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Abstract Session 8.1 – “Tree Banks” for smallholders and community forests in Thailand: Synergies or incoherencies?

Forest smallholders and rural community forest associations have been notoriously excluded from formal financial services especially in the Global South. Formal banks often shy away from the sector due to its remoteness, long gestation periods and subsequent risks, contributing to high transaction costs. Thus, smallholders cannot cover the opportunity costs of forestry and predominantly prefer agriculture bearing potential negative environmental and social impacts. Community forest associations could benefit from financial services to cover patrolling costs.

The Government of Thailand and the civil society have created a nationwide network of local forest smallholder associations, or “Tree Banks”. These aggregations offer subsidies, financial services, and strive to assist with debt reduction amongst smallholders using tree-growing as an alternative and diversified livelihood.

Community forests were set up by locals for the provision of environmental services through forest restoration and conservation. However, long-term conservation efforts rely on voluntary participation of community members and could fail because of limited financing. Financial services would rather correspond to payments for environmental services (PES) as commercial timber production remains illegal.

The question remains if the Tree Bank can fulfil the diverse financing needs of both smallholders *and* community forests? Methodologically we rely on a literature and policy review combined with insights from field work. We compare the relevance of the Tree Bank model for smallholders and community forests along the analytical dimensions of *tenure*, *financial functions* and *outcomes* of their forest management at the national policy level.

Regarding synergies, we conclude that the Tree Bank could prove useful for access to subsidies, financial services, and capacity building. Tenure insecurity remains high among smallholders and community forests despite formal tenure rights, due to limited law enforcement and policy incoherencies. The Tree Bank model could theoretically provide support through bottom-up village funds. However, financing community-based conservation could impede voluntary participation.

Keywords: access to finance, tree planting, conservation finance, decentralization