

## Box C 17

### Forestry and the strategic development of local economies

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Forest growing stock and local wood processing are an important resource in the local economy of many rural communities. However, declines in timber prices together with a shift towards cheaper production locations in the global economy and, thus, more competitive timber imports from abroad (e.g., from Eastern Europe) result in reduced, and sometimes insufficient, incomes; this can have devastating effects on local value chains with a desertification of local and regional communities.

When it comes to strategically developing local economies it is important to clearly understand and skilfully coordinate the basic elements of an integrative local and regional development. This requires an analysis of local value chains, the development of synergies between local businesses and the identification of incentives for the consumption of local goods and services.

Because of its abundance in many rural communities and its wide variety of usages, wood is an important basis for the local creation of added value and the endogenous development of communities. Beyond being just energetically processed, wood can better be used in building construction and furniture production since the material use value per cubic metre of solid wood massively exceeds the energy use value. If other local business sectors can be synergetically linked to the material production, or if the processing quality can be increased, then significant added value is created locally. Therefore, the de facto 'design' of local value chains by linking local business to each other – or creating new businesses in the first place – is a critical aspect of local development.

Effective local value chains, however, are just one aspect of development. Strong local economies also depend on import substitution by locally created goods and services. When local supply meets local demand, a strong local economy has a basis to thrive. For example, a locally produced, high-quality wood construction element purchased by a local

homeowner can replace externally purchased concrete as construction material and prevent the outflow of capital that can instead multiply locally. This raises the question by which measures to boost or sustain local demand for locally produced goods and services. Awareness of the enormous relevance of consumption patterns for the status of the local economy – and in turn also the social fabric – is very important. Today, this is demonstrated by the thousands of 'buy local' initiatives in communities worldwide.

However, the basic factor of a beneficial local circle remains local liquidity. If residents cannot generate sufficient income, they are forced to purchase cheaper externally-produced goods and services. So, policy is another important aspect of the development that requires consideration. Community councils must understand the relevance of developing integrated perspectives for local development, not only to maintain the 'internal' competitiveness of local goods and services, but also to actually bridge the collective action paradox of 'individually cheaper, but collectively more expensive' externally produced goods and services. Key elements for local policy are education, participation, incentives and 'nudging', synergetic and systemic thinking, as well as the implementation of a diverse set of available social innovations, such as local finance or community capital strategies to effectively 'design' the world we live in. Appreciating and protecting the basic resources in our immediate environment – such as wood and forestry – are, therefore, essential.

The Ecoloc Institute is engaged in project developments in Germany, Switzerland, and Kenya that specifically focus on highly integrated local strategising with the aims of plugging the leaks of capital drain, enhancing the efficiency of the local economy, and fostering a holistic notion – and realisation – of the 'good life'. The focus on sustainability from the vantage point of mainstream economics has failed; this failure can be seen everywhere in terms of staggering social inequality and the squandering of resources through goal-inefficient economic practices.

An approach that demonstrates how households and communities will effectively benefit from an ethically goal-efficient and socially equitable local and regional economy is pivotal. Measuring capital flows and the efficiency of designed local economies are key elements of that approach.



Fig. 1. Tom's sawmill is a small-scale sawmill in southwestern Germany. It serves as a showcase for the importance of a local value chain where locals process valuable products from their own timber (Photo: Frank Krumm).