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“Utilisation of diversity in land use systems:  
Sustainable and organic approaches to meet human needs”

## Development of Rural Community Enterprises for Poverty Reduction: A Global Review of Critical Success Factors

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### Abstract

Rural community enterprises (RCEs) are unique in their institutional arrangements for the production and marketing of agricultural and forest-based products. They are owned by groups of smallholders ranging from a few dozen to several thousands and typically pursue multiple objectives, with profit maximisation as only one of many goals. Other goals may be equally, if not more important, including community development, improved local safety nets, and increased influence over political processes. Access to productive resources may be collective or private, and enterprise governance is influenced strongly by local rules, practices, and customs. The development of RCEs can contribute to the Millennium Development Goals #1 (“Eradicate extreme poverty and hunger”), #3 (“Promote gender equality & empower women”), and #7 (“Ensure environmental sustainability”). However, many RCEs in the initial phases of enterprise development tend to exhibit low levels of output, productivity and profit, resulting in weak bargaining power along value chains. Government and NGOs can play an important role in the development of viable RCEs, but their impacts to date have been limited, due partly to their production-oriented approaches to rural development. In addition, the political-legal framework in which RCEs operate, including policies, laws and institutional arrangements related to business organisation, land tenure, and taxes, has not favoured their development, resulting in high transaction costs and an uncertain investment climate. This paper addresses the potential of RCEs to reduce poverty and promote gender equity without compromising the natural resource base. We present the results of a global review of RCE development, based on 25 case studies from 12 countries in Latin America, Asia, and Africa. These studies cover a wide range of productive activities and services, including the extraction and transformation of timber and non-timber forest products, production and processing of agricultural products, such as coffee, cacao, vegetables, and banana, as well as ecotourism. We identify critical success factors for the development of environmentally friendly RCEs and determine their impact on the generation of employment and income for both males and females. We conclude with institutional and policy options for promoting enabling environments for RCE development.

**Keywords:** Critical success factors, global review, Millennium Development Goals, rural community enterprises, value chain integration

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