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Recommendations for a market-led approach to community forestry in Myanmar



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Report of an advisory mission, 3-16 December 2012

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Executive summary

Pyoe Pin invited the author to undertake an advisory mission from 3-16 December 2012 to develop recommendations for a market led approach to community forestry in Myanmar. This report summarizes the main findings from that mission. The main elements of that mission included: (i) background review of relevant literature pertaining to community forestry in Myanmar (and participation in a seminar on the same at the University of East Anglia (ii) a series of meetings with 30 leading actors related to community forestry between 3-16 December in Yangon; (iii) inputs to the organization and facilitation of a national workshop on ‘exploring a market led approach to strengthening community forestry in Myanmar; (iv) a one day field visit to Yakon community in the Ayeyarwadi Delta to assess commercial options of one mangrove-based community forest enterprise; (v) the development of this report based on the above.

Chapter 1 begins with a brief assessment of the development of community forestry within Myanmar – particularly the opportunity afforded by the 1995 Community Forest Instructions. The main conclusion is that there is now a unique opportunity to use a market led approach to build on this political impetus and provide a powerful financial motivation to expand forest management and restoration, under local community control, in ways that enhance social, environmental and economic sustainability.

Chapter 2 provides a rationale for a market led approach – noting up front that a market led approach should not be equated with ‘free market’ approach – indeed much of what follows is about how forest markets need to be ‘governed’ in favour of locally controlled forestry if they are to deliver economic, social and environmental benefits together. International evidence is presented to support the potential of market led community forestry to reduce poverty, protect forests in the face of climate change and enhance social justice through strengthened democracy

Chapter 3 lays out design elements of a market led approach to community forestry – with the aim being ‘the participatory design and successful establishment of diverse models of profitable, sustainable and locally controlled community forest enterprises’. It introduces the need for both enabling and asset investments that create the conditions for investible business and then add value to them. It recommends a facilitation approach whereby programmes such as Pyoe Pin act to link emerging community forest enterprises with each other, markets and appropriate financial and business development service providers. It describes four main pillars (and the enabling investments needed to bring them about) which together underpin a market led approach to community forestry: (i) secure commercial forest rights; (ii) business capacity development; (iii) enterprise oriented organization; (iv) fair asset investment.

Chapter 4 summarizes the results of the national workshop (13 December 2013 in Yangon) on ‘Exploring a market led approach to strengthen community forestry in Myanmar’ which convened 55 national community forest experts from government, civil society and the private sector. Participant working groups designed next steps for each of the four pillars outlined above and helped define a vision for the new approach which could be summarized as “Enhanced income and revenue generation, through entrepreneurship and fulfilling jobs within community forest user groups, in order to incentivize forest restoration, reduce poverty, and strengthen social networks that together will contribute to integrated rural development that mitigates and adapts to climate change, conserves biodiversity and strengthens the rule of law”.

Chapters 5-7 outline the author's main recommendations to Pyoe Pin for bringing the market led approach alive through action research, policy advocacy and engagement, networking, and pilot programme development with the private sector based on the views expressed by national participants of the above workshop. In summary these recommendations are as follows:

1. Organize early in the year an advocacy meeting in Naypyidaw to disseminate the policy brief from this workshop – and invite a member of the G3 (IFFA, GACF, IAITPTF) to further enhance knowledge of successful locally controlled forestry internationally.
2. Support a concerted engagement with Forest Department, parliamentarians and the media following the availability of the text of the forest law revision – but only in so far as any new texts fails to accommodate the recommendations of civil society (see MERN 2012)
3. Collaborate in the production of a 'Sourcebook' commissioned to generate further evidence on the economic potential of community forestry and what the institutional support structures are that could be engaged to help liberate that potential.
4. Support a practitioner network on community forestry and a thematic learning group (potential coordinated by RECOFTC) whose establishment can keep supporters of community forestry abreast of developments in different states and with different products.
5. Commission one (or more) pilot programmes with product-specific clusters of well-established FUGs (e.g. in Ayeyarwadi, Chin, Kachin or Magwe states), involving at an early stage a joint business training, using the particular cluster product as an example, and involving staff of one national business development service provider, international experts, regional NGOs, the Ministry of Cooperatives staff and forest department extension staff.
6. Facilitate the establishment in pilot areas for clusters of community forest enterprises a township-level association / cooperative– perhaps with the initial function of managing the sales of aggregated product to traders (e.g. logs stored in a collectively owned log yard)
7. Explore initial 'purchase agreement' partnerships between community forest enterprise clusters and relevant private sector associations / clusters for specific products arising from emerging community forest enterprise groups developed by Pyoe Pin and its regional NGO partners.
8. Underwrite a concerted civil society strategy to merge the proposed consultation efforts of both FLEGT VPA and UN-REDD+ such that strong representations could be made for one single vision of commercial community forest enterprises as both the foundation of any definition of legality within a voluntary partnership agreement – and as an integrated mechanism to reduce deforestation through the provision of commercial incentives for communities to manage and restore forest cover
9. Work with partners to develop a set of operational principles for best practice in company-community partnership through action learning in emerging subsectors with particular private sector and community groups – and ensure these feed into wider discussions on the same.
10. Identify and engage the most relevant financial and business development service providers in pilot work to facilitate emergent clusters of community forest enterprises – to explore requirements and costs of service provision relevant to the needs of those clusters.

Finally, in Chapter 8 the report concludes with some suggestions for relevant international / regional networks on community forestry (and contact persons) with whom Myanmar partners might engage.

Acknowledgements

I would like to express particular thanks to the Pyoe Pin team for organizing the many meetings, workshop and field trip associated with this advisory mission. In particular thanks go to Salai Cung Lian Thawng, Moe Aung, Tin Su Su Mar, and Gerry Fox who set up the terms of reference and accompanied my visit in detail. Special thanks also to War War Hlaing for all of the administrative support in getting me to Myanmar and organizing accommodation during the tourist season.

Thanks to Oliver Springate-Baginski and Win Myo Thu in particular for inviting me to a one day seminar on Myanmar at the University of East Anglia in preparation for this mission – and to all the speakers and participants of that meeting.

Sincere gratitude to Win Tun Maing and to the community forest user group of Wakon village led by Hla Thein for accommodating us for a field visit and taking time to explain their work and to U Win Win for showing us the road.

Thanks to U Aung Thant Zin for helping to organize the workshop on a market-led approach to community forestry through the Myanmar Environmental Rehabilitation-conservation Network (MERN).

Many people have given of their time during my visit to discuss a market-led approach to community forestry – and I would like to extend my gratitude to all – listed in alphabetical order in Annex 1.

Finally I would like to thank The UK Government's Department for International Development (DFID) and the Swedish International Development Agency (SIDA) for the financial support for this mission channeled through the Pyoe Pin Programme. The views expressed here are the authors own and do not necessarily reflect those of either DFID or SIDA

Acronyms

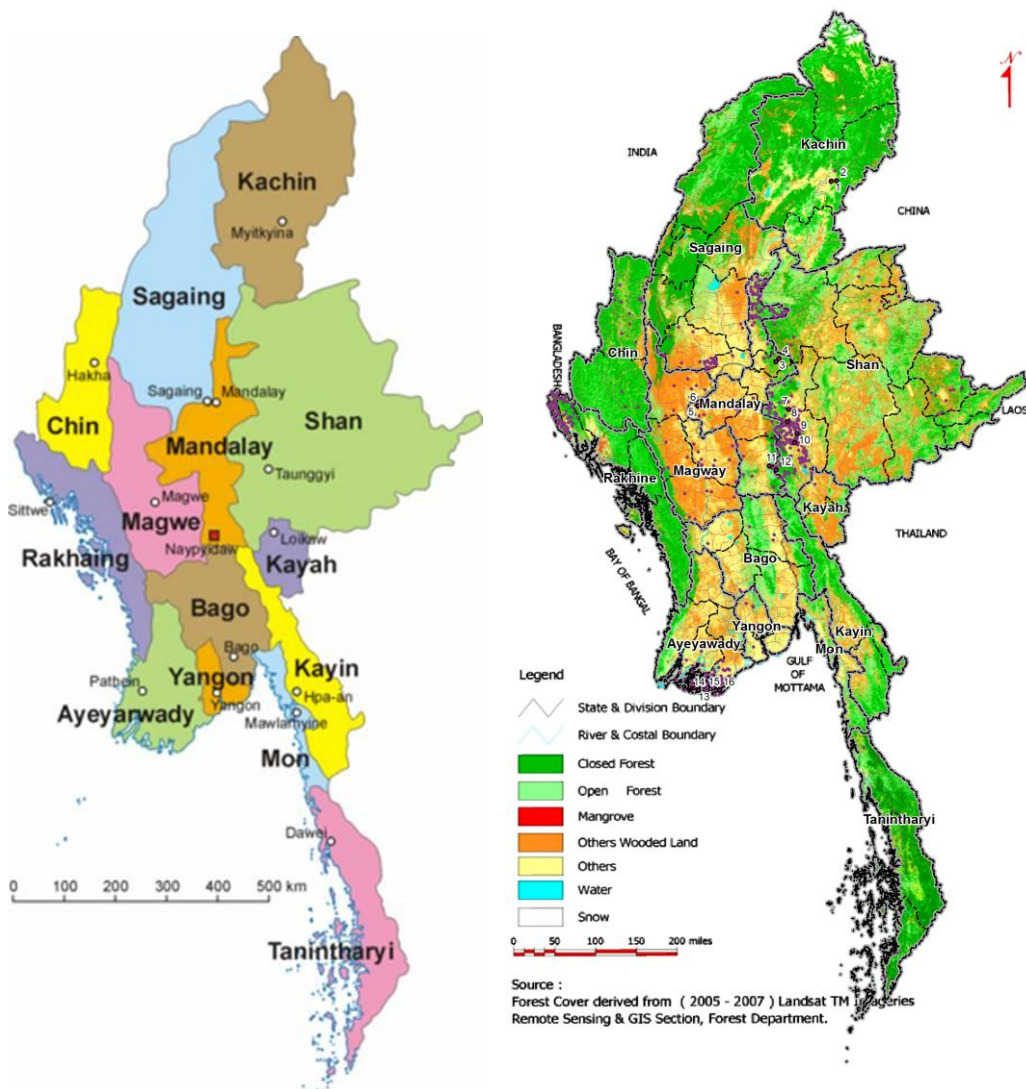
BDS	Business Development Services
BE	Business Environment
BSS	Brandis Selection System (for sustainable forest management)
CATIE	Tropical Agricultural Research and Higher Education Center
CBO	Community Based Organisation
CF	Community Forestry
CFI	Community Forestry Instructions
CSR	Corporate and Social Responsibility
DFID	UK Government's Department for International Development
ECCDI	Ecosystem Conservation and Community Development Initiative
ECODEV	Economically Progressive Ecosystem Development
FAO	United Nations Food and Agriculture Organisation
FLEGT	Forest Law Enforcement, Governance and Trade
FPIC	Free Prior Informed Consent
FREDA	Forest Resource Environment Development and conservation Association
FS	Financial Services
FUG	Forest User Group
GACF	Global Alliance for Community Forestry
IAITPTF	International Alliance for Indigenous and Tribal Peoples of the Tropical Forests
IFFA	International Family Forest Alliance
IIED	International Institute for Environment and Development
IUCN	World Conservation Union
MERN	Myanmar Environmental Rehabilitation-conservation Network
MOECAF	Ministry of Environmental Conservation and Forestry
MSS	Myanmar Selection System (for sustainable forest management)
MTMA	Myanmar Timber Merchants Association
MTE	Myanmar Timber Enterprise
NGO	Non-Government Organisation
NTFP	Non-Timber Forest Product
PES	Payments for Environmental Services
PROFOR	Programme on Forests, hosted by World Bank
RECOFTC	The Centre for People and Forests
REDD+	Reducing Emissions from Deforestation and forest Degradation
RRI	Rights and Resources Initiative
SIDA	Swedish International Development Agency
UNDP	United Nations Development Programme
VCA	Value Chain Analysis
VPA	Voluntary Partnership Agreement

1. Introduction to community forestry in Myanmar

Historical background

The Myanmar Forest Department was founded in 1856 under the British colonial administration in order to introduce forest management to commercial logging, primarily of teak. The early Brandis Selection System (BSS) for logging in natural forests was developed into the renowned Myanmar Selection System (MSS) which developed alongside the more agricultural 'Taungya' agro-forest intercropping system – captured under the first 1902 Forest Act (Woods and Canby, 2011).

Figure 1 Maps of Myanmar showing states and forest cover

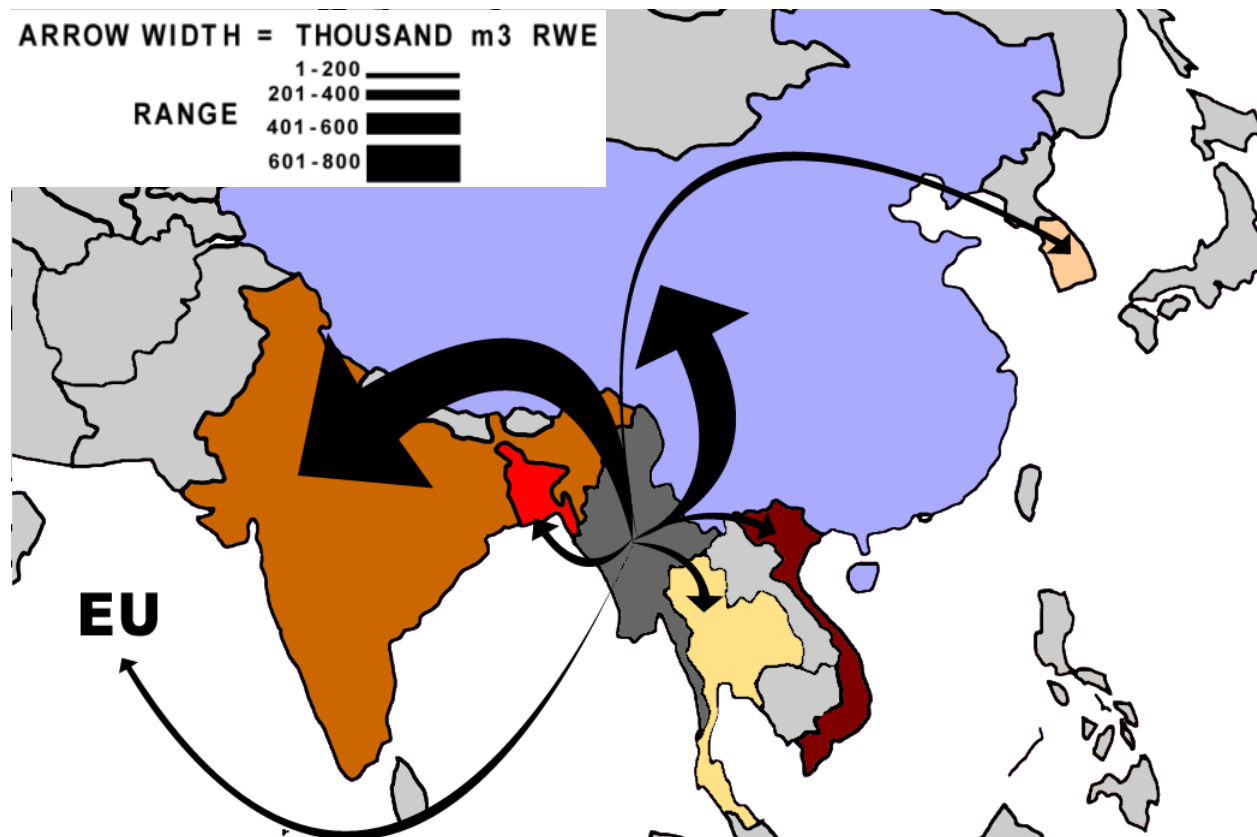


Breakdown in sustainability

The sustainability of forest management in those early BSS and MSS systems began to break down with the introduction of growth oriented targets (for both timber and some non-timber forest products (NTFPs) such as rattan) to generate much needed foreign exchange under the socialist era from 1962-1988. Forest loss accelerated as commercial logging (at least for teak) increased above the annual allowable cut, driving roads into formerly inaccessible areas, and exacerbating conversion for food and wood energy production from primarily subsistence agriculture. More recent larger scale agricultural land grabs have continued this trend. Forest cover, which stood at 65% of the land area in the early 1900s, has fallen to 45% or 67.6 million hectares according to official data – but may be even lower than that. Timber exports peaked in 2005 and then fell with India and China the largest destination markets in that order (Woods and Canby 2011).

Major non-timber forest products such as rattan and Bamboo have suffered equivalent declines, even leading to the commercial extinction of two rattan species (Kyaw Thu pers. com.)

Figure 2 Export volumes of timber for Myanmar by destination (Forest Trends, 2011)



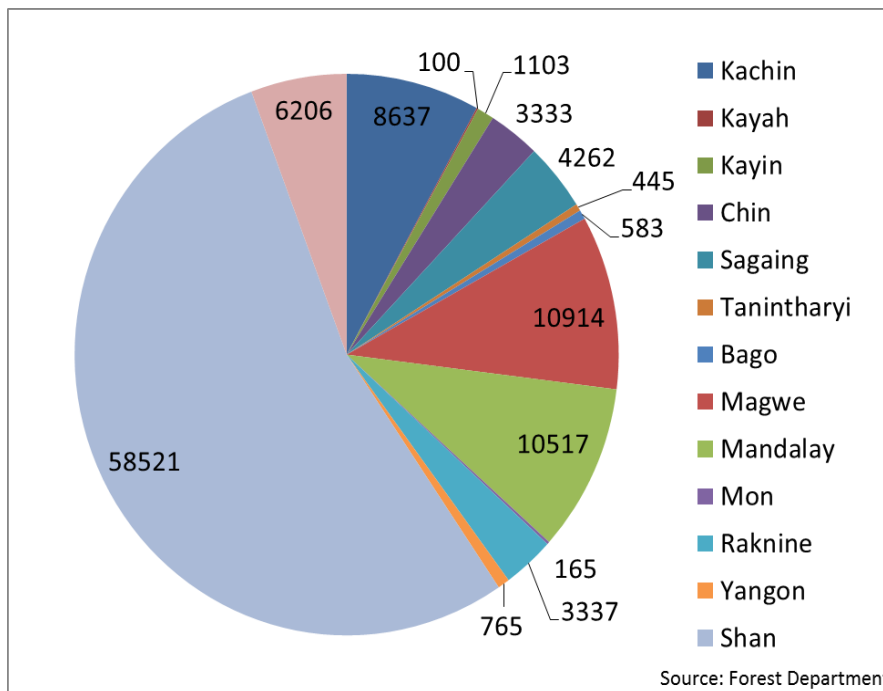
Emergence of community forestry as a response

The scale of forest loss (especially of closed natural forest) led in 1992 to a new Forest Law – followed by the 1995 Myanmar Forest Policy – which lays out targets for expanding the permanent forest estate (to 30% of total land area) and protected areas (to 10% of the total land area). Significantly the law and policy also introduce notions of community participation in forest management, which is further elaborated in the 1995 Community Forestry Instructions (CFI) (Tint et al. 2011). The new parliament under President Thein Sein, together with the cautious optimism of Ang San Su Kyi has strengthened the call for more democratic local control over natural resources including forests.

Under the CFI, a community Forest Users' Group (FUG) can identify a suitable area and apply to the Township Forest Officers (TFOs) for support in community forest establishment, under the jurisdiction of District Forest Officers (DFOs) who oversee Forest Department activities in the 62 Forest Districts across Myanmar (Springate-Baginski and Than, 2011).

While community forestry under the CFI is set up 'for the purpose of regaining environmental stability and addressing basic needs of local communities' it is not to be 'an industrial enterprise based on forests', but it is permitted that 'the user group can market the surplus forest products to areas outside the village'. This is unclear. But a revision of the 1992 forest law is anticipated. While no draft texts have been circulated a set of civil society recommendations on community forestry (MERN, 2012) has been submitted. Assurances have been given by Government that earlier inconsistencies will be addressed and that communities will be encouraged to add value to (i.e. industrialise) their production wherever possible. This will enhance community returns and hence incentive them to restore forest cover and to make more efficient use of the forest – both of which would add substance to the aim of increasing environmental stability. This would follow the spirit of the government Master Plan which targets the establishment of 918,000 ha by 2030. It also plans to supply 4.13 million cubic metres of wood fuel from community forests (25% of the Myanmar total fuel wood requirement of 16.53 million cubic metres) by 2030.

Currently 739 FUGs have been registered in Myanmar covering 44,065 ha (at an average rate



of 2,180 ha per year) – see figure left with the area per state in acres. To meet the government Master Plan this rate would need to increase to about 20,000 ha per year (a tenfold increase). A recent survey of community forestry notes wide range of livelihood benefits that have emerged from these newly established FUGs and in general a strong track record of improved forest protection and sustainable management (tint et al. 2011). But

despite promising projected financial returns (an estimated FRR of 24.28% in one *Avicenia officinalis* plantation case study in Wakon FUG) few of these FUGs have reached the stage of operating commercially as enterprises with timber or NTFP sales (Springate-Baginski et al. 2011). In practice, Forest Department staff have given mixed support to community forest enterprises, in part because of the stronger commercial influence of staff of the Myanmar Timber Enterprise (MTE) which has its own vested interest in forested land and also falls beneath Ministry of Environmental Conservation and Forestry (MEOCAF). Nevertheless, there is now considerable appetite to improve on this record for reasons of political economy discussed in section 3.

In summary, there is a strong foundation for community forestry within Myanmar. This report aims to build on this foundation by justifying, introducing, illustrating from international experience, and suggesting next steps towards a potential market-led approach in Myanmar that might provide direction in the immediate future. The conclusion is that there is a unique opportunity to build on the current political impetus and use a market led approach to community forestry to provide a powerful financial motivation to expand forest management and restoration, under local control, in ways that enhance social, environmental and economic sustainability for those communities, the nation and the world at large.

2. Rationale for a market-led approach

A market led approach to community forestry is a relatively new concept in Myanmar. Immediately it is necessary to emphasise that a market led approach is not a ‘free market’ approach – indeed much of what follows is about how forest markets need to be ‘governed’ in favour of locally controlled forestry if they are to deliver economic, social and environmental benefits together. Understanding about how to govern a market led approach to community forestry to deliver such benefits can draw on wide international experience.

Concepts of community forestry emerged in the 1970s (see reviews by Arnold, 2001 and Molnar et al. 2007). But it was soon apparent that community forest management required financial incentives, and so an emphasis on community forestry enterprise began to emerge supported by international organisations such as FAO (FAO 1987; Wagner et al. 2011) IIED (Macqueen, 2008; Macqueen et al. 2012a), Tropical Agricultural Research and Higher Education Center (CATIE) (Donovan et al. 2007), Program on Forests (PROFOR) (Deweese et al. 2011), IUCN (Emerton, 2011) and Rights & Resources Initiative (RRI) (Kozak, 2007). Community forestry also has close ties with family forestry (see IFFA, 2012) and Indigenous Peoples’ rights, most recently articulated in concepts such as Free Prior and Informed Consent (FPIC) (Colchester, 2010). In all these different guises, commercial control of forest resources is at the core of strategies designed to realise the value of forests. Community forestry enterprise development has been shown to have advantages in three important areas: poverty reduction, forest protection, and social justice.

Economic opportunities and poverty reduction

Internationally, there is little evidence that large-scale commercial forestry has helped to reduce poverty (Mayers 2006). But the potential of community forest enterprises is much stronger. Unlike the vertically integrated industrial model of forest resource management that has long been the dominant global paradigm, community forest enterprises have certain micro-economic

characteristics that have a multiplier effect in rural economies, translating into more skilled jobs, higher incomes, higher consumption and improved terms of trade. According to the Livelihoods and Forestry Programme (2009), this multiplier effect is approximately 10:1 in Nepal where community forestry is organised across more than 16,000 community forest user groups. This means that one dollar invested generates ten dollars in local economic benefits. But other studies have calculated it to be as high as 20:1. In addition to accruing and reinvesting wealth locally, community forest enterprises help to secure the resource rights upon which that wealth is built and to encourage entrepreneurship and social organisation, opening up business opportunities more broadly. Community enterprises tend to mix subsistence and market production and therefore favour the integration of agriculture and forestry across diverse landscapes to meet multiple local demands for products and services. Crucially, this integration of tree and agricultural crops, can if managed well, increase soil productivity and help maintain the resilience of landscapes in meeting growing demands for food in the face of climate change. Finally, it fosters the creation of social capital and cooperation between local groups, which is critical for scale efficiencies and competitiveness. The livelihood benefits that have accompanied community forestry in Myanmar to date, now need to be deepened by increasing the capacity of FUGs to generate income.

Forest protection in the face of climate change.

Deforestation, forest degradation and land-use change contribute 8–20% of human greenhouse gas emissions (Van der Werf et al. 2009). Those forests that remain, however, have acted as carbon sinks, collectively absorbing as much or more carbon than has been produced by forest loss and degradation (Pan et al. 2011). Myanmar is among the top ten countries with highest economic vulnerability to climate change in a recent analysis (Maplecroft, 2012) the vulnerability linked both to potential storm surges and seas level rise, but also due to agricultural impacts of changing weather patterns (Wheeler, 2011). Community forest enterprises provide local people with a financial incentive to sustainably manage existing forests and to restore degraded forest and agricultural land. A notable success of community forestry in the mangrove delta area was the survival of villagers during Cyclone Nangis, protected by trees they had nurtured (Springate-Baginski, 2011). Globally, some form of community / family / indigenous forestry already accounts for at least one-quarter of forests in developing countries, and communities have been estimated to invest \$2.6 billion in conservation, exceeding state funding and all forms of international conservation expenditure combined (Khare 2003). Community forestry has been shown to be as effective as state-enforced protected areas as a means of stemming forest loss (Porter-Bolland et al. in press), a generality that seems to hold true in a wide range of 'community contexts such as Indigenous Peoples' lands, collective community areas and family forest contexts (Nepstad et al. 2006; CEESP 2008; Bray et al. 2003; Ojha et al. 2009; Molnar et al. 2007; Ackzell 2009). Harnessing the potential of local people to restore forests – using tree species that can cope with climate change – and thereby add to local incomes may be the best way to build resilience into forest landscapes.

Social justice and strengthened democracy

Community groups with a mosaic of locally owned businesses tend to have more self-confidence, political influence and autonomy than those without rights. This is increasingly important: the world's ecological footprint exceeded the Earth's bio-capacity (i.e. the area available to produce renewable resources and absorb greenhouse gases) by 50% per cent in

2007, due largely to an eleven-fold increase in the world's carbon footprint since 1961 (WWF 2010). There are deep inequities in how this footprint is produced: the richest one-fifth of the world's population consumes 86% of all goods and services. If the global population exceeds 9 billion by 2050 (United Nations 2011), and if global gross domestic product grows as projected from about US\$47 trillion in 2005 to almost US\$100 trillion by 2030 at constant prices (Rademaekers et al. 2010), the prospects for natural resources and the poor look bleak. Already there has been a huge shift in agricultural production to the faster-growing conditions of the tropics, leading to land grabs by elites (Gibbs et al. 2010; Cotula and Vermeulen 2009). Investments in community forest enterprise can counter these threats by anchoring natural resources in the hands of local people, who, given adequate organisation and capacity can ensure that income, products and services are shared more fairly. This is particularly relevant in Myanmar where the legacy of the recent military regime has marginalised resource rights for poor ethnic groups and where democracy and social justice now need to take root.

3. Design elements of a market- led approach for Community Forestry

Aim and objectives

It is important to state from the outset, that there is unlikely to be 'one way' in which those community forest enterprises best develop. Indeed it would be extraordinary, given Myanmar's diverse ecological and ethnic composition, if anything other than a diverse set of business models were to be found successful. Land holdings vary between individual farmer control and collective control – and products and services range from those linked to natural forests, to those established through plantation. This requires flexibility – both in the way in which potential community forest enterprises are approached – and, crucially in any prescription of how that might happen in policies and laws. In other words, while it is critical to pursue certain fundamental safeguards in national legislation (e.g. commercial forest rights, rights of association, accessible business types and registration procedures, free prior and informed consent in investment deal processes), over-definition of the way in which those rights, collective action, business registration and deal making should proceed is likely to be a major constraint. We need agreement over essential principles but we also need to leave practical detail as open as possible!

The aim of a market-led approach to community forestry might be

“the participatory design and successful establishment of diverse models of profitable, sustainable and locally controlled community forest enterprises”.

In order to achieve that aim a mix of enabling and asset investments will be required. It is important here to define what we mean by enabling and asset investments:

- *enabling investment* (in which capital is put in, and sometimes written off, to build the self-sufficiency and attractiveness of the business in question. Ultimately, this creates the conditions for asset investment).
- *asset investment* (conventional profit or product oriented investment that expects returns based on the nominal value of underlying capital increasing, or at least not falling);

Getting that mix right in Myanmar will require innovative partnerships involving government decision-makers (e.g. the Forest Department, Myanmar Timber Enterprise within MOECFA – plus the Ministry of Agriculture and Irrigation –MOAI – and the Ministry of Cooperatives),

development donors (e.g. DFID, SIDA, GIZ, NORAD, UNREDD etc.), NGO intermediaries (Ar Yone Oo, CARE, ECCDI, ECODEV, FREDDA, Shalom, etc.) asset investors (Banks, private sector firms) and local forest communities. The market-led approach to community forestry deliberately sets out to build these partnerships - bearing in mind two key points (i) community FUGs should where at all possible be in the driving seat of the business models and required investments that emerge; and (ii) a strong emphasis on facilitation is the best way to pursue such partnerships.

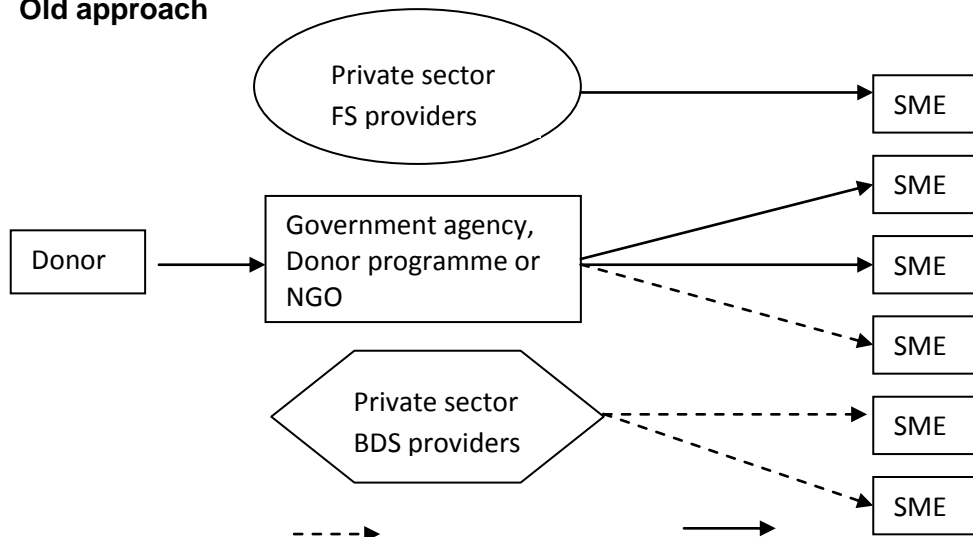
A facilitation approach

The market-led *approach* should therefore be one of facilitation. This emphasis on facilitation is now widely regarded as the best basic approach to supporting community forest enterprise (see Macqueen 2008). Attempts to support small enterprises more generally have learned from the many failures that have come from a support agency either trying to provide something themselves which might be better provided by another party, or creating dependency by maintaining subsidies for services that ought ultimately to be paid for by the emerging community forest enterprises. As a general rule of thumb - and with some fairly obvious and pragmatic exceptions when starting to develop community enterprises in new subsectors or areas – business support interventions should pay for themselves (e.g. equipment purchases should be repayed through additional profits secured, training costs should be recovered from additional profits that those trainings help to achieve). Figure 3 describes the difference between the two models of support – but based on an overly limited idea of enabling investments being solely about the provision of Financial Services (FS) or Business Development Services (BDS):

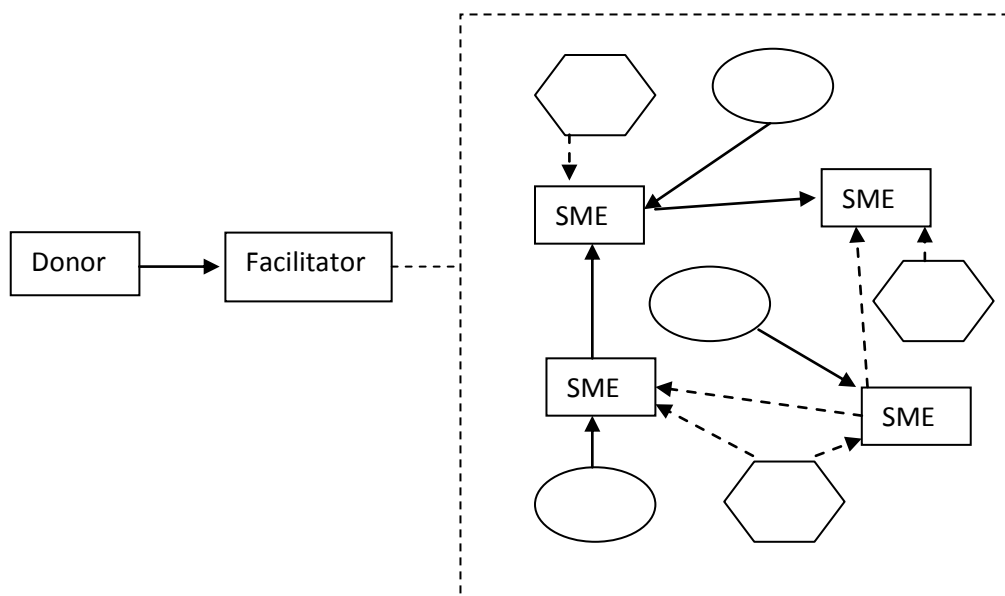
A facilitating programme (such as Pyoe Pin) might think not only in terms of facilitating support to specific enterprises, but also market system development as a whole. In other words, the approach becomes not solely concerned with the 'core market' (enterprises producing one particular product), but in the broader development of 'support markets' (commercial service providers capable of supporting community forest enterprises beyond project funding) (Miehlbradt and McVay, 2006).

Figure 3. Old and new approaches to enabling investments involving the provision of Financial Services (FS) or Business Development Services (BDS).

Old approach

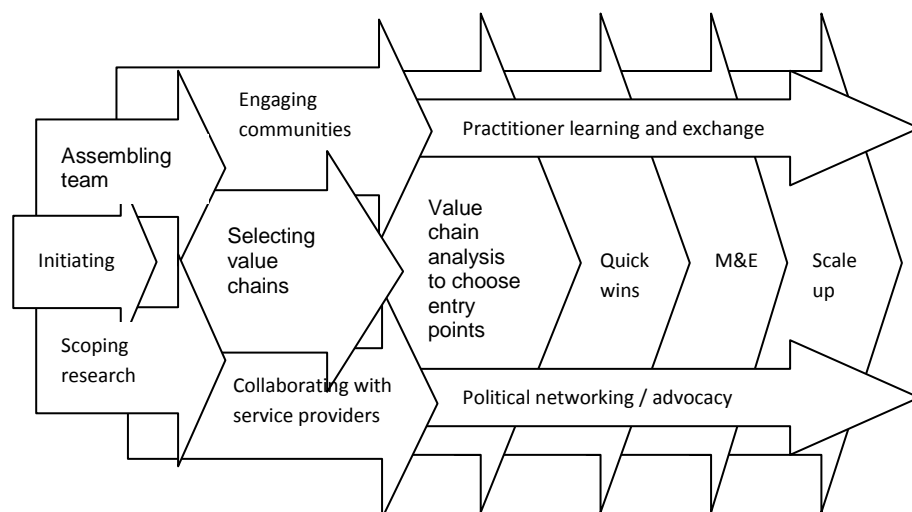


New Approach



In terms of sequencing, it makes great sense to tackle several issues in parallel (especially since financial support constraints are likely to have short timeframes) – occasionally returning in an iterative way to check that the programme is on a sound footing (e.g. Figure 4)

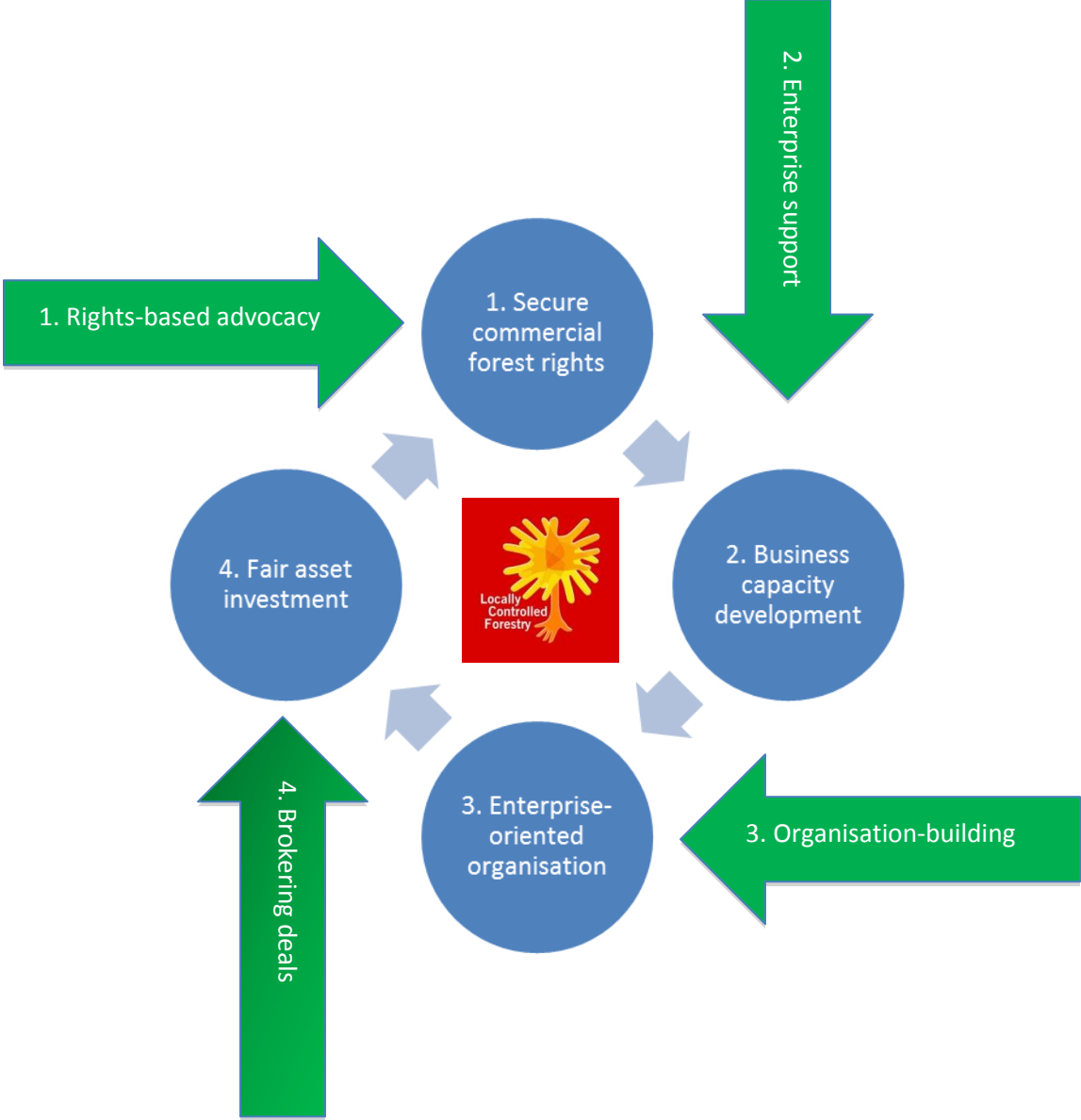
Figure 4. Possible initial sequence of events for market system development.



Source: Adapted from Miehlebradt and McVay, 2006

With this market-led approach (facilitation) in mind, it is possible then to introduce a more complete and adequate framework of the main types of enabling investment that create a self-reinforcing process — see figure 5. It should be noted that this framework has not been dreamed up unconnected with field realities. It is the result of discussions between more than 400 experts including representatives of community, family and indigenous forest rights-holders, forest sector investors, international civil society community forest experts and government staff – who met together in 11 international four day field dialogues to hammer out consensus on best practice (see Macqueen et al. 2012). In this framework enabling investments (shown as green arrows) pursue the main ingredients for successful community forest enterprises: secure commercial forest rights, business capacity, enterprise-oriented organization for scale which in turn attract fair and balanced asset investments. The cycle is self-reinforcing in that, the more established and financially viable community forest enterprises become – the clearer is the case for secure commercial forest rights, business capacity, organization and so on. The framework aims to deliver acceptable returns to asset investors while further strengthening resource right claims, local capacity and strong local profit-related incentives to restore or maintain forest cover.

Figure 5. Enabling investment (green arrows) put in place the self-reinforcing ingredients for successful community forest enterprise (blue circles) including fair asset investment.



For Myanmar, the proposed activities for a market led approach to Community Forestry might therefore be based around these four main areas of enabling investment, treated in turn:

Securing commercial forest rights

Commercial forest rights are the starting point successful community forestry enterprises (indeed for any forest enterprise). These rights are all about the legitimate sale of forest products and services for profit - beyond rights to forestland tenure and subsistence use, and beyond forest policies that lay out sustainable forest management responsibilities. Local community groups want them, investors need them, and most international efforts to improve

livelihoods, protect forests and bring about sustainable development depend on them. While tensions are inevitable between national and local control, international experience suggests that, in general, the more the state devolves commercial forest rights to local people, and the more it restricts itself to regulatory and supportive extension activities, the better. The move towards secure commercial forest rights for communities in Myanmar (as elsewhere) is always likely to be a work in progress. And progress can best be made when community groups and investors work with what they have, be it customary norms or more formalized community forest registration under the CFI, while also pressing for further tenure reform. International experience suggest that demonstrable commercial success for community forest enterprises within existing frameworks of rights can convince decision-makers to move further along that pathway

Progress on securing commercial forest rights for community FUGs is already underway both in Pyoe Pin and partners within the civil society Myanmar Environmental Rehabilitation-conservation Network (MERN). For example, in terms of securing commercial forest rights, a substantial study of community forestry in Myanmar has been undertaken and published (Tint et al. 2011) leading to policy recommendations to reform the 1992 Forest Law (MERN, 2012). There are is a window of opportunity that has followed the 2010 elections and lifting of sanctions against the Myanmar timber trade. Market access is being revisited in part due to the EU Forest Law Enforcement Governance and Trade (FLEGT) related Timber Procurement Law – which requires negotiated legality assurance mechanisms in which broad participation is required. The pursuit of REDD+ finance following Myanmar’s signatory to ASEAN and other agreements on climate change also requires broader participation in the development of strategies to avoid deforestation and degradation. Resource depletion itself has become an increasing concern for timber and NTFP traders – and there is growing government interest in regularizing revenue collection from legitimate forest enterprises. A stronger community forestry enterprise sector has strategic advantages within this emerging political economy.

Better general understanding is needed at local, regional and national political level of the potential magnitude of FUG activities across forest sub-sectors (timber, wood energy, tree-based agriculture, NTFPs, forest services) that can be used to press for incremental reforms in favour of secure commercial forest rights for community groups. This might be pursued by producing a sourcebook on the potential of community forest enterprises within Myanmar (see recommendations below).

Strengthening business capacity

There is little point in having commercial forest rights if communities cannot use them profitably. One of the main bottlenecks for investments in community forest enterprises is the lack of community groups able to put up investible business proposals. Forest development support has tended to focus on transferring the technical skills needed for forest management but such technical skills need to be allied with business capacity if communities are to get attractive returns and thereby have an incentive to manage forests sustainably. International experience shows that when local people develop business capacity they gain the confidence they need to take production risks that will deliver better returns (see Annex 3 for five examples). A key skillset is the ability to manage and maintain cash flow and profit margins to ensure that otherwise laudable social or environmental aims are kept on a sound financial footing. Governments can help in many ways, such as by simplifying business registration procedures and offering support for business extension and training. Civil-society groups and donors can play roles by, for example, offering business training and providing funds to create the space and logistics needed to build local associations.

In terms of strengthening business capacity, within Myanmar a set of detailed market analyses for possible enterprise options has been undertaken in the community forest areas of Kachin (360-485 ha in extent) and the drier Magway and Mandalay regions (12-200 ha in extent) (Foppes et al. 2011). In the wetter Kachin sites where forest resources were more abundant there were better prospects for timber and potentially rattan harvesting – as well as possible cash crops such as elephant foot yam that showed promising returns. In the four drier Magway and Mandalay sites firewood was the main current source of income, but reasonable returns might be expected from timber (provided uncertainties over the right to sell outside the community could be resolved) and from cash crops, of which the most promising economic returns identified were for Jujube plum seeds. In those drier sites the average percentage of income from forest products is only 10-20 for landed families but rises to 30-50% for landless families who are disproportionately dependent on the forest for fuel wood collection. It is clear from these analyses that there is still considerable work to be done, both to refine the financial forecasts, business models and planning, but also to establish clear institutional boundaries for potential enterprise structures. For example, deciding whether to manage forest activities via individual farm plots, or through a collectively managed area, or through special access rights and management responsibilities for poorer landless families is an issue that still needs resolution.

Specific efforts to convert potential commercial returns from FUG enterprises into real returns in a number of pilots relating to those major value sub-sectors to demonstrate the efficacy of a market-led approach (e.g. pilot demonstration enterprise support activities). This will involve significant inputs on for example, business planning, business registration, staff role development, underpinned by value chain analysis to identify and then implement intervention points to build better businesses.

Scaling-up enterprise oriented organisation

Where there is observable success in community forestry, such as in Bolivia, China, Guatemala, Honduras, India, Mexico or Nepal it is almost always preceded by efforts to organise production at scale. This usually happens through the formation of associations or cooperatives. Emerging collectives – such as Shea butter associations in Burkina Faso, coffee production cooperatives in Ethiopia, Mahogany timber exporter cooperatives in Guatemala, teak-grower groups in Indonesia, community charcoal production groups in Nepal or forest cooperatives in Sweden (see Annex 3) are often able to attract enabling investment more easily than smaller enterprises, especially when assisted by brokers with links to investors. In addition, many federations of community forest enterprises at the national level (e.g., in Nepal and Sweden), have played decisive roles in shaping the policy environment and creating enabling legislation. But such organisations do not appear overnight – for example, it took almost 100 years for non-profit timber associations in Sweden to develop from embryonic form into a globally competitive cooperative owning sawmills, pulp and paper mills, furnishing factories and wood energy plants. Even when they have been created, maintaining the motivation and loyalty of members of such cooperatives in ever-changing economic circumstances is a constant challenge.

Within Myanmar, the area of scaling up enterprise-oriented organization has been discussed in relation to the possibility of a regional FUG association in Kachin State (Win Myo Thu pers. comm.). A range of formal business types could be investigated through which to formalize single or grouped FUGs enterprises. For example, the Ministry of Cooperatives has support

programmes that could be tailored to an emerging community forest enterprise sector. Regional associations of FUGs or their constituent enterprises (the two institutional structures need not necessarily be the same) might provide a platform that recognizes and maintains regional / ethnic autonomy while also providing the foundation ultimately for establishing some economic common ground for a national federated umbrella organization to champion the common interests of community forestry umbrella national federation at national level (to champion the common interests of community forest enterprise groups).

Among institutions facilitating support to embryonic FUGs - and within and between FUGs as they register business interests and group to achieve scale – it might be useful to think in terms of developing regional ‘clusters’ based around particular forest subsectors (for example, timber, poles, bamboo and rattan, NTFPs producers etc.). This would ideally also include the development of commercial learning platforms for support institutions and FUGs within those clusters to share lessons and tactics with each other.

Attracting the right sort of investment

Community forest enterprises sometimes requires only enabling investments, with communities content to sell existing products or services into existing markets without bringing in outside financial asset investors. But, in many locations, market access requires a step-change to add value to forest products and increase returns, thereby improving livelihoods and providing an added incentive to protect forests. International experience suggests that the ability to attract the right sort of asset investor is closely correlated with the extent of rights and the capacity and organisation of the community enterprise group. Often, trustworthy intermediaries (e.g. NGOs) also play a crucial role. The importance of a process that allows free, prior and informed consent on both sides is clear, as is the importance of mutual respect – treating local communities as co-investors rather than as simple beneficiaries.

For Myanmar’s community forest sector, attracting the right sort of investment will need to build on the efforts of several NGOs which are already making enabling investment in support FUG organizational development in various states across the country (e.g. Ar Yone Oo Care, ECCDI, ECODEV, FREDDA, Pyoe Pin, Shalom). But there are as yet no commercial community forest enterprises that are investable from a private sector perspective. This potential will come as registered business entities have developed a credible track record of profitable and sustainable operation. It will be necessary in the interim to explore how a portion of early sales can be retained as capital either to invest unilaterally, or to provide collateral against loans. In addition it would be useful to explore how investment in community forest enterprise support could be mainstreamed into any benefit distribution mechanisms for REDD+.

In terms of specific investment partnerships the team at Pyoe Pin are already exploring possibilities with private sector partners such as those within the Rattan and Bamboo Association and the Myanmar Konjac Cultivator Processors and Exporters Cluster. Further work with Myanmar Timber Merchant Association (MTMA) might also be advantageous should possibilities for commercial community timber production open up in Kachin State.

4. National workshop on exploring a market-led approach to strengthen community forestry

Part of the work of this advisory mission was to help facilitate a national workshop to discuss and help design the Myanmar specifics of a market led approach to community forestry. Together with Pyoe Pin and MERN a substantial national meeting was convened on this topic, the summary of which is presented below (with a list of participants in Annex 2).

Opening remarks

On the 13th December 2012 a workshop was held in the Chatrium Hotel in Yangon on ‘Exploring a market led approach to strengthen community forestry’.

Opening remarks by **Dr Kyaw Tint** (Chairman, MERN) noted the focus of the workshop on commercializing community forests. HE traced the history of this idea – the fact that the Forestry Department had been implementing CFI 1995 throughout the country since 1996. The CFI itself had been formulated in compliance with FAO's Community Forestry definition as a “wood-based production system aimed at satisfying the basic needs of the local communities through empowering them to manage forests” with its primary objective to improve the stability and sustainability of society, economy and ecosystem, but not as a profit making activity. So Community Forestry had begun in Myanmar aimed at satisfying subsistence needs of the community, contributing to sustainable forest management and enlisting active participation of the people in forest management. Dr Tint described this as the “first generation” of Community Forestry with fuelwood usually overemphasized, although most housewives desperately need food and income. He remarked that it is now time for Myanmar to move to later Community Forestry generations which recognize importance of trees and forests as sources of income, forest food, employment and income generation and in which the critical role of women in socio-economic development cannot be overemphasized. Community Forestry had to move from subsistence to enterprise or be market-led commercialized. To this end, the scope of community forestry must of necessity be enlarged – even if this contradicts earlier FAO and Forestry Department definitions and objectives. And this may require policy and institution changes. Dr Tint concluded with some issues that were necessary to address in order to ensure our vision a success.

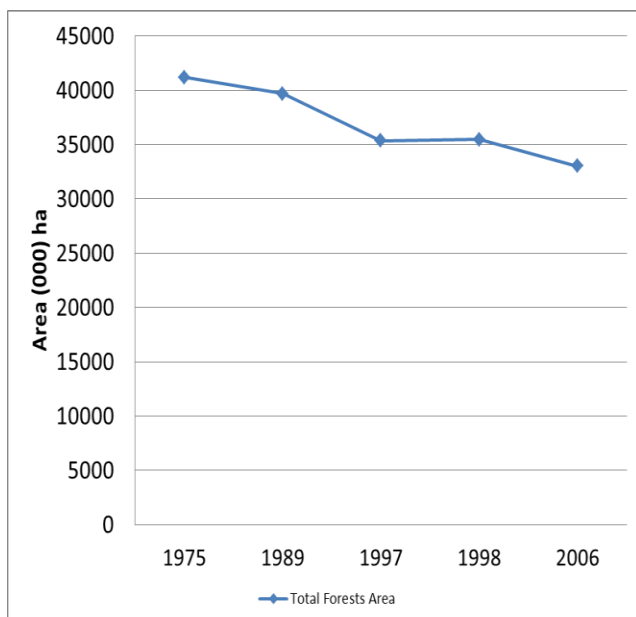
- The security of land tenure cannot be guaranteed – and this must change to incentivise investments in forestry.
- Community forests are mostly small, fragmented and dispersed. To commercialize, we need CFs of commercial size or concentrated CFs so that we can work as a cooperative.
- Our staff and users are not currently, and need to become skilled in business management, value addition and marketing.
- Financial investment needs to be made more affordable.
- The risk that businessmen and/or elites might exploit poor communities, if the community has to work with them, needs to be addressed.

Dr Tint concluded with the following statement: “If we are successful in commercializing Community Forestry, I rest assured that its contribution to poverty alleviation, forest restoration, conservation and expansion, and climate change mitigation will be enormous - that Myanmar needs now to move to a second phase of community forestry – away from a subsistence model that had been usefully established by the CFI of 1995 and towards a commercial model that

provides financial incentives and benefits to communities for efforts to restore and manage forests”.

Opening remarks by **Gerry Fox** (Programme Manager, Pyoe Pin Programme) endorsed this strategy – noting that despite the many economic, social and environmental benefits of community forestry (documented for example in Tint et al, 2011), and despite the historical opportunity afforded by government support for community forestry since 1995, strong market demand for forest products, and clear social benefits afforded by greater organisation within communities stemming from FUGs, progress towards the government target of 918,000 hectares of community forestry had been slow. Three underlying challenges were laid out to explain this lack of uptake: the insecure forest rights, and consequent lack of certainty over who would benefit from forest activities, that were due to the CFI being only an instruction rather than a law; the lack of priority that had been given to community forestry in key government agencies (both within and beyond MOECA); and the lack of practical advances in developing particular value chains with and for community groups. The conclusion was that this workshop presented an excellent opportunity to address these challenges.

Keynote presentations



An opening presentation by **Dr Maung Maung Than** (RECOFT) noted the continuing high rate of deforestation within Myanmar (see Figure below). Sustainable forest management needed to give attention to three pillars: state controlled forests (that dominate the Myanmar landscape), private sector forests and community forests. The community forest contribution, while small had been growing since 1992 and needed now to be more fully integrated within plans for Joint Forest Management, Payments for environmental services and new developments on REDD+.

It was noted that In the Asia-Pacific region, around 450 million local people rely on forests for their livelihoods to some degree Over 70% of people living in rural areas of

Myanmar depend on forest resources for their livelihood but many failures in forest management in the region have occurred because local people were marginalized from decision making, and the benefits from forest use bypassed them in favour of outside interests. The result has been drastically declining natural forests, entrenched poverty, and widespread, sometimes violent, conflict. Definitions of community forestry vary and while RECOFTC’s definition includes both commercial and non-commercial use of the forest Myanmar’s CFI primarily focuses on subsistence use. Uptake of community forestry by 739 FUGs covering 108,888 acres has not met government targets as a result.

Over time, Myanmar's understanding of a market-led approach to community forestry has advanced. Major milestones have included the stakeholder workshop for "Community Forestry: Its experiences and future in Myanmar" organized by FAO, UNDP, FSWG and MoF in 2009, the review of Community Forestry (Tint et al. 2012) and emerging RECOFTC activities funded by the Asia Forest Network (ASFN), Swiss Development Corporation (SDC) and Norwegian Embassy since 2011. The first round table on Community Forestry had achieved some major advances:

- A government commitment to strengthening the legal framework for community forestry in Myanmar
- The establishment of a Community Forestry Unit at national and regional levels
- The establishment of a multi-stakeholder national working group on community forestry
- The creation of a CF Practitioner Network (under RECOFTC coordination)
- Development of relevant and quality research projects
- Developing capacity of various stakeholders involved in CF practice

RECOFTC saw ten main ingredients for successful community forestry:

- Available forest resources
- Effective policy and legal support
- Clear rights and tenure
- Effective governance
- Effective participation
- Stakeholder capacity
- Meeting local needs
- Adaptive management and learning
- Accommodating multiple stakeholder interests
- Mechanisms for negotiation and conflict management

But within Myanmar a number of challenges were felt to remain:

- Narrow scope of CFI (Commercialization, internal governance of FUG)
- Land use conflicts (Forest, Agriculture & Fishery)
- Difficult access to land tenure right (competition, individual interest)
- Weakness of tenure security
- CF is placed outside the mainstream of forest management
- Inadequate assistance for livelihood improvement
- Lack of mutual trust between community and implementation agencies
- Poor capacity for CF
- Maintenance of plantations established (Uncontrolled grazing & illegal cutting, Forest fire)

Dr Maung Maung Than concluded his presentation with a number of recommendations for key stakeholder groups:

Government Sector Group

- Raise awareness at all government staff levels
- Review and revise policies (e.g. Land use) and CFI as necessary
- Form special task force/ division for CF
- Trust building between communities and Line departments/authorities
- Capacity building for Line depart; staff

- Mobilize resources for the establishment of CF

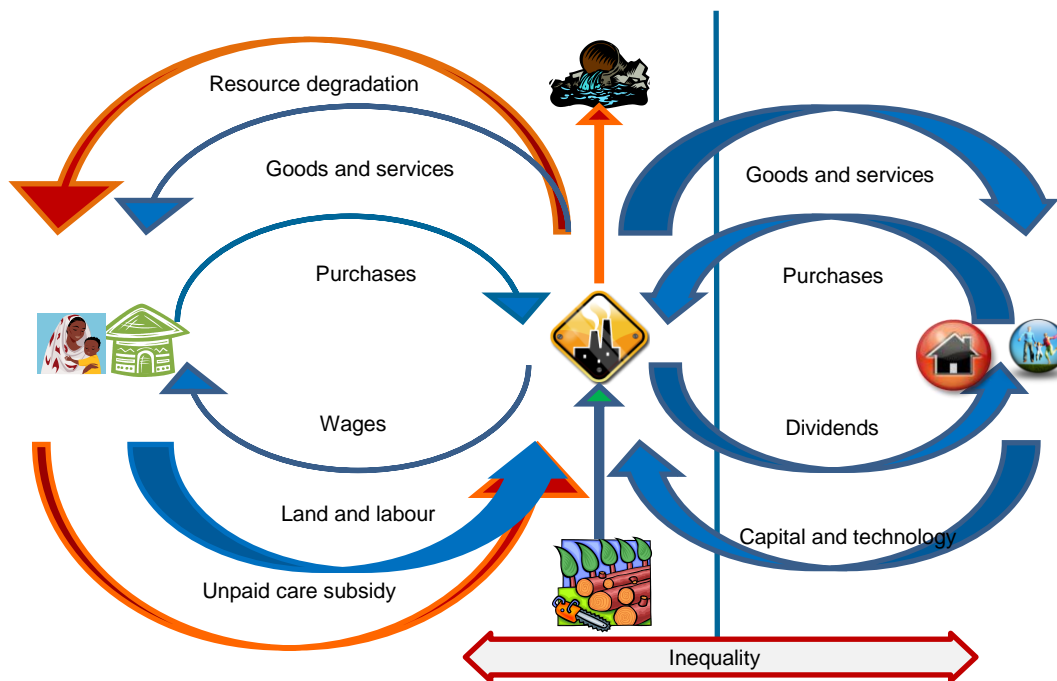
Donors Group

- Bring resources, manage them judiciously
- Promote networking/ sharing
- R & D for commercialization
- REDD/CDM to focus on CF

Civil Society/Private Sector Group

- Advocate to revise CFI for commercialization
- Strengthen cooperation among civil societies (NGO, CBO, FUG network)
- CFI should allow CFs to be locally adapted
- Setting up information management systems
- Need for incentives and simplicity for private sector to get involved

Duncan Macqueen then introduced international experience on market-led approaches to community forestry. He highlighted the global importance and Myanmar specifics of the need to find sustainable forest solutions. But he cautioned that a market-led approach did not necessarily improve the livelihoods of the poor or improve forest management. It was critical that markets were governed in favour of these outcomes to ensure both equity and sustainability (see figure below).



The point was made that policy makers listen to economic, not rights-based, arguments – and that it was therefore important to make the case that:

- Small forest enterprises add US\$ 130 billion annually at a global level
- Community management in some contexts has been shown to generate 4 times the revenue of state management per unit area

- Each dollar generated locally has been calculated to create a multiplier of 10x (income, jobs and potential tax revenue) compared with each dollar generated through external investment - and that the revenues generated within community had four main advantages due to their being:
 - Accessible (locally spent not taken elsewhere)
 - Anchored (locally reinvested - no flight to lower wage zones)
 - Ascendant (building entrepreneurship not wage labour)
 - Accountable (responsive to local social and environmental concerns)

Four pillars of successful community forest enterprise were introduced with examples to illustrate them given (see Annex 3 for further detail).

1. Securing commercial forest resource rights – Premise: community certainty that they will profit from the trees they plant or conserve is an essential incentive for community forestry expansion
2. Scaling up enterprise-oriented organisations – Premise: the bigger the scale of commercial activity, the stronger the market bargaining power, and the more cost-effective it is to deliver business or financial services to community groups.
3. Strengthening business capacity – Premise: business skills are essential to make profits, without which the incentive for sustainable community forestry is undermined.
4. Sourcing the necessary financial investment – Premise: both the facilitation work necessary to develop FUGs and the hard cash that might be needed to developed added value processing downstream require financial investment.

In the discussion that followed it was agreed that the Myanmar situation was comparable with situations elsewhere, and that strong continuing support from government and NGOs was needed to establish community forestry until which time the revenues generated by the communities, organized into association, would be able to develop the necessary training and support functions to handle further expansion of community forestry on their own. It was envisaged that this was at least a decade away.

Summary of working group discussions

Participants were divided into four working groups involving a mix of government, civil society and private sector actors – and asked to consider how to make progress on each of the four pillars over the next year. The following bullets summarise the main points from those working groups.

Group 1. Securing commercial forest rights

Question - What changes need to happen in Myanmar to bring about more secure commercial forestry rights for communities?

- CFI needs to be modified to move from a conception of community forestry based primarily on subsistence to one that formally recognises the right for commercial income generation

- More automatic recognition that customary rights for forest communities can be protected through Community Forestry legislation – communities have been there for generations but the State does not yet recognise these traditional / customary rights – and pilots need to be developed that transmute customary rights into an officially recognised and secure form of land tenure
- Decentralisation of land management – the issuance of a certificate is centralised which introduces long delays into the process – so this needs to be allowed to happen at district level
- Community Forestry should be recognised as Permanent Forest Estate irrespective of what it was before it was converted into Community Forestry
- Greater clarity is needed in law about the possible partnerships between community forestry and banks, private sector actors so that there is no doubt that such partnerships are legal
- The Forest Department needs to enforce more fairly infractions into community forestry land – so that people who still can be held to account more easily.
- The FUG should be developed into cooperatives so that it can function as a business – this will help them to access loans, technical support, NGO funds

Question - What tactics can be used to bring about these changes and secure commercial forest rights for communities?

- Pursue the revision of the forest law – but many other relevant laws are conflicting – e.g. land, agriculture, fisheries and there is a need to harmonise the new forest law with these other bodies of law
- Develop a national land use policy that is chaired by President or Vice President (as only then can the chair trump the status of particular ministers) and that harmonises the laws as above
- Streamline Community Forestry registration procedures, delegating authority to District level
- Strengthen the Forest Department Community Forestry Unit - only three people are currently assigned
- Change mind sets about what communities can do – especially allowing them opportunities in high value sectors such as teak plantation – so this needs to be part of advocacy on the commercial rights
- More effective collaboration between national and international NGOs

Question - Who should do what in the next year to implement those tactics?

- MOECAAF – should publish the draft forest law revision, take comments from civil society and then take it to parliament
- Instructions and procedures revision (Forest Department needs to lead but involve greater participation in the revision) – but also Forest Department needs to take a stronger and more supportive stance to community forestry in enforcing the law.
- Regionally based NGOs need to build CF associations at local and regional level but also involving and with the support of the Forest Department
- Continuing advocacy and support from donors, NGOs and media
- Forest Department needs to continue to develop integrated land use pilots to recognise customary land use within Community Forestry legislation – but this may require substantial financial and technical support at an early stage from donors and NGOs.

Group 2 – Strengthening business capacity

Question – what needs to change to make community forestry more business-like

- Broadly shared change in thinking on community forestry in line with more pro-business model
- Community forestry definition needs to be changed – to incorporate a business approach
- Awareness raising so that the new approach goes beyond planting and forest management for subsistence towards what communities can get income from
- Legal issues need reform – not just the 30 years community certificate confirmed in law but also transport laws, tax etc.
- Build business knowledge and capacity at community level. Many villagers already have some business awareness from agricultural sales – but there is need to strengthen their knowledge and skills about more formal business management
- Improve confidence over time – build on the existing confidence that they have in planting and forest management to give a similar confidence in how to do business
- The development of business models in which there is some sort of financial capital - benefit distribution mechanism within the community – and also developing models for private-community benefit distribution mechanisms
- External finance mechanism for community forestry enterprise development – perhaps raised through tax, investment etc.

Question - What tactics are necessary to bring about desired in business capacity of community groups?

- Community forestry definition needs to be broadened to allow commercialisation
- Partnerships with the private sector should be actively encouraged
- Taking a decision among supporters of community forestry about whether it is best to use grants or loans
- Product specific business training courses for FUG groups
- Exchange visits that are business oriented so that people can learn from good examples elsewhere.
- Business oriented participatory action research with the existing FUGs to develop their products

Question - Who should do what in the next year to implement these tactics?

- Government to change the definition of community forestry – but need to include Environmental Conservation Department, Land Records Department, Ministry of Cooperatives, Ministry of Finance etc. so that there is consistency in approach
- Relevant government department to engage with international NGOs to build capacity of government staff – and encourage the staff to apply new knowledge in the field
- NGOs and Government to encourage private sector involvement in the projects – e.g. companies who could then buy-back from communities
- NGOs need to facilitate the links between government and forest user groups
- Continuing dialogue to build trust of all stakeholders – but especially between community and the private sector

- As we develop a private sector approach linked to particular products we need private sector involvement to give advice on market development – potentially developing models through which private sector companies get supply from communities

Group 3 – Scaling-up enterprise oriented organisation

Question - What needs to change in Myanmar to scale-up enterprise organisations and their capacity to negotiate?

- Selling right to expand beyond the township – this is an unreasonable restriction – and many markets are far beyond the immediate township
- FUGs do not understand the concepts within the market-led approach (their past understanding is based on subsistence only) – and this understanding needs to be built
- Access to finance to establish these enterprise groups
- Developing FUG networking capacity – at present they are isolated to themselves and the supporting NGO. They need to be linked to other groups selling the same products

Question – What tactics are needed to scale-up enterprise oriented organisations?

- Modify the CFI or new forest law to include a market-led approach
- Capacity building for FUGs on business training, marketing, product related specifics of production, and especially their management committees – but others such as the forestry department need to understand better the approach as well
- Find the donors, work with a particular business sector and develop a business group such as cooperative – from among a cluster of FUGs in a particular area. They have little resources as yet, but together they might be able to afford to do something new
- For capacity building there is a need for some workshops on the method, some exchange visits to see other functional models of community forest business in other countries – perhaps with support of international organisations

Question - Who should do what to implement those tactics in the next year?

- Civil society (advocacy) and government sector line departments should develop these legal revisions – with if possible publication of the draft law in the national newspapers to receive comments before putting before parliament
- NGOs and International organisations need to help provide the training to develop locally appropriate business models based on clusters of FUGs linked together in some of cooperative grouping
- Donors to provide some funds, micro-finance or banks for loans, but also tap into the cooperative movement to support cooperative establishment
- Full support from FUGs CBOs for private-community partnership in the future

Group 4 – Securing the necessary financial investment

Question – What needs to change in Myanmar to increase the flow of finance into community forest enterprise development?

- Integrated and strategic finance in support of community forest enterprise development (package from donor / private / government)

- Improved legal and financial status of FUGS – perhaps through registration as cooperatives
- Appropriate banking / financial services for FUGs
- Market-based community management plans (business plans – rather than solely resource use plans)
- Increase the scale of FUGs such that they are more financially ‘feasible’

Question - What tactics are necessary to bring about those changes of improving financial flows into community forestry?

- Policies and laws need to accommodate market-led community forestry and also to ensure that fertile lands are included in Community Forestry definition so as to increase prospects for profit
- Ensure communities are given fertile (not only degraded) land
- Mainstream CF into government budget allocations at both central and regional levels, expanding the mandate of the Community Forestry Unit
- Link community forestry with climate change adaptation and mitigation (REDD+, PES, ecotourism) so that financial benefit sharing mechanisms are piloted
- Public private partnerships between specific firms and potential community suppliers
- Ensure FUG benefit from small and medium enterprise development activities of relevant government departments
- Restructure FUGs to ensure that they develop their own micro-finance (saving group) mechanisms (some examples of revolving loan funds in communities, but no examples of management for investment yet)
- Attempt to link to other micro-finance providers (e.g. Focal Point)
- Create secure markets for value added projects

Question - Who should do what in next year to bring this about?

- Parliament needs to endorse new laws and mainstream Community Forestry into budget mechanisms and ensure communities get appropriately scaled and fertile lands
- Donors, NGOs and government need to ensure Community Forestry is in emerging REDD+ / PES finance mechanisms
- NGOs and key private sectors developing particular markets need to work together to invest in potential community supplier groups
- NGOs working with particular FUGs need to ensure that they are structured so as to develop their own micro-finance / investment capacity.

Vision for a market-led approach to Community Forestry in Myanmar

In the concluding session, participants were invited to indicate one main vision for a market-led approach to community forestry in Myanmar. The following list captures participant recommendations in order of the number of participants (out of a total of 46 who participated in this exercise):

Income generation for communities	(10)
Revenue generation and collection	(7)
Forest Restoration	(6)
Entrepreneurship	(5)
Poverty Reduction	(4)
Fulfilling Jobs	(4)
Social network	(3)
Climate adaption	(2)
Rural Development	(2)
Climate emission reduction	(1)
Law enforcement	(1)
Biodiversity Conservation	(1)

The following ‘vision’ for a market-led approach to community forestry is therefore offered to capture these multiple components:

Vision for a market-led approach to community forestry

“Enhanced income and revenue generation, through entrepreneurship and fulfilling jobs within community forest user groups, in order to incentivise forest restoration, reduce poverty, and strengthen social networks that together will contribute to integrated rural development that mitigates and adapts to climate change, conserves biodiversity and strengthens the rule of law”

A policy brief produced from the outcome recommendations of this workshop has been prepared. In the final drafting of the new forest law, it might prove opportune to convene an advocacy workshop in Naypyidaw with key forest decision-makers to present this policy brief. It might also be possible to invite a representative of the self-called G3 (the Global Alliance on Community Forestry, the International Family Forest Alliance (IFFA) and the International Alliance of Indigenous and Tribal Peoples of the Tropical Forests (IAITPTF) to provide further examples of successful locally controlled forestry around the world (see section 8)

Recommendation 1. Pyoe Pin should organize early in the year an advocacy meeting in Naypyidaw to disseminate the policy brief from this workshop – and invite a member of the G3 to further enhance knowledge of successful locally controlled forestry internationally.

5. Bringing the market-led approach alive through action research

This section of the report lays out possible next steps for each of the four pillars of a market-led approach described above – building what is already going on within the Pyoe Pin initiative and beyond. It draws on both the findings of the workshop described above, the individual meetings with people listed in Annex 1, the field visit to Wakon Community Forest User Group, and my own experiences within the Forest Connect alliance.

Evidence into advocacy for commercial forest rights

The MERN submission to the Forest Department on the reform of the forest law (MERN, 2011) provides an excellent platform on which to build. Strong Pyoe Pin and MERN links to individuals responsible for drafting the proposed revisions have generated assurances that the substance of the civil society proposals will be accommodated. A brief summary of the substance of these civil society recommendations (see MERN, 2012 for full detail) is that the new law should:

- Establish clear commercial citizens' right to forest goods and services – including a better Reservation / Declaration process that ensures Free, Prior, Informed Consent (FPIC) and in which any de-reservation of Reserve Forest (RF) or Protected Public Forest (PPF) should give precedence to citizen's rights and should always involve Environmental Impact Assessment (EIA) and Social Impact Assessment (SIA) – and in which the use of Unclassed Forest Land protects and gives precedence to citizen's interests
- Reinforce the legal basis for Community forestry in all forest land classes (including Unclassed land) with provisions encouraging the commercial use of resources as an incentive to restore and manage forests – including the commercial plantation of teak
- Introduce additional appropriate forms of participatory forest management (e.g. Joint Forest Protection and Management; Collaborative Management; Contract forest farming)
- Facilitate forest management ecosystem services [Ed. *rights – including crucially, community carbon rights*], and benefit sharing schemes through which local people can receive payment (e.g. through REDD+)
- Strengthen the role of Civil Society Organizations in forest management
- Provide economic and financial instruments for people centred [commercial] forest management

Unseen by civil society to date, the proposed legislative reform will have to be put before parliament – at which point the detail of what has (or has not) been incorporated into the draft legislation will become apparent. Forest Department staff at the workshop indicated that it is now increasingly common for a draft law to be published in the national press for comment before going before parliament – and this would be a very positive step. Depending on the content of that law, policy briefs targeting parliamentarians and media engagements are two options that might need to be pursued to address any perceived shortcomings in the new legislation.

Recommendation 2. Pyoe Pin should support a concerted engagement with Forest Department, parliamentarians and the media following the availability of the text of the forest law revision – but only in so far as any new texts fails to accommodate the recommendations of civil society (see MERN 2012).

In parallel with that policy reform process – it could prove strategically useful at this stage to commission a ‘Sourcebook’ that attempts to generate further evidence, not what the current status of community forestry is (already substantially achieved by Pyoe Pin and further work by RECOFTC in progress), but rather what the economic potential of it might be and what the institutional support structures are that could be engaged to help liberate that potential. The aim of such a report would be to generate a compelling case for the economic scale (and hence revenue collection potential) that could emerge by a more concerted attempt to roll out community forestry – plus a useful guide to institutions and programmes that could offer support.. This could be useful in consolidating the market-led approach to community forestry and any negotiations over resource rights that form part of it.

Recommendation 3. Pyoe Pin could collaborate in the production of a ‘Sourcebook’ commissioned to generate further evidence on the economic potential of community forestry and what the institutional support structures are that could be engaged to help liberate that potential.

A report of this sort could be approached in one of two ways – but it may be possible to combine the two approaches and include a second component added to the combination of the first two options:

- EITHER - a general review of the scale of existing small forest enterprise activity within the country (inside and outside of registered community forest areas) – with a focus on core forest sectors such as timber, fuel wood and charcoal, core NTFPs such as rattan, bamboo, fruit etc. and even ecosystem services such as carbon sequestration. An advantage would be the general emphasis on the real and actual scale of small forest enterprise (as opposed to the more limited scale of community forest management as prescribed in current government plans). A disadvantage would be that much of the current forest activity is heavily circumscribed by the state and the MTE and no timber activity outside that boundary would be either legal or easy to gather data on.
- OR – a quantification based on the government Master Plan target of 0.918 million hectares of community forest with an estimate of what communities could potentially supply in terms of income generation opportunities in the core forest sectors (timber, fuel wood and charcoal, core NTFPs such as rattan, bamboo, fruit etc. and even ecosystem services such as carbon sequestration) using best available data. An advantage would be that this would tie the report to the government’s own stated targets. But the disadvantage is that it would miss the large potential of areas beyond that official target for community forestry and thereby give the impression that the current target was sufficient in the long term.

A way of combining these two possibilities is advanced as a detailed outline for the possible sourcebook in Annex 5.

- AND – however the main sourcebook is designed, it would be useful to have a detailed mapping of the government, civil society and private sector agencies that offer some form of financial or business development service support to small enterprises, either within or out with the forest sector.

Part of the challenge for developing successful models of how community forest enterprises can be developed within Myanmar will be to share experience across regions and with different forest products and services. A practitioner network and thematic learning group could help to enhance the flow of knowledge between the various NGOs and government staff who are keen to see progress for community forestry. RECOFTC already has a mandate to develop such a practitioner network and with Pyoe Pin support could help to structure a set of regular learning events each with a thematic product-based content to draw in the private sector.

Recommendation 4. Pyoe Pin could support a practitioner network on community forestry and a thematic learning group (potential coordinated by RECOFTC) whose establishment can keep supporters of community forestry abreast of developments in different states and with different products.

Training in business development and financial services

One of the maxims of enterprise support is that it is much easier to develop capacity when there is actually a business case around which to build the training. Several clusters of FUGs are emerging across Myanmar about which one might organise such trainings (e.g. Mangrove pole and fuelwood clusters in Ayeyarwady with FREDa, Elephant Yam and timber clusters in Chin with Ar Yone Oo, high-value timber in Kachin with ECODEV, Bamboo and Rattan in Ayeyarwady with ECODEV. The idea would be to use the opportunity to mix, under the overall coordination of an NGO within MERN, both international business training options within country, and including staff of both MOECAf, the MOAI and the Ministry of Cooperatives plus relevant private sector actors so as to spread understanding of the capacity building needs and how to address them. Knowledge generated through such an approach could be further spread through the practitioners network discussed above.

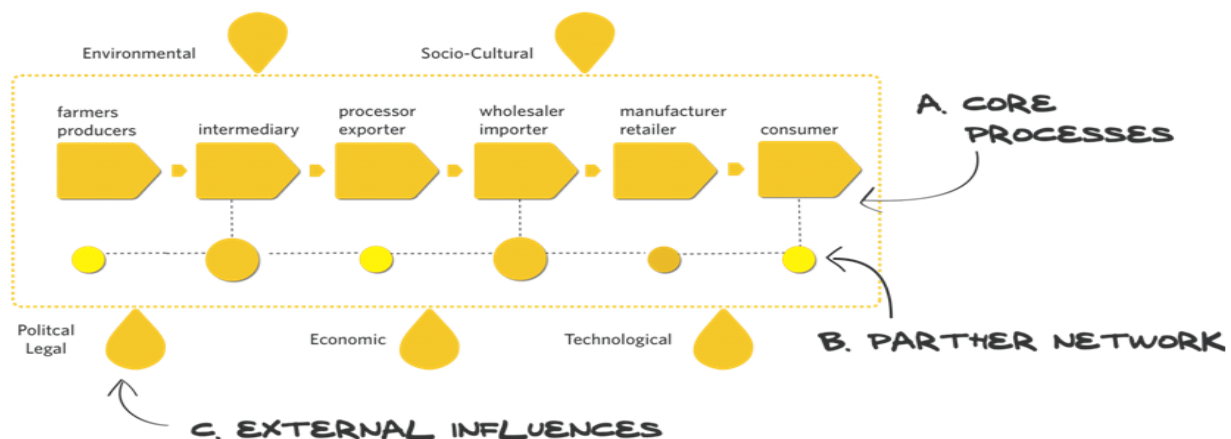
Recommendation 5. One (or more) pilot programmes could be set up with product-specific clusters of well-established FUGs (e.g. in Ayeyarwady, Chin, or Kachin states), involving at an early stage a joint business training, using the particular cluster product as an example, and involving staff of one national business development service provider, international experts, regional NGOs, the Ministry of Cooperatives staff and forest department extension staff.

In terms of detail, a first step in any training course might make an assessment of the business capacity of the FUG committee members in charge of developing that product-specific cluster. Designing an appropriate course through skilled facilitation will require a varied approach. Given that community FUGs are likely to be unfamiliar with the basic of business management or business models it will probably be necessary to facilitate very practical, field orientated learning about basic business concepts – with their own embryonic business firmly in view. It is proposed

here that an initial half day meeting with target enterprises is scheduled to assess the capacity for business management and particular areas where business training might be required. From this foundation, it will then be possible to build up business knowledge based on what they already plan to do. This might involve a series of modules introducing (see Macqueen, et al. 2012):

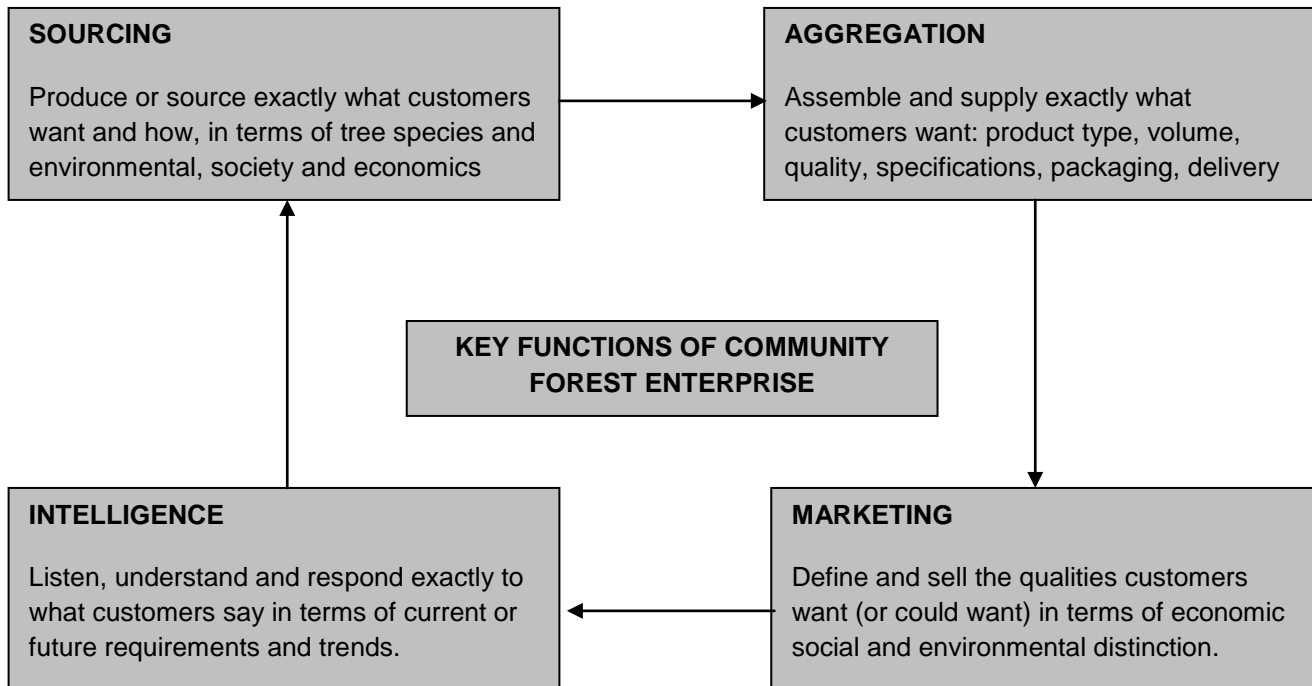
- Community forest enterprise definitions – Making clear the transition from a subsistence model to a commercial model of community forestry. This would need to convey what business is about – and how it is distinguished from subsistence activities or ad hoc sales in local markets. It is essential that FUGs understand business as “an organised undertaking in which goods and services are exchanged with one another or money on the basis of their perceived value and in which at least part of the income is managed and reinvested to develop added value”. So for example, one could look at the difference between each farmer selling Elephant Yam to a trader at the farm (and potentially getting a very poor price) – and a collective producer group that opens a distribution centre, buys only quality product (e.g. Yams larger than 1kg) and can negotiate larger volumes at better prices with traders at township level but requires a degree of trust, planning and financial management.
- Business finance – Essentially the distinction between ad hoc activities and business is the degree to which carefully scrutiny of finance is used to make alterations to what the business does and why. First and foremost a business needs to know if it will break even. But full financial planning requires knowledge of three things – where the money is in their organisation (to avoid theft), how much profit or loss they are making (to avoid bankruptcy), and how much ready cash they need to keep things going (to avoid bouncing cheques, angry creditors and predatory loan sharks). In order to know these things, businesses need to learn the basic of: (i) a balance sheet; (ii) a profit and loss account; (iii) a cash flow analysis. Good simple guidelines can be found in a range of manuals such as Bonatibus and Cook (1995).
- Business functions / value chains – At some stage any business has to understand in as much detail as possible the nature of the value chain it is operating in, and how much of it the business wants to control (Source: Lundy et al. 2012).

Figure 6 – Generic value chain diagram linking producers with consumers



It can be helpful to introduce the value chain concept as a circle rather than a chain so that the concept of market feedback is introduced – with basic elements such as: production, aggregation and processing, marketing and sales and customer intelligence. The more ambitious the group wants to be the more complicated are the management skills and technologies / infrastructure they will need to develop.

Figure 7. Key functions of a community forest enterprise network



- Business roles – many community forest enterprises come unstuck because the right people are not in the rights roles. Understanding can be developed about the essential roles in a small business: managing director, input coordinator, production manager, marketing specialist, accountant (and crucially – what sort of characters and skillsets these individuals need to have). This can help to further cement the idea of what a business is. For example, in the Wakon Mangrove Forest User Group, there was someone acting as managing director, and an accountant of sorts but no one developing a marketing strategy – with the result that individual members were not getting the best price for their mangrove poles.
- Business competition – Getting ahead of the competition is crucial – so a business must understand about competitive advantage as... "superiority gained by a firm when it can provide the same value as its competitors but at lower cost, or can charge higher prices by providing greater value through differentiation". Competitive advantage comes by developing a value proposition – that includes at least four elements, remembered by the handy abbreviation of the 4Ps:
 - Product - offer a product that customers want
 - Price - sell at a price customers will accept

- Promotion - bring that product effectively to your customers attention
- Place - make the product accessible to customers who will buy it
- Business strategy or marketing strategy - Once clear about their competitive advantage, a business should know how it will keep that advantage – business can never stand still. Four potential options exist for upgrading shown in the table below:

		Product	
		Present	New
Market	Present	Market penetration – e.g. work to promote your existing product to more customers in your existing market	Product development – e.g. work to develop new products or product packaging
	New	Market development – e.g. try to sell your existing product in new places	Diversification – e.g. in addition to what you already produce, try to produce something new

- Business model – Essential to both the business itself (and to Pyoe Pins attempts to scale up a market-led approach to community forestry) will be the development of a functional business model. A business model looks at the production side (the set of activities and institutional structures for providing a forest good or service, in other words for *creating* value) and the marketing side (the set of activities and institutional structures for selling that forest good or service, in other words for *capturing* value). At the heart of a business model is a value proposition – what makes the business special and competitive (in addition of course to the fact that the returns through capturing value must exceed the costs of creating value).
- Business plan - Knitting all of the elements described above into one logical whole is the essence of business planning. Writing a business plan is a good way of checking that a business has thought through its operations - and will be a requirement for a financial institution giving a loan. There are a number of key elements to a business plan, each of which has a purpose as shown below:
 - Overview (Business owners, name, address, description of the product and enterprise objectives)
 - Organizational structure (form of business chosen and who does what)
 - Market strategy (competition analysis based on product, price, promotion, place - and market strategy)
 - Production strategy (what activities in production, processing and transport you will carry out)
 - Value proposition laid out in a financial plan (investment and balance sheet, profit and loss account and cash flow)

- Conclusions (is the business viable and competitive?)

Creation of space and exchanges to establish commercial associations from local to national levels

One of the keys to developing a market-led approach to community forestry will be the strengthening of enterprise-oriented organisations at local, regional and ultimately even national level. There are good solid reasons why this might be advantageous. Working in groups (e.g. collective action) can be useful in three main ways:

- Strengthening market power – both by reducing transaction costs for market actors and by achieving scales that strengthen the capacity to negotiate a better price
- Adapting strategically to new opportunities - by allowing specialisation of roles (for example, having the scale necessary to employ someone to pursue certification)
- Lobbying for more supportive policies – politicians rarely listen to individual producers, but can be influenced by large organised lobby groups.

International experience suggests There are a number of key considerations to bear in mind when attempting to facilitate the growth of enterprise-oriented organisations or associations (see Macqueen et al. 2006) – primarily because groups benefit from the following:

- Starting with little external support to prove competitive advantage
- Building strength over time through successful past experience
- Developing disposable income by saving capital from early sales
- Maintaining independence from political groups which can undermine or complicate economic objectives
- Focusing on a single manageable activity at the start but gradually diversifying over time
- Picking activities in which the group is significant within the local economy in which they operate
- Prioritising strong and capable leadership – with the capacity to change if required
- Organising around a strong collective vision (e.g. members with a homogenous background)
- Ensuring broader objectives than merely financial ones to help bind group cohesion
- Being flexible early on but then evolving simple rules and procedures based on local norms so that the group can still function even if a leader leaves
- Keeping regular and frequent meetings between members and leaders
- Maintaining clear records, transparent decision-making and conflict resolution processes with graduated sanctions for non-compliance

Digesting these points, it is clear how tricky it can be for a well-meaning NGO to step in and catalyse the formation of an enterprise-oriented organisation. Nevertheless, it is possible for a supportive NGO or programme to create the structured space, and underwrite the logistics for community level enterprises to meet together to discuss the prospect of more formal collective action. A particularly useful approach can be to invite in someone who has successfully established a group or association elsewhere, so that they can describe the benefits that this brought and some of the tactics to overcome possible initial mistrust (that is an inevitable part of working together). Possible twinning arrangements have been suggested below with European agricultural or forest producer groups who have experience in this regard. Of course, once there are a number of community forest user group associations within Myanmar, simple exchange visits might be a preferable option.

Recommendation 6. In pilot areas for clusters of community forest enterprises a township-level association / cooperative should be established on a pilot basis – perhaps with the initial function of managing the sales of aggregated product to traders (e.g. logs stored in a collectively owned log yard)

Pilot engagement of private sector investors in promising cases

While it is early days yet to be thinking of specific private sector investments into community forestry enterprise in Myanmar, there is much to be said for continued early engagement of key sectoral partners as clusters of community forest enterprise are developed (as above) – for example with MTE and the Rattan and Bamboo Association and the Myanmar Konjac Cultivator Processors and Exporters Cluster. At this early stage, perhaps the best approach would be to encourage / facilitate initial purchase agreements with those clusters for the products emerging from community forest areas. For example the Myanmar Konjac Cultivator Processors and Exporters Cluster has already agreed to put in place such a purchase agreement with Elephant Yam producers in Chin state contingent on Pyoe Pin working to develop appropriate models for the quality production, sorting by size (yams above 1kg in weight are ideal for processing into powder), and potentially initial processing into dried slices. Similar agreements could be developed for Bamboo and Rattan production (in Magwe), and for the production of timber in Kachin, contingent on the cessation of hostilities in that region.

Once such initial purchase agreement partnerships are developed (that might also include training in production techniques by private sector members of those industrial clusters) it is conceivable over time that more substantial investments into say storage, transport and processing facilities might be broached and facilitated – to the mutual benefit of both community and private sector partners. This will inevitably be contingent on the trust that can only be developed by early successes in meeting purchase agreements in terms of quantities, quality and timely delivery.

Recommendation 7. Initial ‘purchase agreement’ partnerships should be explored by Pyoe Pin and its NGO development partners between community forest enterprise clusters and relevant private sector associations / clusters for specific products arising from emerging community forest enterprise groups.

Beyond the specific private sector partnerships suggested above, it is also important that models of private sector-community partnerships are built into the proposed mechanisms for delivering legality assurance mechanisms under the new EU Forest Law Enforcement, governance and Trade – FLEGT - Voluntary Partnership Agreement – VPA negotiations. Specifically, this might involve concerted civil society action to ensure that definitions of legality include strong legal protection of community commercial forest rights – such that any future extraction activities are based increasingly on proper negotiations between extraction companies (under the aegis of MTE) and forest right-holder groups (which would increasingly involve local community groups rather than the centralised Forest Department).

Additionally it is crucial that appropriate models of private sector-community partnership are built into the proposed financial payment mechanisms for Reducing Emissions for Deforestation and Degradation (REDD+) that are currently being driven by UN-REDD actors. Again, the key point here is that legal status should be given to the commercial harvesting rights by community of forest resources within, and building on, the customary land rights of ethnic groups across the country. Payments for reducing emissions from deforestation and forest degradation should be channelled on the basis of these legally established commercial forest rights, conditional on the development by those communities of sustainable commercial forest management plans. Assessment of the latter should be central to any Monitoring, Reporting and Verification (MRV) scheme – with both remote sensing (co-ordinated at national level by the relevant government department) and local verification (by community groups themselves). Any REDD+ readiness strategies should take account of emerging private sector–community partnership pilots to learn how such commercial community forestry plans, monitoring processes, and potential payment mechanisms might work in practice.

Recommendation 8. A concerted civil society strategy should be developed to merge the proposed consultation efforts of both FLEGT VPA and UN-REDD+ such that strong representations could be made for one single vision of commercial community forest enterprises as both the foundation of any definition of legality within a voluntary partnership agreement – and as an integrated mechanism to reduce deforestation through the provision of commercial incentives for communities to manage and restore forest cover

Some initial suggestions from one case study in the Ayeyarwady delta

A field visit was made to the Wakon community of the Ayeyarwadi delta to assess prospects for the development of a market led approach to community forestry in Myanmar. The author was accompanied by the Pyoe Pin team together with members of the regional NGO FREDA on a short trip to discuss with leaders of the Wakon community Forest User Group (FUG) that had been operational since 2000 (see Case study box 1 below).

Case study box 1 – Fuel wood and pole production in Wakon community

Following the 1995 Community Forest Instruction issued by the Government of Myanmar, Wakon community in the Ayeyarwadi Delta started replanting a combination of degraded rice paddy and degraded forest land (both Forest Department Land) in 2000. They elected a five-man management committee and with support from the NGO FREDa the community formally registered their area as a Community Forest with an established Forest User Group (FUG). The process took two years, partly because of the time taken to agree internally the aims and composition of their FUG, but also because the Forest Department observed the seriousness of community planting efforts before granting the Forest Community Certificate. Currently the FUG consists of 53 households out of a total of 85 in the community, with only 5 households included beyond the original owners of the degraded rice paddy – and with each member controlling individual forest plots.

Community FUG members identify four reasons behind the establishment of their community forest:

- The need to address a growing scarcity of poles and fuel wood for their own household needs
- The possibility of selling surplus poles and fuel wood to generate income and pay for education and health benefits
- The possibility of using small dimension timber for communal projects such as bridge building
- The desire to improve the greenery – creating a pleasant environment around the village

With seedlings initially from FREDa (later sourced from their own nursery) the community had planted 140 hectares of four species (chosen for their fast growth and income generation potential): *Avicennia officinalis*, *Avicennia marina*, *Sonneratia apetala* and *Bruguiera sexangula* (see FREDa, 2008). The income generation potential featured strongly for FUG members – and with successful plantation now maturing the FUG had generated US\$ 7,500 through the sale of fuel wood and poles in the last year. On an area basis FUG members felt that the forest returns were not as high as rice cultivation – but did have the significant advantage of (i) secure income that was not at risk from floods, pests and diseases; (ii) use of degraded land that through salination was otherwise unusable; (iii) locking up a resource for the community that would otherwise revert to the State. The community had not suffered from much illicit cutting in their area and dealt with it through a process of warnings or then punishment through the village administration.

The agreed rule is that individual household plot owners keep 80% of the sales income, and that 20% is retained by the FUG management committee of which half is to be spent on forest management costs, and the other half on village improvement. At present the FUG neither has a Bank Account, nor a vision of using the management fund as investment fund. Opening a Bank Account might in any case be difficult because FUG are not formally recognized by the Ministry of Home Affairs.

Several possibilities were identified by FUG members for improving their income from the forest. Sales in the nearby coastal region (50km distant) achieved a doubling of prices for poles (from ~US\$ 5 to US\$ 10). But the community did not have boat adequate to the task of transporting, nor the capital to wait for delayed payments - so relied instead on traders who visited the community

Case study box cont.

and offered up-front payment in cash. Alternatively the FUG members felt that a saw-mill would add-value to their product, but whether this would increase profits was unknown given running and repayment costs, and the investment was in any case beyond them. Another option might be to grade poles into quality classes to try and increase margins for higher quality, or to preprocess through debarking the poles so as to fetch higher prices. None of these options had been properly costed or explored. In part this was because the FUG was not envisaged as an enterprise, but rather as a forest management activity in which surpluses generated some useful additional revenue. This conception of the FUG seemed to be shared by FREDA field staff – as is certainly the formal legal situation, pending a revision to the forest law.

The prospect of joining with other FUGs in order to combine the capital necessary to invest as above was discussed, but concerns of trust were raised as to who would maintain the investment and manage the income. Even within their own FUG, income was limited to a household members own forest plot, so ideas of a jointly owned but separately managed processing company had not been explored (again in keeping with the current legal provisions)

Government support through the Forest Department for the FUG at Wakon was limited to annual inspection visits at which some technical forest management advice was offered. By way of contrast, community FUG members expressed the desire for the Forest Department to improve support in three areas:

- Enforcement of the law at checkpoints so that illegally cut timber was prohibited and legal community forest timber facilitated.
- Small loan facility for both community forestry and other community livelihood enterprise initiatives (e.g. fish farming)
- Accessible formal permission to conduct commercial activity relating to the full spectrum of community forest activities (e.g. timber, charcoal, poles, agroforestry products)

As a community forest enterprise, the Wakon FUG still needs to advance in a number of areas. Firstly it is not registered either as a cooperative or company (the former would be a good model given the memberships structure). It needs to develop its emerging business capacity, adapting management committee roles to those of business (managing director, accountant, marketing officer etc). It also needs to give thought to managing the management fund as an investment fund (rather than spending on short-term community benefits) in order to add-value that will in the long terms repay the community with higher income. It needs to consider its current value chains and work out plans to increase value through a range of accurately costed upgrading options (some of which – such as grading and debarking could be done with little investment). It could potentially also redefine the community forest area to encompass the whole communities home gardens, opening up the opportunity of investing in a range of household cash crops that included the whole community – not just former rice padi owners. It should certainly with the help of FREDA, consider working with other adjacent FUGs to increase the capital available to make strategic value adding investments that might serve the collective group. As it potentially moves in this direction, prospects for attracting external investment would improve, further diversifying potential investment opportunities.

6. Models and safeguards for company-community partnerships

Current prospects for company-community partnerships in Myanmar

Myanmar's community FUGs currently rely on a very insecure policy instruction that carries little weight in law. Moreover, none have yet developed and registered community enterprises (either as cooperatives or companies) or organised to achieve any scale of production. It is therefore rather premature to be thinking in terms of detailed models and safeguards for company-community partnerships. Nevertheless, as noted above there have been substantial discussions between some private sector associations, such as the Myanmar Konjac Cultivator Processors and Exporters Cluster, and NGO partners such as Pyoe Pin and Ar Yone Oo, who hope to establish, for example, a cluster of community forest user groups whose initial income generation options will be based on Elephant Yam production (following the economic analyses of Foppes et al. (2011)). At the present time the extent of a possible partnership is limited to some training in quality production and processing of Elephant Yam and some form of purchase agreement from community groups in Chin State. Similar partnerships might emerge in the timber and bamboo and rattan sectors in the near future.

Deals between private sector companies and communities can provide some advantages from both sides. For companies, policies or trade rules that enforce fairer trade (such as the EU FLEGT process) or declining natural resources to which they need access that communities have, or the desire from a Corporate and Social Responsibility (CSR) perspective to demonstrate positive social and environmental practices, or the opportunity to cut costs through engagement with local communities can all provide an incentive to strike a deal. From a community perspective, companies may be able to provide the capital, technology, know-how or access to markets that the community would otherwise be unable to obtain.

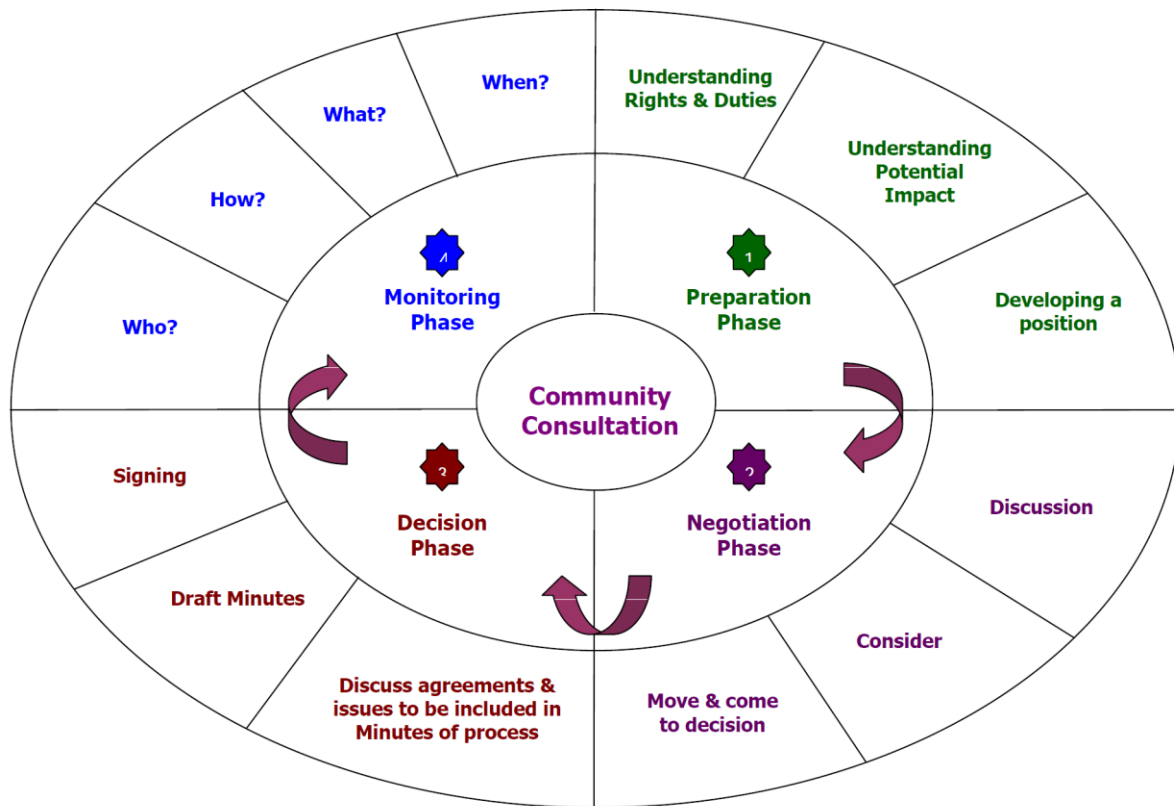
The process of negotiating and company-community partnership

The problem with company-community partnerships is that any negotiations are usually stacked heavily in favour of the company. This is inevitable due to inequities in information, market experience and market power. But the balance can be made fairer both if communities have secure commercial tenure, good business skills and a substantial scale of operation, but also if they are supported through a fair process of negotiating a deal. This would need to consider at least five issues:

- the nature of the negotiation process and how it should be organised;
- the responsibilities of each stakeholder before, during and after a consultation;
- the establishment of an enforceable agreement including not only companies and local community groups but also the local state authorities;
- how monitoring of compliance with the agreements would be undertaken;
- the resolution of potential conflicts in the future.

The cycle of making and monitoring an agreement can be depicted graphically as shown below in Figure 8. It is critical that each of the phases depicted is given sufficient time. Organising community meetings to discuss the complexities of a commercial deal with a company is not something that can or should be rushed:

Figure 8. Cycle of negotiation to develop a company community deal (Source: Joaquim et al. 2005).



Key principals to consider in any company-community partnership

In their review of company-community partnerships Mayers and Vermeulen (2002) advance a number of key principles to fight for in any company community deal:

- A formal and realistic contract – legally valid but not over-complicated
- Security of contributions, be they land, finance or labour, from both sides
- Shared understanding of prospects and opportunities, as well as costs and risks
- Mechanisms for sharing decision-making and information
- A joint work plan – clear demarcation of each side’s rights, responsibilities and expected rewards within an overall management framework
- Flexibility and space for negotiation, including specific terms for review and revision
- Sustainable forest management practices, in economic, social and environmental terms
- Extension and technical support, as a regular rather than one-off service
- Procedures for conflict resolution – arbitration, defection, termination and recourse
- Systems of accountability, to the community (especially regarding benefit sharing) and local government, and more widely to civil society
- Clear roles for third parties, such as government, community development organisations and financing agents – drawing on their services and comparative advantage

- Integration with broader development plans for the company, community, district and country

As noted above, it is relatively early to be thinking of substantial partnership arrangements between companies and community forest user groups in Myanmar. Nevertheless, as initial purchase agreements are developed, with potential training in production and processing quality, it would be useful to bear in mind the principals listed above – as a check list. So, for example, verbal assurances over purchasing product from communities, might need to be replaced by some form of binding written agreement. A proper joint work plan for the development of the partnership might need to be discussed, documented and signed off. Proper community level sustainable forest management plans might need to be developed in which short term cash crop options like Elephant Yam explicitly form part. Agreements on extension and technical support might need to be formalised over time – and so on.

Recommendation 9. Pyoe Pin should work with partners to develop a set of operational principles for best practice in company-community partnership through action learning in emerging subsectors with particular private sector and community groups – and ensure these feed into wider discussions on the same.

7. Business development services required for community forest enterprises

An overview of relevant service provision

Myanmar, in common with countries the world over, has a flourishing and vibrant small forest enterprise sector – much of which probably operates informally. But as in many countries, these small forest enterprises are as yet largely unsupported by State and Private Sector business development services. For example, the possibilities for rolling out greater support for emergent community forest enterprises through the Ministry of Cooperatives is yet to be fully explored. Banking services for such groups are still confined mostly to the major urban centres etc.

Part of a market led approach to community forestry is the realisation that the ‘core market’ (e.g. timber, or bamboo/ rattan, or mangrove poles, or Elephant Yam) depends critically on the development of ‘support markets’ that include the provision of:

- Financial services (FS)
- Non-financial business development services (BDS)
- Policy processes to reform the business environment (BE)

Financial Services (FS) provide investment, working capital, insurance and savings facilities (UNCTAD, 2001; FAO, 2005), sometimes provided by businesses to one another in the value chain and sometimes from financial institutions such as:

- Commercial banks
- Specialized financial instruments for small enterprises
- Venture capital funds (equity finance)

- Financial cooperatives and credit unions (e.g. group lending schemes)
- Insurance companies
- Leasing programmes

Business Development Services (BDS) provide a range of non-financial inputs (Tanburn et al. 2001):

- Operational or generic services
 - Information technology services and advice
 - Training and skills development (e.g. management of accounts)
 - Business advice and counselling (e.g. compliance with regulations)
 - Technology information and advice
 - Courier and delivery
- Strategic or specific services
 - Strategy and operations consulting
 - Networking and brokering
 - Market information and research
 - Product and packaging design
 - Advertising and trade fairs

Those working to reform the Business Environment (BE) include the range of policy, legal and regulatory advocacy organisations that engage with the political reform process (White, 2004). These in turn help shape the macro-economic environment and influence business performance together with the infrastructure and socio-cultural context that impinges on businesses. The main components of the BE can be defined as:

- Macro-economic policies in general
- The legal and regulatory framework that translates policies into practical laws and regulations – with their associated cost of compliance
- The institutional (or organisational) framework that coordinates the regulation, promotion, monitoring and representation of the macro-economic environment and small and medium enterprises in particular
- The provision of infrastructure such as roads, market outlets, communication technology and the above mentioned services
- The socio-cultural context, including issues such as levels of health, education, attitudes to work, trade and profit

Immediate priority to map these service providers

At this point in time, a productive next step would be to map the relevant 'support market' actors – as has been suggested in the 'sourcebook idea' of recommendation 3 (see Annex 6). This would help to identify the institutions within Myanmar who already have expertise in the provision of financial or business development services, or who are active in shaping the business environment. Once the most relevant 'support market' actors have been identified, it is suggested that at least one FS and BDS supplier be engaged on a trial basis to further explore with particular community forest enterprise clusters what particular services provision might be appropriate and at what cost.

Recommendation 10. Most relevant financial and business development service providers should be identified and engaged in pilot work to facilitate emergent clusters of community forest enterprises – to explore requirements and costs of service provision relevant to the needs of those clusters.

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7. Tom Harrison – Business Innovation Facility (PwC) Country Portfolio Manager
8. Chin Khan Lian – Programme Director, Ar Yone Oo Social Development Association
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16. U Tin Ohn – Executive Committee Member, Forest Resource Environment Development and Conservation Association (FREDA)
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20. Khin Maung Than – Chairman, Myanmar Konjac Cultivator Processors and Exporters Cluster

21. Dr. Maung Maung Than – Project Coordinator, Centre for People and Forests (RECOFTC)
22. Salai Cung Lian Thawng – Strategic Advisor, Pyoe Pin
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24. U Hla Thein – FUG chairperson, Wakon community
25. U Shwe Thein – Policy and Communication Coordinator, CARE International
26. Dr. Kyaw Tint – Chairman, Ecosystem Conservation and Community Development Initiative (ECCDI)
27. Kyaw Thu – Chair of Rattan and Bamboo Association
28. Win Myo Thu – Director, ECODEV
29. Ben Vickers – UNREDD Regional Programme Officer
30. Kyaw Ko Ko Win – Cerebos Marketing Expert (Future Pyoe Pin Marketing specialist)
31. U Saw Win, Consultant for RECOFTC

Annex 2. Persons attending workshop on ‘ Exploring a market-led approach to strengthening community forestry in Myanmar’ 13 December 2012

1. U Aung Aung – Reporter, Yangon Times
2. U Kyaw Moe Aung – Consultant, RECOFTC
3. U Moe Aung – Consultant, Freelance
4. U Myint Aung - Professional Assistant, FREDA
5. U Tin Aye - Retired Director, Forestry Department
6. U Sit Bo - Retired Director, Forestry Department
7. U Bobby – CEO, NAG
8. Mr. Gerry Fox - Program Manager, Pyoe Pin Program
9. U Mehm Ko Ko Gyi - Retired Director, Forestry Department
10. U Tin Hla - Retired Director General, Forestry Department
11. U Soe Win Hlaing - Retired Director General, Forestry Department
12. U Myo Htun - General Manager, Kaung Myanmar Aung Forestry Enterprise
13. U Saw Htun - Deputy Country Director, World Conservation Centre, Myanmar
14. U Zar Ni Htun – Reporter, The Voice
15. U Shwe Kyaw - Retired Director General, Forestry Department
16. U Aung Kyin - Retired Rector, Forestry Department
17. U Tin Latt - Retired Deputy Director General, Forestry Department
18. Mr. Duncan Macqueen - Team Leader (Forestry), IIED
19. Ma Tin Su Su Mar - Coordinaton Facilitator, Pyoe Pin Program
20. U Thet Maung – BDA
21. U Win Maung - Project Manager, CLEARR
22. U Win Maw - Deputy Director, CFDTTC, Forestry Department

23. U Naing Aung Mon – Coordinator, MSDN
24. Ma Ei Phyu Mon – Reporter, 7 Days
25. U Than New - Retired Director, Forestry Department
26. U Ohn - Retired Director, Forestry Department
27. U Tin Ohn - Retired Director General, Myanmar Timber Enterprise
28. U Cho Maung Oo - PR Officer, Swanyee
29. U Khin Maung Oo - Retired Director, Forestry Department
30. Daw Myint Myint Oo - Education and Outreach Coordinator, World Conservation Centre
31. Dr. Thaug Naing Oo - Deputy Director, Forestry Department
32. U Maung Maung Pyone, General Secretary, BANCA
33. Daw Aye Aye San – Managing Director, Myittamon
34. Daw May Aye Shwe - General Secretary, ECLOF
35. U Kyaw Soe - Project Manager, SVS
36. U Kyi Soe – Treasurer, ECCDI
37. U Mya Soe – Treasurer, FORM
38. U Lwin Maung Maung Swe - Program officer, EcoDev
39. U Tint Swe - Deputy Director, Forestry Department
40. U Aung Than - Friends of Wildlife
41. Dr. Maung Maung Than - Country Coordinator (Myanmar), RECOFTC
42. Salai Cung Lian Thawng - Strategic Advisor, Pyoe Pin Program
43. U Shwe Thein - Policy & Communication Coordinator, CARE Myanmar
44. U Thiri Tin - Retired Director, Forestry Department
45. Dr. Kyaw Tint - Retired Director General, Forestry Department
46. L. Aung Tsen - Project Manager, Shalom Foundation
47. U Phyo Lin Tun – Programme Officer, DEAR Myanmar

48. U Sein Tun, Retired Director, Forestry Department
49. U Saw Doh Wah - M & E Officer, UNDP
50. U Kyaw Ko Ko Win – Consultant, Freelance
51. U Maung Maung Win - Director, Yangon Region, Forestry Department
52. U Saw Win – Consultant for RECOFTC, Freelance
53. Daw Yi Yi Win – Director, SVS
54. Dr. Min Htut Yin - Assistant RR, UNDP
55. U Aung Thant Zin - Fund Manager, MERN
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Annex 3 – Terms of Reference

Market-led Community Forestry (CF) and Forestry Enterprise Development

Introduction to Pyoe Pin

The British Council has been working in partnership with the UK's Department for International Development (DFID) to deliver a Programme that aims to strengthen the potential of civil society to participate in decision making.

The Programme was designed to select topical issues, around which collections of different social and economic interests are expected to gather. By working on these issues the programme engages with coalitions of civil society groups, individuals, and the private sector to identify, commission, and implement activities that contribute to furthering the future basis for democratic and accountable governance within Myanmar.

The selection of issues to work on (an Issues-Based Project is developed to support the range of interests around each issue) is determined by a number of factors, but includes an assessment of the current political economy.

Phase 1 of Pyoe Pin commenced in 2008 and was concluded in September 2011. The programme has now entered a new phase which is expected to run until December 2015.

Background

Under Pyoe Pin Phase 1 (PP1) there were two related forestry IBPs – one supporting community forestry in Kachin, and the other the development of the Mangrove Environment and Rehabilitation Network (MERN) a local trust fund and network that had both the skills to demonstrate good practice through the delivery of projects and the gravitas and legitimacy with government to influence policy and practice. While the project in Kachin achieved good success in building community partnerships and social capital, the actual achievement of approval of Community Forestry Certificates (CFCs) was poor. We believe there are a number of reasons for this. These include:

- a lack of resources and priority placed by the authorities in the potential of community forestry to both protect forests and provide commercial benefits;
- weak and inadequate legislation and competition between forestry and agricultural jurisdictions resulting in a lack of trust and confidence of communities and private sector to invest both human and financial resources in CF; and
- that shared commercial interests between Forestry Department Officials, some politicians, and large companies exploiting the forest resources have been too well aligned.

For these reasons a major proposed evolution of the project is to focus upon measures aimed at achieving alterations to the CFI legislation, pursuing better land tenure rights for communities, and allowing the commercial development of community forest areas.

The consultant work will contribute to community forestry commercialization, developing options for micro and small forestry enterprises.

Key activities

1. Advise on and support the design of Market led approach for Community Forestry and Non Timber Forest Products (NTFP); develop strategy and options for Pyoe Pin and its partners to support a market led approach and forestry enterprise development
2. Review options and opportunities for private-community partnership and recommend appropriate models
3. Identify business development services required for micro and small forestry enterprises and recommend options for support
4. Design a programme of market research to assess possible upgrading options for specific value chains with a view to value addition
5. Share international best practices in small forestry enterprise development
6. Identify relevant international/regional networks on CF, NTFP and forestry enterprises, and help induct Myanmar partners
7. Facilitate workshop(s) on CF market led approach and forestry enterprise development (to raise awareness, advocate for promotion, and clarify pathways to achieve it, including measures needed to achieve enabling environment etc.)

Outputs

Presentations, related to the above points in Yangon and Naypyitaw (as required).
A final report, structured to address the above points.

Work Arrangement

A national consultant will be engaged to support the international consultant. The international consultant is expected to work 3 days (home based) and identify the information, data and other background needs. The national consultant will work 3 weeks before the arrival of international consultant and will closely work with the international consultant during his mission in Myanmar. The consultant will report to Strategic Advisor in Pyoe Pin in collaboration with the Team Leader.

Annex 4. Five case studies of successful market-led approaches to community forestry

1. Mahogany and Xate from Guatemala

In 1995, community leaders established the Association of Forest Communities of Petén, Guatemala (ACOFOP). ACOFOP formed to represent 22 organisations from 30 communities defending their rights to benefit from new community concession legislation within the Maya Biosphere reserve.

ACOFOP worked hard to secure commercial resource rights (first circle in figure 4) and ensure that its constituent member organisations were able to access community forest concessions. They fought for a new regulation: *Policies on granting concessions for the use and management of renewable natural resources in the multiple use zone of the Maya Biosphere reserve*. Enabling investment in this advocacy role came from the Ford Foundation, the Dutch Interchurch Organization for Development (ICCO), the German Development Service (DED) and the Swiss Cooperation Agency (Helvetas).

When it came to business capacity development (second circle in figure 4), USAID joined the donors above and helped set up the Community Forest Concessions Organisation (FORESCOM) as a community owned business. FORESCOM focused on sustainable timber extraction and processing through a community funded sawmill — with certification by the FSC. More recently, support has come from the Rainforest Alliance, with small additional funding from the FAO (through the Forest Connect alliance). They have helped develop timber, but also non-timber forest products like leaves from the native Xate palm, used in flower arrangements. Business capacity development has included training funded by AGEXPORT DANIDA to: re-establish Xate palms in degraded forest; improve quality control; produce and institutionalise management plans; and improve marketing through better packaging and transport.

Ten well developed organisations within ACOFOP now work through FORESCOM to sell a range of timber products (enterprise-oriented organisation — the third circle in figure 4). The most important product is Mahogany (*Swietenia macrophylla*) exports worth approximately US\$ 6 million. A further five community organisations within ACOFOP work together on non-timber products, planting more than 5 million trees, harvesting, processing, packing and exporting Xate leaves. Annual exports are now worth approximately US\$ 300,000 per year, mainly to the USA. At the national level, 11 umbrella associations combining 300 communities and 63 constituent community enterprises have federated into the Alianza – with enabling investment from the Growing Forest Partnerships initiative.

And the enabling investments have brokered fair asset investment deals (fourth circle in figure 4). The concessions ACOFOP oversees are profitable and secure, letting concessionaires borrow from mainstream banks such as the national BANCAFE and BANRURAL or the regional Central American Bank for Economic Integration (BCIE). And FORESCOM timber businesses have attracted asset investment. For example, a loan from OKIOCREDIT has bought three drying kilns, a fork lift truck, and has built a warehouse. In addition Xate producers have benefitted from Inter-American Foundation investment in the purchase and maintenance of vehicles, and building and furnishing warehouses.

2. Teak from Indonesia

Dipantara, established in 2006, built its business based on sustainable teak-growers groups in Gunung Kidul, Yogyakarta, Java. The company could be set up because local teak-grower groups have secure commercial rights to grow and sell timber. Each group organises its own members, develops its own management plan and is free to partner Dipantara or sell to competitors. The tenure situation is unusual in Indonesia where most forest land is governed by a range of policies for customary (adat) and formal community use – requiring a range of permits and licenses that can be difficult to obtain.

Dipantara benefited from enabling 'business capacity' investments from The Forest Trust and the Dutch Interchurch Organization for Development (ICCO). They helped farmer groups and Dipantara staff pursue Forest Stewardship Council certification. Frontier, an organisation based in Yogyakarta, provided business training. The partnership with The Forest Trust and ICCO helped Dipantara develop a 3-year business plan for 2010-2012. Dipantara grows and provides free seedlings to growers groups and runs technical training courses that help farmers manage their plantations sustainably. Dipantara also helps communities establish management units and develop forest management plans that define the annual allowable cut, maintain tree inventories, develop mapping capacity and promote sustainable harvesting and agroforestry.

Dipantara developed itself as an enterprise-oriented organisation with enabling investment from Perhutani (the government forest service). Dipantara had 10 farmer groups in 2008, but had 96 farmers groups by late 2011 and hoped to attract 30 more in 2012. That would take individual membership far above 3000. Members are attracted primarily by higher than market prices for teak. Yet internal efficiencies mean Dipantara can price products competitively — at 15 per cent lower than the State forest service Perhutani.

Dipantara is now well established, with investment in the form of conventional bank loans for example to develop harvesting, transport and log-yard facilities. But rather than seek major equity investment in processing capacity the company has currently opted for a business partnership arrangement. It works with well established, high quality sawmill and furniture producers, such as PT. Java Furni Lestari, that use community sourced timber and sell furniture to a range of national and international markets.

3. Shea butter from Burkina Faso

In 2001, the women of Sissili and Ziro provinces, Burkina Faso set up a Women's Union for producers of shea products. Initially known as UGPPK, the Union became the NUNUNA Federation in 2011. It aims to reduce poverty and improve the status of women involved in shea butter production, most of whom are illiterate.

Shea butter production is based on customary patterns of resource use, in which women's groups harvest shea nuts on public land on the basis of customary rights. Enabling investment by the NGO TreeAid has led to ongoing discussions with government over how to establish more secure commercial rights and so create a stronger incentive to enrich or restore forest areas with desirable trees like shea. So far, NUNUNA members have themselves introduced informal measures to protect and conserve 3,345 hectares of shea-tree areas. .

Business capacity development began in 2003, when the original Union benefited from a commercial deal with the cosmetics company L'Occitane, which agreed to buy shea from 600 women to certain specifications. This deal catalysed the Union's commercial development, with support from technical partners for development such as the Centre for International Studies and Cooperation (CECI), the Dutch Interchurch Organization for Development (ICCO) and the international NGO SNV.

NUNUNA has rapidly developed enterprise-oriented organisation. NUNUNA started as a union among 18 groups district-wide, but now comprises 4,596 members, a growth of 156 per cent over the 2,985 members of 2009.

In order to attract fair and balanced asset investment deals, NUNUNA worked together with SNV to develop a new business model which included an investment proposal for constructing a small shea butter processing factory. The Argidius Foundation stepped in with an asset investment to construct a fully mechanised and efficient production facility. NUNUNA's production capacities rose from 300 mt to 600 mt a year and the production costs per kilo of butter fell 95 per cent (from 1.68 €/kg to 0.86 €/kg). In 2006, thirty-two groups gained fair-trade certification, and the whole federation gained organic certification in 2007. These technological improvements and certifications have helped the 4,000 members achieve a 95 per cent increase in income from shea production, while the position and workload of women shea nut collectors has also improved.

4. Rainforest coffee from Ethiopia

South of Goba, in the South East Ethiopian highlands, community groups produce coffee from bushes occurring naturally in the understory of the remaining rainforest belt. The forest is under pressure from incursions by agricultural cultivators, cattle grazers and from population expansion. Adding value to coffee production is one route to conserving the forest.

NGOs such as Farm Africa and SOS-Sahel Ethiopia have made enabling investments to help secure those communities' commercial forest use rights. Their work led to a pilot participatory forest management scheme, culminating in 2007 in a Federal and Oromia State proclamation on forests that opened up the formal recognition of commercial forest use rights for such schemes. By 2010 there was an added condition — community groups must formally register as forest management cooperatives so they could legally trade with the newly established Oromia Forest and Wildlife Enterprise (OFWE).

FarmAfrica offered enabling investments in business capacity development that led to legal establishment for commercial forest coffee cooperatives such as the Birbirsa, Berbesa, Kumbi and Shawe, representing a combined total of 1569 coffee farmers. Farm Africa also arranged training in quality coffee production and helped the cooperatives develop byelaws to manage and protect forest resources and tax timber extraction further securing their rights.

Having catalysed the formation of the aforementioned coffee production cooperatives, Farm Africa and OFWE helped groups improve coffee production under the banner of a new brand – Bale Wild Coffee. Further enabling investment, funded by a Netherlands / Norwegian / Irish embassies in Ethiopia support project through Farm Africa led to the construction of a proper coffee store to improve quality further. Farm Africa then helped to broker a deal via the Oromia Coffee Union, Ethiopian Commodity Exchange ECX with an Italian coffee importer, Sandalji Trading.

The commercial deal with Sandalji Trading offered considerably higher prices for the grade of coffee being offered and led to 20% price increases for the four Forest Management Cooperatives. Quality certification is mediated by the ECX. These quality investments have increased income for both Forest Management Cooperatives and OFWE, supported greater local control over forests and enhanced incentives and structures to enforce rainforest protection.

5. Sustainable charcoal from Nepal

In Nepal, the government has allowed community forest user groups (CFUG) commercial control over their forests contingent on a management plan. There are now over 16,000 CFUGs in Nepal covering almost 25% of the land area.

ANSAB has helped 10 recently formed CFUGs in Dolakha and Sindhupalchowk to register accessible commercial forest rights through six simple local steps: (i) the sending of a letter of interest from each community to a District Forest Officer (DFO), (ii) the democratic formation of the CFUG supported by the DFO, (iii) the sending of an application to the DFO to register the CFUG's constitution including forest management responsibilities, (iv) the issue of a certificate of registration by the DFO, (v) the development of an operational plan by the CFUG and (vi) the issue of a certificate granting the community commercial rights signed by the DFO. Commercial rights are clear, with simple achievable conditions that can be mediated locally. These ten CFUGs were then linked to five separately owned community based charcoal manufacturing enterprises – for whom they act as timber suppliers.

Induction in competitive business skills has come from the dedicated service provider (ANSAB) which has provided business training and technical support for both CFUGs and charcoal manufacture enterprises whom they have helped with briquette design.

Enterprise-oriented organisation has been established by linking their wood supply to 5 community owned charcoal-briquette enterprises which themselves supply Himalayan Naturals (a separately registered charcoal retail business) in Kathmandu. Himalayan Naturals has both worked with Shakya engineering to equip those five briquette enterprises with a suitable equipment design and developed a charcoal-briquette stove design with two further companies (Newa Art Ceramics and Everest Ceramics).

Within three years the 10 CFUGs and five associated community enterprises having produced 500,000 briquettes, all sold in Kathmandu through 51 retail outlets of Himalayan Naturals with attractive packaging and accessories (stoves and tripods) for convenient burning at remunerative prices.

Demand continues to outstrip supply. Incomes are distributed locally with direct employment to 52 men and 42 women with a combined income of US \$ 24,934/yr (data from ANSAB). The forests are managed sustainably according to CFUG management plans, although not certified by FSC. Representation through the CFUG association (FECOFUN) has also given this commercial operation considerable influence in helping shape future policies on sustainable charcoal production.

Annex 5. Address List for key forest-related NGOs

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Annex 6. Draft structure for a ‘Sourcebook’ on the potential of a market led approach to community forestry in Myanmar

i. EXECUTIVE SUMMARY

ii. CONTENTS

iii. ACRONYMS

iv. ACKNOWLEDGEMENTS

1. INTRODUCTION

Why this sourcebook has been produced (i.e. new opportunities relating to community forest enterprise are emerging and there is a need for clearer information on the economic potential and revenues that might be generated by them providing greater commercial incentives are installed in the revised Forest Law for emerging community Forest User Groups (FUGs))

How this review has been done - what work this builds on (e.g. FAO and Forest Trends trade analyses, ECCDI / University of East Anglia / Pyoe Pin reviews of community forestry , analyses of the profitability of particular forest products trade etc) who has done it, and what approach was used

Definitions – how might ‘community forest enterprises’ best be defined for the purposes of this work - using business forms and definitions commonly used in Myanmar to distinguish between small and large forest enterprises (i.e. definitions of micro, small, medium and large enterprises). What product and service categories will this ‘Sourcebook’ cover.

Broad introduction - Introduction – this section is to put the CURRENT scale of community forestry in context.

- What are the general economic growth trends in Myanmar and what percentage does the forest sector contribute to indicators such as GDP?
- What are the trends in social indicators such as poverty, rural health, consumption values etc and to what percentage do forest communities contribute to the total population?
- What are the main trends in environmental indicators such as forest cover, the main causes, and the impact of SMFEs.

2. CURRENT STATUS OF FOREST PRODUCT TRADE AND THE POTENTIAL IMPORTANCE OF COMMUNITY FOREST ENTERPRISE

Types of forest enterprise. Develop a basic typology for Myanmar through literature review and market surveys. What categories of products or services being traded work best for Myanmar – such as;

- woodfuel and charcoal
- industrial roundwood
- primary processed products
 - sawn wood
 - wood-based panels
 - pulp for paper
 - paper and paper board
- secondary processed wood products
 - furniture and parts (wooden chairs, office, kitchen or bedroom items etc)
 - builders' joinery or carpentry (cellular wood panels, parquet panels, shingles and shakes)
 - shaped wood (unassembled parquet, strips, friezes, tongued, grooved, beaded, moulded, rounded etc)
- non timber forest products
 - fibre products such as bamboo and rattan
 - tree-based fruits, nuts and seeds
 - oils and resins
 - ornamental plants
 - medicinal plants
 - other tree-supported agricultural crops
- services
 - ecotourism
 - payments for commercial wildlife and biodiversity conservation,
 - payments for watershed protection,
 - payments for carbon sequestration

For each category of forest product, try to break the sections down into the following heading

- Scale -estimate the extent of current trade both in volume and value
- Location – in which ecoregions are these products or services produced
- Structure - describe the type and scale of business structures and typical value chains from extractors, processors, traders or agents or dealers, exporters etc
- Formality -estimate the extent of informality / illegality in the value chain explain any obvious causes of this
- POTENTIAL for community forestry - estimate, given the Government Master Plan for community forest area, the realistic prospects in BOTH volume and value terms for communities to engage in these product or serve areas. This might needs to be done by calculating estimates of potential plantation land (a subset of overall community forest land) with known growth rates, and then converted into values ate current prices
- N.B. please make sure that you give adequate treatment to fuelwood and charcoal!

Aggregate summary – what product and service value chains offer most in terms of potential value added for community forestry enterprises.

3. EXISTING OR POTENTIAL COMMUNITY FOREST GROUPS OR PARTNERSHIPS ISSUES

Introduction – what general types of forest enterprise group are visible in the markets in Myanmar if any at all (informal community groups, producer cooperatives / forest user groups, umbrella bodies etc)

- What are the formal options for the registration of groups or formal business partnerships in Myanmar (e.g. associations, cooperatives, company-community contracts, joint ventures) and what might best serve community forestry and why?
- What actual community enterprise groups exist or are under development with support from government, civil society or the private sector?
- What drives actual groups to form (explore whether it is due to cost reduction, strategic alliances that allow value addition, negotiation of secure rights with forest decision makers, markets and service providers etc)
- Strengths and weaknesses of different forms of group for the above purposes
- How effective are such groups or partnerships in (i) organizing production with sufficient volumes in sufficient quality to meet market demand (ii) managing the finances as investment capital to further develop group interests (iii) developing new markets through interaction with customers, and what links and degrees of organisation are required for these functions?
- How do such groups handle internal or external conflicts and / or capture by elite groups within them?
- What forms of government, civil society or private sector support exist for the establishment and maintenance of producer groups or partnerships of different kinds?

4. BUSINESS DEVELOPMENT AND FINANCE SERVICE ISSUES

Please include in an annex complete tabulated data on the government, civil society institutions or programmes and private sector consultancies or business who provide services to small businesses: Institution name; business development or financial service provided; address; contact name, email and phone

- What product / service market information systems exist either within these markets or at regional or national level?
- What business support or training programmes exist, through local or national NGOs, government structures or donor funding or 'new' finance opportunities e.g. carbon money
- What grant, loan, or micro- finance institutions exist that might be able to serve community forest enterprises?
- How important is insurance – and what impacts does this have?
- What about export support agencies - How easy is it to export and what about export credit guarantees?

4. GOVERNANCE ISSUES - THE EVOLUTION OF POLICIES AND INSTITUTIONS ON SMFEs (not including finance - see below)

- How have forest resources been governed historically – and how has this affected the development of a market-led approach to community forest?
- What are the main current forest laws, instructions and procedures e.g. the forest law, CFI etc and how does this define what is allowed and where (Protected Areas, Public Protection Forest, Degraded Land etc) and what registration procedures govern the practical allocation of community forest rights?
- What additional laws from other sectors have the potential to affect what community forest activities take place? (e.g. Land tenure and use rules, Agricultural policies,

Decentralisation/local government policies and institutions, Environmental policies, Industrial policies (including labour policies), transport and trade policies, business taxes and incentives) and what administrative processes are likely to affect community forest enterprises?

- What changes have happened in the external influences – that might strengthen the case for a market-led approach to community forestry (e.g. FLEGT, REDD+ etc)?

The relative ‘weights’ and ‘ranks’ of these different influences on different types of community forest enterprise should be estimated and the links between them

What this all means in terms of the general prospects for different types of community forest enterprise in Myanmar?

6. CONCLUSIONS ON KEY OPPORTUNITIES AND CHALLENGES FOR COMMUNITY FOREST ENTERPRISE

How do recent changes in institutional attitudes, laws, policies, instructions and procedures affect the prospects for community forest enterprises in Myanmar?

Which of the many possible forest product subsectors (wood fuel and charcoal, timber, NTFPs etc) do you see as having the greatest potential – either in the short term, or in the longer term) and what new opportunities might be emerging (e.g. wood pellet markets for pulp and bioelectricity generation, carbon trade etc)?

Which clusters of community forest user groups present the best short term options for developing the capacity in the subsectors identified as key?

What strategies might be required to overcome the challenges faced by community forest enterprises?

REFERENCES