



Food and Agriculture
Organization of the
United Nations

Support



to MSMEs

FAO-EU FLEGT PROGRAMME

Success story

Innovative digital approaches to sustaining livelihoods through the production and sale of legal timber

Key facts

With the introduction of consumer market regulations, such as the European Union's Timber Regulation, international market access for tropical timber increasingly requires suppliers, including micro, small and medium enterprises (MSMEs), to demonstrate legality. In order to significantly increase legal forest management and develop long-term livelihood opportunities through associated trade, increasing legality within domestic markets is also needed.

The FAO-EU Forest Law Enforcement, Governance and Trade (FLEGT) Programme has supported the development of e-commerce platforms, which helps incentivize legal timber trade, increase access to markets, and protect livelihoods. These platforms have become even more relevant in the context of the COVID-19 pandemic, encouraging business continuity by reducing the need for face-to-face interactions between buyers and sellers.

Legality key to market access

To access international markets, timber industry operators must increasingly demonstrate the legality of their products. Many domestic markets are also introducing similar requirements for legality, with implications for MSMEs who are required to comply.

In Ghana, the Timber Industry Development Division of the Forestry Commission (TIDD) linked logging contractors, MSME millers and domestic timber traders through the Unremoved Yield Portal, which makes previously unavailable legally produced timber accessible to MSMEs. The portal was created after small operators reported difficulties competing with larger companies in accessing raw materials, especially within the domestic market.

TIDD has worked with industry associations to ensure that their members are formally registered and approved by TIDD prior to gaining access to the portal. This practice ensures that the operations meet commitments to legality outlined in the Ghana-EU FLEGT voluntary partnership agreement.



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The increasing importance of digital solutions

The trend towards the digitalization of markets has been accelerated by the outbreak of the COVID-19 pandemic, as timber producers and traders in tropical timber-producing countries have faced the cancellation of orders and an overall drop in trade, impacting on the livelihoods of many MSMEs.

Partners looked towards digital solutions that could facilitate market access whilst upholding legality commitments. This approach has been particularly successful in Indonesia, where the Programme supported the establishment and operationalization of three online platforms to improve market access.

The Volunteer Alliance for Saving Nature (*Aliansi Relawan untuk Penyelamatan Alam*, ARUPA) established the Woodenasia e-platform to link community forest owners who had reported challenges in marketing legally produced timber with processors who had faced difficulties accessing raw materials. The platform now features over 200 timber, furniture and handicraft items produced by verified, legal MSMEs.



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Worked to

Protect livelihoods and increase market access

Worked for

Micro, Small and Medium Enterprises

Worked with

ASMINDO, *Aliansi Relawan untuk Penyelamatan Alam (ARUPA)*, *Lembaga Studi Ekosistem Hutan (LeSEHan)*, Timber Industry Development Division of the Forestry Commission (TIDD)

Worked thanks to

Foreign, Commonwealth and Development Office of the United Kingdom (FCDO), European Union (EU), FAO, Swedish International Development Cooperation Agency (SIDA)

Related links

Lesehan
Woodenasia
Ghana Timber



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"Following the outbreak of the pandemic, we noticed an 80 percent increase in online trading of timber products through social media platforms such as Facebook and Instagram, which motivated us to create a dedicated platform for facilitating trade in legal timber and wood products", reported Edi Suprpto, Executive Director of ARUPA.

Still in Indonesia, the Programme supported a similar platform developed by *Lembaga Studi Ekosistem Hutan (LeSEHan)*, which helps to link buyers and sellers of legal timber. Enterprises that upload data on to the web-based Indonesia timber legality verification system (System Verifikasi Legalitas Kayu, SVLK) Impact Monitoring System gained access to the portal as an incentive for MSMEs to contribute to real-time monitoring of livelihood and economic impacts of SVLK implementation.

By enabling operators to contribute information to the monitoring platform, MSMEs in Indonesia contribute toward improving SVLK implementation. Meanwhile, MSMEs wishing to sell their products on ARUPA's platform must provide proof of SVLK certification.



'We need to learn from our experience during the pandemic that online trade is not only possible for MSMEs, but it comes at a reduced cost for operators while promoting legality', continued Edi Suprpto

The future of digital platforms

The incentive of increased market access helps create a culture of legal compliance amongst producers and traders as operators reject the illegalities within the industry. As a result, it is expected that market opportunities will encourage MSMEs to formalize to gain access to these platforms.

Testament to the continued relevance of these platforms is the demand for more such initiatives. The work of ARUPA and LeSEHan has motivated another Indonesian Programme partner, ASMINDO, to develop their own trading platform which aims to provide another avenue to replace cancelled traditional trade fairs. Once launched, the platform will initially feature approximately 100 SVLK certified furniture and craft SMEs.

It remains critical that MSMEs are supported in building e-marketing and digital literacy skills to enable effective use of these platforms. This is particularly important given the likelihood that these platforms will expand for the foreseeable future.

As these platforms continue to develop, a process of regular evaluation will allow further assessments of their effectiveness and sustainability. The lessons drawn from these could inform future projects in other countries facing similar challenges and wishing to explore the potential development of similar platforms.

The FAO-EU FLEGT Programme works with a range of partners to help implement the European Union's FLEGT Action Plan to combat illegal logging and associated trade. Since 2016, the FAO-EU FLEGT Programme has supported projects in 27 priority tropical timber producing countries throughout Africa, Latin America and Asia.

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