

**LIMITATIONS AND OPPORTUNITIES FOR
SMALL AND MEDIUM FOREST ENTERPRISES IN THE GAMBIA:
AN EXPLORATION OF THE BUSINESS ENVIRONMENT,
BUSINESS DEVELOPMENT SERVICES,
AND FINANCIAL SERVICES**

by

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Abstract

Small and medium forest enterprises (SMFEs) can promote the sustainable use of forested ecosystems, while also contributing to the livelihoods of forest-dependent people. SMFEs often face several challenges that threaten their ability to develop and grow, therefore, they usually require support in: reforming the Business Environment (BE), accessing Business Development Services (BDSs), and obtaining Financial Services (FSs). According to the literature, in The Gambia, the environment for community forestry has improved and communities have received training for developing sustainable SMFEs. Nevertheless, more information is needed about the challenges facing these enterprises, especially with regard to their access to FSs.

This qualitative research had three objectives: 1) identify the opportunities and limiting factors facing SMFEs regarding the BE of The Gambia; 2) determine the opportunities and constraints of SMFEs concerning their business development and their need for BDSs; and 3) evaluate the accessibility to FSs for SMFEs, and determine strategies to improve the delivery of these services. A multiple case study approach was employed. In total, 16 SMFEs and 14 financial institutions were studied in the Western Region of The Gambia.

Results indicate that the government has exerted a positive impact on the studied SMFEs by devolving land tenure to local communities, coupled with capacity building and support activities, and the application of simplified regulations. Associations of enterprises have been valuable in supplementing government efforts. Nevertheless, ill-conceived policies tied with weak enforcement, corruption and illegal activities, are major limitations still confronting wood-related SMFEs in the BE of The Gambia. The studied enterprises are at different stages in their business development; nevertheless, all revealed the need for a continual provision of BDSs. Concerning FSs, our data show that SMFEs have easy access to deposit accounts, but face limitations when accessing credit, especially from banks. Cooperative credit unions have been notable in providing loans; however, NGOs, associations, and government projects have taken the lead in delivering credit-only schemes.

This study offers an updated view of SMFEs in The Gambia and illustrates some of the major challenges still facing them. Additionally, it is a contribution to the literature on small-scale forest enterprises and microfinance.

Preface

This dissertation was done in collaboration with Drs. Joleen Timko, Robert Kozak and David Cohen. Under their supervision, I conducted most of the research design, data collection, data analyses, and writing.

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Table of Contents

Abstract.....	ii
Preface.....	iv
Table of Contents	v
List of Tables	vii
List of Figures.....	ix
List of Abbreviations	x
Acknowledgements	xi
Dedication	xii
1 Introduction.....	1
1.1 Small and Medium Forest Enterprises (SMFEs).....	1
1.2 The Gambia	6
1.2.1 SMFEs in The Gambia.....	8
1.3 Objectives.....	10
2 Methods.....	11
2.1 General Approach	11
2.2 Selection and Description of Cases.....	12
2.2.1 Small and Medium Forest Enterprises.....	12
2.2.2 Financial Institutions.....	14
2.3 Data Collection.....	16
2.4 Data Analysis	20
3 Results	23
3.1 Small and Medium Forest Enterprises in The Gambia	23
3.1.1 SMFEs and the Business Environment of The Gambia.....	23
3.1.2 SMFEs and their Business Development.....	37
3.1.3 Access to Financial Services by the Studied SMFEs.....	48
3.2 Financial Institutions in The Gambia.....	52

3.2.1	General Requirements.....	53
3.2.2	Main Customers for FIs	56
3.2.3	Innovative Services Offered by FIs	63
3.2.4	Connections among FIs.....	65
3.3	Summary of Findings	66
4	Discussion.....	68
4.1	The Business Environment of The Gambia: Opportunities and Limiting Factors.....	68
4.2	SMFEs and their Business Development.....	75
4.3	SMFEs’ Access to Financial Services.....	79
4.3.1	Strategies for Improving the Delivery of Financial Services to SMFEs	81
5	Conclusions.....	86
5.1	Implications.....	88
5.2	Recommendations	88
5.3	Research Limitations and Future Work	89
	Bibliography	92
	Appendices.....	98
	Appendix A – SMFEs Interview Protocol	98
	Appendix B – FIs Interview Protocol	102

List of Tables

Table 1 Regions of The Gambia and their corresponding administrative headquarters	6
Table 2 Characteristics of the case villages participating in this study.....	12
Table 3 Number of SMFEs included in this case study, classified by village and type of enterprise	13
Table 4 SMFEs included in this study, classified by type of activity and ownership.....	13
Table 5 Codes to identify the SMFEs included in this study.....	14
Table 6 Codes to identify the FIs included in this study and approximate number of years in operation.....	15
Table 7 Interviewees and number of interviews carried out with each SMFE.	16
Table 8 Codes to identify the associations included in this study.....	17
Table 9 Focus groups and group interviews that were carried out with SMFEs.	18
Table 10 Listing and description of some of the codes used for data analysis in this study.....	21
Table 11 Government influence on each type of SMFE.....	24
Table 12 Associations of producers where some of the studied SMFEs belong	34
Table 13 Benefits of belonging to associations according to SMFEs.....	35
Table 14 Main themes related to SMFEs business development.....	37
Table 15 SMFEs registration with government and non-government organizations.....	38
Table 16 Record keeping for each SMFE.	39
Table 17 Estimated annual profitability in USD of the studied enterprises.....	43
Table 18 Village development activities carried out with the profits generated by firewood enterprises.....	44
Table 19 Distribution of profits of individually-owned SMFEs.....	46
Table 20 Savings capacity of each SMFE.....	48
Table 21 Institutions, individuals, or places where the studied SMFEs maintain deposit accounts.....	49
Table 22 Description of each motivation for SMFEs to select a specific financial institution for their savings.	50
Table 23 Institutions or individuals that have provided loans to the studied SMFEs.....	51

Table 24 FIs' requirements for extending loans.....	53
Table 25 Distribution of branches and clients of FIs in urban vs. rural areas.....	56
Table 26 Opportunities and inconveniences of managing rural branches	59
Table 27 Opportunities and challenges in the delivery of services to rural populations .	61
Table 28 Mechanisms used by some FIs to extend their outreach.....	64

List of Figures

Figure 1 Map of The Gambia.....	7
Figure 2 SMFEs motivations to maintain savings accounts in specific financial institutions.....	50

List of Abbreviations

SMFEs	Small and medium forest enterprises
FSs	Financial services
BDSs	Business development services
BE	Business environment
FIs	Financial institutions
CF	Community forest
MA&D	Market analysis and development methodology
MFI	Microfinance institutions
CB	Commercial bank
VISACAS	Village savings and credit associations
ASSET	Association of Small Scale Enterprises in Tourism
NBAG	National Beekeepers Association of The Gambia
JATIFIF	Jamorai Timber and Firewood Federation
KOMFFORA	Kombo Foni Forestry Association

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Dedication

To my husband and my parents

1 Introduction

This dissertation presents a study about small and medium forest enterprises (SMFEs) operating in the Western Region of The Gambia. The introductory chapter provides a brief overview of SMFEs; their definition, significance, challenges facing them, and mechanisms for supporting them. The second section explains forest management in The Gambia and describes government efforts to promote SMFEs. Finally, the main objectives of this study are presented.

The second chapter details the methodology employed; general approach, selection and description of cases, data collection, and data analysis. The third chapter presents the results, which are classified in two subsections according to the source of data: those collected from the case study SMFEs and those collected from financial institutions (FIs) in The Gambia. The fourth chapter discusses the major findings of the study, and is divided in three subsections that correspond to each of the objectives stated in the introduction. Finally, the conclusion summarizes the main findings and implications of this study, provides recommendations for the government and other actors, discusses the main methodological limitations, and suggests areas for further research.

1.1 Small and Medium Forest Enterprises (SMFEs)

More than one billion people rely on forests for sustaining their livelihoods, and the majority of these live in intense poverty (FAO 2006). Small and medium forest enterprises (SMFEs) can play an important role in promoting the sustainable use of forests, and can be a strategic mechanism for reducing poverty (Donovan et al. 2006). SMFEs are difficult to characterize as there is no consensus on a definition (Kozak 2007a). For example, Macqueen (2008 p. 1) defines SMFEs as “business operations aimed at making profit from forest – linked activity, employing 10 – 100 full time employees, or with an annual turnover of US\$ 10,000 – US\$ 30 million, or with an annual round wood consumption of 3,000 – 20,000 m³.” This definition excludes smaller enterprises in terms of employees, production or profit, so for the purposes of this thesis,

I will also use the concepts provided by Spantigati and Springfors (2005) and Kozak (2007a) which are more comprehensive. Spantigati and Springfors (2005) consider that forest-based small-scale enterprises mainly occur at the family or household level, usually employing family members as labour, generally taking place in rural areas, using simple technologies, and frequently being seasonal. Kozak (2007a) expands this concept to enterprises that employ a small number of people, but eventually can grow and become larger businesses. Kozak (2007a p. 3) states that SMFEs “share in common an engagement in forest-based activities as their primary sources of income, but these activities are virtually limitless.” This means that forest enterprises can produce a great variety of products and services that range from timber and wood commodities, to non-timber forest products, to ecosystem services like tourism and carbon sequestration.

SMFEs can directly contribute to the well being and livelihoods of forest-based communities by offering employment, generating alternative sources of income (May et al. 2003, Donovan et al. 2006, Kozak 2007a, Macqueen 2010), creating local wealth, and empowering communities (Osei-Tutu et al. 2010). For example, in Nepal, forest resources are an important source of revenue for many rural inhabitants, who depend on the collection of non-timber forest products to sustain their living (FAO 2009). Besides these social benefits, SMFEs are also a promising option for the long-term maintenance of forests, since they can be managed in a sustainable and conservation-oriented way (Donovan et al. 2006, Kozak 2007a, Macqueen 2007a). In forest rich areas, SMFEs have been instrumental for biodiversity conservation (Molnar et al. 2007).

Throughout the world, SMFEs are numerous and widespread. In some developed nations, they contribute significantly to employment (Kozak 2007a) and play a central role in the forest sector of most developing countries. “Rough estimates suggest that they make up 80 – 90% of forestry enterprises and over 50% of the forest sector employment in many developing countries” (Macqueen 2008 p. 1). For example, in Ghana, SMFEs provide direct and indirect income to approximately three million people (Osei-Tutu et al. 2010). Similar trends occur in Brazil, where more than 98% of wood processing and furniture producers are small or medium sized (May et al. 2003), and in Mozambique, where 99.9% of forest businesses are estimated to be SMFEs (Nhancale et al. 2009).

Although SMFEs generate a significant impact in the forest sector of many developing economies, paradoxically, they face several challenges that threaten their ability to develop and grow. Deficient access to finance is mentioned as one of the most limiting factors and is commonly cited as their principal obstacle (Auren and Krassowska 2004, FAO 2005, Hill et al. 2007, Kozak 2007a, Kambewa and Utila 2008). SMFEs require financial services for starting-up, running, and upgrading their businesses (Donovan et al. 2006, Kozak 2007a). As these enterprises are generally located in rural and remote areas, the transaction costs of providing financial services to them tend to be very high (Spantigati and Springfors 2005). Also, in many cases, they cannot provide collateral, which affects their capacity to obtain loans (Auren and Krassowska 2004).

SMFEs in developing nations frequently exist in challenging policy environments (Molnar et al. 2007) with excessive state bureaucracy, a lack of stable regulations, and poor infrastructure (Macqueen 2007a). They often lack a clear and secure ownership over forest resources, thus having to deal with uncertainty over access to raw materials (Spears 2006, Kambewa and Utila 2008) and frequently experiencing shortages (Spantigati and Springfors 2005). A great number of SMFEs carry out their operations within the informal sector (Mayers 2006, Kozak 2007a). They also face constraints related to business performance. They often lack managerial capacity and suffer from deficient internal organization (Spantigati and Springfors 2005, Donovan et al. 2006, Kozak 2007a). “Most SMFEs exhibit limited strategic business planning and communication skills” (Donovan et al. 2006). Additionally, they typically deal with poor market information, low negotiating power, deficient business skills, and technological limitations (Spantigati and Springfors 2005, Macqueen 2007a).

Macqueen (2008) states that the central problem of SMFEs is their “lack of connectedness.” He explains that these enterprises are frequently isolated and disconnected from markets, from financial and business development services, and even from each other. Macqueen (2007b) suggests that this lack of connectedness can be partially addressed by the formation of associations, which can assist SMFEs in facing contingencies, influencing the development of adequate policies, and reducing the transaction costs of delivering services to them.

The main components for assisting SMFEs have been (Macqueen 2008):

- 1) Support for changes within the Business Environment (BE);
- 2) Support for the provision of non-financial Business Development Services (BDSs); and
- 3) Support for the provision of Financial Services (FSs).

The Business Environment (BE) has been defined as the broad range of external elements that influence the performance of a business. The BE of a country is influenced by the values and attitudes of citizens towards the role of government, markets, entrepreneurship, and collective action, among others (White 2004). Specifically, it includes contextual elements like the legal and regulatory framework, the macroeconomic structure, the level of governance, and the organizational framework (White 2004, Macqueen 2008). Beck and Demirgüç-Kunt (2004) highlight contract enforcement, clear property rights, and low entry, as well as exit costs for companies, as important indicators of the BE. These authors explain that an effective BE increases economic growth, and therefore, it is a characteristic of successful economies. Reforming the BE of a country requires a holistic and inter-sectoral approach with a long term vision (White 2004). Macqueen (2008) mentions that SMFEs are very reliant on the stability of this external environment; however, Donovan et al. (2006) also explain that an appropriate BE is not the only factor determining SMFEs' success, as these enterprises often require additional support for overcoming internal and managerial weaknesses.

Business Development Services (BDSs) refer to the non-financial inputs that enterprises require to improve their operations (Goldmark 2006) and become more competitive (Altenburg and Stamm 2004). “[...] entrepreneurs of all sizes and shapes face a number of internal and external constraints, and may need access to services other than credit if their businesses are to survive and grow” (Goldmark 2006 p. 194). BDSs can be targeted towards various activities in a business, such as promotion, market information, product design, planning, financial management, technology access, legislation compliance, and skills development, among others (Macqueen 2008). They can even include training in

general education, such as nutrition, literacy, and health (Goldmark 2006). Referring to SMFEs, Donovan et al. (2006) explain that these services have been mainly focused on technical and sustainability aspects, ignoring a more general business approach. Traditionally, BDSs have been provided by governments and highly-subsidized programs; however, a paradigm shift calls for a more effective, privately-run, and market-based delivery of these services (Altenburg and Stamm 2004, Donovan et al. 2006, Macqueen 2008).

Financial Services (FSs) not only include the provision of credit, but also insurance, leases, savings and/or money transfers. These can be offered by various Financial Institutions (FIs) that have different ranges of formality which “[...] depends on the sophistication of their organizational structure and governance as well as the degree of oversight or supervision by governments” (Helms 2006 p. 35). Private and public banks are generally the most formal types of FIs, whereas cooperative financial institutions, NGOs, and nonbank financial institutions are less so. “At the informal end of the spectrum, there are moneylenders, community savings clubs, deposit collectors, and agricultural input providers, traders and processors” (Helms 2006 p. 35). In practice, these categories are flexible and vary by context. Helms (2006) states that, in some countries, such as Ghana or the Philippines, small rural banks can be fairly informal, while an NGO in Bangladesh can have a high degree of formality.

FSs can significantly improve the livelihoods of poor people, as these services enable coping with uncertainty and hard times, help with planning, and allow entrepreneurs to achieve their full potential (United Nations 2006). Traditionally, low income people in developing countries have often employed the services offered by non-formal financial institutions, since the outreach of formal organizations has been limited (Helms 2006). During the past two decades, banks and other formal providers have expanded their services to more economically disadvantaged locations (Helms 2006), and microfinance has gained traction globally (Goldmark 2006). However, in some economic contexts, formal financial service providers are still very limited and weak (Macqueen 2008).

SMFEs require an appropriate business environment, and the provision of adequate financial and business development services, as essential factors for their stability, success, and continual improvement (Auren and Krassowska 2004, Macqueen 2008). Donovan et al. (2006) mention the role of government in developing an enabling BE, which involves clear land tenure rules, simple processes concerning business registration, and the provision of financial incentives, among other aspects. Additionally, these authors mention that financial and business services providers can assist SMFEs in overcoming particular challenges.

1.2 The Gambia

The Gambia is one of the smallest nations in Africa with a land area of 11,300 km² (Bruni and Grouwels 2007). Its population in 2009 was roughly 1.7 million people, with more than 40% living in rural areas (The World Bank 2011). The country is divided in five regions and one capital city, Banjul. Each region has an administrative headquarter, as detailed in Table 1.

Table 1 Regions of The Gambia and their corresponding administrative headquarters

Regions of The Gambia	Administrative headquarters
Lower River Region	Mansa Konko
Central River Region	Janjanbureh
North Bank Region	Kerewan
Upper River Region	Basse Santa Su
Western Region	Brikama

Figure 1 shows the location of some of these administrative headquarters.

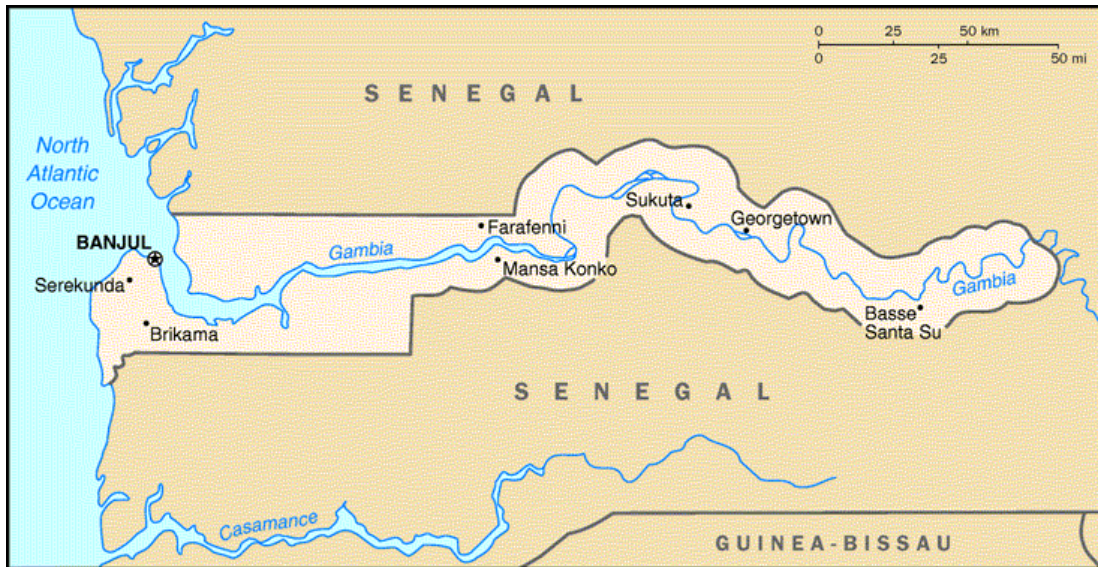


Figure 1 Map of The Gambia¹

The Gambia is considered by The World Bank to be a low income country, with 60% of its population living below the poverty line². During the last decade, an increasing number of people have accessed basic sanitation facilities and water sources (The World Bank 2011).

According to the 2007 report of the Central Bank of The Gambia, the GDP of this country has been growing steadily. In 2005, its growth was of 6.9%, 7.7% in 2006, and 6.9% in 2007 (Central Bank of The Gambia 2007). The World Bank (2011) reports that, in 2009, the GDP in The Gambia was \$US 733.5 million and its per capita GDP was \$US 440. Agriculture contributes 27% of the GDP; of this proportion, crops production contributes 21%, while forestry accounts for less than 1%. Tourism is the fastest growing sector in the country, and most of the Gambian work force is directly or indirectly employed in this industry (Central Bank of The Gambia 2007).

¹ Map obtained from: <http://www.sandwatch.ca/images/The%20Gambia/gambia%20map.gif>

² Last data correspond to 2003. The poverty line is \$US 2 per day.

1.2.1 SMFEs in The Gambia

Forests cover 43% of The Gambia, “but less than 3% of this area falls into the category of closed woodland while 78% of it belongs to that of tree and shrub savannah” (Thoma and Camara 2005 p. 1). During the last century, the forested area has decreased mainly due to fires, expansion of farmlands, and the unsustainable use of timber and non-timber products (FAO 2005). This deterioration of natural resources was partially due to a “top-down forest management approach” by the Forestry Department (FAO 2005, Thoma and Camara 2005), but fortunately, the Gambian administration has recognized the importance of implementing a more collaborative strategy.

Since the 1990s, the Forestry Department of The Gambia has been a pioneer in Africa in the promotion of joint forest management between the government and forest-based communities (FAO 2005). The establishment of community forests (CFs) was the instrument by which the government distributed forest tenure into the hands of communities, with the objective of engendering their interest in the conservation and sustainable use of natural resources. With the purpose of training and preparing villagers, and ensuring their meaningful participation, this delegation process takes five years to be completed and is implemented in three main phases: 1) the start-up phase, where villager’s organize themselves, identify the forest area, and prepare an initial forest management plan; 2) the preliminary phase, where communities demonstrate their capacity to manage resources in a sustainable manner; and 3) the consolidation phase, where villagers finally acquire the ownership rights over the forest resources (Forestry Department of The Gambia 2005).

In 1991, the CF concept was first implemented and, since 1996, it has been expanded to the rest of the country. As of 2005, more than 240 villages in The Gambia were involved in this initiative and “it has shown that once local communities have recognized the value of trees and forests, they will develop a vested interest in their protection as permanent sources of income and/or livelihood” (Thoma and Camara 2005 p. 5).

The Forestry Department has also worked on promoting and developing SMFEs. In 2001, with the support from the Food and Agriculture Organization of the United Nations (FAO), the Forestry Department implemented the Market Analysis & Development (MA&D) methodology, a tool that aids communities in planning forest-based enterprises. The MA&D is put into practice in different stages, taking into account four aspects of sustainability: social; environmental; market; and technological. A pilot phase of the MA&D methodology began in 2001 in the Western Region of the country and, because of its success, was later implemented in the Lower River Region and in the Central River Region (FAO 2005). In total, 26 villages that “manage a total forest area of 3,309.3 ha or about 11% of all participatory managed forests at present” (Thoma and Camara 2005 p. 8) were trained. Of these, 14 are in the Western Region, six in the Central River Region, and the other six in the Lower River Region.

The implementation of this methodology ended in November 2004. 72 community-based enterprises were created in 26 villages and 11 products were effectively marketed (FAO 2005, Thoma and Camara 2005). These enterprises produce goods and services like fuel wood, honey, timber, handicrafts, ecotourism, oil palm, and tree nurseries, among others. “Beekeeping was assessed to be the most highly developed MA&D activity in the country” (FAO 2005 p. 7). Two associations were also created, the Jamorai Timber and Firewood Federation (JATITIF) and the Forest Kambeng Kafo (Thoma and Camara 2005, Bruni and Grouwels 2007).

Donovan et al. (2006) cited The Gambia as a prime example of a country that encourages the emergence of SMFEs. According to Bruni and Grouwels (2007 p. 5), “the institutional environment related to community forestry is very well developed [...]” The government has worked over several years to empower communities, and land tenure rights are clear. The MA&D methodology has also been very important in the generation of SMFEs, supporting several communities in selecting and marketing products, developing enterprise plans, acquiring social development skills, and gaining technical skills for running businesses. However, anecdotal evidence suggests that SMFEs in The Gambia are experiencing difficulties in accessing financial services which are vital for their stability, growth, and expansion. Many of the enterprises formed by the MA&D

model sought out further financial resources from donations, local funds, and individual contributions. Nevertheless, “none of the enterprises so far made use of a bank loan, involved outside partners in business or offered shares to potential investors” (Thoma and Camara 2005 p. 16). Camara (2009) states that international organizations and NGOs supporting the development of SMFEs in The Gambia should have, as one of their priorities, the promotion of linkages between local entrepreneurs with microfinance institutions and other service providers. There is a need for more information about the connections that exist between FIs and SMFEs in The Gambia, since very little has been documented about these enterprises access to FSs, the sources of credit that they may be using, and the possible financial struggles that they currently face.

1.3 Objectives

The purpose of this multiple case study is to expand our knowledge about the general situation of SMFEs in relation to the BE and their need for BDSs in The Gambia. This study aims to identify their most common limitations and the essential factors leading to their success. Additionally, another objective will be to evaluate SMFEs’ accessibility to FSs, specifically savings and credit services. This research aims to gain a better understanding about possible ways in which the delivery of FSs to SMFEs could be improved.

The main objectives are to:

1. Identify the opportunities and limiting factors facing SMFEs regarding the BE of The Gambia, especially with respect to government activities.
2. Determine the strengths and constraints of SMFEs with respect to their business development and their need for BDSs.
3. Evaluate SMFEs’ accessibility to FSs, and determine strategies to improve the delivery of these services.

2 Methods

2.1 General Approach

The objectives of this study were threefold: 1) to identify the opportunities and limiting factors facing SMFEs regarding the BE of The Gambia, especially with respect to government activities; 2) to determine the strengths and constraints of SMFEs with respect to their business development and their need for BDSs; and 3) to evaluate SMFEs' accessibility to FSs, and determine strategies to improve the delivery of these services.

A qualitative research strategy was employed in order to address these objectives, since this study met a number of characteristics conducive to this type of approach as stated by Creswell (2003). Specifically, the study: took place in a natural setting and not in laboratory; employed multiple sources of data; was based on the interpretation of participants; was mostly interpretive; and recognized the role that the researcher plays in shaping and influencing the study.

This investigation employed a multiple case study strategy, which is defined as “a qualitative approach in which the investigator explores [...] multiple bounded systems (cases) over time, through detailed, in depth data collection involving multiple sources of information (e.g., observations, interviews, audiovisual material, and documents and reports), and reports a case description and case-based themes” (Creswell 2007 p. 73). A multiple case study allows the researcher to investigate general conditions or specific issues among a population (Stake 2005). It is also useful for collecting a wide range of perspectives (Creswell 2007) that enable comparisons to be made and the possibility of finding common or contrasting patterns among the cases.

2.2 Selection and Description of Cases

2.2.1 Small and Medium Forest Enterprises

This investigation aimed to collect data from functioning forest-based enterprises as a means of providing insight into the factors that are currently affecting operational businesses. Purposive sampling was employed to select the cases. SMFEs were chosen according to their geographic location and the products that they manufacture. This study limited its scope to enterprises operating in communities located in the Western Region of The Gambia. Four local villages that own community forests and where MA&D methodology was applied were selected. Based on Thoma and Camara (2005), I assumed that villages with CFs in which MA&D was applied are more likely to encompass functional forest-based enterprises than other communities that did not receive this training. The characteristics of these villages³ are summarized in Table 2.

Table 2 Characteristics of the case villages participating in this study. Populations and CF sizes obtained from Thoma and Camara, 2005.

Characteristics	Villages			
	A	B	C	D
Population	3,311	208	490	422
CF size (ha)	450.1	89.2	106	140
Accessibility	Easy	Medium	Medium	Difficult

Table 2 shows that Village A has the largest population and also the biggest CF area, while Village B has the smallest population and CF area. Villages C and D are similar with respect to their populations and forest sizes. In this table, accessibility is a qualitative assessment employed in this research for referring to the relative distance between the community and the main road, as well as the ease with which villagers can reach this main road. Easy accessibility means that the village is located beside the main road. A medium ease indicates that the community is situated two or three kilometres away from the main road, with a dirt access road. Difficult accessibility refers to villages

³ The names of these villages are not revealed as this research offered them confidentiality.

that were located more than five kilometres away from the main road, with a dirt access road. Within these four communities, I aimed to include the widest variety of SMFEs as possible, as shown in Table 3.

Table 3 Number of SMFEs included in this case study, classified by village and type of enterprise. Each + sign represents one enterprise.

Type of SMFEs	Villages				Total
	A	B	C	D	
Firewood	+		+	+	3
Ecotourism		+			1
Beekeeping		+		+++	4
Handicrafts				+	1
Branch-wood	+++		++	++	7
Total	4	2	3	7	16

In total, I researched 16 enterprises that focus on five different activities. Table 4 details the activities that each type of enterprise carries out.

Table 4 SMFEs included in this study, classified by type of activity and ownership.

Type of SMFE	Activities	Ownership
Firewood	Splitting wood from dead trunks, for sale in local markets as fuel wood. These enterprises use resources from community forests.	Community owned
Ecotourism	Lodging tourists and providing them with various recreational activities based in the forest, in the river, and on the traditional culture.	Community owned
Beekeeping	Installation of wooden boxes used as bee-hives with the purpose of honey (and occasionally wax) production. These boxes are installed in mangroves near the villages.	Individually owned, except Village B enterprise.
Handicrafts	Production of furniture (i.e. chairs, tables, beds) from Rhun palm leaves. The raw material is not collected from community forest areas.	Individually owned
Branch-wood	Collecting dead branches and selling them as fuel wood in local markets. The majority of enterprises do not use resources from community forests.	Individually owned

For the purpose of assisting readers of this dissertation, each studied case was assigned a unique code, as detailed in Table 5.

Table 5 Codes to identify the SMFEs included in this study.

Type of SMFE	Villages			
	A	B	C	D
Firewood	F1		F2	F3
Eco-tourism		E1		
Beekeeping		B1		B2, B3, B4
Handicrafts				H1
Branch-wood	BW1, BW2, BW3		BW4, BW5	BW6, BW7

2.2.2 Financial Institutions

FIs in this study were selected according to their geographic range and the type of financial services that they offer, either commercial banking or microfinance. This study included FIs that have offices in the main urban areas (Banjul and Serrekunda), even though they may also have had branches in other regions of the country. The study focused both on commercial banks and microfinance institutions (MFIs) in order to collect as broad a range of perspectives as possible. In total, 14 FIs⁴ were included in this research, classified as six commercial banks and eight microfinance institutions. For the purpose of assisting readers, each FI was identified by a specific code, as detailed in Table 6.

⁴ The names of these FIs are not revealed, as this research offered them confidentiality

Table 6 Codes to identify the FIs included in this study and approximate number of years in operation⁵.

Type of FI	Code	Years in operation
Commercial banks	CB1	From 10 to 15
	CB2	Less than 5
	CB3	From 5 to 10
	CB4	Less than 5
	CB5	More than 30
	CB6	From 10 to 15
Microfinance institutions	MF1	From 20 to 25
	MF2	Less than 5
	MF3	From 20 to 25
	MF4	From 10 to 15
	MF5	From 10 to 15
	MF6	More than 30
	MF7	Less than 5
	MF8	From 10 to 15

Out of the eight microfinance institutions illustrated in Table 6, four (MF1, MF2, MF3, and MF4) are Non-Bank Financial Institutions (NBFI); while four (MF5, MF6, MF7, and MF8) are government projects with credit lines. MF3 and MF5 are institutions that promote and oversee the development of community-based FIs. Additionally, MF7 and MF8 do not provide credit directly to individuals, since they offer their services to other MFIs in The Gambia. MF8 is in the process of transforming into a Fiduciary Financial Institution.

⁵ The exact years of operation have not been specified due to confidentiality.

2.3 Data Collection

The field work for this project was carried out in February and March, 2010. Data were collected from multiple sources, including interviews, focus groups, documents, observations, and photographs. Each is discussed in turn.

Interviews: Semi-structured interviews comprised the main source of data collection. In the case of SMFEs, they were carried out one-on-one with village leaders, members of Village Development Committees, and owners of enterprises and/or enterprise members. The majority of interviewees did not speak English, so a translator was frequently required. Most interviews took place inside the interviewees' homes or nearby. For the most part, interviews were held privately, but on a few occasions, individuals from the community gathered around as spectators.

The interviews covered topics related to the enterprises' financial situation and access to financial services, information regarding competitors and general business operations, training that has been received and/or is required, and policies and regulations that may be affecting the enterprises. The SMFE interview protocol can be found in Appendix A. Table 7 summarizes the number of interviews carried out with each enterprise:

Table 7 Interviewees and number of interviews carried out with each SMFE.

Village	SMFE	Interviews	Interviewee
A	F1	1	Village leader
B	E1	3	Village leader and two community members
	B1	3	President, secretary, and member of the enterprise
C	F2	4	Village leader, village Development Committee secretary, Community Forest Committee secretary, and former secretary
	BW4, BW5	2	Business owners

Village	SMFE	Interviews	Interviewee
D	F3	2	Village leader and Community Forest Committee President
	B2, B3, B4	3	Business owners
	H1	1	Business owner
	BW6	1	Business owner

In order to triangulate the data and collect a variety of perspectives about the enterprises, interviews were also carried out with directors and executives of three associations to which some of these enterprises belong. This took place for firewood, beekeeping, and tourism enterprise associations, but not for the other types of enterprises, since they were not part of any specific association. For reasons of confidentiality, the associations included in this study are identified with specific codes, as detailed in Table 8.

Table 8 Codes to identify the associations included in this study.

Association	Code
SMFE Association #1	A1
SMFE Association #2	A2
SMFE Association #3	A3

In total, I interviewed 23 people from enterprises and associations. The length of the interviews varied greatly, with the shortest one being ten minutes in length and the longest taking 90 minutes. The average duration was of 38 minutes. All interviews except one⁶ were recorded on a digital recorder, but only after each individual granted his or her permission.

Semi-structured interviews were also carried out one-on-one with representatives and executives of FIs. The interviews examined the types of products and services that the

⁶ This interview was with a Village leader. He was very old, and I considered that he might feel uncomfortable with the tape recorder, so I did not use it.

institutions offer, who their main customers are, their perceptions about rural clients and SMFEs, and finally, the willingness of the institution to invest in rural areas and forest-based enterprises. The FI interview protocol can be found in Appendix B. In total, 14 interviews were carried out, one with each FI representative. All of them were held in English. The average interview length was 45 minutes. All of these interviews except one⁷ were recorded after each interviewee granted his or her permission.

Group interviews and focus groups: Other important sources of data on SMFEs were group interviews and focus groups. Focus groups generally consist of seven to ten participants (Henderson 2006) and allow “the researcher/interviewer to question several individuals systematically and simultaneously” (Babbie 2007 p. 308). For the purposes of this research, group interviews are similar to focus groups, but are composed of less than seven respondents.

During the group interviews and focus groups, I encouraged the involvement of participants by continuously probing different members of the group. The topics covered were based on the SMFE interview protocol. As most participants did not speak English fluently, a translator was employed at all times. In total, four group interviews and two focus groups were carried out, with an average duration of one hour and ten minutes. These are more thoroughly described in Table 9.

Table 9 Focus groups and group interviews that were carried out with SMFEs.

Focus Groups			
Village	SMFE	Respondents	Participants
B	E1	Community members that collaborate with the enterprise operations.	Nine
C	F2	Community members that collaborate with the enterprise operations.	Seven

⁷ This interview was with a bank executive. He did not grant his permission to be taped, stating that this was an internal policy of his institution.

Group Interviews			
Village	SMFE	Respondents	Participants
A	F1	Community members that collaborate with the enterprise operations.	Four
	BW1, BW2, BW3	Women involved in branch-wood production. Each answered about their particular enterprise, so information was obtained on three enterprises.	Three
D	F3	Community members that collaborate with the enterprise operations.	Six
	BW6	Women involved in branch-wood production. One individual dominated most of the dialogue, so data were only obtained on one enterprise.	Three

In all of the group interviews but one, the majority of participants contributed to the dialogue. The group interview for branch-wood enterprises in Village D was the exception, since the conversation was mainly controlled by one individual. As a result, I could only obtain information about one branch-wood enterprise instead of all three, as was originally intended.

Documents: Documents pertaining to the enterprises and the FIs were also collected whenever possible. These were important because they allowed for the triangulation of information and provided useful contextual data for a better understanding of the cases. These were generally used during the data analysis phase. Some of the collected documents included:

- Forestry Department format for Enterprise Development Plans (Jombong Bantang Cultural Camp and Buram Honey Enterprise);
- 2006 MA&D assessments in the studied communities;
- Community Forestry Implementation Guidelines, Forestry Guidelines Reference No. DOF/CF 5-3/2005, Participatory Forest Management Unit, Forestry Department of the Gambia;
- The Forest Act of The Gambia, 1998;

- The Forest Policy of The Gambia, 1995-2005;
- Association #1 (A1) pamphlet;
- Association #2 (A2) Profile (February 2010);
- Association #3 (A3) Strategy Documents 2002-2005, 2005-2008, and 2008-2011;
- Association #3 (A3) 8th General Meeting;
- Ecotourism camp improvement plan;
- The Gambia Microfinance Strategy Paper;
- Rural Finance Project Appraisal Report; and
- Information and brochures about financial institutions.

Observations / photographs: Field notes based on observations about SMFEs assets, their manufacturing processes, and their final products were also gathered. The same process was also followed for FIs, but for information related to their premises and physical settings. Field notes were employed to triangulate some of the information obtained during interviews. To complement these data, and only when appropriate, photographs were also taken. These were used to provide visual support during the writing of this dissertation.

2.4 Data Analysis

Once all of the data were collected, interviews, group interviews, and focus groups were transcribed from the digital recorder to Microsoft Word (word processor) and then to NVivo 8 qualitative software. Once in NVivo, this information was classified into two documents with the purpose of doing separate analyses: 1) information related to SMFEs; and 2) information related to FIs. Information was classified into codes that were created based on the interview protocol and inductive analyses of the data. In total, 24 codes were created for SMFEs and 11 codes for FIs. As there were so many different codes for SMFEs, I decided to group them into the three broad areas in which the research

questions were classified: 1) Business Environment; 2) Business Development; and 3) Access to Financial Services. Table 10 lists and describes some of the codes used:

Table 10 Listing and description of some of the codes used for data analysis in this study.

Small and medium forest enterprises	
Code	Description
Savings	All information related to SMFEs ability to save, where do they do it, how much, what type of account, etc.
Loans	Data related to SMFEs' access to loans, interest rates, institutions that provide them, etc.
Collaborators	Institutions (government, NGOs, private) that have supported SMFEs and how they have supported them.
Policies	Negative and positive aspects affecting SMFEs where the government has some type of control.
Formality	Whether SMFEs are registered (with government or any other institution), costs related to this, and barriers to formalizing.
Competition	Information regarding legal and illegal competitors of SMFEs.
Financial institutions	
Code	Description
Customers	Data related to FIs' target customers and their locations in urban or rural areas.
Savings	Types of accounts FIs offer and requirements for accessing these services.
Loans	Data about loans; requirements, interest rates, etc.
Branches	Data about branches located in urban versus rural areas, challenges and opportunities of these, etc.
Networking	Collaboration among FIs and with other government and non-government organizations.

A few documents that contained relevant information were also incorporated into this coding process. Once all of the data were classified in different codes, I did a code by code analysis identifying the most recurring and meaningful issues for each. The emergent issues for each code were then grouped by the type of enterprise, so that data related to firewood, tourism, beekeeping, handicrafts, and branch-wood businesses could

be independently assessed. In the case of FIs, the emergent issues from each code were arranged into two groups: 1) data related to banks; and 2) data related to microfinance institutions.

All of this information was later inserted into Microsoft Excel tables that were classified by the type of enterprise (in the case of SMFEs), and by the type of financial service provider (in the case of FIs). These tables provided a clear visualization of the data and facilitated the identification of connections and possible patterns. The three broad topics in which the research results are classified were obtained from the literature (BE, BDSs and FSs); however, some specific issues that came up within each topic were generated from the data.

3 Results

This chapter has been divided into two main sections; one provides data collected on SMFEs, while the second provides data collected on FIs. The first section on SMFEs is subdivided into three main topics: 1) SMFEs and the BE of The Gambia; 2) SMFEs and their Business Development; and 3) Access to FSs by the studied SMFEs. The second section on FIs in The Gambia is divided into four subsections, which provide information concerning: the requirements for accessing financial services; FIs' main customers and their perceptions of these; innovative services offered to clients; and connections among various FIs.

3.1 Small and Medium Forest Enterprises in The Gambia

This section describes the results as they pertain to SMFEs in The Gambia. It has been divided into three subsections that offer a comprehensive overview of the studied enterprises. The first subsection focuses on the BE of The Gambia and the influence of different actors on the studied SMFEs. It delves into emergent issues on policies, law enforcement, government support, and the role of producers' associations. The second subsection focuses on the business development aspects of the studied SMFEs and includes information on financial management, levels of formality, profitability, and skills development, among others. Finally, the third subsection focuses on SMFEs' access to FSs, such as deposit accounts and credit.

3.1.1 SMFEs and the Business Environment of The Gambia

Two types of actors within the BE of The Gambia – the Gambian government and associations of producers – have played an important role in the development and operations of the studied SMFEs. This section describes the activities developed by each and their influence on the enterprises. Most of the themes described in this subsection were generated from the data.

3.1.1.1 Government Influence

The government of The Gambia has exerted direct and indirect influence on the operations of the studied SMFEs. This influence varies depending on each type of enterprise; however, there are some common themes that emerged across most cases. Table 11 illustrates the commonalities and differences found, and indicates whether respondents mentioned that the government exerts a positive (+) or negative (-) influence on each type of enterprise. An ambiguous influence is represented by a positive and negative sign (+/-), and it occurs when less than half of the cases or respondents referred to an issue. Blank spaces reveal that there is no influence or that these issues were simply not mentioned by respondents.

Table 11 Government influence on each type of SMFE (F-firewood, E-ecotourism, B-beekeeping, H-handicrafts, BW-branch-wood). Signs indicate positive (+), negative (-), or ambiguous (+/-) influence. Blank spaces reveal no influence or that the issue was not mentioned.

Themes	F	E	B	H	BW
<i>Land Tenure Reform</i>					
A. Establishment of Community Forests	+	+			
B. Improved forest conservation	+	+/-	+		
C. Improved decision-making power	+				
<i>Capacity Building and Support</i>					
A. Training and advice	+	+	+/-	+	
B. Economic and material support		+	+/-	+	+/-
C. Continuous partnership	+	+	+/-	+	+/-
<i>Regulations and Enforcement</i>					
A. General regulations	-	+	+/-	+	
B. Issuance of Community Forests management plans	-				
<i>Corruption and Illegal Activities</i>					
A. Problems at road checkpoints	-				-
B. Illegal competition	-				
C. Illegal activities within Community Forest areas	-				

3.1.1.1.1 Land Tenure Reform

A. Establishment of Community Forests (CFs)

The forest tenure reform that has been occurring in The Gambia during the last two decades has had a direct influence on the development and operations of two types of enterprises: firewood and ecotourism. The establishment of CFs was the mechanism by which many communities acquired ownership rights and exclusive control over clearly demarcated forested areas located in close proximity to their localities. Each CF is administered by a committee designated by villagers, which is responsible for making the by-laws that regulate the access and use of the forest. During the group interview with F1, participants explained that this new tenure arrangement gave them the legal backing to use, extract, and commercialize products from their CFs. Furthermore, an interviewee from the ecotourism camp added that this process empowered villagers to take action against illegal intruders that break into their forested lands.

Firewood enterprises harvest their products directly from these community forest areas and the ecotourism camp uses the forest as an attraction for tourists. For various reasons, the other case study SMFEs do not use resources directly from CF areas; beekeepers often locate their hives in mangroves, handicrafts rely on palm leaves found near the village and, similarly, most branch-wood enterprises collect their products from non-CF localities. And yet, leaders from all of the studied villages expressed positive and optimistic viewpoints about the establishment of the CFs and stated an interest in expanding CF areas.

B. Improved forest conservation

Tenure reform also influenced locals to manage resources in more sustainable ways. Villagers explained that, before the establishment of the CFs, they were indifferent to the fate of the forest, which was frequently at the mercy of wild fires and overexploitation. The leader of Village D commented: “It was open to everybody [...] there was no control. The forest was all the time in destruction”. When they were granted forest rights,

they became more actively involved in the sustainable use of their resources and began to protect their CF areas from illegal intrusions and wild fires, as stated by the leader of Village B: “Anything that you own, you want to protect that.” Members from all of the firewood enterprises detailed how they apply the concept of sustainable forest management by practicing zoning, selective harvesting, and replanting.

Certain interviewees also recognized the different benefits that a well maintained forest has generated for their livelihoods as exemplified by participants in focus group with F2: “With the management and protection of the forest and the wise utilization, we are able to add some income to reduce some of that harshness on us. [...] It has brought a lot of incentive to our community.” Members from one firewood enterprise recognized that the sustainability of their business depends on the sustainability of the forest. Likewise, some beekeeping entrepreneurs highlighted the connection between the quality of their honey and the degree to which the ecosystem is conserved. A beekeeper from Village D mentioned that a well-preserved forest has been the fundamental factor that has influenced the survival of his business.

C. Improved decision-making power

The creation of CFs in The Gambia has also increased the level of involvement and decision-making power of communities. The CF president of one village mentioned that, prior to tenure reform, villagers did not have any voice or power on matters pertaining to forest management. Currently, the situation is different with locals participating in forest assessments, proposing different ways of utilizing forest resources, and providing input on the generation and maintenance of the CF management plans. As stated by a respondent from Village C: “They [Forestry Department] don’t make rules in abstract. They go to people to listen to them and develop the ideas [...]” These statements are supported by the Community Forestry Implementing Guidelines of The Gambia, where communities and peoples’ participation is mentioned as one of its central features.

3.1.1.1.2 Capacity Building and Support

A. Training and advice

The government of The Gambia, mainly through its Forestry Department, has assisted communities in building and strengthening their capacities in the areas of forest management and enterprise development. All firewood enterprises have been trained in the Market Analysis & Development (MA&D) methodology, allowing them to plan and develop their operations. As well, some enterprises mentioned additional training on record keeping, forest management, reforestation, and issues related to the establishment and maintenance of CFs. Likewise, the handicraft enterprise owner revealed that his enterprise started up only after he was trained in furniture production on two occasions by the Forestry Department. Similarly, some beekeeping enterprises mentioned that they have received technical assistance for the production of honey, with one case being trained with the MA&D methodology. Focus group participants from the ecotourism camp stated that they have received assistance and advice from different government institutions, such as the National Environmental Agency, the Gambian Tourism Authority, and the Forestry Department. Even though the MA&D process was not mentioned in this focus group, FAO (2005) state that training in this community did take place.

B. Economic and material support

Most of the enterprises have received different forms of economic support from the government. Members of the ecotourism camp explained that their start-up funds were provided by the National Environmental Agency as a result of their community winning an environmental competition award from this organization. The government also endowed them with another fund used for implementing upgrades. In the case of beekeeping enterprises, one respondent indicated that the Forestry Department provided him with bee-hives, while the executive from A2 explained that it granted his organization funds to assemble hives and distribute them among farmers. Further evidence of this material support is the fact that A2's premises are located on the Forestry

Department grounds. Similarly, the handicrafts enterprise owner explained that the Forestry Department provided him with all the necessary equipment for starting-up his business. Two branch-wood enterprises also mentioned the financial support received from a government project that provided them with microcredits which were invested in their businesses.

C. Continuous partnership

The Forestry Department was consistently mentioned as an important partner for most enterprises⁸. It assisted communities in getting organized and in developing strategies that enabled them to obtain benefits from their forests. Members from F1 mentioned that: “NACO and Forestry Department have been their main partners in the establishment of the enterprise⁹.” One respondent from a firewood enterprise explained that forest management is a combined effort between government and communities. Similarly, the executive from A2 pointed out: “[...] We are working with them hand in hand. Any help we need we have to go to them. [...] Forestry Department is total partnership [...]” Members of the ecotourism camp also recognized this department to be their main partner and explained that they help to guide them in the management of forest resources. One interviewee commented: “[...] there is a stronger collaboration between them and the implementing agencies like Forestry [Department] [...]”. Three branch-wood enterprises in Village A also considered their relationship with the Forestry Department to be a major asset, although they did not provide specific details. Likewise, the owner of the handicrafts enterprise considered that the support that he has received from the government has been fundamental for the survival of his business.

⁸ Various respondents also mentioned the vital support received from the “National Consultancy on Forestry Extension Services and Training” (NACO). This NGO works very closely with the Forestry Department in the implementation of projects, especially related to training.

⁹ A translator was used in this focus group, which explains why this quote is in the third person. This applies to all quotes written in the third person in this dissertation.

3.1.1.1.3 Regulations and Enforcement

A. General regulations

In general, government regulations have little effect on most of the studied enterprises. Members from the ecotourism camp were not able to identify any barriers in the regulatory framework of The Gambia that were impeding their operations. Likewise, the handicrafts owner mentioned that he does not confront any difficulties related to laws or regulations, and further explained that he collects Rhun palm leaves without requesting authorization, as these raw materials are very abundant. Beekeepers also mentioned an absence of policies regulating their activities; however, half of the cases expressed the necessity for more regulation. Two beekeepers explained that they feel threatened by competitors that use fire for collecting honey, as this process kills the bees and jeopardizes forest protection. These respondents believed that guidelines allowing only registered producers to commercialize honey could curtail these types of competitors. A representative from the Forestry Department explained that beekeeping is governed by the Forest Act and related regulations. Even though there are no specific clauses that refer to honey production in this policy, the use of fire in forests is regulated.

Focus group interviews of F2 and F3 mentioned an embargo that affects timber and log enterprises. According to a representative from the Forestry Department, this embargo bans the issuance of timber permits and the use of powered saws in Gambian forests. It was put into action in 2008, when, due to high product demand, timber logging became uncontrollable. This policy did not appear to be hampering the firewood businesses directly; however, villagers felt perturbed by it because it has impacted on community profits, since log and timber enterprises are no longer able to operate. The director from A1 interpreted this regulation as problematic and he considered that a better course of action would be to strengthen community capacity on forest management and community collaboration with the government.

B. Issuance of CF management plans

All community forest committees in The Gambia are required to develop management plans every five years and a work plan every year. These management plans specify the activities that will be carried out in the forest, the species and quantities to be utilized, and harvesting procedures, among other information. They are prepared by the CF committee with the assistance of the local forest officer, but final approval resides with the Regional Forest Officer. The annual work plan is based on a joint forest assessment made by the committee and the local forestry officer (Forestry Department of The Gambia 2005). Two firewood enterprises (F2 and F3) expressed inconveniences over the period that it takes to update their CF management plans; members of Village D mentioned it takes approximately two months, while members of Village C revealed that they have been expecting it for two years. Respondents from F2 explained that they met with the local forestry officer in order to design and provide their input for the content of this plan. This officer was supposed to write a first draft and then validate it with the community for approval by the Regional Forest Officer. They explained that this officer never came back with such a plan.

The last evidence of a management plan found in Village C dates back to the period 2000-2005. The Secretary of the Community Association did not know with certainty if there was another more updated plan: “I don’t think there was one because like you know other people were in the development committee. [...] We asked them, and they were not able to tell us whether there was another management plan.” In Village A, a CF management plan from the period 2006-2010 was found, but the last annual work plan was dated 2007. In addition, we could not find any updated management plans of the studied communities in the Forestry Department offices in Banjul. The lack of updated documents was mentioned as problematic for the communities because it limits their ability to plan and carry out certain activities. Village C members explained that every time they wish to harvest, they need authorization from the Forestry Department’s field officer. Also, it impeded credit access for F2, since this document was going to be used as one of the guarantees. Members of this enterprise pointed out that they were able to

fulfill all the requirements from the financial institution, except having an updated CF management plan.

According to the Gambian 1998 Forest Act (Clause 97), no “commercial utilization of forest products shall take place unless they are foreseen in a management plan approved by the Director.” This is somewhat confirmed by the CF management rules (6.1.1. to 6.1.4.) which state that community members may only utilize forest products in accordance with the management plan. In the case of commercial utilization, villagers require an approved management plan and a valid license or permit issued by the Divisional Forest Officer¹⁰. For the transportation of products, they require a “removal permit” that is issued by any forest officer¹¹ upon presentation of the valid license and permit (Forestry Department of The Gambia 2005). Notably, a document provided by the Forestry Department (MA&D assessment report – period December 2005 to June 2006) states that Village C cannot implement their forestry plans due to a delay in the issuance of their license.

3.1.1.1.4 Corruption and Illegal Activities

A. Problems at road checkpoints

Enterprises that deal with the transportation of wood-related products face certain inconveniences at road control points. Members from F2 and F3 revealed that officers located at different checkpoints (police as well as forestry officers) ask for illegitimate compensation. Participants in the focus group from F2 explained: “[...] the police even with all their clean documents [...] would still request that they give them something [...]. Sometimes at every checkpoint you have to drop 200 Dalasi¹²”. This corruption problem was referred to by F3 members as a major constraint facing their business. Notwithstanding, it is interesting to note that some interviewees from F2 revealed that, if they do not yield to the officer’s pressure, sometimes he gives up and stops disturbing

¹⁰ Communities are granted this license or permit upon request and it is free of charge.

¹¹ The issuance of this “removal permit” is free of charge.

¹² The currency exchange at the time of the study was 26.35 Gambian Dalasi per \$US 1 Dollar.

them: “Sometimes we resist and when we resist they normally don’t proceed with the case” (CF President, Village C). It is important to mention that there was some incongruent information provided in the focus group of Village C. Participants talked about problems at road checkpoints as if it was directly experienced by them; however, when I started to probe deeper into this matter, it was pointed out that buyers who transport the firewood are the ones that experience this issue directly. According to the CF rules, when products are sold to vendors, the CF committee should ensure that these vendors hold valid licenses for carrying out their businesses (Forestry Department of The Gambia 2005). The executive of A1 mentioned that the difficulties at road checkpoints are very common. This respondent surmised that road officers lack adequate information and knowledge about CF implementation and, as a result, do not recognize the validity of CF licenses. He mentioned that this situation may threaten the establishment of new CFs, since people could be dissuaded to do so because of this problem: “More communities want to be involved in the CF, but if the concept continues like that [...], those people will be discouraged.”

Many branch-wood enterprises, who for the most part do not harvest their products in CF areas, face similar problems during transportation. Most interviewees revealed that they have bribed police as well as forest officers in order to be able to transit with their products through control points. This constraint was described by one entrepreneur: “[...] It is a very good business and it leaves profit, but then [...] every police stops, she pays to the police, she pays to the forestry officers”. One interviewee mentioned that this corruption problem has incited her to trade her products around her village instead of in the main urban markets. Some interviewees explained that they require a licence for the collection and transport of branch-wood, and that this permit needs to be renewed at the end of every year. Nevertheless, some explained that, regardless of whether they have valid licenses or not, they still face similar problems on the road. This situation was explained by the BW6 owner: “It will not be too much, but they will still ask. That’s what they live on [...]. Even if you have a license, you have to drop something to them.” It was revealed by one enterprise owner that this situation discouraged her from renewing her permit. The owner of BW1 contradicted these last statements and explained that she does

not experience problems of this nature since she complies with the law. She added: “If you don’t register, what you should have paid for registration, normally they collect that from you, but illegally on the road.”

B. Illegal competition

Only the firewood enterprises noted that illegal competition was a problem. Of the three of them, two (F1 and F3) stated that illegal competition is one of the major problems affecting their businesses. Members of these enterprises explained that illicit traders can reduce their sales prices significantly, thus distorting the firewood market. This represents an important challenge, because the CF firewood producers have agreed to maintain a fixed sale price as a mechanism to increase their profits and impede purchasers from buying their product at very low prices. This issue was explained during the group interview with F3 members: “They [illegal competitors] don’t have stable prices. Illegal competitors can give it away at any price.” This situation is aggravated by the fact that illegal competitors do not distribute the 15% of their profits to the National Forest Fund as the studied enterprises are required to. Requests to the government have been made for regulating and controlling illicit activities. Village D members proposed the creation of a “Common Marketplace” for CF products, where all goods and merchandise that proceed from CF areas (honey, timber, firewood, etc.) could be sold. Respondents argued that this strategy will help the government to identify illegal activities more easily and that it may even promote and encourage the CF concept. Referring to this mechanism, the president of A1 stated that “this is another way of motivating people towards forestry management” since consumers and others will witness the tangible benefits obtained by CF villages.

C. Illegal activities within community forest areas

It is the Forestry Department’s role to ensure the exclusive use and occupation of CF areas by villagers (Forestry Department of The Gambia 2005). The last issue related to government activities that influences some SMFEs is the occurrence of illegal activities within the boundaries of CFs. The president of the CF from Village D explained: “Some

people are not involved in CF and they try to disturb us [...]. Other communities do not have forests [...], so when they need resources, they try to do it illegally.” One interviewee mentioned that trespassers come into their forest to harvest products because they do not have other sources of income. This situation was of great concern for the leader of Village A and members of Village C, since it could have an impact on the sustainability and conservation of the CFs. This issue, together with forest fires, was commonly mentioned as important threats to the CFs.

3.1.1.2 Influence of Producer’s Associations

Half of the enterprises included in this study mentioned that they belong to different associations of producers. These are detailed in Table 12.

Table 12 Associations of producers where some of the studied SMFEs belong¹³

Associations	Enterprises							
	F1	F2	F3	E1	B1	B2	B3	B4
Jamorai Timber and Firewood Federation (JATIFIF)	X	X	X					
Kombo Foni Forestry Association (KOMFFORA)	X	X ¹⁴	X ¹⁴					
Association of Small Scale Enterprises in Tourism (ASSET)				X				
National Beekeepers Association of The Gambia (NBAG)					X	X	X	X

As Table 12 illustrates, neither the handicrafts enterprise nor any of the branch-wood enterprises belong to an association. During various focus groups and interviews, respondents mentioned different advantages that they have gained from belonging to

¹³ The names of these associations were revealed during interviews and focus groups held with the SMFEs. These particular institutions do not necessarily correspond with the associations that were interviewed for this study – A1, A2 and A3.

¹⁴ F2 and F3 did not mention belonging to KOMFFORA; however, their CFs are listed in the pamphlet of this organization.

associations, such as establishing connections with various institutions, capacity building, marketing of products, and the provision of credit, among others. The benefits mentioned by each enterprise are enumerated in Table 13.

Table 13 Benefits of belonging to associations according to SMFEs.

Benefits	Enterprises							
	F1	F2	F3	E1	B1	B2	B3	B4
Generation of linkages (e.g. with donors, NGOs, financial institutions, and other SMFEs)	X	X				X	X	
Training	X		X		X		X	X
Purchase of business products (e.g. honey)					X	X	X	X
Provision of credit							X	X
Increased bargaining power	X		X					
Sale of work tools and items (e.g. hives)							X	X
Donation of work tools and items (e.g. hives)					X			
Promotion and marketing				X				
Implementation of quality assessments				X				
Support the development of projects (e.g. reforestation)			X					

The executives of most associations confirmed that they provide many of the benefits listed in Table 13. For instance, the executive from A1 confirmed the importance of building linkages with financial institutions for obtaining their support in reforestation activities. He added that his association: “is a link between the communities that are managing the forests and the Forestry Department [...].” Similarly, documents from A3 detailed the launch of a program with a local bank to assist small businesses to access microloans. These documents also outlined an agreement with a Spanish Foundation to begin a women’s microfinance project. As Table 13 illustrates, two beekeepers from Village D were successful in acquiring microloans from an international NGO, which were channelled through their association. The executive from A2 explained: “We can link them with other partners who are interested in helping them [...].”

Regarding the capacity building activities of associations, firewood respondents explained that they have been provided with technical advice and training in reforestation. A document from A1 detailed that they provide assistance in forest management for its members. Even though the ecotourism camp did not mention being trained by its association, the executive from A3 confirmed that they do offer training services. Beekeepers explained that capacity building activities were one of the most important services. A member from B1 stated: “They trained them to prepare the hive so that the bees can colonize it, how to harvest the honey and to process, and produce it into good quality.” Additionally, some enterprises have been taught about wax processing as a means of diversifying their production.

A2 has played a vital role in the marketing of honey, since it is the main and only client for most of the studied beekeeping enterprises. It buys the majority of honey production and then re-sells it to the national market. A beekeeper from Village D mentioned this as one of the most important benefits of belonging to the association: “You have access to market your products to them.” Some interviewees also pointed out that the association establishes prices for the honey according to its quality attributes.

Table 13 illustrates that F1 and F3 have benefited from an increased bargaining power in their relationship with customers, through being members of their association. In fact, this was cited as the most important advantage that enterprises have gained from the Jamorai Timber and Firewood Federation (JATIFIF). Some respondents explained that associations assisted some CF villages in getting organized and selling their products at standardized prices. This fixed rate helped the enterprises to obtain a fairer and better market price for their product, thus increasing their profits. Similarly, the executive from A3 explained that, when members have any difficulties, “[...] it is easier to approach different organizations as an association than as an individual.”

It is important to note that all of the associations included in this study revealed having financial constraints. For instance, the executive from A2 explained that his institution’s major challenge is its financial sustainability, a problem that is confirmed in its “Association’s Profile,” which details how the organization lacks basic infrastructure,

such as electricity, running water, and internet services, among others. This executive further explained that an international NGO is currently supporting his organization; however, this assistance is ending, meaning that financial independence must be achieved shortly. Likewise, one of the major challenges of A3, as stated in the 2008-2011 Strategy Document, is its financial sustainability. Another executive from A1 explained that his institution is also facing some critical financial limitations.

3.1.2 SMFEs and their Business Development

The studied SMFEs are at different stages of business development. Table 14 summarizes the main themes included in this subsection, most of which were obtained deductively from the literature. These themes facilitated the analysis of the strengths and weaknesses pertaining to business development facing the studied SMFEs.

Table 14 Main themes related to SMFEs business development.

Themes related to business development of SMFEs
1. Business registration
2. Record keeping
3. Financial constraints and financial management
4. Customers and product demand
5. Profitability
6. Profit distribution
7. Enterprise's need for BDSs

3.1.2.1 Business Registration

More than half of the studied enterprises - ten out of 16 - are registered with an organization. Of these, all of the community-owned enterprises are registered, while only five out of 11 individually-owned businesses are. Some of the SMFEs are registered with the Forestry Department, with associations, or with both. Table 15 provides this information.

Table 15 SMFEs registration with government and non-government organizations.

SMFEs	Registered	Organization
F1		
F2	Yes	Forestry Department, JATIFIF and KOMFORRA
F3		
E1	Yes	ASSET
B1		
B2		
B3	Yes	NBAG
B4		
H1	No	N/A
BW1	Yes	Forestry Department
BW2	No	
BW3	No	N/A
BW4	Yes	Forestry Department
BW5	No	
BW6	No	N/A
BW7	No	

Even though the data presented in Table 15 seem clear, there are some ambiguities. For instance, all of the firewood enterprises mentioned that they are registered with the Forestry Department, but it is unclear whether it is the enterprises that are enrolled with the Forestry Department or the CF in each village of which they are a part. Similarly, the level of formality of beekeeping enterprises is vague. Although all enterprises are registered with NBAG, one beekeeper expressed his concern for not being registered with the government as well: “I haven’t registered my business [...]. How can people know me, when I am not registered in the government?” The level of formality of the handicrafts enterprise is also ambiguous. Even though the enterprise owner mentioned not being registered with any organization, the Forestry Department is, in all likelihood, well aware of his existence since they gave him training and materials for starting-up his business.

3.1.2.2 Record Keeping

Half of the studied SMFEs reported that they keep written records of basic business transactions. Table 16 illustrates these data.

Table 16 Record keeping for each SMFE.

Keep Records	SMFEs															
	Community owned					Individually-owned										
	F1	F2	F3	E1	B1	B2	B3	B4	H1	BW1	BW2	BW3	BW4	BW5	BW6	BW7
Yes	X	X	X	X	X	X	X								X	
No								X	X	X	X	X	X		X	X

Members from the ecotourism camp mentioned they register the number of tourists and their nationalities, as well as tracking financial information, such as business expenses, income, and net profit. They keep these accounts in a notebook, but pointed out that a computer would be more suitable. During the group interview with F1 and focus group with F3, participants explained that the secretary of each enterprise notes the sales, expenses, and net profit. Similarly, B2 and B3 mentioned that they register the number of hives harvested, the amount of honey produced, selling prices, and profits. Other SMFEs, such as the handicrafts enterprise, one beekeeper (B4), and all branch-wood but BW5, do not keep written accounts, opting instead for keeping mental records. Many were able to estimate their profits and total production. Interestingly, all of the community-owned enterprises keep written records, while most individually-owned enterprises do not, as shown in Table 16.

3.1.2.3 Financial Constraints and Financial Management

The majority of enterprises - 13 out of 16 - mentioned some type of financial constraint. Six cases explained that they require more financial resources for acquiring equipment. For instance, firewood enterprises need chainsaws and tractors; beekeepers require hives and uniforms; and the handicrafts entrepreneur needs nails to restart the production of furniture. Another four enterprises explained that they need economic resources for

upgrading their businesses. For example, the ecotourism camp has plans to renovate their site, install a solar energy system, and improve their interpretation signage; B2 owner aspires to establish his own shop in order to sell honey independently from the beekeepers association; and BW4 entrepreneur would like to increase the amount of branch-wood that she commercializes. This latter entrepreneur stated: "She doesn't have money to invest and to expand the business. Finance is her constraint." Respondents from BW2 and BW3 explained that they require capital for registering their businesses with the Forestry Department.

Due to economic pressures, some enterprises expressed concerns regarding their financial management. Members from F3 explained that they harvest the firewood according to the village's financial needs: "We do it when we have some problems to solve."

Occasionally, they use their profits to solve these problems, instead of re-investing them in the enterprise. They also claimed that they require more training in financial management. One interviewee from Village C revealed a similar issue, and explained that, when the village faces financial constraints, they harvest and sell firewood to work these problems out. He stated: "When we bought the second vehicle, we needed maintenance. We ran out of money, so we needed some money. We had to take part of the production of the forest."

Similarly, the handicrafts entrepreneur expressed concerns about the financial management of his business. Sometimes, due to family needs, he is not able to reinvest his profits. He referred to this issue as the main challenge of his business: "Managing the initial profit because at that time money is scarce [...] and there are so many factors surrounding him where he can spend his money." One branch-wood entrepreneur from Village C faces a similar situation, and she is fearful of her business collapsing due to a lack of re-investment.

3.1.2.4 Customers and Product Demand

These data suggest that most of the enterprises have a steady customer base and high demand for their products. For example, referring to the availability of clients, members

of F2 stated: “We don’t have the problem for looking for potential buyers. That is our strength.” However, the former CF secretary of Village C expressed his concern about the potential impact that this market pressure may have on the sustainability of the forest: “Buyers are always interested in us to sell them, so if we are not careful... [...], especially when you don’t have much money, you are easily tempted and then you are used to do the wrong thing.” A member of F2 revealed that more trees are disappearing than the ones being replaced, and another respondent questioned the long-term viability of their enterprise: “One way it may not be sustainable because of the density of the forest is reducing and they are not doing any active planting.”

In the case of beekeeping enterprises, the association is also a major buyer for B2, B3, and B4. The owner from B2 explained: “They are the only people in The Gambia who can buy a bunch from me.” B1 is less dependent on the association, as this enterprise advertises and sells part of its production at the ecotourism camp. Some beekeepers mentioned that A2 is not always reliable due to its economic and managerial problems. The owner of B2 explained: “It [A2] didn’t have money to buy from us and that is very discouraging for people like us who are expecting to have a business.” This constraint was confirmed by the association’s executive, who revealed that achieving financial sustainability is a major challenge. This situation is made worse by the fact that beekeepers do not provide a steady supply of honey throughout the year, as they produce all at once: “When harvesting time in February [...], they will bring so much that it will be difficult to buy the honey” (Executive, A2). This executive further explained that production is so uneven that, during the rest of the year, they have to look for other suppliers. He added that the association cannot satisfy the demand for honey in The Gambia and elsewhere: “At the local level, the demand for honey is growing very, very fast. [...] There are some people from Morocco and we said that we couldn’t do it because we cannot supply.”

Some branch-wood enterprises suggested that the demand for their product is very high. BW1, BW2, and BW6 explained that their product sells extremely fast, and the owner from BW6 revealed: “It is a hot cake! When they know I am coming, they come and wait

for me at the point [...]. It's hot cake, that's what I tell you. People are calling me all the time now.”

Demand for the handicrafts entrepreneur is somewhat ambiguous. Most of his customers come from his village or from neighbouring areas. At first, the enterprise owner referred to a high demand for his product: “He is alone in the enterprise; he cannot meet the demand of the product.” However, when asked about ways in which he requires support, he wanted the government to assist him in expanding his client base.

Finally, for the ecotourism camp, the number of guests fluctuates every year (ranging from 250 to 500 tourists) and the vast majority of these come from Europe. Camp work is seasonal and mainly takes place from December to February. The number of customers has decreased over the last two years and enterprise members argue this is due to the international economic crisis.

3.1.2.5 Profitability

All but one of the enterprises included in this study are profitable. The ecotourism camp is, by far, the most profitable enterprise, while the handicrafts business is the least. Table 17 provides estimates of the annual profits in USD for each enterprise (See Footnote 12). This information should be approached with caution, as not all enterprises keep written records and not all respondents had these records with them at the time of the interview; most of this information was generated from recall. Also, F2 shows two profitability values because the information provided by one respondent did not match the one supplied by the focus group.

Table 17 Estimated annual profitability in USD of the studied enterprises.

SMFEs	Profit \$US	Details
F1	1,138	Enterprise sells approximately six trucks during the year.
F2	2,277	According to the CF secretary, the enterprise sells about 12 trucks in the year. The net profit per truck is \$US 189.75
	949	According to focus group participants, they sell about five trucks during the year. The net profit per truck is \$US 189.75 USD.
F3	683	Enterprise sells approximately six trucks during the year. Each truck is sold at \$US 266.65, but the net profit per truck is \$US 113.85
E1	5,358	Last year the camp lodged 450 tourists. Their gross profit was \$US 10,524 and their expenses were \$US 5,166
B1	228	The enterprise has 35 hives, but only eight are colonized.
B2	399	The enterprise has 25 colonized hives; 15 more are being installed.
B3	152	The enterprise had eight hives that perished for various reasons. When data collection took place, the owner had just acquired 10 new hives.
B4	143	The enterprise has 13 hives, of which nine are colonized.
H1	91	The enterprise sells four sets (consisting of large and small chairs, and a central table) of furniture per year. Each set is sold approximately at \$US 57, but the net revenue is \$US 22.77
BW1	1,846	Four trucks of branch-wood per month are sold.
BW2	1,846	Four trucks of branch-wood per month are sold.
BW3	0	Enterprise just started, so it is not yet profitable.
BW4	2,769	Ten trucks of branch-wood per year are sold.
BW5	2,307	Two to three trucks of branch-wood per month are sold.
BW6	1,292	Four trucks of branch-wood per month are sold.
BW7	150	Three trucks of branch-wood per year are sold.

Most respondents were satisfied with the profits generated by their enterprises. For instance, all beekeepers were content because honey represents additional income for them, and they invest comparatively little time in this seasonal business. The owner from B2 explained: "It is the most easiest farming method I can encourage Gambians, because

once you install your cases you just monitor." Similarly, the owner from BW6 commented on the profitability of her enterprise: "True, true, it has profit. The reason why I say it is a profitable enterprise: I am a woman, the children I am able to educate with this enterprise until they have all finished their high school. [...] I have not been supported by any man because I lost my husband in the fire."

3.1.2.6 Profit Distribution

Enterprises distribute profits differently depending on the type of ownership – whether they are community or individually-owned (See Table 4).

A. Community-owned enterprises

During the group interviews and focus groups with firewood enterprises, participants explained that they allocate 40% of their profits for forest protection and enriching activities, 45% for village development activities, and 15% for the National Forest Fund of the Forestry Department. Table 18 details the activities that have been carried out by each firewood enterprise under the umbrella of village development.

Table 18 Village development activities carried out with the profits generated by firewood enterprises.

Village Development Activities	Enterprises		
	F1	F2	F3
Purchase of solar panels for: communal house ¹⁵ (F1), community water supply system (F2), and speaker ¹⁶ in the mosque (F3)	X	X	X
Construction/maintenance of the community's manual water pump		X	X
Payment of rates and taxes of all the houses in the village	X		X
Construction of the community mosque and purchased corresponding speaker			X

¹⁵ This communal house is the only building (in addition to the mosque) that has electricity in the village. It is the place where villagers gather together to watch television and charge their mobile phones.

¹⁶ Speakers are used for announcing the times of prayer.

Village Development Activities	Enterprises		
	F1	F2	F3
Construction of the second pillar for the community mosque		X	
Purchase of vehicle for villager's transportation		X ¹⁷	X
Payment of school fees for some community children and support for the community Arabic school	X		
Buying of supplies for the annual recitation of the Koran	X	X	X
Provision of food for community celebrations	X		
Support for religious festivities		X	

Many respondents are satisfied with the benefits generated by the firewood enterprises. For instance, the leader from Village A mentioned: "[...] Everybody appreciates it because everybody has benefited, [...] everybody needs water, everybody needs to pay rates and taxes [...]. The village is very happy about this enterprise." Likewise, another participant from the focus group of Village C highlighted the enhancement in the quality of life of community residents after the development of CF enterprises. He added: "Our happiness cannot be measured."

It should be noted that, during group interview with members of F3, participants mentioned that they bought the vehicle with the profits of the enterprise. However, a delegate of the community credit union mentioned that villagers acquired a loan for purchasing this vehicle. This information was confirmed in two other interviews – one held with the representative of MF3, and the other one with the CF president of Village D.

Information provided in Table 18 should be approached with some caution. During interviews and focus groups, I clearly asked respondents about profit allocation from firewood enterprises. However, answers may have also included profits from other CF enterprises, such as log and timber sales. For instance, the CF president of Village D

¹⁷ Members of F2 explained that, with the tariff fees generated by the first vehicle, they have been able to purchase a second vehicle for the community.

explained that the community keeps a single account called “Community Forest,” meaning that, when the log and timber enterprise was operating, profits from both businesses were considered together.

The ecotourism camp has also invested part of its profits in different activities, including: payment of rates and taxes for all the houses in the village; support to the local bakery (e.g. buying flour); provision of food when community members work in forest-related activities; support for the community school; installation of a water system for the community garden; and compensation for volunteers who have collaborated with the camp. Respondents also clarified that part of the profits are re-invested in the development of the hotel. Additionally, the camp buys a substantial proportion of what is produced by the local bakery and the women’s vegetable garden for their guests’ consumption, and tourists purchase honey from B1. The beekeeping enterprise of Village B (B1) mainly distributes its profits by compensating its members.

B. Individually-owned enterprises

According to the information provided by interviews, all profitable individually-owned enterprises spend most of their income on personal expenses, as illustrated in Table 19. This table does not include information about BW3 since this SMFE is not yet profitable.

Table 19 Distribution of profits of individually-owned SMFEs.

Expense	Enterprise										
	B2	B3	B4	H1	BW1	BW2	BW4	BW5	BW6	BW7	
Food	X	X	X	X	X				X		
Childrens’ education	X		X			X	X		X		
Health	X										
Construction of house			X			X					
Land									X		
Other family needs							X	X	X	X	
Loan payments			X		X		X		X		

3.1.2.7 Enterprises' Needs for BDSs

All enterprises, except the branch-wood businesses, mentioned that they have been trained either by the Forestry Department, associations, or other local actors. Nevertheless, all the studied SMFEs mentioned the need to receive training on a continual basis. For example, F2 members highlighted their need to learn about the technical skills involved in firewood production, since a lack of this expertise is an important constraint for their enterprise. They explained that they hire workers from outside of the village to cut and split the wood, and further clarified that: “[...] if they have had that skill, they would not have hired and the money would have stayed here.” Similarly, members from F1 and F2 agreed on the need to be re-trained on issues related to forest management, and the former CF secretary of Village C reinforced the importance of re-training in forest protection and sustainability. Additionally, F3 members highlighted the importance of being instructed in financial management, especially concerning the re-investment of profits in their businesses.

Members of the ecotourism camp explained that they require improved marketing skills as this is a major challenge for their business. Also, they highlighted the need to re-train staff in all areas related to their jobs: “If we have the finance, we need to train everybody, because most of the people they don’t have the ability for their work.” The executive of A3 agreed on the importance of building staff capacities, especially regarding their business skills.

The handicrafts entrepreneur explained his need to be trained in financial management and product innovation. Each beekeeping enterprise mentioned different training needs that varied from improving reading and writing skills, to learning about wax and honey production methods. Similarly, branch-wood enterprises expressed a diversity of training needs. For example, BW4, BW5, and BW6 highlighted their need to learn about record keeping; BW1 and BW4 expressed interest in learning about entrepreneurship and profitability; BW2 and BW3 pointed out the importance of gaining knowledge in business management; and BW4 wanted to learn more about financial management.

3.1.3 Access to Financial Services by the Studied SMFEs

The studied SMFEs have different levels of access to FSs. This section describes their access to savings accounts and credit provided by different financial institutions and other relevant actors.

3.1.3.1 Access to Savings

More than half of the studied enterprises – nine out of 16 – are able to save a fraction of their business’s profits. Table 20 illustrates that all community-owned enterprises are able to save, while less than half of the individually-owned enterprises – four out of 11 – are able to do so.

Table 20 Savings capacity of each SMFE.

Save	Enterprises															
	Community owned					Individually-owned										
	F1	F2	F3	E1	B1	B2	B3	B4	H1	BW1	BW2	BW3	BW4	BW5	BW6	BW7
Yes	X	X	X	X	X					X	X			X	X	
No						X	X	X	X			X	X			X

Most community-owned enterprises – four out of five – save money in a commercial bank, while only F3 saves in a community credit union. Two of the individually-owned enterprises that are able to save (BW1 and BW6) keep an account in their community credit union, while BW2 saves with a shopkeeper in her community and BW5 does not use any commercial institution to save. Even though some enterprises are currently not able to save, they do have accounts in different financial institutions. For instance, B2, B3, B4, H1, and BW7 have accounts in their community credit union (Village D), and B2 and B3 also maintain accounts in the bank. These were used more when the enterprises or its owners had greater capacities for saving, as explained by the owner of B3: "He cannot continue to save because the high need of the family." Table 21 enumerates the FIs, individuals, or places where the studied cases maintain accounts; BW3 and BW4 are not

included since they do not have any accounts or savings.

Table 21 Institutions, individuals, or places where the studied SMFEs maintain deposit accounts.

Institutions, individuals or places	Enterprises													
	Community-owned					Individually-owned								
	F1	F2	F3	E1	B1	B2	B3	B4	H1	BW1	BW2	BW5	BW6	BW7
Bank	X	X		X	X	X	X							
Credit Union			X			X	X	X	X	X			X	X
Shopkeeper											X			
No commercial institution												X		

According to the data, there are community credit unions in Villages A, B, and D; however, the executive from one FI (MF3) explained that the credit union in Village B is in a dormant state. In Village D, the CF president expressed the significance of the credit union for his community: "Thanks God for the credit union. It is a logical coincidence; comes the forest with resources and comes the credit union to save our money."

The studied SMFEs expressed different motivations that incited them to maintain accounts in specific financial institutions. These motivations and the frequency with which they were mentioned are illustrated in Figure 2. Table 22 defines each motivation to maintain savings in specific financial institutions according to the respondents.

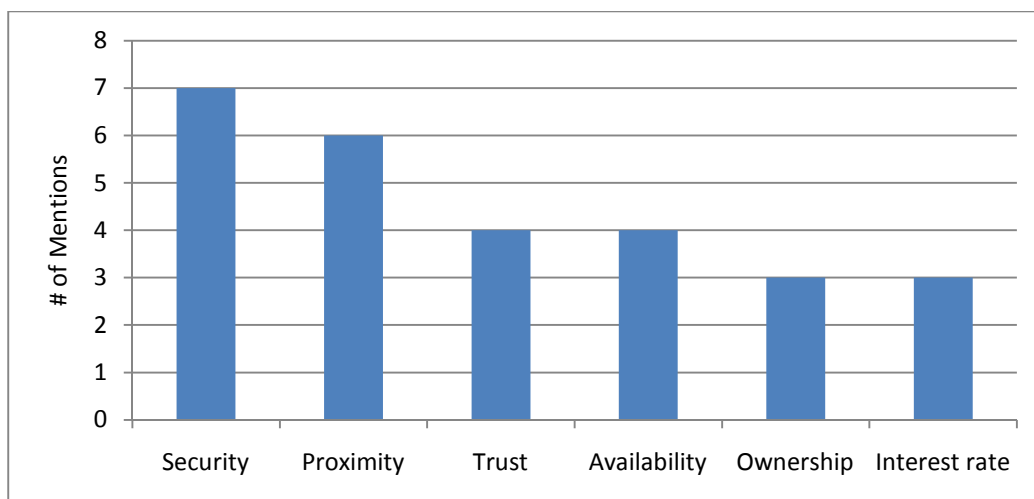


Figure 2 SMFEs motivations to maintain savings accounts in specific financial institutions.

Table 22 Description of each motivation for SMFEs to select a specific financial institution for their savings.

Motivation	Description
Security	Money is safer in the financial institution than in other places (e.g. house). Additionally, it is a way to prevent money from being spent easily.
Proximity	The financial institution is located in close proximity to the enterprises.
Trust	Respondents trust that their money is safe in this institution.
Availability	Money is available at any time (e.g. community credit union / shopkeeper) – financial institution has no closing time.
Ownership	Members of the financial institution should support it (e.g. credit union).
Interest	The financial institution offers good interest rates on savings.

There were other important reasons revealed with less frequency by respondents for choosing credit unions for savings. Enterprises like F3 and BW1 explained that saving with the community credit union increases their probability of acquiring loans. A member of F3 explained: “To get loans from them is easier than to get loans from the bank. If you save in the credit union, it is given to community members on loan and it becomes a revolving fund within the community.” These two enterprises also expressed their belief

that working with the credit union is generally easier than dealing with other financial institutions.

3.1.3.2 Access to Loans

More than half of the studied enterprises – 10 out of 16 – have accessed credit previously. Only one community-owned enterprise (F3) accessed a loan from the community credit union, while none of the others (F1, F2, E1, and B1) have ever done so. The majority of individually-owned enterprises – nine out of 11– have acquired some type of loan. Table 23 details the institutions or individuals that have provided these loans to each of the studied enterprises.

Table 23 Institutions or individuals that have provided loans to the studied SMFEs.

Institution / Individual	SMFEs that have acquired loans										
	F3	B2	B3	B4	H1	BW1	BW2	BW4	BW5	BW6	
Community credit union	X				X	X					
Microfinance institution										X	
International NGO		X	X								
Producer's association			X	X							
Government project								X	X		
Shopkeeper							X				

Table 23 illustrates that SMFEs have accessed loans from different institutions and individuals; fewer loans were given by financial institutions, such as community credit unions and microfinance organizations, while most were delivered by NGOs, projects, associations, or individuals. No loans were provided by a bank.

Some of the institutions mentioned in Table 23 employed interesting mechanisms for delivering their services. For instance, the two beekeeping enterprises (B2 and B3) that acquired a loan from an international NGO explained that this NGO has local partners that facilitated the provision of loans. The owner from B3 clarified that these local collaborators are A2 and MF3. Another interesting mechanism is the one employed by a

government project that delivered microcredits to BW4 and BW5. The owner from BW5 explained: “It was sort of re-loaning. The loan was given to the group and the group has to give it to the individuals.” The owner of BW4 explained that this loan has been fundamental for the survival of her business.

A few SMFEs explained some of their limitations for accessing credit. During the focus group with F2, participants explained that, a few years ago, they started a process for acquiring a loan with a microfinance institution. The requirements were: to be registered with the government; to have minimum savings of 100,000 Dalasi (\$US 3,795); and to update the management plan of their community-owned forest. Villagers explained that they were able to fulfill all the requirements, except presenting an updated CF management plan: “Already our association is registered, we have more than 100,000 [Dalasi] in our account, but the problem is the management plan.”

Other limitations related to loan access revealed during interviews and focus groups were a lack of savings that impeded B2 from accessing loans from the community credit union and type of bank savings account in place. On this latter point, E1 and F2 explained that some banks require members to have a current account as a requisite for accessing credit.

3.2 Financial Institutions in The Gambia

This section describes data obtained from different FIs in The Gambia. It is divided into four subsections related to: 1) general requirements for accessing deposit accounts and credit services; 2) FIs main customers and characterisation of rurally-based clients; 3) innovative services offered by FIs; and 4) connections among FIs. Information is generally classified according to type of FI, whether they are commercial banks (CBs) or microfinance institutions (MFIs). The codes associated with each institution are detailed in Table 6.

3.2.1 General Requirements

3.2.1.1 Deposit Accounts

The FIs included in this study have different requirements for accessing their services. In general, most banks offer two types of deposit accounts: current and savings. Current accounts usually require a minimum opening balance of 500 Dalasi (\$US 19). In CB2 and CB3, these can be opened with no funds; however, they are restricted to salary earners. Savings accounts can require a minimum opening balance of 250 Dalasi (\$US 9.4), although the average balance in most banks is 500 Dalasi (\$US 19).

In general, the minimum opening balance for microfinance institutions is much less than for commercial banks. For instance, MF2 has a minimum opening balance of 25 Dalasi (less than \$US 1) and, for MF3, MF4, and MF5, the minimum balance ranges from 25 to 50 Dalasi (\$US 1 to 2). Some institutions like MF1 and MF5, also offer deposit accounts for groups, which require slightly higher opening balances.

3.2.1.2 Accessing Loans

Financial institutions have different requirements for extending credit, which are summarized in Table 24.

Table 24 FIs' requirements for extending loans.

FIs	General requirements
CB1	<i>Savings:</i> To have an account with the bank. <i>Guarantees:</i> Collateral, the exact sum depends on the amount being financed.
CB2	<i>Savings:</i> To have a current account with the bank for minimum six months. Savings accounts can be used as collateral. <i>Guarantees:</i> Salary can act as collateral. Employer authorizes salary to be deposited directly into the account.
CB3	<i>Savings:</i> To have a current account with the bank. <i>Guarantees:</i> Be a salary-earner.
CB4	<i>Savings:</i> To have a current account with the bank for minimum one year. Savings accounts can be used as collateral.

FIs	General requirements
CB5	<i>Savings:</i> To have an account with the bank for minimum six months. <i>Guarantees:</i> Collateral is required.
CB6	<i>Savings:</i> To have an account with the bank, preferably a current account. <i>Guarantees:</i> Collateral is important. A guarantor is the very least that is required.
	<u><i>Individual Loans</i></u>
	<i>Savings:</i> To have a membership for a minimum of three months. <i>Guarantees:</i> A guarantor is required. This must be an individual with a regular income or employment.
MF1	<u><i>Solidarity Group (three to ten individuals)</i></u> <i>Savings:</i> To have a membership for a minimum of three months. <i>Guarantees:</i> Each individual guarantees each other.
	<u><i>Large Group (ten to thirty individuals)</i></u> <i>Savings:</i> To have a membership for a minimum of three months. <i>Guarantees:</i> Executive committee of the group act as the guarantor.
MF2	<i>Savings:</i> Minimum three months of banking history. <i>Guarantees:</i> If it is a small amount, only a guarantor is requested. Collateral is required as loan amounts increase.
MF3	The requirements vary among each affiliated institution.
MF4	<i>Savings:</i> To be a member and have savings. <i>Guarantees:</i> A guarantor is requested when savings are not enough to cover one third of the loan requested.
MF5	The requirements vary among each affiliated institution. <i>Savings:</i> No savings are required.
MF6	<i>Guarantees:</i> Collateral is required. Having a personal guarantor is also valid. <i>Other:</i> Proposal based on a viable income-generating activity.
	<u><i>Requirements for MFIs:</i></u>
MF7	Must be registered with the Central Bank of The Gambia. Must have a loan repayment rate of more than 90%. No outstanding loans with other organizations.

As Table 24 illustrates, most FIs require their members to have savings before accessing other services. An executive from MF2 explained: "We also encourage our customers to save. You see, before you have access to financial services, you need to have a bank

account." This table also shows that most FIs need guarantees before lending money; however, depending on the institution, these can be strict or flexible. For instance, the CB6 respondent explained the importance of collateral for her institution: "Collateral is a basic requirement and it is an area where many people cannot meet, especially in rural areas. Not to ask for collateral is discouraged by our regulators, auditors, shareholders." In contrast, the executive from MF6 conveyed more flexibility regarding this issue: "In some instances, we extend our loans to people in rural areas without collateral. [...] They [field officers] go there and they see something in the ground that looks tangible, even if you don't have collateral, we can give you money on a gradual basis." The executive from MF2 also explained: "We look at what you have as collateral and that's what we take. Some collateral [...] are just psychological, they cannot provide you any guarantees, but they might have some intrinsic value to whoever is giving that collateral." Additionally, Table 24 reflects that, for most banks, the type of deposit account – whether it is current or savings – is an important feature for extending loans.

Some respondents draw attention to the importance of extending loans to groups or associations, as a way of increasing the outreach of their services. The executive from CB2 explained that groups generally have good repayment records, as individuals exert pressure on each other. He added: "What we are trying to encourage is people to come in clusters, in associations. [...] Then at least you know you are dealing with a body that you can approach for the collection." Along the same lines, the executive from CB3 stated: "There is a benefit in offering services to associations, because it is a group and the likelihood of default is lower than an individual". Some MFIs, such as MF1, MF4, and MF6, are already applying this mechanism. For instance, the respondent from MF6 detailed that his institution extends credit to group executives, who then redistribute the loan to their members. A representative from MF1 elucidated that, in group loans, members are guaranteed by their savings and by the other individuals within the same group.

Another interesting strategy in the provision of credit is the progressive disbursement of loans. The executive from MF6 explained the process: "If you apply for 15,000 [Dalasi], we give you 5,000 [Dalasi] and start with that, and as the work progresses, we will give

you other five [thousand Dalasi]. We ensure that the money is properly utilized [...]” MF2 employs a similar approach.

It is important to highlight that Table 24 does not contain specific information about other documents that may be required for accessing credit, such as application forms, tax numbers, particular identification documents, and recommendation letters, among others. Also, information regarding MF8 was not included in this table, since this institution is a wholesaler for MFIs, and their requirements were not mentioned during the interview.

3.2.2 Main Customers for FIs

All of the commercial banks included in this study have the majority of their branches and agencies located within the urban area¹⁸, and most of their clients come from this area as well. Most microfinance institutions – seven out of eight – have the majority of their branches, agencies, or kiosks in rural areas of the country; however, for half of the cases, the majority of clients come from the urban area. Table 25 illustrates these data.

Table 25 Distribution of branches and clients of FIs in urban vs. rural areas.

Financial Institution	Branches / Agencies		Majority of customers
	Urban area	Rural area	
CB1	3	2	Urban
CB2	5	2	Urban
CB3	11	3	Urban
CB4	3	0	Urban
CB5	4	1	Urban
CB6	9	4	Urban

¹⁸ In this study, urban implies the area within the Greater Banjul, which includes Serrekunda, Banjul, Bakau, and Kanifing.

Financial Institution	Branches / Agencies		Majority of customers
	Urban area	Rural area	
MF1	1	2	Rural
MF2	13	7	Urban
MF3	24	31	Urban
MF4	0	1	Rural
MF5	0	66	Rural
MF6	1	3	Urban
MF7	1	5	Urban and rural
MF8	1	5	Unknown ¹⁹

It is important to highlight that rural bank branches are mainly located in the administrative headquarters of each region. Even though these settlements are considered to be rural, they are in the midst of becoming semi-urban towns. In contrast, the agencies of most MFIs, like MF1, MF3, MF4, and MF5, are either located in rural communities or they use different mechanisms to reach these areas.

Many of the banks' rural branches opened only recently. CB1, CB2, and CB6 opened their last branches during 2009, and CB3 opened in 2010. CB1, CB2, and CB6 talked about plans to open new agencies, both in urban and rural areas. The executive from CB2 explained: "We have plans to expand, that's why we open Farafenni, we secure a place in Basse already, a plot of land, and eventually we will put a branch there to serve the needs of the rural people [...]." Respondents from MF1 and MF2 explained that banks are becoming increasingly competitive as they expand into rural areas. However, the executive from MF2 mentioned that this competition takes place mainly for the collection of deposits.

¹⁹ As MF8 lends to other microfinance institutions, its customer base is unknown.

The executive from CB2 mentioned that his institution is also involved in the delivery of microfinance services. He explained: “That is the only way you can take financial services to the grass root level. If you look at most of the banks in our country, they are concentrated in the urban sectors [...]. Every human being needs financial services, and so it is through microfinance [...] that way you can change the lives of people.” Similarly, the executive of CB1 explained his institution’s intentions to provide microfinance. Most respondents from the other commercial banks – CB3, CB4, and CB6 – revealed that the mission of their organizations is to take financial services to the doorstep of every Gambian; contrary to the statements of CB5 executive who explained that his institution targets the medium and upper classes.

Commercial banks’ customers come from different economic sectors such, as construction, tourism, energy, manufacturing, trade, agriculture, and telecommunications. Most bank executives could not say with certainty if they have forest-based businesses as clients. Only one respondent from CB3 mentioned a client from the urban areas that works in carpentry, while the executive from CB5 mentioned that they have a government forestry project as a customer in their rural branch. In the case of MFIs, clients vary greatly. For instance, MF1 offers services mainly for agriculture; MF2 provides credit for textiles, food processing, construction, transport, communication, fishing, agriculture, and the financial sector; and MF6 works with agriculture, fishing, handicrafts, construction, and other sectors. Most respondents from the microfinance institutions were able to name some forest-based enterprises that they have as clients. Specifically, MF1 noted a few firewood clients; MF3 mentioned beekeepers; MF4 noted that an important customer is a community forest account; MF6 explained that they lend to groups engaged in forestry activities; and MF8 discussed beekeeping and cashew growers as clients. The executive from MF3 confirmed an observation of the respondent from MF4: “Whatever they have from that forest, then they save it in the credit union, so later on they use those savings as a guarantor [...] and use it to take a loan [...].”

3.2.2.1 Characterization of Customers in Rural Areas

During the interviews, respondents were asked to identify some characteristics – positive and negative – of their branches and clients located in the rural areas of the country.

Additionally, they were asked to identify limitations, if any, in offering financial services to forest-based enterprises.

3.2.2.1.1 Perceptions of Rural Branches

Most respondents – except CB4, MF6, MF7, and MF8 – identified both opportunities and inconveniences associated with the establishment of their branches, agencies, and/or kiosks in rural areas. The main points are presented in Table 26. While there was general agreement on whether each point was positive or negative, some respondent viewed the collection of deposits as an opportunity, while others thought it was an inconvenience.

Table 26 Opportunities and inconveniences of managing rural branches. Opportunities are represented by an ‘O’ and inconveniences by an ‘I’.

Rural branches opportunities and inconveniences	Commercial bank (CB)						Microfinance institution (MFI)							
	1	2	3	4	5	6	1	2	3	4	5	6	7	8
Collection of deposits	O	O	O			O			I	I	O			
Profitability					I	I		I						
Deficient basic services	I				I	I	I	I						
Distance	I					I								
Lack of qualified staff						I	I							

The points illustrated in Table 26 can be summarized as follows:

Collection of deposits: Respondents from CB1, CB2, CB3, CB6, and MF5 stated that rural branches collect savings very well. For instance, the executive from CB1 mentioned that these branches collect more deposits than urban branches. The executive from CB6 stated: “Some of our branches are like the one in Basse, it’s very, very, very, very good at collecting deposits, and... very, very, very often they have to come to Banjul to bring

cash, because they collect lots of deposits from that end.” Contrary to these statements, the executives from MF3 and MF4 mentioned that encouraging people to save is a challenge for rural community credit unions, and the respondent from MF3 further clarified that this is due to villagers not having regular salaries or sources of income.

Profitability: There is a high cost of maintaining these branches, so their viability and sustainability is a challenge. Respondents explained that urban branches are more profitable and clarified that, even though rural branches have many clients, they do not generate significant transaction volume. In this sense, the executive from MF2 highlighted the importance of designing adequate financial products to increase the volume of business in rural branches. He further explained: “I don’t want to distinguish and say the rural is not profitable. It is profitable as long as you give the right products.”

Deficient basic services: Rural branches do not have reliable energy sources. Most respondents mentioned the high costs involved with the maintenance of electric generators. Additionally, ensuring good communication between these branches and the main urban ones is expensive, especially with respect to the provision of internet services. The executive from MF2 explained how costly this can be: “For example, right now in Farafenni and in Basse, it is costing me, ahh.... about seven times what I’m paying in Banjul for connectivity on a monthly basis.” Another challenge revealed by MF3 was the lack of adequate infrastructure, especially regarding community credit unions’ premises. The executive from MF7 explained that deficient infrastructure in rural areas increases FIs operation’s costs.

Distance: This refers to the high cost of mobilizing deposits money from rural branches to urban ones.

Lack of qualified staff: Some respondents mentioned that they have to mobilize their well-trained employees from urban to rural branches, which adds an extra cost for the institution.

3.2.2.1.2 Perceptions of the Rural Population

Most respondents were able to identify opportunities and challenges regarding the delivery of their services to the rural population in The Gambia. Table 27 details some of these points.

Table 27 Opportunities and challenges in the delivery of services to rural populations. Opportunities are represented by an ‘O’ and inconveniences by an ‘I’.

Opportunities and challenges in service delivery to rural populations	Commercial bank (CB)						Microfinance institution (MFI)							
	1	2	3	4	5	6	1	2	3	4	5	6	7	8
Loan repayment		O	O			O	O			I		O		
Collateral	I	I				I						I		
Risk	I	I			I								I	
Lack of familiarity with banking		I	I	I		I								
Isolation							I							

The key points in Table 27 can be described as follows:

Loan repayment: Most respondents expressed that people and businesses in rural areas are able to repay loans, as the executive from CB2 noted: “The experience is that the repayment in the rural sector is very good, is about 99%.” The executive from CB6 added: "I think they are less risky, I think they pay their loans. [...] they don’t need a lot of money to run their small businesses, so when you give them the money, they know that when they walk through that capital they will need to come back for more.” Contrary to these statements, the respondent from MF4 explained that timely loan repayment is a challenge for his institution. However, he highlighted the preference for group loans, whose members are better able to save and pay loans back. The executive from CB2 also stated that group loans encourage repayment, although the respondent from MF1 warned about the possible mismanagement of loan distribution by group executives.

Collateral: Many respondents explained that rural people cannot provide adequate guarantees. The executive from CB2 explained that, with non-salary earners, it is more difficult to find collateral.

Risk: Activities in the rural areas tend to be more uncertain and risky. Nevertheless, the executive from CB2 discussed his institution's willingness to adapt to these conditions: "Agriculture is a very, very risky area [...]. We are looking at it closely on how to best develop a product that will be able to help them to continue in their request, to make sure that we can alleviate poverty especially in The Gambia." In contrast, the executive from CB5 explained that his institution is no longer extending loans in rural branches due to the high risk.

Lack of familiarity with banking: Some respondents mentioned that rural people do not always fully understand banking and its services. Other respondents added that rural clients constantly distrust institutions like banks.

Isolation: It is generally difficult and expensive to reach rural clients.

3.2.2.2 Perceptions of Rural Forest-Based Enterprises

Even though forest-based enterprises were not considered to be major customers for FIs, most respondents were able to identify some challenges regarding the delivery of their services to this sector, and only one respondent highlighted an opportunity. The main issues mentioned were as follows:

Potential policy modifications: Executives from CB3 and MF1 considered that delivering financial services to forest-based enterprises could be risky, due to the potential development of restrictive policies by the government which could impact on business operations and their ability to pay back loans. The executive from MF1 explained: "These groups or individuals who are focusing their activities on the forest eventually might face some challenges because either the government might come up with an embargo or they might come with new rules and regulations against the use of the forest, and if that happens where would they go?"

Sustainability: The executive from CB3 expressed his concern regarding the future availability of raw materials for forest-based businesses, if forestry activities are not carried out in a sustainable manner. Likewise, the MF1 representative articulated his thoughts about the ethical implications of unsustainable forestry, and stated: “Yes, there is a real challenge in forestry, in the rational use and sustainable use of resources.” Moreover, the executive from MF5 considered that unregulated forestry activities are a threat. It is interesting to note that the representative of MF2 explained that, due in part to concerns regarding environmental sustainability, his institution now requires forestry-related clients to present their Forestry Department licences as a requisite for accessing loans. He added: “We kind of discourage in our loan officers in lending to them.”

Formality: The executive from MF2 clarified that requesting forest enterprises to present their licenses is also a strategy for reducing the risk of the product being seized and, therefore, impacts on businesses.

Versatility: The representative from MF6 highlighted the versatility of the forest sector by recognizing the variety of activities that are associated with forestry, such as timber production, beekeeping, and even tourism. This respondent concluded by saying: “I’m very much optimistic about these forestry things. [...] The potentials are great and we want to be part of it.”

3.2.3 Innovative Services Offered by FIs

During the interviews, some respondents described interesting mechanisms that are helping them reach out to more clients. Table 28 lists and describes these mechanisms, and details which institutions are implementing them or planning to do so in the future.

Table 28 Mechanisms used by some FIs to extend their outreach.

Mechanism	Description	FI
Mobile banking	The bank travels to where the client is.	CB2 CB3 MF2
Banking days	The bank visits certain locations on specific days to do transactions, collecting deposits and making payments.	MF2 CB2
Market-place visits	Institution visits its clients at their place in the market.	MF1 MF2
Door-to-door service	Field officers visit customers at their homes.	MF1

All of the activities described in Table 28 are already being implemented by at least one FI. In the case of mobile banking, the executive from CB2 clarified that the bank travels to the Village Savings and Credit Associations (VISACAS) that are near Farafenni in the North Bank Region of The Gambia: “You have to go, travel and drive miles, distances, to reach out to these people.” Similarly, the respondent from MF2 clarified that this service is only offered in the North Bank and Upper River Regions. He added that mobile banking is very good for collecting deposits; however, there is not a high demand for loans. CB3 has a car service that only works around the Farafenni Branch.

Regarding banking days, the MF2 executive discussed how this mechanism is currently implemented only in Basse Santa Su in the Upper River Region of the country. He explained that: “On setup days, in certain locations, our bank goes to this kind of setup shop to serve our customers in terms of opening accounts, making deposits, and so forth.” The executive of MF7 explained that, for establishing banking days, institutions can use the already existing infrastructure, which reduces some of the costs of delivering this service: “This is what branch-less banking is all about. Instead of having structures that will increase your cost, you can use existing institutions and link yourself to existing institutions to deliver.” The respondent from CB2 clarified that his institution is still in the planning phase of implementing this method. Concerning market-place visits, the executive from MF2 clarified that this service takes place mainly in the Greater Banjul Area, Farafenni, and Basse Santa Su.

3.2.4 Connections among FIs

An interesting issue that came up during some interviews are the connections that exist among certain CBs and MFIs in The Gambia. Some respondents explained that the deposits gathered by some MFIs end up in commercial banks, and that banks are also extending loans to MFIs. For example, the respondent from CB2 explained that some VISACAS deposit their savings with his institution. Similarly, the respondent from CB3 mentioned that microfinance institutions, like MF2, a number of community credit unions, and some VISACAS, are clients of his bank. The executive from CB5 also talked about other MFIs that place deposits with them. Additionally, the respondent from CB2 mentioned that his institution is extending credit to MF1, and further explained: “Actually, the first loan we gave out to [MF1] was, I think, at 16%. You try to make it competitive, so they can lend it out and make profit. I think that they lend at 30% to 33%.”

Some MFIs confirmed this information. The executive from MF1 explained that, when their field officers collect savings or loan repayments, they deposit these in the nearest bank. He stated: “We have bank accounts everywhere. Any amount that you collect is deposited.” Likewise, respondents from MF3 and MF5 stated that community credit unions and village associations deposit their savings in different banks. The executive from MF4 supported this: “We have no place where we can save the money, so the maximum we leave here is 5,000 [Dalasi]. If it is more than 5,000 [Dalasi], we take it to the bank.” Regarding the extension of loans, a Project Document from MF1 confirmed that this institution receives bank loans; however, the document also states the need to obtain greater amounts of credit to satisfy clients’ demands. Likewise, the executive from MF5 described current negotiations occurring with CB2, MF2, and another commercial bank for developing credit products for the VISACAS. This representative also mentioned that these FIs will establish money transfer services in the VISACAS so that village associations can generate extra income from offering this service. Finally, MFIs also have interesting connections among themselves. For instance, MF1 is assisting some

VISACAS in their refinancing, and MF2 is requesting assistance from MF5 for the development of new financial products that are more suitable for agricultural clients.

3.3 Summary of Findings

In this chapter, data have been provided to offer a broad overview of the case study SMFEs. Within the BE of The Gambia, two actors have greatly influenced the development and operations of the studied enterprises – the government and associations. The government of The Gambia, mainly through its Forestry Department, has supported SMFEs by devolving land tenure to local communities, providing training and assistance, and implementing simplified regulations concerning the use of non-timber forest products and CF areas. Nevertheless, wood-related enterprises also revealed constraints related to the government, mainly pertaining to their role in perpetuating corruption and illegal activities. Associations of producers have benefited SMFEs by generating linkages, strengthening enterprises' technical and business skills, increasing bargaining power of SMFEs, providing market support for their products, and in various other ways.

The studied SMFEs are at different stages of their business development. For instance, some enterprises are formally registered with the government or associations, while others are not registered at all. Similarly, some SMFEs maintain written records of their business transactions, while others only keep them mentally. SMFEs are profitable, although revenue spending patterns differ depending on whether they are community or individually owned. Every one of the studied cases faces financial constraints which occasionally complicate their financial management activities. All of them expressed a need for BDSs to aid them in improving their operations.

Regarding SMFEs access to FSs, most of the studied enterprises maintain savings accounts in community credit unions and commercial banks. Several have obtained credit, primarily from community credit unions, NGOs, associations, and government projects. None of the studied SMFEs have accessed a bank loan.

This research has also presented the perspectives of several financial institutions operating in The Gambia, including commercial banks and microfinance organizations. Data revealed that opening deposit accounts with MFIs is cheaper than with commercial banks. Similarly, for extending loans, MFIs are more flexible in their requests for guarantees than banks. The majority of customers of FIs come from urban areas even though many banks have recently expanded into the rural areas of the country. FIs identified some benefits of increasing their presence in rural areas, such as good records of collection of deposits and repayment of loans. However, they also mentioned inconveniences like deficient infrastructure, higher costs, and increased risk. Concerning SMFEs specifically, FIs recognized some challenges associated with sustainability, informality, and sudden policy revisions.

4 Discussion

This chapter is divided in three sections that discuss: 1) the opportunities and limiting factors that SMFEs identify in the BE of The Gambia, especially related to government activities, and other actors that have influenced their development; 2) strengths and constraints that SMFEs face with respect to their business development and their requirements for services in this regard; and 3) SMFEs ease of access to FSs and strategies for improving the delivery of these services.

4.1 The Business Environment of The Gambia: Opportunities and Limiting Factors

The government of The Gambia has exerted a positive influence on some of the case study SMFEs by generating opportunities in three main areas: land tenure; capacity building and support; and simplified regulations. First and foremost, the Forestry Department has played a central role in granting tenure rights to local communities through the establishment of community forests. Access to forest resources is considered an essential prerequisite for the development of SMFEs (Thoma and Camara 2005, Kozak 2007a), and it has been suggested that SMFEs are more likely to emerge and develop in countries with clear land tenure and access rights for communities and smallholders (Donovan et al. 2006). In The Gambia, this reform gave villagers the legal backing to utilize and commercialize forest products, and it also incentivized the sustainable use of forested ecosystems. My data show that villagers were encouraged by the economic benefits acquired from the commercialization of forest products. Concurrently, they acknowledged that some of their enterprises are highly dependent on well-managed ecosystems. Similarly, Romano (2007) argues that secure tenure over land can contribute to the reduction of forest degradation and deforestation.

However, what deserves to be highlighted with The Gambian decentralization model – more than the process of land devolution by itself – is the gradual transfer of capabilities and resources that have empowered and truly benefited local people. Decentralization is

not effective if it is not accompanied by the development of capacity and technical skills, particularly at the local level (Capistrano and Colfer 2005, Contreras and Peter 2005). Romano (2007) indicates that, in many African countries, shifting responsibilities of forest management to local communities has only been possible by concurrently building the necessary capacities and providing adequate institutional support. Specifically, in The Gambia (and Tanzania as well), “both approaches are rooted in a process of power sharing and capacity building, rather than simply allowing communities increased access to the forest resource” (Romano 2007 p. 15).

The Gambian government has demonstrated its commitment to effective decentralization and continuous capacity building by providing access to training for community members engaged in community forestry and by integrating the Market Analysis and Development (MA&D) methodology developed by the FAO into their community forests strategy (Forestry Department of The Gambia 2005). The case study SMFEs illustrate that land tenure clarification and devolution processes are very important; however, in and of themselves, they may not be as effective in delivering the proposed aims of forest conservation and improved quality of life. These efforts need to be complemented with adequate capacity building and support structures.

Another notable achievement of The Gambian government has been in ensuring that existing policies do not hinder the development and operations of several SMFEs in this study. Enterprises that employ non-timber forest products and resources from CF areas, could not identify government regulations that impinged on the development of their businesses and they do not appear to be over-regulated. Some authors point to The Gambia as an illustration of how simplified rules and regulations related to harvesting, assessment, and management of CFs can be applied in an effective manner (Contreras and Peter 2005, FAO 2006). This is commendable given how excessively bureaucratic forest management can be in many countries (Pulhin et al. 2010), with regulations that frequently impede and hamper the development of SMFEs (Donovan et al. 2006, Macqueen 2008). For example, Pacheco and Paudel (2010) note that community forest enterprises in Nepal are affected by a number of regulations that constrain their ability to add value and increase their profitability. In Brazil, a similar situation occurs where

bureaucracy and complex requirements hinder the development and operations of forest-based enterprises (May et al. 2003, Hajjar et al. *forthcoming*). In the Philippines, the preparation of management plans is costly, since it is highly technical and often requires the input from professional foresters (Pulhin et al. 2010). Comparable circumstances occur in Bolivia (Contreras and Peter 2005), Guatemala, Honduras, Costa Rica, and Cameroon (Pulhin et al. 2010), among others.

While the simplification of legal restrictions is a positive trend, a lack of regulation in certain areas can be counterproductive. For example, the production of honey can have a negative impact on forests if it is not adequately regulated. Harvesting wild honey with fire threatens the overall forest condition, as the incidence of forest fires is increased (FAO 2005). Simple and easy to follow norms could discourage rudimentary harvesting with fire; for instance, allowing only registered beekeepers to commercialize honey could serve to incentivize the use of enhanced production methods. Something similar could also occur with handicrafts; the business owner in this study explained that he currently has virtually limitless access to raw materials. If, however, this enterprise increases its production or more villagers pursue this activity over time, raw materials may become increasingly scarce or possibly even exhausted. If this were to occur, sound regulations could be an effective means of promoting sustainable management and active reforestation of Rhun palm, for example, thus ensuring the long-term availability of raw materials.

Clearly, the government of The Gambia has played a central role in the generation of opportunities for the development of SMFEs through decentralizing forest management, providing adequate support, and implementing simple regulations concerning the use of non-timber forest products and CF areas. Nevertheless, weak enforcement coupled with the tacit approval of corrupt practices, illegal activities, and ill-conceived policies, are major weaknesses confronting the government from the perspectives of SMFEs, mainly wood-related enterprises. These limiting factors are manifested in various ways, and are discussed in turn.

The first limitation is the time that it takes to update CF management plans, which reflects poor implementation capacity by the government. This constraint is also mentioned by Thoma and Camara (2005), who note that management plans had expired in several Gambian communities. Data from this study are not sufficient to identify the exact source of this problem; it can be a delay caused at the local forest officer level or at the regional level. Also, it is difficult to estimate the magnitude of this problem as there is wide variation on the time it takes to update these plans – periods of two months to two years were reported. In theory, the lack of this updated document should lead to interruptions in the operations of CF enterprises and delays in the marketing of their goods, since these plans are a basic requirement for the harvesting and transport of products. In reality, though, data from the case SMFEs show that, when villagers need to harvest, they only request authorization from the Forestry Department's officer, despite the fact that an updated CF management plan is not in place. As such, decisions regarding the use of the forest are left to the discretion of the forestry officer and community members, which, in turn, can threaten the sustainability of the forest and lead to overexploitation of the resource base. Additionally, it opens up the possibility of illegitimate deals between villagers and forestry staff. Nonetheless, even with the existence of a community forest management document, Camara and Dampha (2006) warn that its implementation must be monitored by the Forestry Department in order to avoid abuse.

The period that it takes to update this document may also point to some unnecessary bureaucracy. For communities to commercialize their products, they require an approved CF management plan, and permits for harvesting and transportation²⁰. While this may not seem overly complicated, it can result in serious delays in the operation of an enterprise. Pulhin et al. (2010) describe how, despite the efforts that some countries have made to simplify their regulations, obtaining approval of management plans is still a difficult and slow process that can take several months or even years. For instance, in the Philippines,

²⁰ The Divisional Forestry Officer is responsible of approving CF management plans as well as granting licenses for harvesting. A “removal permit” is required for transportation and is issued by any forestry officer upon presentation of the valid license.

forest enterprises operations have been interrupted due to the excessive time it takes the government to authorize harvesting plans (Pulhin et al. 2010). Complicated processes may also increase the likelihood of corruption, since opportunities for dishonest behaviour are presented with every extra step that communities need to fulfill (Pulhin et al. 2010). In The Gambia, this process could be simplified if local forest officers were to acquire the authority to approve CF management plans, and communities were allowed to use the same licenses for harvesting and transportation.

Corruption at road checkpoints is another challenge confronting SMFEs in The Gambia. The implications of corruption can be very serious, since it “can place the entire process of community-based enterprises at risk” (FAO 2005 p. 59). Legal traders, attempting to manage forests in a rational way, such as some of the case study SMFEs, may become demoralized by having to face constant impediments in the transportation of their products. This may have the effect of inducing legal enterprises to change their modes of operation and become informal if they do not perceive any greater benefits from acting lawfully. Weak enforcement on the part of the government serves to promote illegality by allowing any forest product to be transported irrespective of its legal status.

The lack of a CF management plan could be related to this problem, as firewood enterprises that complained about the time it takes to update their plans were also the ones facing transportation troubles (F2 and F3). The lack of a management plan could mean difficulties in obtaining licenses and, therefore, transportation permits. This makes it more likely for an enterprise to confront problems at the checkpoints. One association executive mentioned that road officers do not recognize CF licenses as valid; however, this respondent interpreted this issue as a result of ill-informed officers, rather than a problem with the legitimacy of the permits.

Corruption is a symptom of profound institutional weakness (Hellman et al. 2000). Addressing corruption is no easy task, especially if it has been present for many years. Ferguson and Chandrasekharan (2005 p. 78) state that “corruption represents a major impediment to sustainable forest management [...]” In 2005, the FAO (2005) stated that this issue was being treated at the highest levels in The Gambia, and it was considered

critical and urgent. Our data confirm that this problem is still widespread and is hampering some of the efforts of enterprises that are attempting to use their forest resources sustainably.

Illegal competition is another issue that highlights the weak enforcement capacity of the government in The Gambia. Illegal competition is a major constraint because illegal production and trade of forest-based goods distorts markets by lowering prices, thus making community forest enterprises less competitive. Adding to this, many formal forest-based enterprises have agreed to maintain a fixed price for their products and to share revenues with the government, leading to the production of more expensive goods. Illegal forest products abound in many markets (Donovan et al. 2006) and the problem is so severe in some forest-rich countries that 50% to 90% of forestry activities occur illicitly (Contreras-Hermosilla 2002). Thoma and Camara (2005) state that, on occasion, illegal traders even use CF names to mask their operations. Illegal competitors in The Gambia may also be linked with corrupt road checkpoints, since they seem to be successful at moving their products through Gambian roadways. This may be the result of close ties with bandits and corrupt officials manning road checkpoints, but it also speaks to a general lack of enforcement to curb illegal activities in the forest sector (Contreras-Hermosilla 2002). Additionally, it may reflect excessive bureaucracy for some forest policies, as the size of informal sectors is often positively correlated with the amount of regulations in place (Contreras and Peter 2005).

A final negative aspect with respect to the government's impact on SMFEs and community wellbeing relates to the embargo on the issuance of timber licenses and the use of chainsaws that is affecting timber and log enterprises in The Gambia. Such bans are not uncommon. Brown et al. (2001) state that one of the reasons that governments implement forestry bans is their inability to effectively monitor logging operations. For instance, Pulhin et al. (2010) report that the government in Nicaragua instituted a ban prohibiting certain forestry activities after it was unable to enforce legislation. Thoma and Camara (2005) report that charcoal production was banned in The Gambia after this activity became uncontrollable. Forestry bans rarely achieve the proposed outcomes they were originally intended for, such as halting deforestation and ensuring forest

conservation (Contreras and Peter 2005). In Vietnam, for example, illegal logging increased after the implementation of a ban (Contreras and Peter 2005). These prohibitions also have economic and social implications, as evidenced within the studied communities in The Gambia where villagers' sources of income (from timber and log enterprises) have been reduced. An additional impact of the embargo is that it penalizes individuals and groups that are striving to properly manage their forests; for example, it very much restricts the potential operations of community forest enterprises, and is a contravention of the rights acquired by some local villages. An alternative to such drastic and unenforceable policy could be the promotion and expansion of participatory approaches, which have been shown to be an effective means of promoting a sustainable use of forests in The Gambia (Thoma and Camara 2005).

Even though the limitations mentioned pertain only to wood-related enterprises, they may eventually disrupt the operations of other (non-wood) SMFEs since they represent a threat for the overall conservation of the forest. Contreras-Hermosilla (2002) states that, although governments may have a true commitment to enforce the law, they may fail because they do not have adequate resources to execute their duties. Contreras and Peter (2005 p. 53) add that "increasing the efficiency of the public forest administration often requires many more resources than are presently available in most countries." Thoma and Camara (2005) note that the Gambian government lacks substantial financial means to implement its plans related to sustainable natural resources management, and they specifically point to the mobility constraints of forestry staff to reach communities. For instance, the government's implementation guidelines for CFs stress the need for external funding to establish basic infrastructure and "a network of operational forest stations and field offices" which are required all over the country (Forestry Department of The Gambia 2005 p. 76). The Forestry Department's biggest challenge is in obtaining funds for continuing with the implementation of its participatory approaches (Thoma and Camara 2005).

Associations of producers have also been strategic partners in supplementing government efforts. They have provided SMFEs with capacity building activities and various other support services. For instance, the MA&D training was achieved with the collaboration

of two local associations – NBAG and JATIFIF (Thoma and Camara 2005). Social organizations can be instrumental for solving the lack of connectedness facing many SMFEs; they can improve their negotiating capacities and link them to policy processes, markets, and service providers (Macqueen 2007a, Macqueen 2008).

In summary, the government of The Gambia and associations have been important actors influencing the development of SMFEs. This case study has shown the efforts and determination of the government to improve forest management, by gradually devolving land tenure to local communities, providing capacity building activities and institutional support, and implementing simplified regulations related to non-timber and CF enterprises. Associations have played an essential role in complementing government activities by supporting SMFEs in diverse ways. Nevertheless, ill-conceived policies coupled with deficient enforcement, corruption, and illegal activities, are major limitations still confronting wood-related SMFEs in the BE of The Gambia.

4.2 SMFEs and their Business Development

Forest-based enterprises require specialized BDSs for building and strengthening their capacities (Donovan et al. 2006). Developing business skills is one of the most important factors influencing the success of a business and the generation of business skills is an important pillar of the community forestry strategy in The Gambia (Macqueen 2010). That said, all enterprises in this study revealed the need to continue developing their capacities, especially related to forest management, technical skills, and general business and financial administration. Our data clearly show that the provision of BDSs should not be restricted to one-time events but rather should be provided on a continual basis, as enterprises are dynamic entities that develop new needs or require refreshing of already acquired knowledge. Each type of SMFE in this study has different advantages and faces specific challenges, as they are at different stages of their business development. However, with the provision of BDSs, it is likely that SMFEs will be able to reinforce their advantages and tackle some of their weaknesses.

Record keeping is essential for assessing an enterprise's progress, managing revenues, and for encouraging investors should the business require upgrading (Macqueen 2010). All community-owned enterprises in this study have the advantage of keeping records of their business transactions; however, the majority of individually-owned SMFEs do not do so. This may occur because communal businesses have to be accountable to a group of people and to the communities in which they operate. However, another reason may be that most individual businesses have not been trained in accounting, record-keeping, and even in literacy issues, so an absence of written records may reveal a lack of skills rather than a lack of willingness. In this context, a provision of BDSs is necessary for developing SMFEs' financial management skills, since record keeping is a crucial aspect of enterprise governance. As Donovan et al. (2006 p. 4) state, "[...] nearly 90% of successful Ugandan SMFEs keep accounts and make them available to members".

Profit distribution is another difference between community- and individually-owned SMFEs. Our data show that communal enterprises tend to allocate their profits towards the well-being of the community and the maintenance of the ecosystem, while individual SMFEs spend their profits primarily on individual and family needs. Community forest enterprises are businesses that distribute their revenues according to community interests and "are not simply about subsistence" (Macqueen 2010 p. 5). Additionally, all of the communal SMFEs studied show a clear capacity for savings, while less than half of the latter group does so. In this sense, communal enterprises seem to be more inclined to satisfy the medium- to long-term needs of a group of people, whereas individual businesses deal more with the short-term and urgent requirements of particular households. Even though both types of SMFEs can play an important role in improving the quality of life for forest-dependant peoples, individually-owned businesses may require BDSs for managing revenues more appropriately and strengthening their business planning.

Most enterprises stated that there is a high market demand for their products. Thoma and Camara (2005) confirm this situation, especially regarding firewood and timber demand in The Gambia. Robust demand is clearly an opportunity for any business; however, if not adequately handled, it could jeopardize the sustainability of wood-related enterprises

and their CFs. Market pressure, coupled with financial constraints, is an ideal recipe to drive enterprises into exploiting their forests for short-term gains. This could already be occurring with many branch-wood and firewood enterprises in The Gambia.

Contradictory information on the profitability of one firewood business may be indicative of the fact that villagers are harvesting more than what they are actually admitting.

Moreover, the likelihood of this situation occurring may increase in the absence of an updated CF management plan and with weak enforcement in place. Similarly, most branch-wood businesses do not hold valid licenses, suggesting that they harvest forest products without any legal or sustainability guidelines. With an appropriate delivery of BDSs, it is plausible for enterprises to deal with their financial constraints, while taking full advantage of this market opportunity. For instance, SMFEs could be assisted in the management and re-investment of profits, in strengthening technical skills (thus maximizing production and minimizing environmental impact), in forest protection and reforestation, in legislation compliance, and more generally, in increasing their overall competitiveness.

BDSs may even assist enterprises in increasing their customer bases. For instance, most beekeeping enterprises are fully dependent on their association as the only customer (acting as an intermediary). This over-reliance could be risky, given that associations face challenges and, therefore, have a possibility of failing (Campos et al. 2005, Macqueen et al. 2005). With the proper delivery of BDSs, entrepreneurs can develop skills for diversifying their client bases, thus increasing their resilience and reducing risk.

Additionally, they can be assisted with technical expertise for delivering a continuous supply of honey throughout the year.

The case study SMFEs show that, in The Gambia, these services have been provided by the government, associations, and NGOs, sometimes involving the aid of international development agencies. Some authors question the sustainability of delivering BDSs using highly-subsidised approaches (Macqueen 2008), as these usually entail high-costs, limited outreach, and questionable quality (Altenburg and Stamm 2004). For example, Donovan et al. (2006) criticise BDSs in the forest sector, claiming that they have mainly been focused on technical and forestry skills, rather than on developing more general

business management abilities. In this context, a market-based approach based on supply and demand has been proposed, which could improve the quality and outreach of these services. Nevertheless, implementing such an approach is very complex (Altenburg and Stamm 2004, Donovan et al. 2006, Macqueen 2008). Among various issues, it needs BDS providers to adjust their services for forest-based enterprises and requires the willingness of SMFEs to pay for these services (Donovan et al. 2006). This may not be feasible for many of the studied enterprises, especially the ones with minimal profitability and major financial constraints. In these circumstances, a combination of partly-subsidised services may be more appropriate. The transition into a market approach for BDSs can be slow and difficult, and in some contexts, it may be easier to reform existing public institutions than to develop new private ones (Altenburg and Stamm 2004).

Associations could play an important role in improving the delivery of BDSs. They can be instrumental for reducing costs and achieving economies of scale. Macqueen (2008 p. 28) states that “often the quantity of BDS that is required by a single small or medium enterprise is too little for BDS providers to bother developing a service,” and he notes that associations can assist in overcoming this challenge. With the necessary expertise, associations can also deliver these services directly, possibly charging a premium for their work. Additionally, they can establish linkages and alliances to connect their members with other BDSs providers.

In summary, SMFEs in this study have different strengths and constraints with respect to their business development. Therefore, a continuous and effective delivery of specialized BDSs can be strategic for enhancing their managerial and business capacities. For instance, BDSs can assist entrepreneurs in acquiring the knowledge necessary to comply with legislation, in implementing good governance and basic transparency, in enhancing financial management skills, and in general, in creating a culture of business and strategic thinking.

4.3 SMFEs' Access to Financial Services

Financial Institutions in The Gambia – especially banks – are expanding. Our data show that many have opened an average of one branch per year since their founding, and many expressed plans to continue broadening their branch networks. Reports from the Central Bank of The Gambia confirm that, at the end of 2007, there were nine commercial banks (Central Bank of The Gambia 2007), while in 2010, there were 14 (The Central Bank of The Gambia n.d.), representing a 55% increase in the number of institutions in only three years. This expansion intensified competition, which improved the services offered by the banking sector (Central Bank of The Gambia 2007). Additionally, competition puts pressure on banks to spread out to low-income people (United Nations 2006), which may partly explain why the banks in this study are expanding into rural areas and a few are even offering microfinance.

The expansion pace of financial institutions into rural areas of The Gambia could be accelerated with improvements to basic infrastructure. Better infrastructure and improved human capacity have been shown to reduce the costs associated with providing microfinance (United Nations 2006). FIs in this study recognized the opportunities of expanding their reach into rural areas, such as good records of collection of deposits and loan repayments; however, they also identified limitations like deficient infrastructure and unreliable services, which increase their operational costs. Pagura (2008) explains that high costs make FIs hesitant to enter rural markets. Therefore, it is likely that, by providing reliable energy sources in the major towns of each Gambian region, coupled with an improvement in communications and road networks, FIs could reduce their costs and hasten their expansion.

Even though FIs in The Gambia are broadening their reach in rural areas, they are still not offering SMFEs with a full range of financial services, especially credit. The studied SMFEs have an easy access to deposit accounts, which is considerable given that low-income rural population “greatly value access to safe savings services” (Spantigati and Springfors 2005 p. 16). Data from this study show that it is affordable to open accounts, primarily from microfinance institutions but, depending on income, also from

commercial banks. In general, banks restrict deposit collection with requirements for high opening balances (Basu et al. 2004), thus precluding small savers (Gulde et al. 2006). In The Gambia, these high costs have limited people from accessing bank accounts (Gulde et al. 2006); however, our data indicate that opening a bank account is still affordable for some, as most community-owned enterprises save with banks, requiring approximately 1% of their annual profits to do so. Nevertheless, for other less profitable SMFEs, this would represent a significant cost that is out of their reach.

Community credit unions can be a strategic option for remote communities that have no access to other FIs. Our data show that all SMFEs in Village D, which are located at a greater distance from the main road, have a savings account in their community credit union. However, this does not take place for the SMFEs in Village A, which have access to a credit union as well as to other FIs. Credit unions have a crucial role to play in reaching the most remote communities and poorer populations (Spantigati and Springfors 2005, Helms 2006). In various rural areas, they “are still the only source of deposit and credit services, apart from the informal financial market” and they are characterized for delivering inexpensive loans (Spantigati and Springfors 2005 p. 34). For example, in Africa, cooperative groups and village associations have been essential for collecting savings and expanding the outreach of financial services (Basu et al. 2004), and in West Africa “more than 3.7 million clients were reached as of the end of 2004 [...]” (Helms 2006 p. 42).

The delivery of credit from FIs in The Gambia – especially banks – is much more limited than their mobilization of deposits. The case study SMFEs have been successful in acquiring finance from credit unions, MFIs, and other organizations, while none of them have obtained bank loans. In The Gambia, formal FIs have not been successful in attending to the poor (Sanyang and Huang 2008). This could be due to the fact that most FIs require guarantees for extending credit, but many people “[...] do not have collateral, and this is the characteristic that primarily excludes them from formal credit sources” (Helms 2006 p. 23). Our data illustrate that microfinance institutions are more flexible than commercial banks in their requests for collateral, as some MFIs accept different types of guarantees, like small property and household items, or individuals securing one

other within group mechanisms. MFIs even rely on local knowledge (Helms 2006) and the character of individuals (United Nations 2006), and some even ensure clients' repayment capacities by delivering loans gradually.

As FIs are not effectively meeting SMFEs credit needs, other institutions, such as NGOs, associations, and government projects, seem to be filling the gap. In The Gambia, donors and NGOs are supporting microfinance projects, with the aim of promoting rural development and alleviating poverty (Sanyang and Huang 2008). Donor-based microfinance tends to be focused on credit-only schemes, and do not require savings as a condition for extending other services (Basu et al. 2004). In particular, NGOs have been very effective in reaching communities where microfinance institutions are barely present (Basu et al. 2004). The activities developed by these non-FIs are positive as they can partially meet rural credit demand and contribute to poverty reduction, especially when credit is directed to income-generating endeavours. Nevertheless, these interventions tend to have limited outreach and are not sustainable (Macqueen 2008), especially when they are without proper financial management and backing (Spantigati and Springfors 2005). In addition, when these non-FIs are highly subsidized, they can “undermine the development of sustainable microfinance and distort the market” (Spantigati and Springfors 2005 p. 83). Also, they tend to offer a narrow range of financial services as they are only focused on credit delivery. It is likely that, until FIs become more effective in meeting rural credit demand, these other institutions will keep filling these financial services space.

4.3.1 Strategies for Improving the Delivery of Financial Services to SMFEs

The delivery of financial services to SMFEs can be facilitated by the implementation of various strategies directed towards improving the BE and the provision of BDSs. Some of these strategies are: establishing group-based mechanisms; endorsing linkages and connections between FIs; promoting formality among SMFEs; delivering community forest management plans on time; maintaining stable policies; granting communities' clear ownership over forest resources; and offering SMFEs with adequate business

training. Diverse actors, such as the government, associations, FIs, or SMFEs, can fulfill specific roles in promoting or implementing these strategies.

The formation of groups or associations can be instrumental in increasing the outreach of FSs. Group-lending is “one of the most characteristic microcredit innovations [...],” as they can reduce transaction costs, improve the likelihood of repayment, and relax guarantees (Spantigati and Springfors 2005 p. 19). Financial institutions can reduce costs by lending to a group rather than to individual enterprises (Macqueen 2010).

Additionally, they decrease risk, as individuals guarantee each other, thus ensuring a higher probability of loan repayment (Basu et al. 2004, Spantigati and Springfors 2005, Helms 2006). Moreover, groups can enhance access to credit, since they can act strategically to aggregate individual savings and use them as collateral (Basu et al. 2004). Even though some FIs in The Gambia are already using group-based lending, it is important for other FIs to recognize the benefits of implementing such a mechanism. Similarly, it would be strategic for SMFEs to strengthen collective action as a means of facilitating their access to FSs. The government could also play a role in assisting associations to become stronger and by encouraging the formation of new ones.

Another strategy for improving the delivery of FSs is the generation of linkages and strategic alliances among FIs. In The Gambia, commercial banks and microfinance institutions are working together to improve the delivery of their services, showing that they can combine forces instead of duplicating them (Basu et al. 2004, Gulde et al. 2006). Banks do not need to downscale directly into microfinance, since they can reach remote populations by creating alliances, and do so at very low costs and risk (Pagura 2008). With the development of these linkages, “the prospects of enhancing financial deepening have improved” (Basu et al. 2004 p. 11). Governments and donors can play important roles in the promotion of these linkages (Spantigati and Springfors 2005). For instance, the Central Bank of The Gambia encourages financial companies to invest in village banking associations, thus benefiting banks as they are able to use local branches for delivering services, and benefiting MFIs as they, in turn, become capitalized (Central Bank of The Gambia 2007).

Promoting formality among forest-based enterprises is another aspect that could incentivise investment in SMFEs. Formality may prove important for some FIs as it ensures the legality of forest products, thus reducing the risk of confiscation and loss. In this context, some community-owned enterprises could have an important advantage as they are registered with the Forestry Department and have ownership certificates for their CFs. However, it could be problematic for other SMFEs that are acknowledged by the Forestry Department but lack a written record. The government has a vital role in promoting formality by establishing simple and inexpensive procedures that allow forest-based enterprises to register. Additionally, it is important for SMFEs to perceive that the benefits of formality exceed the costs, as entrepreneurs frequently choose the path that maximizes their economic gains (IFC 2006).

Delivering community forest management plans on time could also facilitate SMFEs access to FSs. CF management plans provide evidence of an enterprise's ability to plan and may provide higher certainty with respect to the continuous supply of raw materials, thus lowering the perception of risk associated with SMFEs. For instance, in Guatemala, annual forest management plans were accepted by local banks (Paudel et al. 2010), and as these were previously approved by the government, they provided additional confidence about the legitimacy of forestry activities (Junkin 2007). Moreover, CF management plans are strategic in nature and of great advantage to SMFEs, as they reveal their capacity to act sustainably. This could be relevant for some financial institutions that set environmental requirements as conditions for lending (Spantigati and Springfors 2005). The Forestry Department of The Gambia should ensure that these plans are approved and delivered on time, as the lack of this document can greatly restrict an enterprise's ability to access FSs.

Maintaining stable policies is another strategy that could promote investments in the forest sector. The likelihood of sudden modifications in forest regulations may hold back FIs from investing in forestry, as these policies could hamper the operations of SMFEs, and thus, their capacity to repay loans. "Unpredictable changes in government policy or regulations increase risk in the business environment and produce large disincentives for investment" (Hellman et al. 2000 p. 26). This concern is exacerbated by some current

forest policies in The Gambia, such as the embargo on the issuance of timber permits, which completely halted the operations of timber and log enterprises. It is important for the government to be cautious when designing policies that not only affect the operations of some enterprises, but have the potential to damage the overall image of the forest sector. Governments can determine the real impact of their policies through the use of specific methodologies, such as the Regulatory Impact Assessment (RIA) (Macqueen 2008), which could prove useful for the Gambian case.

The continued devolution of land tenure into the hands of communities remains critical to determining SMFEs' access to FSs. Secure rights over resources is often a requirement for financial investments (Macqueen 2010). Financial institutions in Africa “stressed the importance of clear concession policies and land tenure arrangements as a prerequisite for private sector investment” in the forest sector (Spears 2006 p. 23). Similarly, in Guatemala, clear and long term access to forest resources incentivized banks to offer credit to forest-based enterprises (Junkin 2007). In this sense, continuing with the decentralization process of forest management in The Gambia is strategic, and it is in the best interest to allow more communities to acquire clear and secure ownership over forest resources.

Finally, the provision of BDSs can facilitate SMFEs' access to microfinance, as BDSs assist enterprises in enhancing profitability, achieving sound management, and reducing risk. Small businesses with no financial or planning abilities rarely become bankable customers (Spantigati and Springfors 2005). For instance, in Guatemala, the availability of BDSs to SMFEs was an important factor that incentivized banks to offer larger loans (Junkin 2007).

In summary, FIs in The Gambia – especially banks – are in a process of expansion; however, the delivery of FSs is still limited. While SMFEs do not face major restrictions in accessing deposit accounts, they do face limitations when accessing credit. Microfinance institutions, especially cooperative credit unions, have played an important role in satisfying SMFEs credit demand. Nevertheless, NGOs, associations, and government projects have taken the lead in the delivery of credit-only schemes. With the

implementation of various strategies, such as group-based lending, delivering CF management plans on time, promoting formality among forest-enterprises, maintaining stable forest policies, and providing a continuous supply of BDSs, it is likely that SMFEs in The Gambia will improve their access to adequate FSs, which could assist them in running and upgrading their businesses.

5 Conclusions

Small and medium forest enterprises (SMFEs) can be an effective means for alleviating poverty and promoting forest conservation in developing countries. Nonetheless, the literature in this domain is rife with several challenges facing these enterprises, all of which limit their capacity to develop and grow. In order to tackle these limiting factors, SMFEs usually require reforms in their Business Environment (BE), the provision of Business Development Services (BDSs), and adequate access to Financial Services (FSs) (Donovan et al. 2006, Macqueen 2008). The Gambia is cited as an example of a country where SMFEs are emerging (Donovan et al. 2006). In The Gambia, the government has improved the environment for community forestry by gradually transferring forest ownership to local communities. Additionally, villagers have received assistance for building their capacities in forest and business management, thus enabling them to plan and develop sustainable SMFEs (Thoma and Camara 2005). Nevertheless, there is a lack of information about the sources of FSs that these enterprises may be experiencing and the possible financial struggles facing them.

The goal of this dissertation was to improve our understanding about SMFEs operating in The Gambia after the support that they received in reforming the BE and in the provision of BDSs. Specifically, this qualitative research had three objectives: first, to identify the opportunities and limiting factors facing SMFEs regarding the BE of The Gambia; second, to determine the opportunities and constraints of SMFEs concerning their business development and their need for BDSs; and third, to evaluate SMFEs' accessibility to FSs, and determine strategies to improve the delivery of these services. In order to achieve these objectives, a multiple case study strategy was employed. In total, 16 SMFEs that focused on five different activities: firewood, ecotourism, beekeeping, handicrafts, and branch-wood; and 14 FIs, classified as six commercial banks and eight microfinance institutions, were studied. Data were collected from multiple sources, such as interviews, focus groups, documents, and observations. The study was bounded to the Western Region of the country.

Data from this study show that, in the BE of The Gambia, the government has taken a leading role in generating opportunities for the development of SMFEs. This has been done by implementing an effective decentralization process that has involved the devolution of land tenure to local communities, coupled with the implementation of capacity building activities, institutional support, and simplified regulations concerning non-timber and CF-related enterprises. Associations of producers have also been instrumental by providing SMFEs with training and various other services. Nevertheless, ill-conceived policies tied with weak enforcement, corruption, and illegal activities are still major limitations confronting wood-related SMFEs in the BE of The Gambia.

SMFEs are at different stages in their business development; however, all of the cases agreed on their need to receive ongoing and specialized BDSs to assist them in: complying with legislation; implementing sustainable forest management; obtaining the necessary skills for good governance and basic transparency; enhancing financial management skills; and improving their competitiveness, among various other issues.

The studied SMFEs demonstrate that there are still barriers that limit their access to FSs. They have been successful in accessing deposit services; however, they still face limitations for acquiring loans, especially from commercial banks. Our data show that microfinance institutions, especially cooperative credit unions, have played an important role in satisfying SMFEs credit demand. Nevertheless, NGOs, associations, and government projects have taken the lead in the delivery of credit-only schemes, thus filling the gap left by FIs.

Even though the three main components for assisting SMFEs – the BE, BDSs and FSs – have been described separately in this thesis, they are all deeply interconnected. For instance, strategies directed to improving the BE or the provision of BDSs, could serve to enhance SMFEs access to FSs. Some of these strategies could be: promoting formality within the forest sector; encouraging the formation of associations and strengthening collective action; developing stable and long term forest policies; endorsing collaboration between commercial banks and microfinance institutions; and assisting SMFEs in developing adequate business skills.

5.1 Implications

This study represents a first pass at studying SMFEs in The Gambia using the BE, BDSs, and FSs as parameters. Thoma and Camara (2005) and the FAO (2005) provided valuable information about the BE and the provision of BDSs for community forestry enterprises in The Gambia. However, there are no studies about SMFEs' access to FSs and the potential challenges that these enterprises could be facing in this regard. This thesis offers an updated view of SMFEs in The Gambia, and is instrumental in providing an understanding of the challenges that still face them, despite the support that they have received. Additionally, this study makes important contributions to the scarce literature that exists on small-scale forest enterprises and microfinance.

5.2 Recommendations

A number of policy changes or actions by government, donors, NGOs, and the private sector, could enable the further development of forest-based enterprises in The Gambia. These include:

Generating an enabling environment for the development of SMFEs:

Instead of providing isolated and one-time solutions for dealing with the complex challenges of SMFEs, these enterprises would be better served with more holistic efforts to provide an enabling environment, with a functioning BE, the continual provision of BDSs, and adequate access to FSs. This would allow SMFEs to achieve their ultimate aim of becoming self-sufficient enterprises.

Inter-sectoral approach for providing an enabling environment for SMFEs:

Reforms in the forest sector tend to be very complex (Macqueen 2008); therefore, generating an enabling environment for SMFEs will likely require an inter-sectoral approach involving the cooperation of various public and private institutions. For example, in order to reform aspects of the BE of The Gambia, such as forest enforcement, corruption, and illegality, the Forestry Department will require collaborations from other

public offices (e.g. the police force, the judicial system, the financial ministry), as well as the commitment from civil society. Similarly, to improve the provision of BDSs and FSs, cooperation between the private sector, various government departments, associations, and SMFEs will be needed.

Strengthen associations and collective action:

Associations were a cross-cutting theme in this dissertation. If adequately managed, these organizations can promote reforms in the BE, provide multiple services that no other actors are delivering, and establish linkages with various institutions that could benefit SMFEs. Associations could be promoted and strengthened, either by the government, donors, or SMFEs themselves.

SMFEs should promote themselves as formal and sustainable:

Several of the SMFEs included in this study, especially CF enterprises, have various characteristics that could make them desirable customers for FIs. For instance, many have received BDSs, have control over forest resources, are formal, and act in a sustainable and conservation-oriented way. If these enterprises were to recognize these strengths, they could better promote themselves to FIs and facilitate their access to FSs. Additionally, the Forestry Department and associations could assist by communicating these points to banks and microfinance institutions.

5.3 Research Limitations and Future Work

The Gambia is cited as a promising example of participatory forest management (FAO 2005, Thoma and Camara 2005, Macqueen 2010) and as a country where SMFEs are emerging (Donovan et al. 2006). However, more than 90% of forests are still under state control, while less than 7% are community-owned (Lamin et al. 2010)²¹. The research presented here may provide insight on the circumstances of SMFEs as they pertain to

²¹ Report prepared in 2010 for the Global Forest Resources Assessment of the FAO. Data corresponds to 2005.

community-owned forests located in the Western Region of the country, but not the majority of SMFEs in The Gambia that do not operate within the context of a community forest and that are located in more remote regions. Future research should explore these other types of SMFEs in further detail to gain an even more robust understanding of the roles that the government and associations play in their development, and to assess their situation with respect to business development and access to FSs. Additionally, this study only examined operational and functional SMFEs; therefore, future investigations could explore enterprises that have ceased operations, in order to identify some of the factors that contributed to their failure.

It is important to acknowledge that interviews and focus groups with individuals from the case study SMFEs and FIs were the main sources of data for this study. Even though some information was triangulated with grey literature and observations, the results are, for the most part, qualitative and based on participants' perceptions and interpretations. Furthermore, public officials and staff from the Forestry Department were not interviewed, so government perspectives were not considered in this research. Similarly, the perspectives from private BDS providers were not included. Future research could explore these other perspectives in order to achieve a better understanding of the context and potential opportunities or limitations facing SMFEs. New studies are also recommended for identifying other underlying causes of the weak enforcement, corruption, and illegal activities that were observed in this study, so that viable solutions which address these issues can be brought forth. Additionally, further investigations could also look at better ways in which BDSs could be delivered, whether it is through market approaches, or in association with publicly-driven mechanisms.

This thesis studied some aspects of the business environment of The Gambia principally related to the political and regulatory framework; nevertheless, it did not include issues associated with the macroeconomic environment of the country. Future research could take into account some macroeconomic aspects for determining their effect in the development of SMFEs.

Even though this investigation shows that associations have been instrumental in supporting SMFEs in a diverse array of ways, new studies should look at the weaknesses and constraints facing these organizations in order to identify ways of improving their efficacy and strengthening their efforts.

Finally, this dissertation indicates that formality and sustainability of forest enterprises could be important factors determining their access to FSs. Further research is recommended for determining the extent to which these factors come into play for financial institutions, as these could be strategic areas where SMFEs require further support.

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Appendices

Appendix A – SMFEs Interview Protocol

1. Can you give me general information about the enterprise? (Kozak 2007b)
 - a. What is the business structure (company, foundation, cooperative)? Is it formally registered? If not, why not?
 - b. How long has the enterprise been running?
 - c. How many employees do you have? Are they from the community?
 - d. How is the management process? Who manages it? For how long?
 - e. Do you belong to any association?
 - f. Does the enterprise have a business plan? (Kozak 2007b)
 - i. If yes: When was it created? Has it been useful?
 - ii. If no: Has it affected not to have a business plan? In what way?

2. Can you describe what are the primary products or services you offer?
 - a. How much do you produce every year? (basic info)
 - b. Do you think it is a product of quality?
 - c. Is there something you can do to improve its value or quality?
 - d. Are there any limitations for making these improvements?
 - e. Do you face any difficulties related to the sourcing, processing, storage or delivery of your product?
 - f. How do you promote your products / services? (Kozak 2007b)
 - g. Can you think in any way in which you can promote in a better way your product to increase your sales? How?
 - h. Along time, do you know if your sales have increased / decreased?
 - i. Who are your most important customers? Where do you sell your products?

3. How is the financial situation of the enterprise?
 - a. Do you keep any financial records? (Balance sheets, income statement, and cash flow analysis) (Macqueen et al. 2009)
 - i. Is there a specific person in charge of financial issues? Have they been trained for this?
 - b. Do you know how profitable it is (net income or earnings before interest and taxes)?
 - i. How do you distribute the profits?
 - ii. Where are the profits saved?
 - iii. The community benefits from these profits? How?
 - c. Does the enterprise engage in any type of financial planning?
 - d. What type of financial constraints do you have?
 - i. Which are the most serious?
 - ii. How are you dealing with these?
 - e. How would you rate the current financial situation of the enterprise? Very Satisfactory, Satisfactory, Dissatisfactory, Very Dissatisfactory. Why?
4. How did you obtain capital to form the enterprise? Were you satisfied?
 - a. Currently, who (FFIs, IFIs or actors within the value chain) provides financial services to the enterprise?
 - b. What type of financial products they offer you such as savings, loans, and leases, insurance?
 - c. What terms or conditions do these services have?
 - i. Do you need to have initial deposits or an account for accessing their services?
 - ii. Do they charge you administration fees? (Macqueen et al. 2009)
 - d. Do you have formal (written) or informal (verbal) agreements in place?
 - e. Have you ever asked for a loan?
 - i. Were there any maximum or minimum amounts of financing?
 - ii. How much time do they give you to pay back your loan?

- iii. What interest rate do you pay? Do you consider it appropriate or high?
 - f. How satisfied are you with your current provision of financial services? Very satisfied, Satisfied, Dissatisfied, Very dissatisfied. Why?
 - g. Please describe in detail how you would improve the provision of these services, so they can fulfill the enterprise financial needs.
 - i. Which specific financial products you require the most?
 - ii. For which purpose do you require these financial products?
5. Have you ever approached a formal financial institution (that is formally registered with the government) like a bank, credit cooperative, etc? Which one?
- a. If yes:
 - i. Can you describe how the experience was?
 - ii. Did you obtain what you were looking for?
 - b. If no:
 - i. Can you describe why you have never approached a formal financial institution?
 - c. Are you familiar with the services that formal financial institutions offer?
 - d. Has a bank or credit cooperative ever denied you a loan? Did they give you any reason?
6. Have you ever received any sort of training? (Kozak 2007b)
- a. If yes: Can you describe how it was? Which organization did it? Was it helpful? (Very helpful, Helpful, Unhelpful)
 - b. Are there any technical experts within the enterprise?
 - c. What is the most important technical or capacity limitation?
 - d. Can you specifically tell me in which areas do you need more training for improving the capacity of the enterprise?

7. Does your business differentiate in any way from its competitors? (Kozak 2007b)
 - a. Can you describe which one is your most important advantage/s? (Price, product, promotion, accessibility)
 - b. Which are your most significant disadvantages?
 - c. How can you address these disadvantages?
 - d. Who are your most important competitors?
 - e. Do you have any illegal competitors?

8. Are there any policies that are affecting the development of the enterprise?
 - a. What about taxes and regulations?
 - b. Is the access to resources clear?
 - c. Can you describe how the government can be more supportive with Small Forest Enterprises like yours?
 - d. What are the major challenges the business face? (Access to raw materials, conflicts between villages, compromise, profitability, etc.)
 - e. What changes need to occur in order to enable Small Forest Enterprises to succeed? (Kozak 2007b)

9. What aspects have been fundamental for the survival and success of the enterprise?
 - a. What about government support? In which way?
 - b. Technical assistance?
 - c. What about belonging to an association?
 - d. Are you optimistic about the future? What are your most important opportunities?

Appendix B – FIs Interview Protocol

1. Can you give me general information about the institution?
 - a. How many branches do you have?
 - b. Where are your branches located
 - c. How long have you been operating?
 - d. How many clients do you have?
 - e. Are you regulated by the government?
 - f. How are you different from other Financial Institutions in The Gambia?

2. Who is your clientele?
 - a. Are the majority men or women?
 - b. They come from rural or urban areas?
 - c. High, medium or low economic class?
 - d. Do you provide services mainly to individuals or enterprises?

3. Can you describe the type of financial products that you offer? (Macqueen et al. 2009)
 - a. Are there any terms and conditions?
 - b. Are there any maximum or minimum amounts?
 - c. What are your repayment terms?
 - d. What are your interest rates?
 - e. Are there any administration fees?
 - f. Do you focus more on providing credit, savings, insurance, other?
 - g. When was the last time that you created a financial product?
 - h. How do you circulate information about your financial products? (Internet, radio, television, newspaper, personal visits, etc).

4. What is the procedure through which you provide your services? (Meyer 2007)
 - a. How do you decide who to lend to (screening)?
 - b. How do you monitor the performance of your borrowers?

- c. How do you successfully collect your loans (contract enforcement)?
 - d. What is the typical length of your loans?
 - e. Do you lend for long term projects?
 - f. From a client perspective, how long or complicated is the process of accessing your services?
 - g. What is the repayment rate on loans?
5. What do you know about SMFEs?
- a. How would you define a SMFE?
 - b. Do you know how many SMFEs there are in Gambia?
 - c. What do you know about their success or failures?
 - d. How do you perceive SMFEs in terms of risk, transaction costs, etc.?
 - e. Do you think they might be an attractive market?
 - f. Do you have any SMFEs clients? Can you tell us which enterprise? What type of service do you provide to them?
 - g. Is your FI willing to loan to SMFEs? If so, why? If not, why not?
6. Is your institution interested in expanding their outreach to rural areas, specifically to small or medium forest based enterprises? (Macqueen et al. 2009)
- a. Would you be willing to modify and adapt your financial products so they can be adequate for these clients?
 - b. What limitations do you see in outreach to rural areas?
 - c. How costly do you think it is? What mechanisms can be used to reduce transaction costs? (mobile banking)
 - d. How risky is it to provide loans in rural areas? How can risk be minimized? (associations)