Community Forestry Enterprise development in Myanmar through socially responsible business approaches
COMMUNITY FORESTRY ENTERPRISE DEVELOPMENT IN MYANMAR THROUGH SOCIALLY RESPONSIBLE BUSINESS APPROACHES

Published by The Center for People and Forests (RECOFTC) and The Rights and Resources Group (RRG)
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Cover photo: Furniture makers at Shwe Yoma CFE, Gwa township in Rakhine State, Myanmar

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Acknowledgements

This policy brief was written by Martin Greijmans, David Gritten, Aung Kyaw Naing, Khin Thiri Htun, and Julian Atkinson. It was developed based on findings from a series of sub-national and national multi-stakeholder workshops organized between July and November 2018 with funding support from the Rights and Resources Initiative (RRI) and logistical support from the Responsible Asia Forestry and Trade (RAFT) partnership. These workshops shared the experiences of community forestry enterprise (CFE) development and private sector partnerships in Myanmar. A primary focus was given to experiences of CFEs from three townships (Gwa in Rakhine State, Yebyu in Tanintharyi Region and Paukkhaung in Bago Region), which were established in 2016 with facilitation by RECOFTC and funding support from the Australian Government through the RAFT partnership, the Swiss Agency for Development and Cooperation (SDC), and the Swedish International Development Cooperation Agency (Sida).

The authors are grateful to the participants of the sub-national workshops. Special thanks goes to the RECOFTC Myanmar Country Program (especially Maung Maung Than, Khin Moe Kyi, and Thang Deih Tuang) for workshop facilitation and logistics, report photos and translation support, and to the RECOFTC Knowledge Management and Strategic Communication Unit (especially Jeffrey Williamson and Apinita Siripatt) for copyediting and publication layout.
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Overview

● The revised 2016 Community Forestry Instruction (CFI) has received increased interest in community forestry (CF) and the commercialising of forest products amongst rural communities, government agencies, private sector and supporting agencies. The CFI has opened up more avenues for CF to impact sustainable forest management and livelihood development in Myanmar.

● This momentum is showing some positive examples of community forestry user groups (CFUGs) initiating small forest product enterprises. These examples also indicate that a better understanding of the process is still required if CFEs are to meet their full potential to transform the livelihoods of millions of rural people.

● The potential benefits of CF can be significantly and cost-effectively scaled up if governments encourage socially responsible business approaches through:
  1. effective procedures and practical operational guidelines encouraging commercial viability of CFEs;
  2. appropriate capacity support for community based management and support to local government staff to facilitate CFI effectively;
  3. initiation of programs to build internal capacities in the fields of finance and market-based approaches, with support from other government departments and the private sector;
  4. building on socially and culturally fitting approaches and encouraging local ownership, gender inclusiveness and local leadership; and
  5. investment in vocational and business capacities and knowledge platforms to stimulate continuous development of CFEs and their networks.
**Introduction**

In the early 1990s, the Government of Myanmar introduced community forestry (CF) as a way to protect endangered forest resources and support the subsistence needs of rural communities. The government, however, provided little consideration to the livelihood requirements of each community even though some communities had collected limited income through small-scale trading of non-timber forest products (NTFPs). The lack of emphasis on livelihood development has been challenging considering the large growth of CF in terms of area in recent years, the issues of rural poverty throughout the country, and continued forest loss and degradation.

Recent political reforms, however, have contributed to the development of more conducive policies and regulatory frameworks (e.g. the Community Forestry Instruction [CFI; 2016] and the Community Forestry Strategy 2017-2020). These reforms have expanded and strengthened community participation in the management of natural resources and prompted recognition of the importance of livelihood development through community forestry enterprises (CFEs).

Furthermore, private sector actors, such as the Myanmar Rattan and Bamboo Entrepreneurs Association (MRBEA), are exploring ways to scale-up partnerships with CFEs to source forest products. Many civil society organizations (CSOs) and development organizations working in Myanmar, including The Center for People and Forests (RECOFTC), have been working to pilot the processes for CFE-private sector partnerships.

The strengthening of foundational aspects has resulted in the Forest Department (FD) prioritizing its support for the establishment of CFEs, seeing them as vital to the sustainability of CF in Myanmar. In turn, this has led many communities who hold CF certificates to start developing enterprises based on local CF resources.

Nonetheless, there is still scarce information on successful models and lessons of CFE development and community-private sector partnership in Myanmar. In particular, knowledge gaps exist on the various challenges emerging CFEs are facing, and the types of support that they need to:

1. successfully establish themselves
2. develop viable business models and links to markets
3. engage effectively with the private sector

The objective of this brief is to provide an overview of the current situation of CFE development in Myanmar by examining the challenges and opportunities that exist for

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1 A CFE is an entity undertaking commercial exchanges or activities based on forest landscape products (i.e. tree products, NTFPs, environmental services, agricultural products), overseen by a credible representative body which can claim legitimacy within a self-defining ‘community’ that generates and redistributes profits within that community. CFEs are different from private enterprises because their business activity is undertaken as a means of achieving community benefit, not private gain.
various stakeholders, particularly government agencies, in promoting and supporting socially responsible business collaborations that contribute to the alleviation of rural poverty, community empowerment and sustainably managed forest resources. This brief was developed based on findings from a series of sub-national and national multi-stakeholder workshops held in 2018, as well as field research in three townships (Gwa in Rakhine State, Yebyu in Tanintharyi Region and Paukhaung in Bago Region).

Rattan harvested from local community forest areas taken to Shwe Yoma CFE, Gwa township in Rakhine State
Findings

The overview of CFE development in Myanmar is presented according to the main foundations or components that a successful CFE depends on, as outlined by the FAO (2011)\(^2\).

### Table 1. Components for sustainable CFEs in Myanmar.

<table>
<thead>
<tr>
<th>Component</th>
<th>Sub-components (including)</th>
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<tbody>
<tr>
<td><strong>Institutional / Legal</strong></td>
<td>• Communities are able to make well-informed decisions when applying for tenure</td>
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<td></td>
<td>• Local government staff have the capacity, including the understanding of legal requirements, for supporting communities to get tenure certificate (including developing management plans)</td>
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<td></td>
<td>• Application process to harvest / trade / transport forest products is efficient (i.e. licenses, bill and removal pass)</td>
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<td></td>
<td>• Ease of doing business supports the establishment of, and running of, CFEs</td>
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<tr>
<td><strong>Natural resource management / Environment</strong></td>
<td>• Resource availability including quantity, quality (i.e. forest area, amount of products and selection of species)</td>
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<td></td>
<td>• Appropriate forest management (i.e. silviculture or plantation) experiences</td>
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<td></td>
<td>• Appropriate management plan designed to effectively support CF management and CFE business development.</td>
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<tr>
<td><strong>Market / Economy</strong></td>
<td>• Market demand and accessibility for identified forest products</td>
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<td></td>
<td>• Availability of identified forest products to plan supply</td>
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<tr>
<td></td>
<td>• Required forest product quality</td>
</tr>
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<td></td>
<td>• Viability: market price - production cost ratio</td>
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<tr>
<td></td>
<td>• Access to finance, credit</td>
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<tr>
<td><strong>Social / Cultural</strong></td>
<td>• Level of organisation of CFE members (incl. leadership skills, transparency, inclusiveness)</td>
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<tr>
<td></td>
<td>• Availability of time of members to invest in the CFE</td>
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<tr>
<td></td>
<td>• Alignment with local culture or social</td>
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\(^2\) Community-based tree and forest product enterprises: Market Analysis and Development (MA&D), developed by Isabelle Lecup.
<table>
<thead>
<tr>
<th>Component</th>
<th>Sub-components (including)</th>
</tr>
</thead>
<tbody>
<tr>
<td>develop the CFE.</td>
<td>standards</td>
</tr>
</tbody>
</table>
| Technology / Product development | ● Level of required capacity to run a CFE (incl. production, business, processing)  
● Access to information to process products and acquire appropriate equipment |
| Investment in product development | |

For each component, the level of supportiveness is assessed based on the results of the sub-national and national workshops. ‘Supportive’ refers to what has been done to assist in incentivizing CF and CFE development. ‘Unsupportive’, is meant by the remaining barriers hindering to fully support CFE development.

**Institutional / Legal**

**Supportive:**

- CF in Myanmar now covers 537,434 acres (217,492 ha; as of August 2018) of forest. Local communities are allowed to apply for land in reserved forest, protected public forest, buffer zones of protected area and in certain government land outside the FD’s responsibility. As CF has developed, the procedures have become more efficient, capacities strengthened and resources more efficiently used. One example is in the tenure certificate process through which FD staff at the landscape level is better able to support communities in formalizing their tenure.
- Institutional capacity development, including the establishment of multistakeholder Community Forestry National Working Group (CFNWG) at national and regional levels, and the CF Unit housed in the FD at national, regional and district levels, has seen improved coordination and active participation of stakeholders in developing CF, including improving the legal and regulatory environment for CFE development.
- The revised CFI has opened the door for local communities with legal forest tenure (under CF certificates issued by the FD) to commercialize CF products by allowing for the establishment of CFEs.
- The Forest Strategy (2017-2020) provides further support including having a nationwide target of establishing 150 CFEs, as well as a functional CFE network by 2020.
Unsupportive:

- The implementation of the new legal initiatives has shown that work is needed to ensure that CFEs can address the opportunities as they arise. This includes the lack of consideration for competitive advantages for CFEs, with many still in their start-up phase. For instance CFEs have to abide by the same harvesting and other taxes collected in supply chains as larger companies.
- Supportive policies that would incentivize larger companies or investors to partner with CFEs are still lacking.
- Continued legal uncertainties exist as demonstrated by the concerns regarding the amended Vacant, Fallow and Virgin Lands Management Law (2018) which among things may deter investment in forest communities, going beyond CF.

Natural resource management/ Environment

Supportive:

- The revised CFI has ensured that CF management plans are in place.
- The CFI and the opportunities it provides is encouraging communities to invest in their forests, including protecting them.

Unsupportive:

- The quality of the data obtained to develop CF management and CFE business plans is often limited, hampering appropriate planning. While the CFI does not provide for clear and simple rules and regulations for extraction of forest products, the forthcoming CFI Standard Operating Procedures will help to address this.
- Local FD offices have limited trust in the forest management capacities of CF communities, and they also have to get up to speed on the new laws and regulations.

Market/ Finance

Supportive:

- The revised CFI emphasizes that the FD shall support CFUGs in CFE development. This includes access to finance and facilitation of market access, including certification of CFE products.
- In terms of access to finance, there has been experience outside the forest sector for the provision of small loans to small enterprise groups, which could be an option for CFEs once they register as a member of the Cooperative Bank. Loans from private banks and government banks require positive recommendations from the Small and Medium Enterprise (SME) Department. This department has provided market
information through organizing local and national products exhibitions, though only limited for CF products.

**Unsupportive:**
- CFEs have very little experience in accessing loans from banks, as rates are high\(^3\), including loans offered at low interest rates for start-up investments.
- Weak capacities of CFEs exist also to promote their products in existing markets or to identify new market potential.
- CF products are perceived to be unable to compete with existing products in terms of price and quality.
- A lacking network through which up-to-date market information is shared obstructs investors or larger companies’ knowledge of the existence of CFEs and their products. Unlike in other sectors there are only ad-hoc initiatives which provide for brokering services between CFEs and investors or larger companies. Without a range of basic business capacities CFEs will continue to face difficulties to enter markets, including the smaller market section of responsible consumers interested to buy sustainable produced or ‘green’ products.

**Social/ Cultural**

**Supportive:**
- The CFI encourages communities to engage in CF through a stepwise approach to attain their CF certificate. The process is considered by some as the basics of democracy, and thus seen as a valuable process for socio-economic development.

**Unsupportive:**
- With only a few CFEs registered and known, limited information is available to understand the requirements for success. This is particularly important as most have limited experience in running a CFE. This underlines the importance of the presence of visionary individuals with leadership skills required to mobilize members, address challenges and opportunities and networking skills.

**Technology/ Product development**

**Supportive:**
- CFEs, like other local community groups, can in theory make use of countrywide support from the SME and Rural Development Departments, which provide vocational trainings; however, this knowledge is not widely shared.

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\(^3\) Registered CFE as a cooperative can access loans for 6 months at 18% interest rate per year - the high rate and short time frame are inappropriate for CFEs to produce a sufficient return
• Access to information is improving with a great deal of the impetus being provided by increased smartphone usage.

Unsupportive:
• Different departments (i.e. FD and SME department) with distinct expertise areas are generally not well connected nor are collaborating effectively to provide appropriate services to CFEs. This is observed in the narrow scope of capacity development services available leading to CFE with low tech skills, failing to develop quality products or effectively enter markets.
• Access to the electrical grid and good transportation links are a challenge in many rural areas, though significant progress is being made.

Furniture makers at Shwe Yoma CFE, Gwa township in Rakhine State
Example of an emerging CFE in Gwa township, southern Rakhine State

In Gwa township, RECOFTC worked with the FD and local civil society organizations to support 18 villages in getting tenure to forests comprising of 11,764 acres (4,761 ha) or 2% of the total forest area in the township. In this landscape, 40% of the villagers’ income comes from agriculture, up to 30% from the sale of forest products, another 10% from shifting cultivation, and those close to mangrove forests earn income from fisheries. Through enterprise development trainings (following the ‘Market Analysis and Development’ approach) members from three villages (with 2,900 acres of forests) in early 2018 established the ‘Shwe Yoma’ (Golden Mountain Range) rattan enterprise. Of particular interest is their business arrangement with the Myanmar Rattan and Bamboo Enterprise Association (MRBEA). Through technical support from MRBEA the CFE members are adding value to rattan canes, develop furniture and have established new market linkages. In its first year Shwe Yoma supplied MRBEA with 15,000 semi-processed rattan canes at a value of approximately 1 USD per cane. A new order for a second year is in the making.

One of the key elements of the developing success of Shwe Yoma is how it is organized through the leadership of its chairperson. After receiving their CF certificates in 2017, CF members carried out a rattan resource assessment to provide them with the information to develop a harvesting plan and with that determine the potential supply. Getting good information helped to formulate a clear forest management plan as well as a business plan. This solid foundation provided members with the confidence to start working together, led by a motivational chairperson, resulting in eight local entrepreneurs willing to invest their time and efforts. Shwe Yoma developed a set of rules and regulations guiding them, including protecting labour rights for its 14 seasonal workers, installing a grievance mechanism to mitigate possible conflict, and paying into to a CF fund (in year one at 1,500 USD).

Ways forward - Recommendations for Myanmar

The viability of CFEs can be significantly and cost-effectively scaled up if communities, private sector actors and government agencies are effectively mobilized and recommendations can be systematically addressed.

Communities require clear incentives to invest in their forests, whereas the private sector requires a sufficient return (profit) on their investments (inputs, raw materials, transport, handling costs). On the other hand, the government seeks to sustainably manage forests. Between each of these stakeholders a wide range of business approaches or models can emerge based on different levels of interest or investments they make. The following is needed to determine what level of effort each stakeholder will make.
Institutional/ Legal

- Need for simple, clear and effective procedures throughout the process of CFE functioning, in particular regarding timber. Practical Standard Operating Procedures (SOP) are being developed to provide guidance at township level
- Allow for establishing CF based small scale (semi)processing workshops to operate near CF areas to reduce costs and increase competiveness
- Waiving of taxation in the initial two years of CFE establishment to stimulate start-ups that face high start-up costs. This would also incentivize private sector to source products from CFEs
- Need for legal instruments and policies to incentivize private sector engagement with CFEs and attract investments. This might include facilitating Corporate Social Responsibility (CSR) programs for forest related private companies, e.g. oil and gas companies as an alternative financial source for forest dependent communities and CFE development
- Organize regular multi-stakeholder dialogues and events amongst private sector, government and CFEs facilitated by third-parties to enable the development of common vision towards sustainable forestry, transform potential conflict and effective business models
- Need for government wide attention of the potential roles of CFEs:
  - raise awareness of the opportunities CFE provides for the social-economic development of Myanmar
  - encourage documentation and expansion of successful cases to stimulate additional CFE initiatives, the ones which work best are still operational and have gained trust from the market/private sector

Natural resource management/ Environment

- For CF management to be more appropriate to CFUGs, fundamental skills and knowledge gaps need to be addressed, including basic forest inventory, CF management plan development and appropriate silvicultural regimes in line with CFE business plans
- Support is needed for township FDs to improve their capacity to implement CFI more effectively alongside CFUGs. Support is also needed if they are to more effectively support start-up CFEs and engage in CFE network development. The provision of practical SOP is planned but requires testing to ensure effectiveness

Market/ Finance

- Upscale government programs to establish appropriate financial mechanisms in supporting initial investments for CFEs and reduce procedures making finance more accessible for CFEs. The FD is suggested to engage with the SME Department, or the Rural Development Department applying a ‘one loan - one village policy’, as to open up their criteria for loan application to CFEs
- Need for the development of a CFE network or platform for local and international market information sharing, and develop links with alternative markets for green or certified products to access premium prices. Another approach is to develop a
program targeting responsible consumers interested in the story behind sustainable managed forest products by CFUGs. Both approaches benefit from active promotion of CFEs and their products in exhibitions and local and international trade fairs

- Subnational and national level events to promote and support CFE groups with support from local parliamentarians advocating rural development initiatives
- Brokering private sector partnership development with CFE groups, while clarifying benefits for both parties, in association of a supportive environment

**Social/ Cultural**

- Approaching CF, CFUGs and CFI requires an attitude from government and development agencies encouraging communities and aspiring CFEs to build on their own cultures and social practices, rather than taking a regulatory or technical or so-called ‘top-down’ approach. Enterprise development requires taking risk by startup CFEs, which need to be well understood and accepted and kept to a minimum to ensure highest chance of success. Strengthening capacities of local practitioners to embrace Free Prior and Informed Consent (FPIC), participatory action research and carry out capacity needs assessments form the building blocks towards successful CFEs
- For CFE development to be sustained, its members must be committed to driving the necessary activities required to overcome challenges and make progress. Third-party support is required, but this needs to be demand driven, resulting in clear follow up from the CFE members. CFE-development are not meant to be projects, they need to have basics in place to function effectively in the supply chain
- Placing more attention on natural (rather than elected) leadership with a clear vision and socially just ethics, as well as a more sincere consideration of the role of women in CFEs are intrinsic to successful CFEs. A developing CFE that demonstrates that benefits from CF are tangible needs to be built on transparent decision making and benefit sharing mechanism to avoid the perception of unfair gained advantages
Technology/ Product development

- Develop appropriate CFE business capacities on practical business and finance skills, organizational CFE-management skills, including clustering of villages to reduce operational costs
- Invest in vocational and appropriate technology trainings for CFEs technology development - in collaboration with SME-like departments and private sector in CFE partnerships
- Platform with information and data on: location of certified CFs and operational CFEs, CFE capacity and risk assessment for potential investors, database on CF products (including quantity, quality, design) and with the potential for promotion and marketing
- Develop a ‘clearing house mechanism’ or storage facility with accessible knowledge, tools and registered capacity development or service providers (i.e. NGOs, private sector or other for profit agencies) able to provide i.e. vocational skills, brokering services. To date the following private sector are interested: Wood Based Art Association (WBAA), Myanmar Forest Products and Timber Merchant Association (MFPTMA) and MRBEA
- Whereas the CFI includes a section in which the Forest Department is mandated to assist CFEs in terms of technology, market information and accessing financial investments, it is more realistic to work closely with the SME and Rural Development departments which have expertise in these areas
RECOFTC’s mission is to enhance capacities for stronger rights, improved governance and fairer benefits for local people in sustainable forested landscapes in the Asia and the Pacific region.

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The Rights and Resources Initiative (RRI) is a strategic coalition comprised of international, regional, and community organizations engaged in development, research and conservation to advance forest tenure, policy and market reforms globally.

The mission of the Rights and Resources Initiative is to support local communities’ and Indigenous Peoples’ struggles against poverty and marginalization by promoting greater global commitment and action towards policy, market and legal reforms that secure their rights to own, control, and benefit from natural resources, especially land and forests. RRI is coordinated by the Rights and Resources Group, a non-profit organization based in Washington, D.C.

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