

Connecting small enterprises in ways that enhance the lives of forest-dependent people

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Some recommendations for how to connect small forest enterprises, not only to each other through associations, but also more broadly – to decision-makers, service providers and markets.

Forest enterprise has been extensively examined as a means of alleviating the widespread poverty among forest-dependent people. When poverty alleviation is considered solely in terms of income generation, small forest enterprises may or may not compare favourably with larger enterprises. However, when broader dimensions of well-being are considered, small forest enterprises are seen to have a vital role in enhancing the quality of life of forest-dependent people and lifting them out of poverty. Beyond basic health and subsistence, these broader dimensions of human value include security and freedom from oppression; decent, creative and fulfilling work; social relationships and networks; appreciation and management of a beautiful environment; and identity, faith and culture. A large body of international law supports these values by according them the status of legal rights (Macqueen, 2007) – for example, the rights to life, liberty and physical integrity of the person, to food, to justice or to a clean environment [ed. note: see related piece on p. 31].

Much is known about the circumstances under which small forest enterprises flourish and help to reduce poverty (Arnold, 2006), for example when:

- general macro-economic conditions and income levels rise such that consumers shift from gathering to buying a product;
- products can be tailored to specific markets in ways that are difficult for mass-produced goods;
- the small scale of the production process does not create significant economic disadvantages;

- the production process can be made more efficient economically as competition increases;
- parts of a larger production process can be carried out efficiently by outsourcing to small forest enterprises.

Yet despite their potential to improve quality of life and reduce poverty, small forest enterprises still face difficulties that may prevent them from doing so. Business deficiencies are often exacerbated by isolation from market information and financial and business development services and by policies biased against small-scale actors. A study in 27 countries suggested that these difficulties are linked by four underlying problems (Macqueen, Barrance and Holt, 2001):

- lack of representation of the poor and their enterprises in policy- and decision-making;
- inappropriate laws, policies and practices that result;
- locally weak institutions that lack sufficient clout to influence these;
- isolation of the poor from supportive infrastructure and services.

If one had to summarize these problems in a few words, it might be “being unconnected”. This problem is most acute in least developed countries where government resources do not provide the infrastructure, information technology or networking opportunities for forest-dependent people and their enterprises to flourish. To address poverty for forest-dependent people means to connect them – but how and to whom?

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A small enterprise making beehives for the local market, Ghana: small forest enterprises can be isolated from supportive infrastructure and services

CONNECTING WITH OTHER ENTERPRISES – THE ROLE OF ASSOCIATIONS

Small entrepreneurs in the forest sector often sense a need to connect with one another. They work together to strengthen their political voice and their bargaining power in the market – collectives being much harder to ignore or mistreat than individuals. Associations help small enterprises adapt to new market opportunities and reduce their transaction costs (Macqueen *et al.*, 2006). In Uganda alone, there are estimated to be 2 000 to 3 000 forest-based associations (Kazooraa *et al.*, 2006).

How small-enterprise associations contribute to quality of life: some examples and possible pitfalls

Fostering local entrepreneurship. Joint investment through associations can provide employment opportunities, build entrepreneurial capacity and protect labour. In Brazil, for example, the Cooperativa de Produção Agropecuária e Extrativista dos Municípios de Epitaciolândia e Brasiléia established a Brazil nut processing plant which is now investing in processing different products, including animal feed from the shells. The cooperative also plans to launch a new line of rubber products and to process the pulp of a local palm fruit (Campos, Francis and Merry, 2005). In India, the

Gujarat Timber Merchants' association has fought the closure of small saw-mills threatened as a result of strong conservation legislation (Bose *et al.*, 2006).

Basic salaries and worker health and safety, however, are often worse in small forest enterprises than in larger ones (May, Da Vinha and Macqueen, 2003; ILO, 2001). Overcoming competitive pressure, inefficiencies of scale, inadequate access to capital and disabling policy environments in order to reverse that trend is a major challenge for associations.

Providing local income opportunities and developing community services.

Associations provide income and services to the community either directly or through the accrual of wealth that is spent locally. For example, in South Africa, the Kwangwanase Association of small timber growers hires a truck at harvest time to reduce members' transport costs and improve their income (Bukula and Memani, 2006). Associations, more than individual enterprises, often contribute to developing social services. In India, the Harda District Timber Merchant Association collects money and makes loans to particularly needy members who have suffered losses beyond their control (Bose *et al.*, 2006).

There is the perennial danger, how-

ever, that costs of membership may outweigh perceived benefits or that lack of financial transparency may erode trust in association leadership, as occurred in the Amerindian Handicrafts Association in Guyana (Ousman, Macqueen and Robert, 2006).

Building systems of local environmental management and accountability.

Associations of indigenous peoples in the southern states of Mexico, angered about the degradation of their forests by external concessionaires, fought a successful campaign to wrest environmental control away from outsiders into local hands (SEMARNAP, 2000). As a result, 80 percent of Mexico's forests are now owned under a social tenure system with around 8 500 agrarian nuclei inhabited by an estimated 12 to 15 million people and 43 indigenous groups. Some 2 500 of these nuclei have forestry permits and 46 communally managed Forest Stewardship Council (FSC) certified operations now cover more than 800 000 ha, helping to pioneer not only certification, but a model that is built around community management.

Forest enterprise associations do not always work towards greater local environmental awareness and accountability, however. For example, the Board of Directors of the Association of Rural Workers in the Boa Esperança/Entre Rio settlement in Brazil became embroiled in illegal sale of land plots and timber (Figueiredo, Porro and Pereira, 2006).

Underwriting local social networks that reduce isolation.

The Federation of Rajasthan Handicraft Producers in India has instituted awards for outstanding handicraft producers. It organizes an annual symposium to share designs and runs seminars on trends in home furnishing, visual merchandising and export promotion. Leading members are selected to participate in European trade fairs (Bose *et al.*, 2006).

Yet in some circumstances associations

may fail to enhance social networks, especially if they have been established for some ulterior motive. For example, many associations were formed in Para, Brazil solely to take advantage of a government credit programme. While they achieved this aim, they did little to further social networking and reduce the isolation of their members (Campos, Francis and Merry, 2005).

Reducing tensions that arise from external interference in local resource use.

Associations often help to shape an enabling environment that creates more equitable opportunity for small forest enterprises. This in turn reduces tensions and conflicts that arise from inequitable systems of forest resource use. For example, the Uganda Wood Farmer's Association was formed specifically to sue the Uganda Investment Authority for creating an industrial park on land where trees were planted and managed by farmers. The presiding judge ruled in favour of the farmers and granted compensation equivalent to four tree rotations (Kazoora *et al.*, 2006). Members of the Guyana Manufacturers and Services Association are lobbying for a new land-use strategy based on small forest enterprises that could increase forest revenues and employment without compromising sustainability (Mendes and Macqueen, 2006).

Inevitably, there are also many examples where association management is at the root of conflicts, even in successful associations. For example, the Saharanpur Wood Carving Association in Uttar Pradesh, India successfully campaigned for changes in tax incentives and export policies over a period of 40 years, but disputes among the office holders in 2004 caused the president to leave and establish the Saharanpur Wood Carving Manufacturers and Exporters Association, which is now a direct competitor (Bose *et al.*, 2006). While competition can be healthy, lasting social tensions can result if such splits are not carefully handled.

Enhancing cultural values and recognition and voice for ethnic minorities.

In Guyana, the Makushi identified their culture of sustainable interaction with surrounding forest resources as a key asset within their communities (Ousman, Macqueen and Robert, 2006). The North Rupununi District Development Board, an umbrella association of local Makushi communities, helps to develop tourism enterprises and promotes local language, dance and weaving. It also supports and guides the Makushi Yemkun Cooperative, a community forestry cooperative group that operates in line with Makushi decision-making structures.

Customary approaches that champion particular cultural values may not be entirely egalitarian, however. Ethnic communities are often highly differentiated, and customary (and often male) élites circumscribed by traditional systems of rules (such as the *adat* system in Indonesia) often capture the benefits of community enterprises based on local forest resources (Hobley, 2007).

CHALLENGES OF GETTING CONNECTED MORE BROADLY

Despite the substantial gains that can be made by connecting to one another in forest enterprise associations, many small forest enterprises fail even when they have such support. Common problems include excessive State bureau-

cracy, unstable national policies and regulations, insecure tenure, inaccessible credit, poor market information, inadequate technology, poor infrastructure, lack of bargaining power and insufficient business expertise—many aspects of being unconnected at a broader level. Community forest enterprises often have problems of connecting to markets and to the bureaucratic processes that govern legal operation (Molnar *et al.*, 2006) as well as to potential business development or financial service providers (Donovan *et al.*, 2006).

There are a number of key functions that any small or medium-sized forest enterprise needs to develop (see Figure). These include:

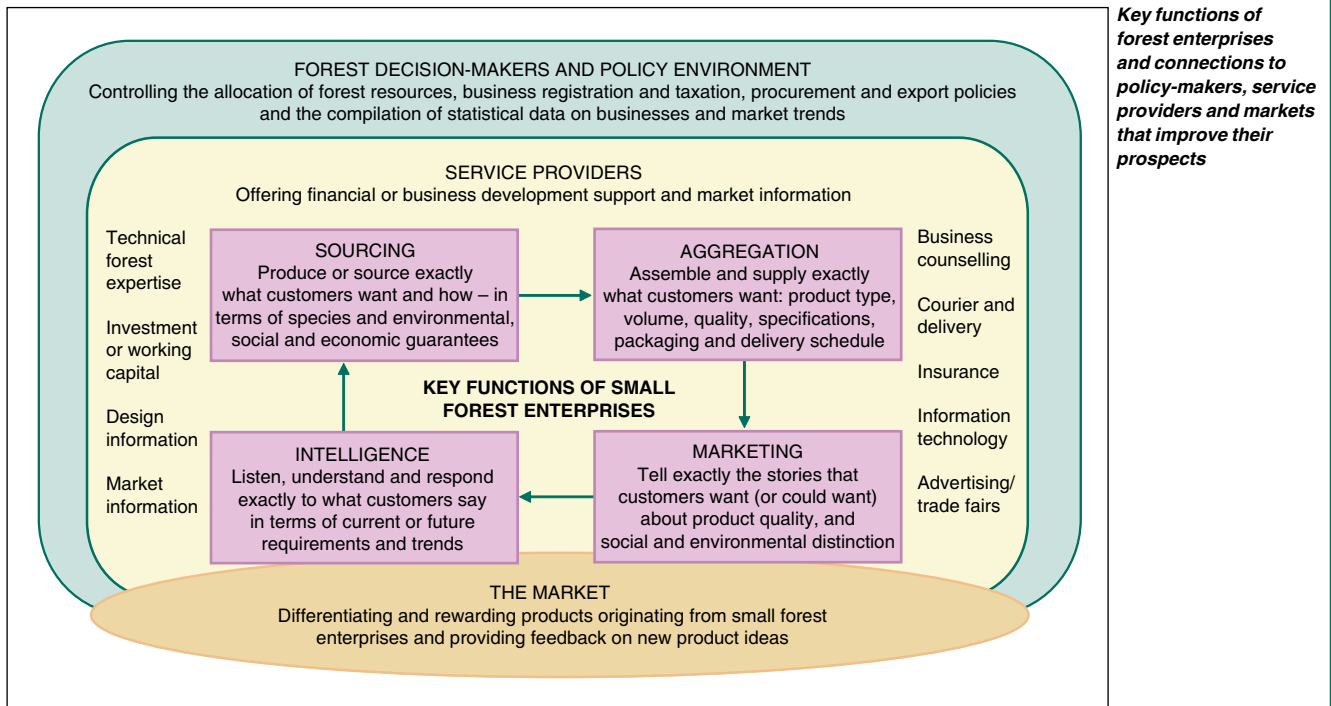
- production or sourcing of raw materials (timber, non-wood forest products and other inputs) in ways that satisfy customers' social or environmental concerns;
- administration and management of the assembly, processing and delivery of products to the volumes, quality standards, packaging requirements and time frames specified by the customers;
- marketing to prospective customers;
- market intelligence that informs future product innovation and development.

It is impossible to develop these functions in isolation. Small forest enterprises and their associations need to be

Stored timber from a small enterprise awaiting market, Mozambique: getting connected at a broader level means improved access to tenure, credit, market information, technology, infrastructure, bargaining power and business expertise



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better connected in the three domains depicted in the Figure:

- to decision-makers that allocate forest resources, control business registration and taxation, control procurement and export policies and compile statistical data on businesses and market trends;
- to technical forest management specialists, more generic business and financial service providers, and designers and market information service providers;
- to market mechanisms that reward products originating from responsible small forest enterprises, market venues where likely customers will see their products or promotional materials, and customers who give regular feedback on new product ideas.

SOME RECOMMENDATIONS

In conclusion, small forest enterprises and their associations can help to enhance quality of life – but to do so they need to be better connected to each other, to decision-makers, to service providers

and to markets. Three general needs stand out:

- **Better representation for small forest enterprises in decision-making.** The fact that small forest enterprises are the norm in most countries is often not reflected in rules and policies that favour large enterprises. If governments are serious about poverty reduction, they must allow small forest enterprises to exist legally, grant them secure tenure and access to forest resources and tax them fairly (White, Kozak and Liddle, 2007). They need to make rules governing association easy to follow. They also need to collate better information on small forest enterprises as a basis for future interventions.
- **Stronger networks that link small forest enterprises with financial and business development services.** Networks that connect small forest enterprises and their associations to financial and business development services are crucial. There are many good examples of such support

networks – for example, the Business Service Providers in Cameroon (Spik, 2006) and the Servicio Forestal Amazonico in Ecuador (Romero, 2006). Finding innovative ways to make such networks functional and sustainable is an area that needs further attention and is currently being addressed in a joint IIED/FAO project called Forest Connect (see www.iied.org/NR/forestry/projects/forestconnect.html).

- **Ways of distinguishing, and increasing the returns from, responsible small forest enterprises in the market.** New initiatives are needed to build market access for small forest enterprises. Ongoing research suggests that there is substantial industrial demand for a mechanism to distinguish community forest products in the market. A product-specific label for fair trade timber or a community label from a major certification scheme would be required to reward such preferential sourcing in the marketplace (Macqueen, Dufey and Patel, 2006). ♦



FSC-certified Amazonian community timber sold in a do-it-yourself store in São Paulo, Brazil: one way to distinguish responsible small forest enterprises in the market and increase returns



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