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Fostering Small and Medium Forest Enterprises as a Pathway to Prosperity

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Small and medium forest enterprises (SMFEs) – aimed at generating income from a diverse set of forest-related activities – are common business models in developing countries' forest-dependent economies. Apart from playing an important collective role in national economies (globally generating US \$75 - \$100 billion per year in forest goods and services, and employing at least 20 million people worldwide), SMFEs, both community and privately owned, lead to multiple dimensions of economic, social, and cultural prosperity at the local level. Economically, they play a role in poverty reduction, livelihoods and food security, and localized distribution of wealth. Socially, they encompass issues of democratization, decentralization, tenure and access rights, community cohesion, and the political empowerment of local people. Culturally, they stimulate local creativity and preserve cultural identity and practices, such as locally appropriate and responsible forest management (which in turn leads to carbon and biodiversity benefits). In short, fostering SMFEs can be an important strategy for fostering economic, social and cultural prosperity in forest-dependent communities. However, SMFEs also face a number of barriers and challenges, including inhospitable or incompatible regulatory environments, difficulties achieving economies of scale, and insufficient access to technical and financial capacity to overcome these issues. Through a comprehensive literature review of scholarly research published on the subject of SMFE failures and successes, our study addressed the following question: what political, economic, and socio-cultural conditions are needed for SMFEs to prosper? In answering this, we identified and characterized the main components of enabling business environments that would allow SMFEs to overcome common obstacles and, ultimately, flourish. This synthetic review used online databases to search for terms associated with two main streams: 1) enabling environments, successes, and challenges; and 2) small and medium firms, SMFEs and community forest enterprises. Empirical and theoretical studies of local to global significance were included in the review, as well as examples from small and medium firms outside of the forestry sector. The resulting literature was filtered for relevance and papers were systematically reviewed to identify recurring themes that emerged as necessary components of an enabling environment for SMFEs. These were compiled and categorized into 11 emergent pillars of success: macroeconomic setting; tenure; management rights; forest law enforcement; markets; regulatory frameworks; financial services; organizational capacities; clustering; business management capacities; and forest management capacities. A conceptual framework comprising these pillars was then developed to describe the internal and external components of an enabling environment for SMFEs. SMFE's noteworthy role as a pathway to prosperity for forest-dependent households, communities, and national economies has yet to be fully embraced by governments, investors, and civil society. The enabling environment framework proffered in our study can be used as a tool by practitioners seeking to promote SMFEs through new programs of support or general policy reforms, such as those associated with REDD+ or FLEGT/VPAs. By considering the various pillars that act as the foundation for successful SMFE development in policy reforms and on-the-ground applications, the efficacy of forest-dependent livelihood interventions around the world can be meaningfully enhanced.