

## SPOTLIGHTS

# Alternative business models for forest-dependent communities in Africa: A pragmatic consideration of small-scale enterprises and a path forward

Robert A. Kozak

University of British Columbia, Faculty of Forestry  
Africa Forests Research Initiative on Conservation and  
Development (AFRICAD)  
2424 Main Mall, Vancouver, BC, V6T 1Z3, Canada  
E-mail: [rob.kozak@ubc.ca](mailto:rob.kozak@ubc.ca)

*Plus ça change, plus c'est la même chose.*

– Jean-Baptiste Alphonse Karr

## ABSTRACT

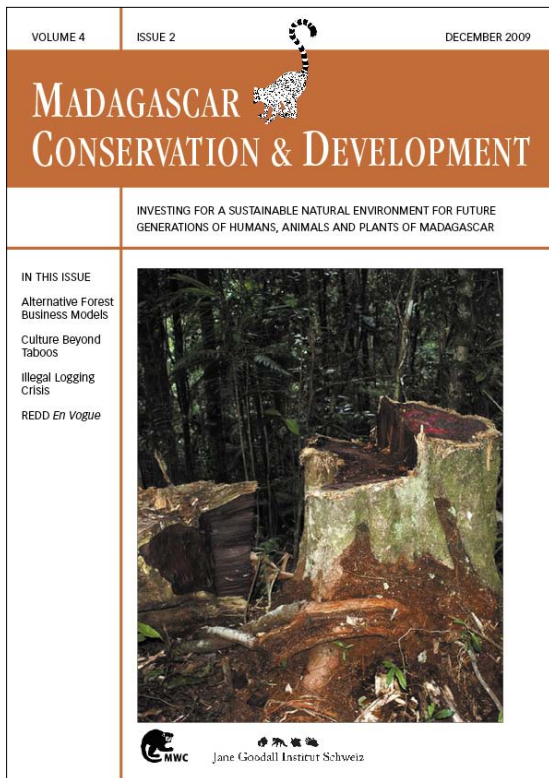
The dominant mode of business practice in the African forest sector – especially in the high forest cover regions – comes in the form of concessionaires operating on publicly held lands. Increasingly, however, the concession-based model is being challenged. Is it socially and environmentally sustainable? Does it lead to positive socio-economic outcomes for forest-dependent communities? While this paper does not attempt to answer these questions head-on, it does put forward four alternative business models that could serve to reduce poverty and improve social conditions among rural forest-dwelling Africans: 1) small and medium-sized enterprises; 2) community forest enterprises; 3) business associations; and 4) alliances with concessionaires. Definitions of the four business models are provided, and some key considerations for each are discussed. The paper concludes by providing recommendations for civil society, governments, economic actors, communities, and other stakeholders interested in catalyzing and creating an enabling environment for these sorts of business alternatives to succeed in the forested regions of Africa. Namely, there is a need to collect and disseminate quantitative data on the socio-economic contributions that small-scale enterprises can make, devise appropriate interventions that take into account the highly variable socio-political landscapes of Africa, and develop business plans grounded in solid, marketable value propositions.

## RÉSUMÉ

Les concessions forestières sur terrains publics constituent le principal mode de gestion du secteur forestier et est plus particulièrement adopté dans les régions disposant d'une couverture forestière importante. Cette pratique est cependant de plus en plus remise en question et certains de se demander se elle est pérenne socialement et pour l'environnement, ou encore si elle permet aux communautés humaines dépendantes de la forêt de profiter de retombées socio-économiques. Si cet article ne prétend pas aborder ces questions directement, il propose cependant quatre modèles économiques qui peuvent être des alternatives aux systèmes basés sur les concessions forestières et qui pourraient permettre de réduire la pauvreté et améliorer les conditions sociales des Africains qui vivent dans les

forêts. Ces alternatives proposées pourraient ainsi être de petites et moyennes entreprises (PME), des entreprises forestières communautaires (EFC), des associations professionnelles ou encore des formes d'alliances avec les concessionnaires forestiers. Les PME forestières sont communément rencontrées dans les économies en voie de développement où elles ont vraisemblablement l'avantage de disposer d'un droit acquis auprès des communautés dans lesquelles elles évoluent et constituent un moyen de légitimer les activités économiques informelles ou souterraines. Les EFC sont assez semblables si ce n'est que les forêts et les entreprises locales appartiennent ou sont gérées par les communautés. Elles se répandent de plus en plus dans les économies en voie de développement mais doivent faire face à un certain nombre d'obstacles sur des questions de marché et d'ordre institutionnel. Les associations professionnelles incluent une vaste gamme de regroupements formels et informels de petits producteurs (comme des réseaux ou des circuits) qui peuvent servir pour faire face à des problèmes de petite envergure, une instabilité économique, une absence d'accès à des marchés et un soutien institutionnel limité. Il est important de noter ici que de telles associations peuvent également jouer un rôle primordial pour influencer les discours politiques. Et pour conclure, notons que les concessions forestières ne sont pas prêtes de disparaître dans de nombreuses régions boisées d'Afrique, et ceci étant, les petites entreprises auraient ainsi intérêt à élaborer des alliances stratégiques, des relations contractuelles et des accords de partenariat avec les concessionnaires.

Si chacun des modèles économiques présentés ici à titre d'alternative a ses avantages et ses inconvénients, sans oublier leurs succès et leurs échecs, le but poursuivi dans cet article est de formuler des recommandations destinées à la société civile, aux gouvernements, aux acteurs économiques, aux communautés et à d'autres dépositaires motivés pour catalyser et créer un environnement capable de supporter que de telles entreprises réussissent dans les régions forestières d'Afrique. On note ainsi qu'il y a un réel besoin de récolter et de disséminer les données quantitatives sur les contributions socio-économiques qu'apportent les petites entreprises, mais aussi de concevoir des interventions pertinentes qui prennent en compte la variabilité extrême des paysages socio-politiques en Afrique, et enfin de développer des plans d'action pleinement fondés sur des propositions de valeurs commercialisables.



Madagascar Conservation & Development is the journal of Madagascar Wildlife Conservation (MWC) and the Jane Goodall Institute (JGI Switzerland). It is produced in these institutions' own responsibility.

All the Issues and articles are freely available at <http://www.mwc-info.net/en/services/journal.htm>

Contact Journal MCD  
 info@journalmcd.net for general inquiries MCD  
 funding@journalmcd.net for supporting the journal

Journal Madagascar Conservation & Development  
 Institute and Museum of Anthropology  
 University of Zurich  
 Winterthurerstrasse 190  
 CH-8057 Zurich, Switzerland



[contact@mwc-info.net](mailto:contact@mwc-info.net) for general inquiries

Postfach 2701  
 CH-8021 Zürich, Switzerland

Logement 11, Cité Andohaniato  
 Antananarivo 101, Madagascar



[info@janegoodall.ch](mailto:info@janegoodall.ch) for general inquiries JGI

Jane Goodall Institute Schweiz  
 Postfach 2807  
 8033 Zürich  
 Switzerland

KEYWORDS: Africa, forests, alternative business models, concessions, poverty alleviation, community wellbeing.

MOTS CLEF : Afrique, forêts, modèles économiques alternatifs, concessions, réduction de la pauvreté, bien-être des communautés.

## CONTEXT

Forests play an undeniably important role in the generation of wealth and the creation of employment opportunities for communities around the world. Nowhere is this truer than in the developing world, where it is estimated that forests contribute to the livelihoods and wellbeing of approximately 90 % of the world's poorest people (World Bank 2002), either in the form of subsistence uses or income derived from a wide range of timber products, non-timber products, ecosystem services, or conversion to agricultural lands (Arnold 2001, Sunderlin et al. 2005).

At 635 million hectares, forests in Africa comprise about 16 % of the world's forests and 25 % of the world's tropical rainforests (FAO 2007). Currently, approximately 30 % of African forests are dedicated to the production of wood products and non-timber forest products (NTFPs) (ibid), meaning that business concerns have a very tangible bearing on the livelihoods, well-being, sustainability, and social development of the many forest-dependent communities occurring throughout many parts of rural Africa. Paradoxically, amidst this wealth of resources, Africa has the highest percentage of people on the planet living on less than one dollar a day, with 60 % of its rural population living below the poverty line (Anderson et al. 2006, Oksanen et al. 2003). Concurrently, forest loss in Africa can reach an annual rate of 1 %, exceeding the world average by about four times (FAO 2007), with much of this loss being attributed to forestry-related business activities, both formal and informal.

This leads to some fundamental questions. Perhaps most importantly, what are the most appropriate business models for the production of forest products and services from Africa? This is by no means simple questions to disentangle. To begin with, there are countless business models to choose from and the forest industry is an incredibly diverse sector, encompassing a large basket of forest products and services from medicinal plants to structural lumber products to ecotourism opportunities. In addition, business entrepreneurs and interests can take on many forms, from individuals and families working informally to locally- or collectively-owned small and medium-sized enterprises to large, multinational corporations. In light of this breadth of opportunities and the pressing need to address social, economic and environmental concerns in Africa, perhaps it is more appropriate to be asking what types of business models are best suited to meet both conservation goals related to the sustainability of forests and development goals related to community wellbeing and poverty reduction?

There is a pressing need to take a fresh and long-term look at the future of the forest industry in Africa and to usher in a

new era of policies that more effectively contribute to poverty alleviation, local economic prosperity, community wellbeing, and sustainability. This article begins to address some of these fundamental issues by exploring possible business alternatives to the status quo approaches of forestry business in Africa that have dominated since colonization, with a particular focus on smaller-scale forest enterprises.

It then puts forward some considerations (for civil society, governments, economic actors, communities, and other interested stakeholders) which are meant to catalyze dialogue and better inform the debate around appropriate business-related opportunities, programs, interventions, and policy reforms in the forested regions of Africa.

## THE STATUS QUO

Since colonization, the dominant mode of business practice in the high forest cover regions of Africa has, by far, been the concession model<sup>1</sup>, typically producing lumber products destined for export markets. The history of the concession system is rooted in colonial powers' attempts to develop large, sparsely populated tracts of publicly held land without the use of public funds. However, since decolonization, the practice of gazetted concessions has continued unabated, with concessions currently being granted by governments to large, multinational and mostly foreign-owned (European, but increasingly Asian) companies for set periods of time.

Concessions in Africa are most commonly encountered in countries with high forest cover – Gabon, Congo-Brazzaville, Democratic Republic of Congo, Ghana, Central African Republic, Cameroon, and Equatorial Guinea (Karsenty 2007). Currently, concessionaires in these regions must agree to abide by sets of guidelines (*cahier des charges*) which detail their environmental and social obligations in exchange for their rights to harvest the forest. In recent years, many concessionaires have also been required to craft and follow sustainable forest management plans, and to take on increased social responsibilities, including providing local communities with infrastructure, education, and health services. In some cases, this devolution of public responsibilities into the hands of private interests has led to a 'state within a state' situation wherein the capacity of emerging local governance structures to provide even basic services are undermined (White et al. 2007). National governments and ministries are generally empowered to revoke concessions based on a failure to comply with their environmental and social obligations, but rarely does this happen (ibid). And while there is mounting evidence to suggest that the social and environmental sustainability of concession-based models in Africa is questionable at best (ibid), this is perhaps not even the most salient concern.

In recent years, there has been evidence suggesting that concessions are becoming larger and more consolidated. Yet, concessions – as they currently exist – generally do not provide meaningful development opportunities for local communi-

<sup>1</sup> There are four important caveats which must be stated. First, this analysis considers only the formal concession-based business model which typically produces lumber products for export markets. It does not take into account the large volume of fuelwood that is harvested in Africa, mostly by local peoples, oftentimes informally. Second, this is very much an opinion piece, and while the intent of this paper is to question the efficacy of forest concessions, this business model has led to some positive socio-economic outcomes. The reader is directed to Karsenty (2007) for a more thorough review of how concessions can contribute to employment and economic development in Africa. Third, not all concessionaires are foreign-owned (although the majority are), and the prevalence of concessionaires in Africa varies greatly from country to country, and forest type to forest type. Fourth, concession-based forestry is not solely an African problem. For instance, Canada – the home country of the author – has followed a similar post-colonial trajectory as many African nations, and the dominant mode of business practice in its forests is the concession-based model. As such, Canada faces many of the same problems recounted in this paper and, like Africa, needs to explore options for alternative business models in the forestry sector.

ties, reduce poverty conditions, or contribute to sustainable and equitable growth in Africa. The status quo is simply not working! One needs to look no further than the characteristics and dynamics of concessions currently operating on the continent (with a population of millions) to see that this is true. In Equatorial Guinea, where concessions cover the entirety of the productive forest lands, concessions provide employment to only 2,000 individuals (Karsenty 2007). In Congo-Brazzaville, concessions are designed along arbitrary lines, encompassing 83% of the productive forest lands, as well as villages and agricultural areas; however, only 6,500 individuals are employed nationally (*ibid*). The share of production allotted to concessions in Cameroon and Ghana – two countries with fairly progressive forestry laws by most standards – are 67% and 63%, respectively, providing employment for a total of approximately 25,000 individuals (*ibid*). Finally, the Democratic Republic of Congo, currently ushering in new forest policies, which will see the proportion of forest lands dedicated to forest concessions increase from its current level of 25%, provides employment to only 15,000 individuals from its concession forests (*ibid*).

Notably, the activities of these concessionaires generate significant profits for the companies involved; not a particularly surprising fact given the quality of the resource at hand and the fact that some concessionaires are able to avoid taxation (Greenpeace 2007), or pay prices for timber at well below international parity rates (Birikorang 2007). The forest taxes that are collected translate into sizable revenue streams for national governments. However, there is little in the way of evidence to suggest that the taxes trickle back down to the communities in which the concessionaires are operating. What is known is that many of the forested regions of Africa are rapidly evolving in the global marketplace to become key exporters of commodity wood products like logs and sawn wood, with accumulated export values in excess of one billion dollars annually (Karsenty 2005).

The significance of the concession model on the African forest business landscape is undeniable. However, its efficacy from a poverty reduction point of view can and should be challenged. Specifically, the social and environmental sustainability of this model is questionable, especially in the context of eroding indigenous and customary access and tenure rights of local peoples. But this only leads to further questioning. What then are the most appropriate business models for generating wealth, providing employment, and improving the livelihoods in forest-dependent communities that are subject to social inequity, abject poverty, exclusion, and marginalization?

And amidst this questioning of the status quo, it is important to note one more important bit of context. With a backdrop of vast tracts of forested lands being set aside for use by concessionaires, it is not particularly surprising that a massive informal forestry sector has emerged in Africa. The informal sector (also known as shadow, hidden, illegal, or underground economy) is involved in the harvesting of fuelwood for subsistence, as well as the market-based production of goods and services. In this latter case, incomes from these activities generally go unreported or undetected to authorities, most commonly as a means to avoid registration and evade taxation (Schneider and Enste 2000). One estimate for the size of the informal economy worldwide in forestry puts it at 140 million individuals, most of which occurs in developing coun-

tries (Mayers 2006), and in some African countries, the vast majority of business activity falls under the informal economy (Schneider and Enste 2000). Notably, in the case of forest products, the reasons for such activities may go beyond merely lacking the incentive to formally register as a business or tax avoidance. With so much timber being taken up by an entrenched system of concession-based forestry, it is entirely possible that many small-scale producers face scarcities in obtaining timber for production. This leads to one more fundamental question. Given that informal activities are so pervasive in the forestry sectors of Africa, can we come up with business-based solutions that legitimize and legalize these entrepreneurs?

## ALTERNATIVE BUSINESS MODELS AND APPROACHES

If we question the status quo approach of concession-based forestry in the high forest cover regions of Africa, then we must do so in a prudent and realistic manner. It is doubtful, and likely counterproductive to believe, that concessions are going to disappear any time soon. This is not to say that change cannot and should not occur, especially in light the global trends towards decentralization of forest ownership and increasing community empowerment. With this comes an imperative to explore and evaluate business models that better serve to support pro-poor forest-based growth and improve the livelihoods of the rural poor in forest-dependent communities. In some instances, this may take the form of something new; an actual business 'alternative'. In other cases, it may be more prudent to catalyze business ventures that complement the ubiquitous concession-based system.

In either case, alternatives to the timber concession model exist, but have yet to gain significant traction in regions of Africa dominated by the concession model. For example, there is sufficient market space, political will, and capacity for a viable economy of smaller-scale, more labor-intensive producers operating in the forest sector to emerge. However, transitioning from a concession-based system to one that is, at the very least, inclusive of small-scale producers is by no means simple. In part, this is due to the current industrial structure undermining the development of new businesses, and specifically, not having the political will to do so (Eifert et al. 2005). More to the point though, the current business climate in Africa for extraction-based industries that are largely export-oriented is hardly conducive to the creation of small-scale businesses (Collier 2000). This speaks to a broader need to examine business issues that constrain business growth, like a lack of access to financing, international markets, transportation, and other business services.

Furthermore, it would be naïve to assume that small business ventures can thrive without a fundamental rethinking of forest governance, regulatory frameworks, and tenure systems. These two constructs – alternative business models and alternative tenure systems – are inextricably linked and need to be considered holistically. After all, what good is creating an enabling environment for small businesses to thrive when they are unable to access local raw materials because the timber has been committed to concessionaires? Interestingly, this is one area where there is a glimmer of hope. Many African nations have recently passed new forest policies or legislation

aimed at reinvigorating the sector and addressing issues of sustainability, with concession reforms, innovative forest tenure arrangements, and log export bans being undertaken in Madagascar, Cameroon, Ghana, and Liberia. While these reforms may not strike at the heart of the problem of poverty alleviation, they do, nonetheless indicate a willingness on the part of governments to explore alternatives which empower and potentially increase the wellbeing of forest-dependent communities.

All that said, four business models stand out as possible alternatives to the status quo approach of concession-based forestry in Africa: 1) small and medium-sized enterprises; 2) community forest enterprises; 3) business associations; and 4) alliances with concessionaires. Each of these smaller-scale business models has been shown to make important contributions to economic development, employment, and community wellbeing in developing regions of the world. However, their success is context-specific and largely dependent on the ability to foster and nurture enabling business environments in the face of the dominant business paradigm of concession-based forestry. In most instances, this depends on the degree to which these small scale enterprises can access timber, build business capacity, and formalize business arrangements between themselves and other supply chain actors. Key issues related to each of these four business models are discussed in turn.

**SMALL AND MEDIUM-SIZED ENTERPRISES.** In the forest sectors of both developing and developed economies, small and medium-sized enterprises (SMEs) are known to be important sources of employment and locally generated wealth (Kozak 2007). Generally, SMEs are defined as enterprises employing fewer than 250 workers, but in developing countries, the vast majority of cases are far smaller (World Bank 2006). According to Mayers (2006), 80-90% of forest enterprises in many developing countries could be categorized as SMEs, accounting for 50% or more of the forestry-related employment in these regions. In addition, SMEs tend to be vested in the communities in which they operate, and thus have the potential to address issues of forest sustainability and tenure rights directly (Kozak 2007). There is potential for SMEs to focus on a variety of forest-based goods, ranging from value-added wood products, NTFPs, and even commodity products (logs and sawn wood) for domestic markets, and examples of successful SMEs can be seen throughout Africa (in Ghana, Tanzania, and Uganda, for instance). However, the dominance of the export-oriented concession model, and the consequential barriers to the forest resource, can present challenges for the establishment of small production facilities. Furthermore, many SMEs in Africa are subject to overregulation (in the form of cumbersome and costly registration and accounting processes), corruption (in the form of bribery and 'informal' taxation), and limited financing and credit opportunities (ibid). It is little surprise then that many SMEs operating in the forested regions of Africa are relegated to the informal sector, and steps need to be taken to legitimize and enable local enterprise development, and not stifle entrepreneurship.

**COMMUNITY FOREST ENTERPRISES.** The underlying theory supporting local communities' ownership of forests and enterprises is that vested interests in the local forest resources should lead to positive outcomes with respect to increased biodiversity preservation, sustainable forest management, and profits remaining within the communities (Molnar et al. 2007). However, while community forest enter-

prises (CFEs) have expanded in recent years in response to the global trend towards decentralized, community control of forest resources, they are also known to have a 'mixed record' in terms of successes and failures (ibid). CFEs can be very profitable, producing a wide range of forest goods and services (ibid). However, they are not without their problems, and there are currently not many examples of truly successful CFEs on the African continent. Most notably, CFEs are subject to many constraints and barriers, such as a lack of business, technical, and management skills, internal social conflicts and political instability, insecure tenure rights, a lack of scale, and market access issues (ibid). Some localities are given community forests in the form of marginal lands that are either not very productive or have recently been logged. For CFEs to prosper in a meaningful, sustainable, and equitable manner, these issues must be tackled head-on through interventions, capacity building, and policy reforms (ibid).

**BUSINESS ASSOCIATIONS.** Business associations, networks, and clusters represent another strategy for improving the likelihood of success for small forest-based producers. In order to overcome issues of small scale, economic instability, lack of market access, and poor institutional support, these aggregations of small like producers – either formal or informal – exist for an "articulated common purpose" and with the aim of achieving "collective efficiencies" (Macqueen 2004). These can come in the form of cost-sharing, information exchange, the development of long-term business relationships and contractual obligations along the supply chain, decreased production and distribution costs, greater access to credit, lower risks, and increased access to global markets, to name a few examples (Biggs and Shaw 2006, Macqueen et al. 2006). Perhaps more importantly, these associations can also play an important role in policy reform and poverty alleviation by acting as advocates for rights and improved conditions. One emergent possibility comes in the form of web-based technologies which can serve the dual purposes of aggregating small wood producers (e.g., makers of arts and crafts goods) and distributing these goods to international markets. However, one need also be cognizant of the fact that many forest-dependent communities do not have electricity, let alone internet access.

**ALLIANCES WITH CONCESSIONAIRES.** One possibility to catalyze business opportunities in regions of Africa where concessions are prevalent would be to explore and facilitate strategic alliances between concessionaires and small, community-based forest businesses. Done properly through contractual arrangements and formal partnering agreements, these sorts of alliances may serve to firmly embed small producers into international supply chains that would otherwise be out of reach. The roles of small businesses may vary from situation to situation, but it is not far-fetched to imagine community-based businesses as suppliers of high value timber to concessions, or smaller producers of value-added wood products using raw materials processed locally in concession sawmills. Interestingly, local wood markets are often brimming with higher-value products made of wood species that concessionaires prefer not to use. One possible solution, then, would be for concessions and small millwork and furniture manufacturers to form alliances to enable the latter party to access these under-utilized species (including bamboo and rattan) from gazetted concessions.

## THE PATH FORWARD

The existence of a vibrant sector of small-scale forest enterprises – as alternatives to the status quo approach of concession-based forestry – can provide a firm foundation for economic development and poverty reduction in many of the forested regions of Africa. Alternative business models and approaches, such as small and medium-sized enterprises, community forest enterprises, business associations, and alliances with concessionaires, could provide significant employment opportunities to the rural poor. In addition, small-scale enterprises can generate benefits that go beyond economic development to address broader sustainability issues like community building, social equity, empowerment and security, and forest conservation (Macqueen et al. 2006). And yet, it has been difficult for such business ventures to gain any meaningful traction in the forests of Africa. While it is easy to point the finger at the many systemic and endemic problems that seem to pervade the political economies of Africa, oftentimes, this lack of momentum can be attributed to well-intended, but ill-conceived, interventions. Researchers, civil society, governments, and other interested stakeholders are advised to consider the following issues prior to engaging in programs dedicated to catalyzing small-scale forestry businesses in Africa.

The first order of business in putting forward business alternatives for the forestry sectors of Africa would be to address the veritable paucity of data that exists surrounding the socio-economic contributions that smaller-scale forestry enterprises can and do make. This is very much in line with the call by Angelsen and Wunder (2003) to quantify and provide further clarity on the roles of smaller-scale forestry enterprises in pro-poor growth for developing regions, through literature reviews, secondary data analyses, and primary data collection and analyses (case studies, enumerated surveys, etc.). Some data regarding wealth and employment creation has been collected, but it is sparse and oftentimes dated. And while the literature on smaller-scale business alternatives in Africa decisively speaks to the potential economic contributions that such enterprises can make to employment creation, community well-being, and poverty reduction, it also tends to be rife with fairly vague and sweeping statements. If we wish to move the debate on business alternatives forward among policy makers and key decision makers, we must go beyond anecdotal evidence and kneejerk assumptions by providing them with empirically substantiated findings related to economic development. Only then, can we make informed and strategic decisions regarding the efficacy and appropriateness of policies and interventions related to the promotion of business alternatives.

This leads to a second issue, namely what types of interventions are most appropriate for catalyzing small-scale businesses in the African forestry sector? This is a complicated question – perhaps the subject of another paper – but it is worth noting a few points. Providing support for smaller-scale enterprises in developing countries has generally been viewed by civil society and governments as an appropriate means of reducing poverty and spurring economic growth; the World Bank has poured billions of dollars into such programs in the past decade (Beck and Demirguç-Kunt 2004, Beck et al. 2004). One of the most appealing attributes of enterprises like SMEs and CFEs is that they are very labor-intensive and are, thus, a good source for newly created jobs. However, others have argued that larger

firms (like concessionaires) are better suited to providing high quality jobs over the long-term due to their economies of scale, market reach, and higher likelihood for success (ibid).

The reality is that the truth likely lies somewhere in the middle, and perhaps the more salient question should revolve around the precise forms that interventions should take. Direct financing of small enterprises (including providing seed money for startups and microcredit / financing) is seen as a viable and affective means of catalyzing growth in developing regions (Biggs 2002). However, many authors caution against the provision of subsidies (Beck and Demirguç-Kunt 2004), while others speak to the urgent need to include programs that build capacity in the form of business training and assistance (Donovan et al. 2006). Interestingly, some factions of civil society are currently in the midst of questioning the long-term efficacy of direct financing programs and are increasingly redefining their roles to lead debate on policy reform and provide longer-term, market-based solutions that serve to create enabling environments for smaller-scale enterprises to legally exist, compete fairly and, ultimately, prosper (Scherr et al. 2003). It goes without saying that this sort of discourse must begin with fundamental policy questions regarding forest tenures and the rights of communities to access forest lands.

Last but certainly not least, programs designed to support small-scale forest-based businesses in Africa must adhere to sound business principles in order to be effective and successful. For each business venture, this begins with a thorough grasp of the value proposition at hand and a realistic understanding of the respective market opportunities. For example, it is simply not prudent to expect a small forest enterprise to be able to compete against concessions by selling low-value commodity wood products (e. g., logs and sawn wood) into global markets. However, it is realistic to assume that they can sell higher value wood products (e.g., furniture and millwork) into smaller, local niche markets, which are becoming increasingly important within the African continent (Kozak and Canby 2007). Nor is it advisable to subscribe to a silver bullet notion of a single product or market that will lift rural forest-dwelling Africans out of poverty. In reality, the most successful small-scale forest enterprises will likely be the ones that have multiple revenue streams achieved through diversified product and service offerings, including timber goods, NTFPs (e.g., edible and medicinal plants), and ecological services (e.g., carbon sequestration). This sort of strategy not only increases the profit potential of a business proposition, but reduces business risk by providing a buffer for seasonal production, market downturns, and other economic shocks (Kozak and Canby 2007).

All that said, it would be foolhardy to approach a new business proposition without a thorough and thoughtful consideration of the socio-political context within which business enterprises are situated. This will vary from country to country, forest type to forest type, and even region to region, with each having its own unique set of institutions, business and investment climates, infrastructures, forest tenure policies, and natural ecosystems (Kozak and Canby 2007). A solid grounding of the broader political economy at play is essential to formulating what types of businesses, and business interventions, are most appropriate in each of the forested nations of Africa.

Prior to traipsing down the road of programs, interventions, and policy reforms designed to stimulate and create an enabling

environment for small-scale forestry businesses in Africa, there is a pressing need for resolution (and data!) on these and other issues. Without such information on hand, how can we possibly know what types of business opportunities work best for the widely differing contexts and situations that occur in the forests of Africa? How can we be sure that our interventions will have positive and measurable impacts on community development and poverty reduction? Worse still, despite our good intentions, do we run the risk of not affecting change at all, and perhaps even perpetuating the status quo of social exclusion and poverty in Africa?

## REFERENCES

- Anderson, J., Benjamin, C., Campbell, B. and Tiveau, D. 2006. Forests, poverty and equity in Africa: New perspectives on policy and practice. *International Forestry Review* 8, 2: 44-53. (doi:10.1505/ifer.8.1.44)
- Angelsen, A. and Wunder, S. 2003. Exploring the Forest–Poverty Link: Key Concepts, Issues and Research Implications. Center for International Forestry Research (CIFOR), Occasional Paper No. 40. Bogor, Indonesia.
- Arnold, J. E. M. 2001. Forestry, Poverty and Aid. Center for International Forestry Research (CIFOR), Occasional Paper No. 33. Bogor, Indonesia.
- Beck, T. and Demirgüç-Kunt, A. 2004. SMEs, Growth, and Poverty: Do Pro-SME Policies Work? The World Bank Group, Private Sector Development Vice Presidency Note Number 268 (February 2004). Washington, D. C.
- Beck, T., Demirgüç-Kunt, A. and Levine, R. 2004. SMEs, growth, and poverty: Cross country evidence. *Journal of Economic Growth* 10, 3: 199-229. (doi:10.1007/s10887-005-3533-5)
- Biggs, T. 2002. Is Small Beautiful and Worthy of Subsidy? Literature Review. International Finance Corporation (IFC). Washington, D. C.
- Biggs, T. and Shah, M. K. 2006. African Small and Medium Enterprises, Networks, and Manufacturing Performance. World Bank, Policy Research Working Paper 3855. Washington, D. C.
- Birikorang, G. 2007. Summary Overview Report of the Status of Forest Industry and Trade in Central and West Africa. Rights and Resources Initiative, Washington, D. C.
- Collier, P. 2000. Africa's comparative advantage. In: *Industrial Development and Policy in Africa*. H. Jalilian, M. Tribe and J. Weiss (eds.), pp 11-21. Edward Elgar Publishing, Cheltenham, U. K.
- Donovan, J., Stoian, D., Macqueen, D. and Grouwels, S. 2006. The Business Side of Sustainable Forest Management: Small and Medium Forest Enterprise Development for Poverty Reduction. Overseas Development Institute (ODI), Natural Resources Perspective 104. London, U. K.
- Eifert, B., Gelb, A. and Ramachandran, V. 2005. Business Environment and Comparative Advantage in Africa: Evidence from the Investment Climate Data. Working Paper Number 56. The World Bank. Washington, D. C.
- FAO. 2007. State of the World's Forests, 2007. Food and Agricultural Organization of the United Nations. Rome, Italy.
- Greenpeace. 2007. Carving up the Congo. Greenpeace. Amsterdam, Netherlands.
- Karsenty, A. 2005. Wood in Central Africa: A problem of governance. *African Geopolitics* 17: 97-110.
- Karsenty, A. 2007. Overview of Industrial Concessions and Concession-Based Industry in Central and West Africa, and Considerations of Alternatives. Rights and Resources Initiative, Washington, D. C.
- Kozak, R. 2007. Small and Medium Forest Enterprises: Instruments of Change in the Developing World. Rights and Resources Initiative / University of British Columbia, Washington, D. C.
- Kozak, R. and Canby, K. 2007. Alternative Tenure and Business Models for Pro-Poor Growth in Central and West Africa: New Analytical Work on Alternative Business Models. Rights and Resources Initiative (RRI), Concept Note. Washington, D. C.
- Macqueen, D. 2004. Associations of Small and Medium Forest Enterprise: An Initial Review of Issues for Local Livelihoods and Sustainability. International Institute for Environment and Development (IIED), Briefing Paper. London, U. K.
- Macqueen, D., Bose, S., Bukula, S., Kazoora, C., Ousman, S., Porro, N. and Weyerhaeuser, H. 2006. Working Together: Forest-Linked Small and Medium Enterprise Associations and Collective Action. International Institute for Environment and Development (IIED), Gatekeeper Series 125. London, U. K.
- Mayers, J. 2006. Small- and medium-sized forestry enterprises. *International Tropical Timber Organization (ITTO) Tropical Forest Update* 16, 2: 10-11.
- Molnar, A., Liddle, M., Bracer, C., Khare, A., White, A. and Bull, J. 2007. Community-Based Forest Enterprises: Status and Potential. ITTO Technical Series #28. International Tropical Timber Organization / Forest Trends / Rights and Resources Initiative, Washington, D.C.
- Oksanen, T., Pajari, B. and Tuomasjukka, T. 2003. Executive Summary. In: *Forests in Poverty Reduction Strategies: Capturing the Potential*. T. Oksanen, B. Pajari and T. Tuomasjukka (eds.). EFI Proceedings No 47. European Forest Institute, Joensuu, Finland. <[http://www.efi.int/portal/virtual\\_library/publications/proceedings/47](http://www.efi.int/portal/virtual_library/publications/proceedings/47)> accessed 15 January 2009.
- Scherr, S. J., White, A. and Kaimowitz, D. 2003. A New Agenda for Forest Conservation and Poverty Reduction: Making Markets Work for Low-Income Producers. *Forest Trends / Center for International Forestry Research (CIFOR)*. Washington, D. C. / Bogor, Indonesia.
- Schneider, F. and Enste, D. H. 2000. Shadow economies: Size, causes, and consequences. *Journal of Economic Literature* 38, 1: 77-114.
- Sunderlin, W. D., Angelsen, A., Belcher, B., Burgers, P., Nasi, R., Santoso, L. and Wunder, S. 2005. Livelihoods, forests, and conservation in developing countries: An overview. *World Development* 33, 9: 1383-1402. (doi:10.1016/j.worlddev.2004.10.004)
- White, A., Rhein, M., Kozak, R., Karsenty, A., Birikorang, G., Samjee, A.-S. and Bull, J. 2007. Forestry and Pro-Poor Growth in Central and West Africa: Opportunities for Alternative Tenure and Business Models. Rights and Resources Initiative (RRI), Concept Note. Washington, D. C.