- “Wild harvested” first focus – most beneficial impact for poor
- Local, regional and international markets
- Sustainability and fair trade focus

Details

- Budget: €1.42 million/year
- Staff: 16
- Zimbabwe, South Africa, UK
- Sources of funding: Donors, membership fees, services
- Products: 11 products from 9 species
- Pipeline 300>25

Market Access versus Market Development

- Access = existing market, known products, known uses, known standards, no new regulations (robbing market share of another producer?)
- Development = new products, new territories, new clients, new uses, requires R&D safety, regulations
- All our products except one are new – starting from zero

Key Areas of Intervention

- Product Research and Development
- Market Development
- Supply chain development
- Institutional strengthening

Product research and development

- Prioritisation of species and products
- Demand driven from producers, but with clear market potential
- Focus on ingredients
- Products trials, products specification, analysis
- Evaluation of properties
- Carried out in close co-operation with industry

Market development

- Partnership with key intermediaries, right skills, technologies, markets
- Focus on legitimacy – consumer safety, regulations
- Global trends – natural, wellness/healthy, good for the environment, organic, Fair Trade
- Market information services – real value?
- Trade shows, key advisors, professional

Supply chain development

- Pre-Qualified Supplier (PQS) system
- Quality control
- Technical services, business services, logistics support
- Training courses
- Grants to develop supplies and production, certification
- Sustainability studies, build credibility
- Manage supply to match demand, manage expectation

### Institutional Development

- No industry develops without co-ordination and representation
- Lobby, protect, defend, enhance regulations
- Present united and positive front to industry and consumers
- Get government, donors and investors to understand opportunities

### Low hanging fruit?

- Markets have potential for producers, national industries, natural resources management
- Can be developed but needs coordinated action with market forces at centre

Q – What are some of your products and how long to develop them?

A – Services are fruit pulp, pharmaceutical products, e.g. baobab fruit. Took about 3 years to take product through EC regulatory/ acceptance process – and needed much lobbying.

Q – Do you price your services?

A – Some services are charged, some are part of membership, some are seen as essential e.g. developing supply chain if buyers will only enter IF there is a chain – pump priming.

Q – You mentioned market information is often not in a useful format – could you expand on this?

A – Market information is not a document or a library – it's a process – having experts available, either as part of the business chain or as advisers brought it. Includes trade show – interacting with industry – will learn much more about the trade.

Q – But how do you communicate that to producers?

A – Form them into a trade association so they can have access to the buyers. Some info is public; some is confidential as its purpose is for the development of the association's members.

### 13.00 Lunch

### 14.00 Poster session in two groups – “Areas in which guidance on support to small and medium forest enterprises is most needed and why”

Participants were divided into two groups with prepared posters by country team representatives. Each country team presented areas in which they thought guidance in the form of a toolkit would be most useful. Participants then had the chance to interrogate those priorities by sticking post-its on the posters. A rapporteur captured the final responses to this interrogation.

#### Group 1 poster session – prioritised areas where guidance is needed for supporters of SMFES

- Training guidance – where to start training – not just tools but dynamic outreach, a mechanism
- Business planning and development – all countries identified lack of business planning – maybe need advisor to direct service provision
- Connect buyers to producers – need real value chains and ‘partnership’ with buyers as well as knowing markets
- Market analysis – understand markets
- Markets strategy – branding – not just commercial but linked to intellectual property rights esp. for NTFFPs
- [SME] Organisational management – need better SME structure
- Communication – all countries note challenge
- Policy – all countries need to influence policy makers
- Prioritise and systematise activities – needs to be adapted for each country – or guidance on how to prioritise

#### Group 2 poster session – prioritised areas where guidance is needed for supporters of SMFES

- How to deliver market information (that is cost effective) – including market literacy and understanding, not just facts and figures. Ability to provide this information must mean market understands us, as well as us understanding market – two-way flow of information is necessary. Use existing resources where possible, use peers to deliver info, etc. Look at agric world for examples.
- How to build in sustainability from the start – this may give market advantage, and encouraging longevity of resource base will encourage longevity of business. Need appropriate scale. Locally determined.



- How to strengthen organisations – both internal to the enterprise (producer organisations) and external (e.g. alliances of providers, technical assistants, buyers etc. to lobby for policy change). There is a difference between alliances and associations – trade based vs. market based. We need to identify what alliances can do more efficiently than individuals.
- How to press for policy change – The group saw this as a three-tier strategy: (i) venue for establishing priorities; (ii) how to set up strategy to move priorities in front of policy people; (iii) how to establish roles and responsibilities – find key individuals with willingness and drive to take message to policy level.

### **15.30 Tea**

### **16.00 Reports back on poster session – main areas in which toolkit guidance is needed and plenary discussion on proposed toolkit modules**

Duncan Macqueen captured some emerging areas where guidance seemed to be necessary based on the exercises and discussion of the day (including a rough numerical count of the number of different mentions):

- Association strengthening (how to facilitate/accompany) x4
- Product development (how to go about it in practice) x4
- Business/financial planning (practical approaches for smaller more complex enterprises) x4
- Policy analysis for change (how to do research and press for change – or do we need to bother?) x4
- Market information/understanding/literacy (best practice in supply [process not document]) x3
- Building in sustainability (how to make it integral to SMFEs) x3
- Process facilitation/analysis (how to identify real needs – prioritising/sequencing/stepwise approach – analysis of what is there – baseline for monitoring) x3

In addition:

- Organising/stimulating financial service/business development service delivery x2
- Value chain analysis x1
- Finance mentioned throughout
- Communication mentioned throughout

### **17.00 Close**

# Day 3 - 4 July 2008 – Planning how we might use in-country work to provide lessons for others facing similar constraints to SMFE development

## 9.00 Recap and introduction to Day 3 – Duncan Macqueen, IIED

Having shared country work and identified some key areas where guidance was needed to improve work in support of SMFEs, the aim of the third day was to identify: (i) useful ways in which lessons from action learning in country could be gathered into a toolkit; (ii) areas where external inputs might be necessary. Before this however, two final presentations had been invited from institutions working in this area – linked to funding that might be available to Forest Connect in the future.

## 9.20 Supporting producer groups – the work of Agricord, Jukka Peltola

### Agricord's vision

- Ownership in the developing countries – demand driven
- Broad benefits from producer organizations and associations – improving livelihoods and giving a voice
- Idea of twinning – Producer Organisations working together
- Mostly funds are from governments of the countries of member agencies – also from IFAD, currently negotiating with ADA, Aussies, Gates foundation

### Structure

- AgriCord is an alliance of non-profit agri-agencies
- It is made out of 7 agri-agencies from OECD countries
- .... and the odd man out is the Finnish MTK, which does not – yet – have their agri-agency, but as a producer organisation is an associate member of the AgriCord
- We call those development agencies agri-agencies as they are all connected to a producer organisation in their own (OECD) country
- All the agri-agencies need a mandate from a producer organisation in their country to be able to be part of AgriCord
- So how has this anything to do with the producer organisations in the South – the developing country producer organisations?
- What about the Push & Pull in deciding what and how things are done?
- All the producer organisations are members of IFAP – International Federation of Ag.Producers – which has some hundred of members – mainly from developing nations
- IFAP – particularly IFAP DCC determines and provides priorities and guidelines, which AgriCord adopts to guide its work
- Furthermore, all the projects are replies coming from Southern producer organisations themselves
- In all projects, a developing country producer organization is the executor
- When possible, members and stakeholders of OECD producer organisations or other developing country producer organisations – farmers world – are utilized in the twinning

Projects demanded by producer organizations can be categorized into four types:

- Direct organizational strengthening
  - Participatory policy generation
  - Financial management
  - Internal organization
  - Stakeholder relations
  - Grass-root participation
- Farmer led economic activities
  - Farmer to farmer technical exchanges
  - Banking credit insurance
  - Farmer controlled economic initiatives
  - Diversified Agriculture
  - Processing agricultural products

- Research and training issues
  - Training modules and facilities
  - Productivity and chain development
  - Agricultural education and publications
  - Research in development for agriculture
- Public goods and cross cutting issues
  - Rural development issues
  - Women in farmers organizations
  - Information and communication ICTs

#### Potential connections with Forest Connect

- Philippines – unknown possibilities of coconuts
- SMS market information systems – Zambia, Southern A.
- Mexico forest owners'/users' association
- CoopWorks – software for coops
- Connections:
  - Mali – AOPP in Mali has at least 8 projects with us
  - Laos
  - Ethiopia
  - Guatemala
  - India
  - Burkina Faso

#### Agricord – potential future forest activities

- Exploration of a forest sector platform
- Cooperation e.g. with IFFA, GACF, Forest Connect, FAO
- A need for a member agency specializing on forestry
- We can be approached:
  - The setting: a clear focus on producers – must be a PO – SMFES ...or suppliers of SMFES
  - Our interest is NOT restricted to marketing services and business support, want to draw wider benefits from Pos
- Ready for cooperation with rural producer organizations
  - Could include e.g. (honey) production & processing, fruit collection & marketing, etc.
  - Not ready for large scale timber coop at this point
  - Need to find an available agri-agency

#### Open discussion:

Q – How do producer groups approach Agricord to access the services?

A – If the PO has worked for a long time with agri agency then they can discuss needs. Even then the work areas are not so important. Don't want to be rigid – Producer organisations can ask anything. Or – can approach Agricord with a half page summary of what's needed. Just need an idea then they'll start discussions. Could be 1-3 years. Can contact any agri agency or the central office.

Q – Could we have more information on the software (used in Kenya coop originally)

A – Google CoopWorks.

Q – Great to have input from agric sector – forestry can learn a lot from it. Don't need to reinvent wheel.

A – Likewise Agricord is connecting with forestry groups.

### **9.40 Supporting small forest enterprises – the work of Sustainable Northwest with funding from the Ford Foundation, Ryan Temple**

#### Community Forestry and the Ford Foundation

- Community Based Forestry (CBF) Demo Program
- Community Forestry Business Alliance
- Healthy Forests, Healthy Communities Partnership
- Program Related Investments

#### CBF Context in the US

- Ownership Patterns
- Industry Trends
- Rural-Urban Divide
- Integrated Use Strategies

#### CBF Demonstration

- Effect Social, Economic and Ecological Change
- Build Existing Assets
- Stimulate Integration
- Marketing Toolkit - [www.nnfp.org/matriarch/documents/toolkit11-05.pdf](http://www.nnfp.org/matriarch/documents/toolkit11-05.pdf)

#### Community Forestry Business Alliance

- Peer Learning
- Collaborative Marketing
- Collective Policy Influence

#### Healthy Forests Healthy Communities (HFHC) Model

- Wood Sourcing
- Capacity Building
- Marketing

#### Marketing Strategies

- Access to Differentiation
- Build Market Relationships
- Influence Markets
- Get Dirty

#### Key Lessons

- Know Your Markets
- Power of Partnerships
- Be a Business First

#### Open discussion:

Q – How does the project measure progress?

A – Through the progress of individual partners – annual survey – pay scales, individual volumes etc. But more useful is the qualitative monitoring: level of interest and requests from the market place and the growth of the membership. People are hearing about the partnership and applying to join. We are making programme related investments: starting wholesale enterprise to connect producers to market. Ford Foundation 1% loans.

Q – How do you organise group certification?

A – Certification for an individual business is about \$5000 per year for Smartwood cert. The partnerships holds group certificate: 50 members pay \$500 each. But they have to be a member, and the costs are larger than just certificate costs (staff time etc.) so these are subsidised by grants. But it provides low risk opportunities to the producers.

Q – How do you recognise dead ends: the strength of an organisation can be shown by how it moves out of areas that aren't working?

A – Yes – and building in exit strategies early on, as everything is risky. Plan for failures: they will happen occasionally. Peer learning – learn from others' mistakes too.

#### **10.00 Group planning – capturing lessons for revised toolkit modules**

The participants were asked to fill in two matrices. The first was to identify what activities partner country teams had already completed or would engage in this year – and to identify useful action learning case studies from which lessons could be drawn for inclusion in the toolkit. The second matrix was to capture participants' knowledge about individuals, institutions or bodies of work that would need to be consulted in the development of the toolkit modules.

**Table of the main areas of completed in-country activity (X) and activity in the coming year (√) with highlights of potential case studies.**

	<b>Areas of expertise</b>	<b>Burkina Faso</b>	<b>Cameroon</b>	<b>China</b>	<b>Ethiopia</b>	<b>Ghana</b>	<b>Guatemala</b>	<b>Guyana</b>	<b>India</b>	<b>Laos</b>	<b>Mali</b>	<b>Mozambique</b>	<b>Nepal</b>	<b>Uganda</b>	<b>USA</b>
<b>Facilitation planning</b>	SMFE diagnostics	X √	X √ Mapping CFEs and tenure	X √	X √		X	X √	X √	√		X √	X	X √	X
	Mapping support services		X √	X √	√		X √	X process for mapping support structures	X			√	√	X √	
	Value chain analysis		X	X √	√		√	X √	X Case study	X √		√	X √ paper/ case study essential oil	X √	X
	Sequencing/prioritisation		X	X	√		√	√	X	X			X √	√	X

	Areas of expertise	Burkina Faso	Cameroon	China	Ethiopia	Ghana	Guatemala	Guyana	India	Laos	Mali	Mozambique	Nepal	Uganda	USA
Facilitation proper	Communication platform		√	√	X √		√ Case study	√ community multi-media centres. Pilot in N Rupunumi? Community radio	X √ Case study			X √	X √	X √	√
	Organisation strengthening (governance/ structure)		X √ organisational dynamics and collective action	√	√		X √ case study Ute Che	X √	X √	√		√	X √	X	X
	Market understanding/ literacy (info systems)	X √ MIS for village tree enterprise project participants (NTFPs)	X √ MIS for NTFPs	√	√		√	√	X √			√	X √	X √	X
	Product development		√	√	X √ case study on bamboo product devt.		X √ potential case study (kiet?)	X √ See 1	X √	√ see 2		√ case study	X √	X √	√
	Business/ financial planning	X √	X √	√	X √		X √	√	X √	X		√	X √	X	X
	Organised FS/BDS delivery	X √	√	√	√		X √ ASIICOM FORESCOM	√	X √				X √	X √	
	Building in sustainability	X √	X √	√	√		X	√	X √				√	√	X √
	Policy analysis for change		X √ SMFEs and tenure reform	X √	√		X √ steering group	X √	X case study			X √	X √	√	√

1. Promoting value/excellence of traditional technologies for handicraft. Adding contemporary design elements to traditional design products for market. High value – low volume. Traditional flair. Environmental and ecosystem services. How to connect the market potential to SMFEs. Liana cane interiors NTFP furniture.

2. Case study from Laos: product development: linking PO in Odomxay province with potential buyer(s) (medicinal products)

**Table of possible sources of information for toolkit development**

	<b>Areas of expertise</b>	<b>Sources of information</b>
<b>Facilitation planning</b>	SMFE diagnostics	Ed Canela – international business consultant (edcanela@gmail.com). Rights and Resources Initiative website. Michael Adams ITTO. ACICAFOC (central America). IIED and partners 8-10 countries. Rainforest Alliance tools.
	Mapping support structures	Need expertise in mapping: often huge informal SME sector. FAO (sourcebooks etc.). World Bank (yes, WB!!) Forest Investment Forum reports
	Value chain analysis	Henry Action for Enterprise USA. Soil Association 'Woodmark'. Rainforest Alliance 'Smartwood' and trees. Tropical Forest Trust. GFTN: Global Forest and Trade Network. Forest Stewardship Council FSC. RFLC, FAO. ICCO. GACF. SMG (IIED).
	Sequencing/ prioritization	FSC principles and criteria. <a href="http://www.worldagroforestrycentre.org">www.worldagroforestrycentre.org</a>
<b>Facilitation proper</b>	Communication platforms	Enhancing stakeholder participation in NFPs – toolkit FAO. Ekgoan: <a href="http://www.ekgaon.com">www.ekgaon.com</a> . 'linking people to policy in CF' IIRR. <a href="http://www.iirr.org">www.iirr.org</a> .
	Organisation strengthening (governance/ structure)	ILO group formation training programme. Dutch (IAU) work on learning platforms. FECOFUN (Nepal). IOD. Khanya (S Africa)
	Market understanding/ literacy (information systems)	GFTN. FAO CTA. Dovetail Associates.
	Product development	GTZ value chain activities in Vietnam. <a href="http://www.worldagroforestrycentre.org">www.worldagroforestrycentre.org</a> . Kiej – Guatemala: Maria Pachero.
	Business/ financial planning	ILO-SIYB programme. RFLC. AGER Guatemala. IFC-SMEs? FAO market analysis and development.
	Organised FS/ BDS delivery	Jim Tomecko-GTZ senior adviser, Bangkok, Thailand. Springfield centre, UK. ILO. RFLC
	Building in sustainability	Worldagroforestrycentre website. Small is beautiful. CIFOR website. Rights and Resources Initiative website. Forest Foundation – David Kaimowitz. Healthy Forests Healthy Communities HFHCP.org. GFTN stepwise approach to FSC
Policy analysis for change	Anything on formalising informal sector? SIECA.org central America. Stern report chapter 25. Rights and Resources Initiative website. Facility FAO. Nfp Guatemala <a href="http://www.pfpnguate.org">www.pfpnguate.org</a> . FGLG. Rural voices for conservation coalition.	

## **11.00 Coffee**

### **11.30 Report back – commitments to capture lessons of success and failure**

There was a call to explain what would happen next in the Forest Connect alliance. IIED and FAO explained that the funding from PROFOR was for one year only (but with some hope that a pre-planned second phase might be funded including a chance to meet and review toolkit content next year). PROFOR funding included meeting costs, and partner funds and some travel costs, but no time for IIED or FAO. The latter organisations were committed to funding the various country teams up until the end of the PROFOR project (June 2009). Funding was currently being sourced from multiple small donor contributions both within IIED and FAO. Some countries already had agreed workplans and contracts. Others had only been asked to complete diagnostic studies and the international team would follow up with each of these to identify areas of further action learning in the coming year. Beyond that date there were no firm commitments, but every intention to pursue larger funds to support partners over a longer time frame.

The immediate outcome of this workshop would be a workshop report (this document). Following this, a revised set of toolkit modules would be developed by IIED with some initial text capturing best practice in the areas identified. This would be sent to all for review – with request to supply further case study or methodological approaches. As in-country action learning continued the intention was to deepen the substantial guidance that different teams could make available to one another. In addition experts might be contracted to enhance certain key areas of the toolkit.

In terms of broader networking between Forest Connect members it was agreed that some form of regular email update would be useful with an email group. The international Forest Connect networking site was being used to exchange information and the consensus seemed to be that it was a useful platform. Some countries had already uploaded diagnostic reports which other teams had found useful. The intention was to send out regular email alerts of new materials, events etc. throughout the year. Brief reviews of the development of national websites highlighted some other potential areas to explore. In some cases, useful information was being supplemented by direct platforms for interactive exchange between buyers and producer groups. Some had already documented and archived details of the major service providers in-country.

For ongoing in-country work, one major recommendation was that teams who had not already established national steering committees should consider doing so. In countries where these were operating such as Guatemala, the involvement of policy and decision makers was helping to get buy in early on. Strategically the steering committee could be used to draw in particular areas of expertise, potentially outside the forest sector (e.g. from agriculture and small enterprises support groups which may be more advanced in certain areas). In order to practice what we preach, it was decided that the international project should also have a steering committee comprising 4 country team members and 1 additional external expert to be nominated by the country teams at the time of distribution of this report.

Membership of the Forest Connect alliance was deliberately being kept open. Obviously IIED and FAO only have capacity to financially support a limited number of country teams. Nevertheless there is nothing to stop additional countries from joining under their own financial steam. The Community Forest Business Alliance from the USA for example might be an excellent partner – helping to bring their experience to bear to the benefit of other members, without needing a dedicated financial support programme. It was agreed that members could and should use their membership of the broader Forest Connect alliance to try and attract funds for their work from locally available sources of funding where possible.

The organisers thanked the participants for making the long journey to Edinburgh and contributing so actively over the three day workshop.



### 12.30 Evaluation



Participants were asked anonymously to put a cross in each quarter of an evaluation target. The numbers below summarise what participants thought (the nearer the centre, the better the evaluation).

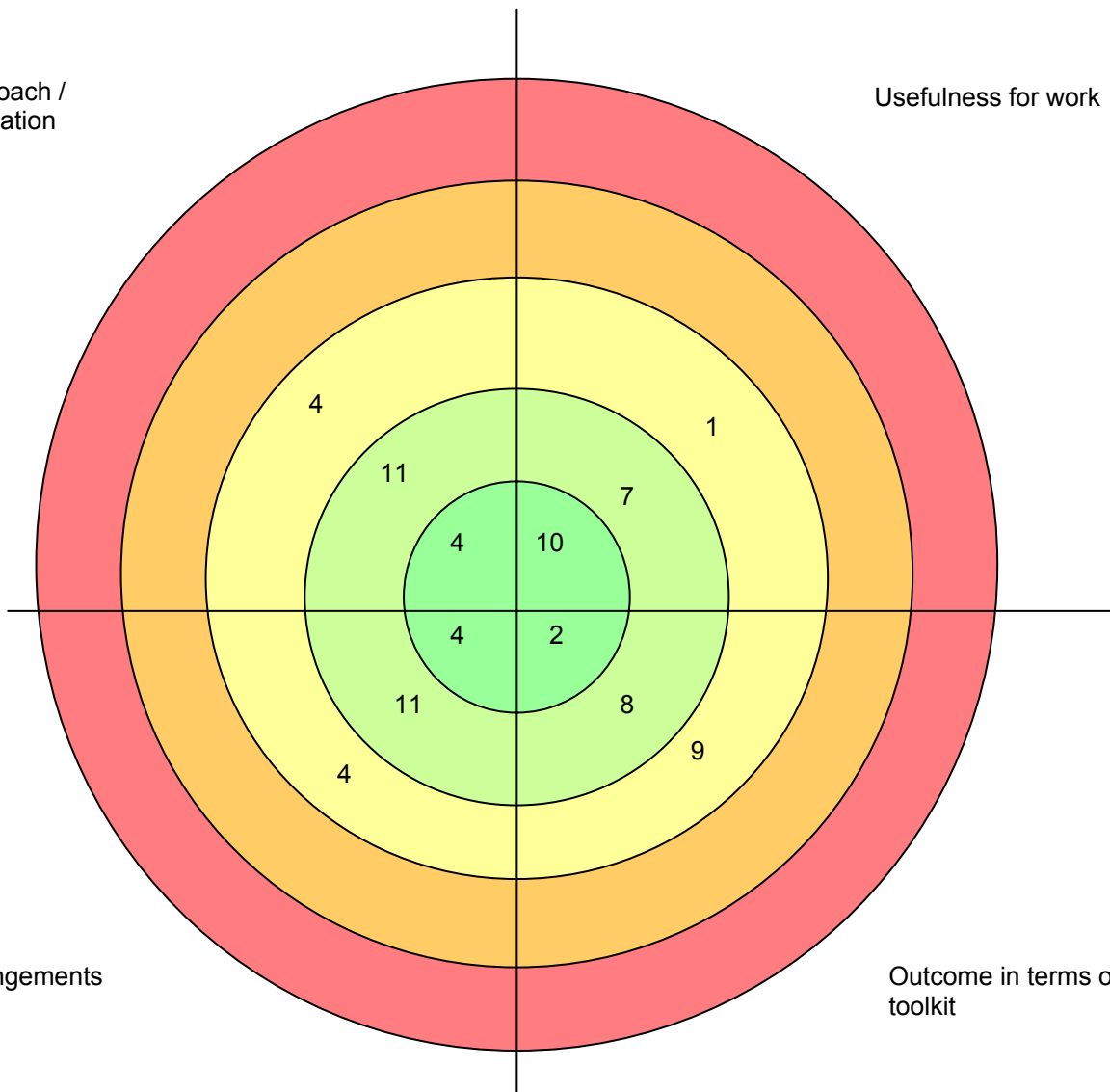
Participants were then asked to write anonymous comments on positive and negative feedback walls. An unedited list of these comments is given below.

A plenary session was used to read out the comments so that there was transparency about what needed to be improved for next time. A particular issue will be the location and field trip to be arranged for the next meeting.

- Bulls-eye = Excellent
- 2<sup>nd</sup> circle = Good
- 3<sup>rd</sup> circle = So-so
- 4<sup>th</sup> Circle = Poor
- 5<sup>th</sup> Circle = Terrible

Approach /  
facilitation

Usefulness for work



Arrangements

Outcome in terms of  
toolkit

## Positive comments

### APPROACH AND FACILITATION

- Meeting approach works well
- Diverse and dynamic ways to get the best outcome
- Good workshop process and facilitation
- Relaxed non-dominant facilitation very good!
- Good workshop methodology
- The methodology of the meeting was very good
- Well structured facilitation and guidance
- Good amount of free time for informal networking
- Good sharing of experience
- Great team feeling
- Not too intense – lots of informal time
- Active discussion
- Team work is great

### PARTICIPANTS

- High quality of participants with relevant experiences
- The expert participation added a lot of value to the workshop
- Diversity of participants excellent – diversity of experiences and expertise was a very good outcome
- Very relevant resource persons
- The presentations were useful for my work
- Great participation from all participants. Especially useful resource people from outside Forest Connect countries
- Expert presentations were very good

### ARRANGEMENTS / VENUE

- Marie was especially useful
- Very good pre-workshop coordination / communication
- Meeting room excellent
- Excellent workshop venue
- Workshop was organised in a beautiful city (historical place)

## Negative comments

### APPROACH AND FACILITATION

- Lacking presentations on some unique products as examples of success
- On the first day, might have been more useful to give more time to questions on country presentations and leave out the feedback panel sessions
- On Day 1 could have 3 different types of presentations for country teams – 9 presentations on the same theme was a bit too much
- A bit more time dedicated to summarising results of different exercises would help develop our reflections in a more systematic manner as the workshop progresses. For example the communications exercise on Day 1 got lost along the way.
- More engagements with each country – bring them out if they do not speak up!
- Solicit more input from member countries as opposed to TA / support NGOs (perhaps more small group work)
- Guidance to country presenters could have been clearer – to insist more on existing / known than intentions
- More case studies – examples and lessons learned
- Possibilities for more focussed attention to the issues and problems were lost because of the very structured / time keeping approach. Therefore some focus group type of working groups within the workshop might have been productive in terms of zooming in on issues, problems etc.
- Last creativity part should be longer for those of us who need to translate everything
- Too rigid timeframe for discussion
- Need more team work
- More structured debate

#### ARRANGEMENTS / VENUE

- Would like next workshop to be in ???
- Need to relocate to a developing country
- Need field trip
- Field trips in developing country
- Study tour to an enterprise or association should have been included
- Some cultural events
- Woody field trip would have been good
- Need accommodation with basic communication services (phone internet)

#### PARTICIPANTS

- Brazil, Mexico absent???
- SMFEs (producers) to participate – small businesses etc.
- Invite SMFE representatives to the next meeting
- Lacking testimonials from actual SMFEs / reps

#### FOOD

- Wider choice of food for lunch
- Need more balanced diet (vegetables, fruit)
- The lunch was too cold
- Too many cold foods
- Not much vegetarian meals

#### **13.00 Closing lunch**

## List of participants



- Mr Ambrose BUGAARI – Environmental Alert, Uganda – [ambrose\\_bugaari@yahoo.com](mailto:ambrose_bugaari@yahoo.com)  
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Mr Tom ROCHE – Just Forests, Ireland – [woodlife@justforests.org](mailto:woodlife@justforests.org)  
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