FOREWORD

Small-scale forest-based processing enterprises comprise an important, but neglected, part of the forestry and forest industries sector. They process a large part of the raw materials from the forest and supply some of the main markets for forest products, in particular in the rural areas of developing countries. Our concern in the work reported on in this publication has been to determine the main features, prospects and problems of such small-scale enterprises and what support could enhance their developmental contribution, and therefore the developmental impact of the forest sector. Many small enterprises are currently unable, and offer little security or prospect of self-reliance for those engaged in them. These problems need to be tackled by promoting viable enterprises run by rural people through effective participatory organizations which can increase peoples' control over their own economic destiny. External support to increase production and efficiency needs to be compatible with those valuable elements of local culture which still have a role to play in the modern context.

Because of their close association with other rural economic activities, small-scale forest-based enterprises can only release their potential if their development is integrated with that of agriculture, larger forest industries, forest resources development and rural manufacturing as a whole. Common weaknesses, such as their tendency to exploit and underpay workers and their inability to yield adequate profits for those who invest in them, need to be corrected. Both problems are currently aggravated by flaws in the way enterprises are organized and by excessive dependency on middlemen for access to markets. The present publication is intended to contribute to the process of increasing awareness of the small-scale forest-based enterprises sector, and about what needs to be done to help it attain sustained viable development. It brings together quantitative information on their nature and magnitude, and applies to these forest-based activities a wide range of relevant experience in related fields.

The justification for promoting small-scale enterprises lies in enhancing their contribution to development. There is need to promote viable enterprises which will contribute to improving the economic well being of those engaged in them. The small enterprises' contribution is currently constrained by small and insecure markets, raw material shortages, limited access to institutional finance, poor availability of suitable technology and skills for it, weak management, poor organization of producers, and un-supportive policies. To release the potential of such enterprises thus requires multifaceted interventions, which address all these issues. Within the forestry sector the major emphasis should be on policy and programme adjustments to ensure sustained availability of raw materials; better sales and allocation procedures to accommodate small enterprises needs, inclusion of non-wood forest products in forest management where they support small industries; amendment of legislation to make it more supportive of small-scale activities with commercial potential; and assistance to rural communities for participation in forest resource management to support processing enterprises.

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INTRODUCTION

The work reported on in this publication forms part of FAO's programme of policy analysis studies. These are intended to provide information about the linkages between the forestry and forest products sector and rural and overall development, and to identify needs for change within the sector as the demands upon it evolve and change.

The study of small-scale rural forest-based enterprises developed out of an enquiry to identify what contribution the forest sector makes to off-farm rural employment and income. This in turn had been undertaken in response to governments' increasing concerns to generate such employment opportunities for the growing numbers of rural people who could not be sustained from agriculture alone.

This initial enquiry indicated that the greater part of such forest-based employment is in small enterprises, and that probably the largest part of this is accounted for by small-scale processing units. As very little was known about them at that time, an exercise was initiated to assemble information on their extent, size and basic characteristics. The results of this review, which are reported on in the paper by Y. Fisseha, confirmed the considerable magnitude of forest-based small enterprises activities in the rural areas of developing countries, and showed that they account for an important part both of overall forest sector output and of total rural non-farm employment and income.

The work was therefore extended, in order to identify in what ways policies and programmes within the forest sector might need to be modified or initiated in order to more effectively provide for and strengthen its small enterprises components. The present publication is based upon the papers presented at, and the findings of, the meeting convened for this purpose; the 'Expert Consultation on rural Employment in Forestry-Based Processing Enterprises', which was held in Rome between 27 and 31 October 1986.

The objectives of the Consultation were as follows:

1. To define criteria for identifying which forest-based small-scale processing enterprises have potential for viable and dynamic growth, and to identify needs for further information and analysis for this purpose.
2. To identify the most appropriate ways of supporting viable small enterprises activities.
3. To recommend follow up activities needed in order to effectively pursue forest-based small-scale processing enterprises development.

The consultation brought together experience gained by a number of Institutions and organizations dealing with small-scale rural enterprises (SSEs) as a whole, and with small-scale processing enterprises (SSIs), in particular, and applied this to those enterprises which are based on raw materials from the forest (FB-SSIs). The term 'forest based' refers to all materials from the forest, and so includes not only wood but also the other materials derived from a forest habitat, such as rattans, reeds and bamboos.

The meeting was organised into seven sessions. Each session, which was led by one member of the expert...
group, was based on one or more of the background papers prepared for the meeting, and reproduced in this publication. The initial session was devoted to outlining current knowledge on the magnitude, characteristics, growth and issues relating small-scale enterprises as a whole, and to FB-SSIs in particular. Attention was also directed to establishing guidelines for identifying those small-scale enterprises activities which are most likely to have growth potential, and to defining basic features of FB-SSIs which need to be taken into account in any kind of support measure.

The six remaining sessions were devoted to identifying measures that might be taken in each of the following areas:

a. Market and marketing
b. Raw materials
c. Finance
d. Technology development and transfer
e. Management
f. Institutions

In each, the emphasis was on identifying those support strategies and actions most likely to meet the particular needs of FB-SSIs. While careful attention was paid to how FB-SSIs can and should benefit from support programmes and activities aimed at SSEs and SSIs as a whole, FB-SSIs development which can be effected within the forestry and forest industry sector, through forestry sector institutions.

The Consultation resulted in the analysis of the FB-SSI situation presented in this publication as the paper, "Forest-Based Small-scale Processing Enterprises: An overview", which immediately follows this introduction. The principal conclusion and proposals for follow up action are summarized in the last section of the overview paper. The text of the publication contains the papers prepared for the Consultation, most of which were subsequently revised to take into account the discussions at the meeting.