Contributions of Community and Small Forest Enterprises

Next Generation of Forest Agency Leaders
Oaxaca, Mexico

Rodney Schmidt
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1. What are CSFEs?
2. Contributions to the forest economy
3. Contributions to reducing deforestation and carbon emissions
4. Challenges for CSFEs
5. Challenges of CSFEs for forest agencies
6. Recommendations
What are CSFEs?

Forest communities with collective enterprises based on goods, services, conservation values

Cooperatives or groups of forest farmers producing for market from natural forests or planted forests/ agro-forestry

Technical service providers

Processing industries, including artisans
What are CSFEs?

Include private ownerships, limited partnerships, contractors, collectives, cooperatives, associations, community-owned enterprises, and informal operations

Tend to have strong ties to the communities in which they operate

Majority are rurally-based, very small operations, and many are family-owned or home-based (60–65%)

Produce a wide variety of forest goods and services including timber and non-timber forest products, value-added wood products, and ecosystem services
What are CSFEs?

European Commission Definition of Micro, Small, and Medium-Sized Enterprises:

<table>
<thead>
<tr>
<th>Enterprise Type</th>
<th># of Employees</th>
<th>Revenues (Turnover)</th>
<th>Revenues (Balance Sheet)</th>
</tr>
</thead>
<tbody>
<tr>
<td>medium-sized</td>
<td>&lt; 250</td>
<td>≤ € 50 million</td>
<td>≤ € 43 million</td>
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<tr>
<td>small</td>
<td>&lt; 50</td>
<td>≤ € 10 million</td>
<td>≤ € 10 million</td>
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<tr>
<td>micro</td>
<td>&lt; 10</td>
<td>≤ € 2 million</td>
<td>≤ € 2 million</td>
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### Contributions of CSFEs to the forest economy

<table>
<thead>
<tr>
<th></th>
<th>Brazil</th>
<th>China</th>
<th>Guyana</th>
<th>India</th>
<th>South Africa</th>
<th>Uganda</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of SMFEs as a</td>
<td>98.2-98.9%</td>
<td>87.0%</td>
<td>93.0%</td>
<td>87.0-98.0%</td>
<td>33.0-95.0%</td>
<td>-</td>
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<tr>
<td>proportion of total</td>
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<tr>
<td>forest enterprises</td>
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<tr>
<td>Number of SMFE</td>
<td>49.5-70.4%</td>
<td>50.0%</td>
<td>75.0%</td>
<td>97.1%</td>
<td>25.0%</td>
<td>60.0%</td>
</tr>
<tr>
<td>employees as a</td>
<td></td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>proportion of total</td>
<td></td>
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<td></td>
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<tr>
<td>forestry employment</td>
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<tr>
<td>SMFE revenues as a</td>
<td>75.0%</td>
<td>43.0%</td>
<td>50.0%</td>
<td>82.0%</td>
<td>3.0%</td>
<td>60.0%</td>
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<tr>
<td>proportion of total</td>
<td></td>
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<tr>
<td>forestry revenues</td>
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</tr>
</tbody>
</table>

Source: Macqueen and Mayers, IIED, 2006
Contributions of CSFEs to the forest economy

Account for more than 50% of forest related employment in most countries

- 80–90% of forestry enterprises in most countries
- Over $US 130 billion of gross value-added
- Direct employment of 20,000,000 in the formal sector
- Estimates of upwards of 140,000,000 workers in the informal sector

Sources: Macqueen et al. 2006, Macqueen and Mayers forthcoming, Mayers 2006, Schneider and Enste 2000
Contributions of CSFEs to the forest economy

Can be more accessible to marginal groups including women; e.g. less initial capital outlay needed.

Organizational business skills and capital learned can be used in other community initiatives.

Revenues are invested not only in maximizing profits but in social infrastructure, conserving high-value forests, and generating social and human capital for community well-being.
Contributions of CSFEs to reducing deforestation and carbon emissions

Community–owned forests with local rule making is linked to significantly lower carbon emissions in a sample of 80 forests in East Africa, South Asia and Latin America

(Chhatre & Agarwal, PNAS 2009)

Multiple use protected areas in Asia and Latin America limited fires more than did strictly protected areas. Indigenous territories were even more effective

(Nelson&Chomitz, World Bank 2011)
Contributions of CSFEs to reducing deforestation and carbon emissions

Mexico: Forest cover change in 10 community forests in Guerrero and 12 in Quintana Roo compared favorably to change in 60 protected areas nationwide

(Duran, Mas & Velsquez, Community Forests of Mexico, 2005)

Nicaragua/Honduras: Indigenous territories compare favorably to protected areas in the Mosquitia region

(Hayes, Human Ecology, 2007)

Brazil: Deforestation was much more limited in Indigenous territories than in strictly protected areas. Deforestation in sustainable use areas was less, but still substantial (remoteness & environmental factors held constant)

(Soares Filho et al, PNAS, 2009)
Challenges for CSFEs

Lack managerial, entrepreneurial, and marketing expertise

Tend to have simple organizational and operational structures

Lack capital and assets and have limited access to financing (80% of financing comes from owners, friends, and family)

Have difficulties sourcing raw materials

Serve local, domestic markets

Challenges for CSFEs

Insecure ownership of and access to land and forest products (timber and non-timber forest products)

Uncertain legal context and criminalization of CSFEs and informal sector

High costs associated with forest management plans, permits, certification, taxation, bribery, etc that are more suitable to larger operations

Increasingly competitive global markets
Challenges of CSFEs for forest agencies

Changing perspectives: community forest associations and collective governance as assets yielding positive outcomes

Identifying, learning about, and understanding CSFEs as a new constituency – who are they, what do they want, what can they do?

Rethinking business models and regulations that were developed to support large-scale timber companies and concessions

Proactively supporting CSFE development
Recommendations: Awareness

Learn from the experience of other forested countries

Understand the potential of CSFEs in your country and region

Pay attention to domestic and regional markets and informal as well as formal economies and income streams

Collect data to reflect SMFEs in sector and national accounting

Do research on:
- the size and contributions of SMFEs
- the needs, issues, and success factors of SMFEs
Recommendations: Level playing field

Ensure secure tenure and access to forest resources

Reduce heavy regulations that constrain fragile CSFEs or limit their competitiveness, including taxation norms

Shift subsidies away from vested interests

Increase participation of communities in the policy dialogue and in the development of standards for PES, REDD, FLEGT
Recommendations: Proactive support

Training (technical, business, financing, communications)

Access to credit

Formation and operation of community associations and networks

Access to market information and to markets, including export