



PROFOR

INNOVATION AND ACTION
FOR FORESTS

GET FOREST SMART

FACT

WORLDWIDE OVER

US\$130

BILLION/YEAR OF GROSS

VALUE ADDED IS

PRODUCED BY FOREST

SECTOR SMES.

INTERNATIONAL

INSTITUTE FOR

ENVIRONMENT AND

DEVELOPMENT

(IIED, 2018)

UNLOCKING THE POTENTIAL OF FOREST SECTOR SMALL AND MEDIUM ENTERPRISES (SMES)

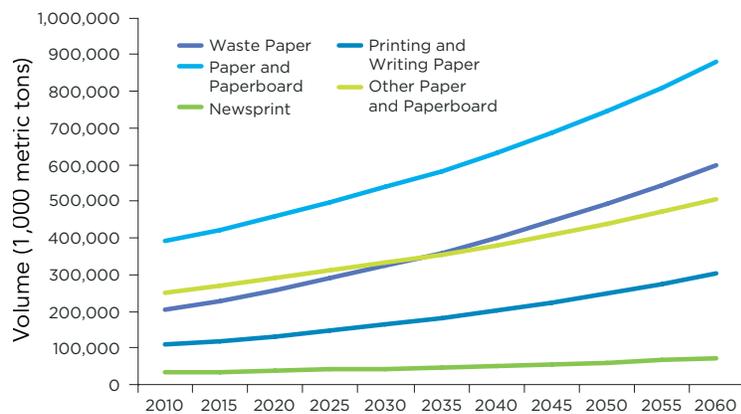
Context & Facts

- In the forest sector, small and medium-scale enterprises (SMEs) are often considered a vehicle for development, jobs, and poverty alleviation among forest-dependent households.
- Forest sector SMEs are the primary source of forest sector employment in most developing countries.
- In many countries, over 50% of all forest sector employment is in SMEs.

How is Supporting the Growth of Forest Sector SMEs Forest-Smart?

SMEs in the forest sector offer important opportunities to promote non-farm employment in rural areas, including for women, and to strengthen rural-urban links. In some countries, SMEs can account for up to 80–90 percent of employment in all forest enterprises, with an estimated over 40 million people employed (formal and informal), and contribute to a large share of domestic timber demand. Forest sector SMEs can be a means for accruing wealth locally, empowering local entrepreneurship, strengthening social networks, and engendering local social and environmental accountability.

FIGURE 5. Woodpulp-based Products Consumption through 2060



Source: Elias, Pipa and Boucher, Doug, "Planting for the Future", Union of Concerned Scientists, October 2014, <https://bit.ly/2HQGVfr>

While all woodpulp-based products are expected to increase in the decades ahead, the most notable changes will be in paper and paperboard as well as wastepaper.
Note: Results based on the Global Forest Products Model.

WHAT IS FOREST SMART?

"Forest-smart" is a development approach that recognizes forests' significance for sustaining growth across many sectors, including agriculture, energy, infrastructure, and water. It transforms how sectors operate by identifying opportunities for mutual benefit and creating practical solutions that can be implemented at scale. Forest-smart solutions support development outcomes and impact such as improved food security, green growth, and climate change mitigation and adaptation.

PROFOR's Forest-Smart Activities on Forest Sector SMEs

Forest sector SMEs frequently suffer from limited access to markets and business and financial services, a lack of support to enhance their competitiveness, and regulatory measures that constrain their ability to operate in a legal setting. These limitations impede forest sector SMEs from fully materializing their potential to grow, create jobs, and provide goods and services that benefit rural communities and the markets they serve. Therefore, in collaboration with the World Bank's Finance, Competitiveness and Innovations Global Practice, PROFOR's program on [Unlocking the Potential of Small and Medium Forest Enterprises](#) seeks to create market and policy environments that support forest sector SMEs that contribute to job creation and growth. The project aims to equip technical specialists across the World Bank, government institutions, and development organizations with knowledge on innovative multi-sectoral solutions to support SMEs in the forest sector and how to operationalize them.

The assumptions underlying this work include:

- i. A substantial proportion of forest sector SMEs have the potential to grow in a sustainable manner;
- ii. Forest sector SMEs that can grow sustainably create good quality jobs and other multiplier effects, which in turn contribute to shared prosperity;
- iii. Improving the competitiveness of forest sector SMEs augments the incentive to manage the resource base sustainably, establishes mutually beneficial partnerships with forest produce collectors and suppliers, and, increases the demand for sustainably managed forest products and services; and
- iv. Through the creation of greater demand for sustainable forest products and services, these forest sector SMEs can contribute to economy-wide growth.

The long-term development objective of this activity is to create the policy environment, and access to services and markets that support competitive forest sector SMEs that are sustainable and contribute to job creation and economic growth.

What Approach is PROFOR Using?

PROFOR's program on Unlocking the Potential of Small and Medium Forest Enterprises adopts a "sector-neutral" approach to facilitate linkages and partnerships between sector specialists working on trade and competitiveness and finance with specialists on forest enterprises. The program is organized under two pillars of activities:

Pillar 1: Knowledge generation—Generating and disseminating knowledge and information on the opportunities and challenges associated with engaging with SMEs in the forest sector, and tools that facilitate diagnostics of the context, design of interventions and decision-support for assisting SMEs in the forest sector.

Pillar 2: In-depth engagement in three countries—Country Diagnostics will be undertaken to examine in greater detail the situation in selected countries from three regions—AFR, EAP, LAC—and pilot SME support activities. The country engagements will involve the application of tailored approaches and tools identified in Pillar 1.

The country level work will analyze if, where, and how forest sector SMEs can contribute to the national sustainable development agenda, carry out demand, supply and business environment analysis, and propose concrete actions for enhancing the competitiveness of these SMEs by lifting regulatory constraints, and improving access to financial services, technical support and markets.

Tools to Mainstream Understanding of the Potential of Forest SMEs

A noteworthy achievement stemming from PROFOR's program on [Unlocking the Potential of Small and Medium Forest Enterprises](#) is the alignment of the methodology for the diagnostic framework with that of a similar tool used in the finance and markets sector on agribusiness and also with diagnostic instruments used by the

trade and competitiveness global practice. A result of this achievement is that the information and approach being used are mainstream approaches used for SMEs more broadly. This will enable the comparison of opportunities and challenges for forest SMEs with those of other SMEs.

E-Learning Course on Supporting Small and Medium Enterprises (SMEs) in the Forest Sector

An e-learning course is being developed under this activity along with a webinar series. The webinars are accessible on the World Bank's Open Learning Campus: <https://olc.worldbank.org/content/supporting-small-and-medium-enterprises-smes-forest-sector-how-can-we-do-more-rationale-0>

The webinar series presents successful examples to illustrate the opportunities for multi-sectoral approaches that ensure growth and sustainability goals are met. In the first featured webinar, Global Leads from World Bank Global Practices on Environment and

Natural Resource Management, and Finance, Competitiveness and Innovation gave an overview of the key issues and opportunities for forest sector SMEs based on their sector of expertise. Discussions also surrounded opportunities for SMEs in emerging markets, new business models, competitiveness and know-how insights, financial instruments and opportunities for foreign investors.

Subsequent webinars have focused on projects involving forest sector SMEs and other SMEs and shared insights on how to operationalize a multi-sectoral approach.

Interested in learning more? Contact our communications focal point: Laura Ivers: laivers@worldbankgroup.org

The Program on Forests (PROFOR) multi-donor partnership generates innovative, cutting-edge knowledge and tools to advance sustainable management of forests for poverty reduction, economic growth, climate mitigation and adaptation, and conservation benefits. Through its programs, PROFOR is advancing forest-smart development, which recognizes forests' significance for sustaining growth across many sectors, including agriculture, energy, infrastructure, and water.



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