

# Models of business organisation for a market-led approach to community forestry in Myanmar

Report of an advisory mission, 8-18 December 2013



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## Executive summary

Pyoe Pin invited the author to undertake an advisory mission from 8-18 December 2013 to explore how to put timber centre stage within a market-led approach to community forestry. This report describes that mission and the main recommendations from it. The main elements of the mission included: (i) a series of meetings in Yangon to assess progress of various strands of work linked to Pyoe Pin on a market led approach to community forestry (ii) a field trip to Kachin State to strengthen forest farm associations developing teak plantation; (iii) discussions with local NGOs on the possible model of business organization that might work for Kachin State; (iv) facilitating a validation and training event on 'facilitating community forest producer organization at different levels' and (v) the development of this report based on the above.

The prospects for a market led approach to community forestry in Myanmar are increasing. New initiatives led by Myanmar NGOs are establishing clusters of community forest user groups, sometimes formally registered, sometimes merely community groups using agricultural land – but with the intention of improving the commercial profits from their land and natural resources. While the revised forest law is still with government, there are encouraging signs of a greater emphasis on commercial community forestry – especially through the design of a Community Forestry National Working Group (CFNWG) in collaboration with the centre for people and forests (RECOFTC) and other NGOs linked through the Myanmar Environmental Rehabilitation and Conservation Network (MERN).

Early work to document community forestry, is now being complemented by more specific analyses of how the economic potential of community forestry might be unleashed – and a short book is to be launched in 2014 on that topic by ECCDI. In addition to a large number of NGO projects to establish community forest areas and develop commercial options funded through Pyoe Pin, LIFT and other agencies, there is now also a new international mechanisms, the Forest and Farm Facility that is funding forest and farm producer organisation for business and policy engagement, and will help exchange experience both within country and between countries (e.g. between Myanmar and Nepal in 2014). Several initiatives launched earlier in 2013 (such as the agroforestry production of Elephant Foot Yam in China State) are now advancing well with 21 community producer groups receiving processing equipment and training, and developing internal savings groups.

In Kachin State – the focus of this particular report – several local NGOs have now been working for almost a decade, resulting in 92 communities pursuing community forest areas, although only a handful of them have managed to achieve a formal certificate from the Forest Department. Ten of these FUGs have now formed the Kachin Forest Users Association which is currently in the process of formal registration – with support from the civil society Kachin Conservation Working Group. One local NGO, Shalom has already advanced the idea of a collective enterprise at township level. The idea for such an enterprise was explored with FUG leaders, and five local NGOs operating in the area – including through a field visit to assess the growing stock in Wuyan Community FUG area.

A possible model for business organisation of a community-owned 'marketing enterprise' at township level was developed through these discussions. The idea would be that such an enterprise would be owned by any households who chose to sell through it (with a small share deducted from the sales price). It would aggregate product (probably bamboo and timber pole thinnings in the first instance) from multiple FUG households and sell to the local market. Over time it might develop processing capacities and or saleable services through which to increase profits (part of which could be returned to household owners as a dividend). An advisory board of FUG chairs and other local business /

government representatives would help to ensure transparency and accountability of a professional management committee (manager, accountant, input and marketing co-ordinators).

A small training workshop was held in Yangon to familiarise and build the capacity of local NGOs in how the model might work, validate the model (identifying any potential weaknesses) and then to explore how it might be operationalised. A set of next steps, and Terms of Reference for one specific consultancy to develop a feasibility study for such an enterprise is included as an Annex 4. There are prospects for using this model of business organisation more widely across clusters of community FUGs across Myanmar – which might in the long term strengthen the possibility of a national federation that had financial strength and could help deepen democracy over forest land use decision making in Myanmar.

This report makes a number of recommendations that build on those from the previous two advisory missions and include the following:

1. Co-host with RECOFTC and including Forest and Farm Facility pilots a national forum on 'Progress in organising community forest enterprise groups for business across Myanmar' and help support international exchange with Nepal.
2. Explore further and consider augmenting the budget of Ar Yone Oo to include the explicit development of a community 'marketing enterprise' that represents project communities in the Mindat Elephant Foot Yam traders association in Chin State (see model developed for Kachin State).
3. Fund a consultant to conduct market research and assess production capabilities for a township level 'marketing enterprise' selling bamboo, timber poles or fuel wood charcoal in Kachin State (in one or more townships) and develop a robust business plan for that enterprise according to the ToRs in Annex 4.
4. Arrange independent reviews of key ongoing projects relating to a market led approach to community forestry with an explicit focus on checking the organisational health of emergent business groups.
5. Augment funding to supporting NGOs in Kachin (e.g. ECODEV, Shalom and Swissaid) to further pursue FUG delimitation and formalisation – with an explicit requirement to sensitise existing FUGs to the business organisation model developed in this report.
6. Insert (through top-up funding) an exploration of whether marketing enterprises might be established based on emerging products from NGO pilot projects already funded such as mangrove poles or charcoal in the delta (e.g. with FREDa).
7. Explore further community forestry clusters across the country where enterprise options linked to timber, bamboo, rattan, agroforestry food production etc might be developed – in association with the relevant trade associations and NGOs working in states where this is a possibility.
8. Draw on increasingly detailed attempts to develop market-led community forestry pilot projects to push for changes in the Farmland Law and the Vacant, Fallow and Virgin Lands Management Law (VFV Law) – and track the emergence of the new Forest Law to build new legal opportunities into those pilots.



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

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Photo: Thanks to Maw She for showing me Wuyan's 1200 acres of community forest restored in seven years by the dedication of 260 households.



## Acronyms

CBO	Community Based Organisation
CF	Community Forestry
CFI	Community Forestry Instructions
CFNWG	Community Forestry National Working Group
CFUG	Community Forest Users Group
CSO	Civil Society Organisation
DFID	UK Department for International Development
DFO	District Forest Officer
ECCDI	Ecosystem Conservation and Community Development Initiative
ECODEV	Economically Progressive Ecosystem Development
ECLOF	Ecumenical Church Loan Fund
FAO	Food and Agriculture Organization of the United Nations
FD	Forest Department
FFF	Forest and Farm Facility
FOW	Friends of Wildlife
FREDA	Forest Resource Environment Development and Conservation Association
FSWG	Food Security Working Group
FUG	Forest User Group
IIED	International Institute for Environment and Development
IUCN	World Conservation Union
KFUA	Kachin Forest User Association
LIFT	Livelihoods and Food Security Trust Fund
MCS	Myanmar Ceramics Society
MERN	Myanmar Environmental Rehabilitation-conservation Network
MoAI	Ministry of Agriculture and Irrigation
MoC	Ministry of Cooperatives
MoECAF	Ministry of Environmental Conservation and Forestry
MoU	Memorandum of Understanding
NAG	Network Activities Group
NGO	Non-Government Organization
NTFP	Non-Timber Forest Product
RECOFTC	Regional Community Forestry Training Center
SDF	Swanyee Development Foundation
SIDA	Swedish International Development Agency
SVS	Social Vision Services

TFO	Township Forest Officers
UNDP	United Nations Development Programme
VFV	Vacant, Fallow, Virgin lands
WCS	Wildlife Conservation Society

# 1. Introduction to ongoing efforts to establish a market led approach to community forestry in Myanmar

## Background to community forestry in Myanmar

At the risk of repeating material from two previous reports (Macqueen 2012, 2013) forests in Myanmar cover 31,773,000 ha or 47% of total land area. But the rate of deforestation has risen from 0.3% between 1990 and 2000 (Leimgruber, et al. 2005) to 0.9% between 2000 and 2010 (WWF, 2010) with particular hotspots in the densely populated regions of the Ayeyarwady, Mandalay, Yangon, Rachine and Shan States.

In 1992 the new Forest Law – followed by the 1995 Myanmar Forest Policy – laid out targets for expanding the permanent forest estate. They also introduced notions of community participation in forest management, which is further elaborated in the 1995 Community Forestry Instructions (CFI) (Tint et al. 2011). 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). The new emphasis on community forestry came about due to the fears over future timber supply and the consequent need to create incentives for forest restoration.

The revision of the 1992 forest law is now anticipated but seems to have stalled. No draft texts have been circulated although a set of civil society recommendations on community forestry have been made (MERN, 2012). The ideas put forward include the commercial use by communities of their forests. This is seen as an incentive to speed up the government's 2001 Forest Master Plan target to establish 918,000 ha under community forest management by 2030.

Currently 739 FUGs have been registered in Myanmar covering 44,065 ha (at an average rate of 2,180 ha per year). To meet the government Master Plan this rate would need to increase to about 20,000 ha per year (a tenfold increase). Even if this were to be achieved, the extent of community forestry would only be a tiny 2.8% of the forest estate.

## The new 'market-led' approach to community forestry

In 2009 a stakeholder workshop on community forestry – its experiences and future in Myanmar – was organized by FAO, UNDP, FSWG and MoECAF. In 2011, Pyoe Pin supported a review on Community Forestry which involved a national design workshop in 2010 and was undertaken by ECCDI and University of East Anglia (see Tint et al., 2011).

In 2012 a second national workshop on a 'market led approach' to community forestry was organized by Pyoe Pin in collaboration with the International Institute for Environment and Development (see Macqueen, 2012). At that workshop participants endorsed the use of a market led approach as a



means of incentivising communities to delimit, restore and sustainably use forests. A vision for a market led approach to community forestry in Myanmar was proposed based on participant priorities:

*“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.”*

Participants also proposed a series of desired changes, tactics to achieve them, and responsibilities for doing so under four key pillars of this new market based approach:

- Securing commercial forest rights.
- Strengthening business capacity.
- Scaling-up enterprise oriented organisation.
- Securing the necessary financial investment.

On the back of these developments, in early 2013 the Steering Committee of the new FAO-hosted Forest and Farm Facility elected Myanmar as one of six pilot countries in which it aims to strengthen forest-farm producer organisation and their engagement with more coordinated cross-sectorial policy processes. A launch mission was organised (see Macqueen, 2013) involving meetings in both Yangon and Nay Pyi Taw.

## The emergence of a Community Forestry National Working Group (CFNWG)

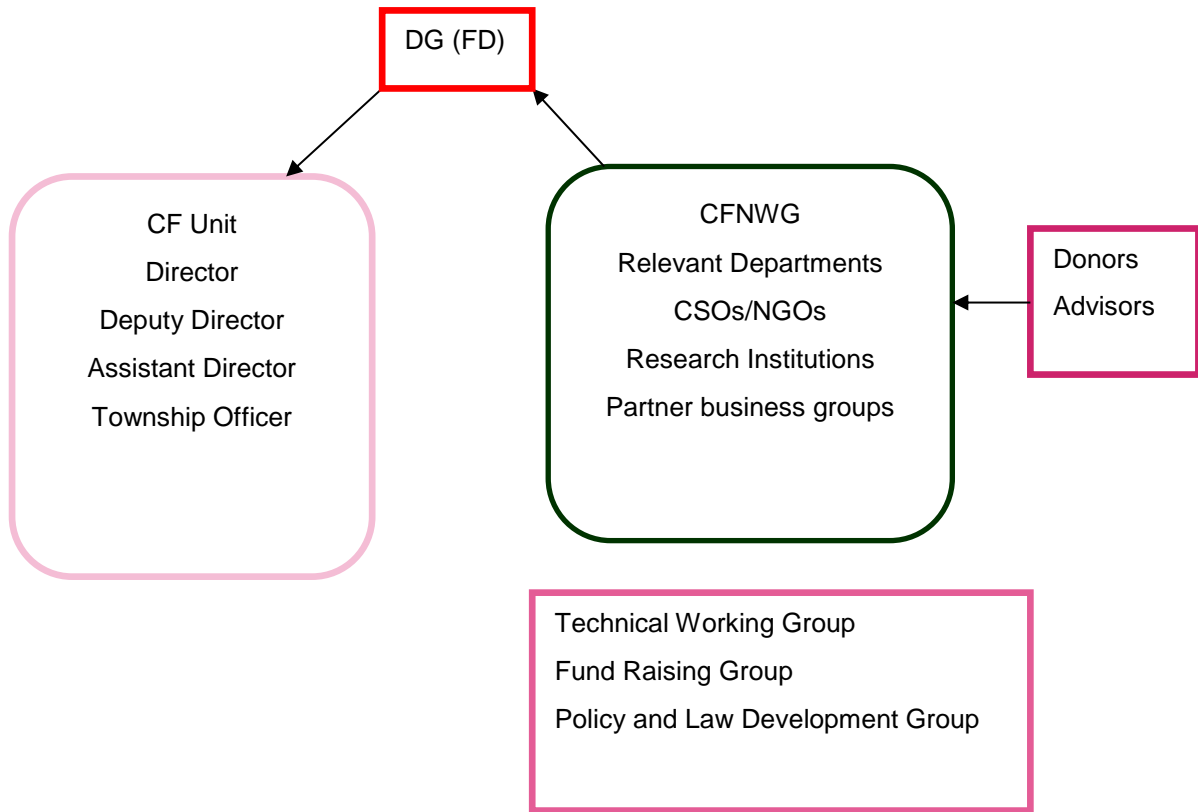
Also during this period, RECOFTC have worked with the Government of Myanmar to establish a Community Forestry National Working Group (CFNWG). This has a number of key objectives such as:

- To critically review and modify or develop all contents of the existing CFI (1995) and provide recommendation to decision makers so as to boost the context of CF in Myanmar.
- To coordinate in addressing existing issues of CF policy, programme and activities with a better collaborative mechanism among CFNWG members by sharing and disseminating of information on CF.
- To intensify and develop CF programmes in the whole country through coordinating with national, regional and international community including partnership with private business groups for academic research and market-led community forestry enterprise development.
- To strengthen the capacity of multi-stakeholders striving for CF at various levels and for extension and education activities.
- To seek financial support from donor agencies for developing CF in terms of techniques and research and for carrying out socioeconomic development works of local communities.
- To arrange and organise for monitoring and evaluating of the CF activities.
- To help meeting the targets regarding CF set up by national forest master plan (2001-2030).

Sitting under the Director General of the Forest Department, and with an explicit mandate for a ‘market-led approach to community forestry’, it is hoped this working group will help to give much

needed formal momentum to the pursuit of community forestry enterprise. Particularly encouraging is the proposed creation of a Community Forestry Unit within the Forest Department to spearhead such developments. The proposed draft structure of the CFNWG is shown below:

Figure 1. Proposed structure of the CFNWG



Further progress is being made in building civil society capacity to engage with such structures. For example, IIED then led a training event in early 2013 on facilitating community forest enterprise development for a large number of civil society organisations (see Macqueen, 2013).

## 2. Recent progress towards a market-led approach to community forestry

### Sourcebook on a market-led approach to community forestry

A meeting with Kyaw Tint, ECCDI and Mehm Ko Ko Gyi, ECCDI. While good progress had been made on the 'Sourcebook' – co-funded by the Forest Connect alliance and Pyoe Pin, there had been a number of issues with sub-consultants of specific chapters, and growing confusion about how to assemble the various disparate pieces of text. The product was therefore significantly behind schedule.

It was agreed that a change of title and careful restructuring of the content into a more logical framework could still make use of the excellent field data collected. As a result, the title of the report was changed to “Unleashing the potential of community forest enterprise in Myanmar” and the content restructured to have more the feel of a ‘policy briefing’ rather than a ‘technical guide’ to different enterprise options. It was agreed also that the main point of the report should be to press home two main reasons for supporting a market led approach to community forestry. First it will raise local incomes and government revenues which will reduce poverty. Second, the financial incentive of such enterprises will encourage local people to manage and restore forests. Without enlisting the help of rural communities in these efforts it is likely that the contribution of forests to the rural economy will continue to decline, and that forest loss will continue.

The report usefully summarises a number of immediate steps that are required in order to develop the community forest enterprise opportunity. Communities should be allowed commercial use rights for both timber and Non Timber Forest Products (NTFPs) with forest legislation. A concerted partnership effort by both government and civil society should raise community awareness of commercial enterprise opportunities, and a market-led approach to community forestry be actively pursued. The hand-over of local forests to Forest User Groups (FUGs) should be streamlined and accelerated. A working group of government extension staff and civil society groups should share experiences expand capacity building for Forest User Groups in business management. Organisation between community FUGs should be encouraged, through local associations and regional and national federations. A reliable investment environment should be assured to facilitate enterprise development.

Field research from four states presented in the report highlights particularly promising community forestry enterprise opportunities. In Ayeyarwady Delta, bamboos would seem to be the highest priority product for enterprise development with timber (and potentially poles) and charcoal taking respectively the second and the third positions. In Mandalay Region, bamboo has the highest potential for enterprise development with timber and value-added bamboos taking respectively the second and the third positions. In Shan State, thatch appears to have the highest potential for enterprise development with value-added bamboos and bamboo taking the second and the third positions respectively. Finally, in Kachin State, timber appears to be the best option for enterprise development with medicinal plants and firewood occupying the second and the third positions respectively.

Overall – and despite some significant regional differences – the report points to three major sectors for CF enterprise development: timber (including poles and posts), bamboo (including both

unprocessed and processed products) and NTFPs – especially medicinal and ornamental plants. In addition, there are many miscellaneous products which have great potential for CF enterprises, such as charcoal, rattan, agar-wood, thanaka, elephant foot yam, and white yam. They can be successfully integrated as agricultural crops with forest trees in the CF areas. It goes without saying that this analysis challenges the current monopoly on timber production by government agencies and ‘crony’ companies.

The report questions the ambition of the Government Forest Master Plan target of 918,000 hectares of community forestry by 2030. It argues that the target (2.8% of the total forest area in Myanmar) should be upgraded towards 25% of the total area of Myanmar forest to communities – which is roughly the global average for forest controlled by local groups. Expanding the projections within Myanmar towards such a 25% target by 2030 the total number of CFUG members could be as much as 6 million people – which would make community forestry a genuine engine of rural economic growth.

Through the field work a number of key challenges were found to underpin the slow development of community forest enterprises. The report explores each and proposes a solution. Weak political commitment requires more vigorous mobilisation and awareness-raising of the economic potential here described. A lack of interest of Forest officers in CF enterprise requires mainstreaming CF enterprise development into the Forest Department’s normal forest operation procedures under a dedicated department. Insecure commercial land and resource tenure and use rights requires the enactment and implementation of a National Land-use Policy and Plan that grants community CFUGs commercial forest use rights. The shortage of investment requires more accessible bank loans, membership saving schemes, supplier-buyer partnerships, insurance schemes and a further simplification of export requirements. A widespread lack of business skills requires more extensive trainings, workshops and exchange visits. The lack of technology requires concerted research and development by Government and academic institutions. Weak community participation in turn requires better mobilisation and awareness-raising of financial opportunities.

Finally, the report notes that market-led approach to community forestry fits perfectly within the government of Myanmar’s new emphasis on support for small and medium enterprises (SMEs) headed by the President. Increasing the visibility of the SME – CFUG link will be important in the years ahead.

## Forest and Farm Facility (FFF) supporting pilots, exchanges and training

A meeting with U Aung Thant Zin – MERN and a summary of the mission by the FFF led by Jeff Campbell (the new FFF Director) and Johny Zapata. Six pilots are now being funded to help gauge and build up the field of producer organisations with the following organisations; Ecosystem conservation and community development initiative (ECCDI); Social Vision Services (SVS); Myanmar Hearth Development Organization; Swanyee Development Foundation (SDF); Friends of Wildlife (FOW); Myanmar Ceramic Society (MCS) (in Ayeyarwady, Rakhine and Shan states), prior to a larger country level planning stage.

A Memorandum of Understanding has also now been table with the Forestry Department who have interest in, and openness to the concepts and approach of the Facility. Just prior to the Myanmar mission, a team of key people from Myanmar including Mr Zaw Win, Deputy DG of the Forestry Department and Mr Salai Cung Lian, Strategic Adviser in charge of the related Pyoe Pin programme along with Mr Maung Maung Than RECOFTC country coordinator in Myanmar attended the

International Conference on Forest Producer Organizations in Guilin China, and the meeting after this of the FFF partner country representatives. This served to showcase the extraordinary progress that has been made in China through strengthening forest farm producer organisations.

During their visit, Johny Zapata had visited the field sites facilitated by Swaneye Development Foundation (SDF) and Social Vision Services (SVS) in the delta region with colleagues from MERN to gain better understanding of the conditions and aspirations of the communities and the plans for producer group activities.

Both Jeff Campbell and Johny Zapata had participated in a half day workshop held on 4 December 2014 to formally announce the awarding of the six pilot grants and to share information on the proposed work between grantees and with the Forest Department. The event was covered by Myanmar print and journalists. Mr Boni, Director of Watershed Management Division, Forestry Department, also participated in the workshop and gave his clearance for the grant LoAs to move forward in a parallel fashion.

Planning meetings were also held to plan for a learning exchange and training program (on Market Access and Development) within Myanmar and an exchange visit to Nepal. Decisions were made on the timing and content of the events which will be held during the 2nd and 4rd weeks of March respectively.

Jeff Campbell and Johny Zapata also met with Harald Kreuzschner, Program Officer of the Livelihoods and Food security Trust Fund (LIFT) to discuss overlaps of regions, and about the possibility of connecting LIFT funded community enterprise and producer groups with FFF funded groups. LIFT staff indicated that there might be possibilities for FFF and supported organizations to access windows of funding, and the LIFT would be interested in participating in March 2014 training and exchange visits. New agroforestry activities are planned and LIFT staff appreciated FFF's more technical orientation and potential synergies. Together with Pyoe Pin, further collaboration might be facilitated by three-way organizing of the March 2014 events and then participation of all three institutions in the larger June 2014 forum / meeting with government planned at the end of the 6 month grant period.

Immediate next steps will include the submission through the FAO country office and MERN, of a proposed MoU with the Forestry Department, exchanges between Myanmar producer organisations to be held from 10 to 14 March, 2014, and an exchange between Myanmar and Nepal producer organisations to be held from 24 March to 3 April, 2014.

## Recommendation 1

Co-host with RECOFTC (and including Forest and Farm Facility pilots) a national forum on 'Progress in organising community forest enterprise groups for business across Myanmar' and help support international exchange with Nepal.

## Elephant Foot Yam producer group development in Chin state

A meeting with Cin Khan Lian – Programm Director, Ar Yone Oo. Since early 2013 when the project got underway during my visit to Mindat township in Chin State, the Pyoe Pin project with Ar Yone Oo has advanced considerably. Entitled 'Sustainable market-based livelihoods through improved land tenure security', the field team led by Bosco have established 21 village-based associations of Elephant Foot Yam producers. (For a fuller description of the Elephant Foot Yam value chain and business proposition see Macqueen – 2013).

As was discussed at that initial phase each of those village associations has now also established a revolving loan fund, into which the Ar Yone Oo project has injected US\$ 1500 (into each fund). Ar Yone Oo has substantial experience in micro-finance and indeed manages a major microfinance programme of LIFT that is just beginning. The revolving loan funds are to be used by farm producers for purchasing seedstock of Elephant Foot Yam and are repayable when those Yams are sold. Each group has the power to decide on disbursement and interest rates of those funds – with the condition that the funds may only be used for the promotion of Elephant Foot Yam production.

Also discussed in those planning meeting, the Ar Yone Oo team, together with the producers have experimented with four different designs of slicing machine, to improve the quality / uniformity of the chips (that are sun dried). One of the designs proved most favourable and has now been manufactured locally. Since the leading design was smaller than anticipated it may be that 42 will be produced, two for each village association.

Through its national and international linkages, Ar Yone Oo has also met with the Konjac producer association (Japanese name for Elephant Foot Yam) in Myanmar, and with traders from Japan. The longer term plan is to explore slightly more direct relationships with buyers (hence cultivating the links) but only when the scale and reliability of production can be assured. There is potential scope for a stronger voice for village associations if they jointly developed a marketing enterprise at township level that might represent their interests with such traders and intermediaries.

### Recommendation 2

Explore and consider augmenting the budget of Ar Yone Oo to include the explicit development of a community 'marketing enterprise' that represents project communities in the Mindat Elephant Foot Yam traders association in Chin State (see model developed for Kachin State).

Elephant Foot Yam grows under shade and part of the project has been also to improve the agroforestry system of which it forms part. Two agroforestry training courses have been run – with attention to the introduction of perennial fruit trees, avocado, tea and other commercial trees and shrubs. The villagers were also eager to start tissue culture of orchids, but this may take longer to establish owing to the complexities of the technology involved. The project team are also managing a parallel project in the next township in which value chain analysis for corn and mango have been conducted, and the specialist will be drawn in to develop further analyses within Mindat Township area.

In line with the above, five sites have been agreed between the 21 villages for the establishment of nurseries. This links to the recommendations by the Forestry Department for the establishment of such nurseries to support Community Forest delimitation. A good relationship has been established



with the assistant director of forestry in Mindat – and 5-6 places have been identified for the establishment of potential community forest areas. Local communities still do not quite see the commercial value in these areas which will be somewhat distant from their farmland, but do see the value in protecting forest – including from potential outside development and are therefore engaging on that basis. There may be possibilities to develop NTFP products, including bamboo from such areas, which would be of benefit, especially to landless groups in the communities.

Ar Yone Oo has participated in a land tenure workshop. There are concerns that the new law restricts fallow in shifting cultivation areas to a maximum of three years (before the land can be declared vacant and reallocated to potential investors). The normal fallow cycle is 6-10 years – so the provisions of the law do not yet adequately recognise the traditional system. Further work needs to be done to develop recognition in the law of these traditional systems such that local forest farmers can live without fear of appropriation of their customary land.

## Other examples of community forestry

A meeting with Kyaw Moe Aung (Independent consultant working with RECOFTC) noted that a number of CFUGs had been established between 1996 and 1997 with support from UNDP. Some of these now had considerable potential for community forest enterprise but were being held back either by government – or in some cases by the communities themselves. For example, in Kam Tha Lay community in Magwe State, stands of some 200 acres of Eucalyptus had now reached substantial girth. Unfortunately, the Forest Department had not given the community permission to harvest the timber, so no enterprise had yet been formed. But in another community, Ya Gyi, in southern Shan State, some 600 acres of community forest were not being developed commercially by the community. In this case, households are making a good living from oranges and tea production and value the forest for its watershed conservation purposes. It is they who are reluctant to develop the forest commercially, an issue that was also encountered to a lesser extent in Kachin State (see below).

## NGO efforts to support community forestry user groups (CFUGs) in Kachin

A meeting with Win Myo Thu – ECODEV and separately with Claire Light, Kamam Zau Hkam and Shwe Toe (Swissaid). ECODEV has been operating in Kachin since 2006 at a pilot level. The forest plantations that were established through the creation of CFUGs in Kachin are growing well and constitute a substantial growing stock. In most of the CFUGs established, they helped communities to develop management plans with three main zones:

- Agroforestry Taungy models – involving an initial cash crop co-planted with teak or some other trees species – that were eventually abandoned when the tree shade developed.
- Natural forest management – including improved felling, better fallow management and enrichments zones
- Conservation areas – for example around springs or on steep slopes.

Training had been given, at least for the leaders of CFUGs. In the areas where ECODEV was working (and it is unclear quite how these overlap with areas in which other NGOs also work) there had been approximately 600 acres of reforestation – in some of which the trees were approaching a size where

small dimension merchantable timber could potentially be produced. Of course the current Forest law prevents this.

ECODEV had been instrumental in persuading CFUGs to apply for registration as a Farmer User Association (formally endorsed by the Forest Department). There was a feeling that this needed somehow to be developed into a viable business proposition, perhaps through the acquisition of sawmilling technology, or some other business venture.

Recent satellite mapping of the Ayeyarwady catchment (that includes Kachin) had shown that of an area of 30 million hectares classified as forest only 13 million hectares remained. In effect, this meant that the government mismanagement had resulted in a current imperative to restore 17 million hectares. Industrial forestry was one option open to the government, but the other was community forestry. In either case there was a need for substantial land reform.

The priorities that ECODEV were pursuing included (i) better conservation of the remaining forest that was left; (ii) the creation of a broad alliance or partnership to provide the training, financing and energy to restore what had been lost and (iii) a proper integrated land use planning commission and process, to make sure the same mistakes were not repeated.

At a separate meeting with Swissaid, further constructive attempts to support CFUGs in Kachin state were outlined. There were many similarities noted between the approaches of the different NGOs who were well networked at the State level through the Kachin Conservation Working Group. Much progress had been made in establishing community interest and the CFUG structures that were taking responsibility for managing the forest. The registration process was proving a considerable bottleneck through lack of Forest Department will. The emerging challenge was how to create enterprise options in the face of restrictions on the commercial sale of timber.

### 3. Report of initial attempts to engage forest users groups on a market-led approach in Kachin State

#### Background to the initiative

Meeting with Aung Tsen (Director) and Hkun Myat, Lu Awn and Khin Khin Lay from Shalom. Shalom has been trying to support communities in Kachin for a decade. Their first work on community forestry started in 2006 following an application for registration of a community forest in 2004. The process took 3 years – and eventually title was granted in 2007.

Within Kachin, there are 92 villages in which community forest applications have been made. Shalom now work with 24 communities in a number of townships, both within government held territory and in KIO held territory. Of those 24 communities only 4 have received formal community forest title – it depending very much on the political support at township level for their activities.

The main reason that communities in Kachin are pursuing community forestry is land tenure security (protecting themselves against loss of land) and watershed dry season flows (following logging some of the streams dried up in the dry months). None of the CFUGs currently produce any product for sale at any scale, although they do sell some bamboo (for construction), some charcoal, especially on the Chinese border where deals have been struck with traders (electricity for charcoal production) and some firewood locally.

Within those 24 community forestry areas – which cover approximately 14,000 acres, half of the area has been allocated for plantation forest (approximately 7,000 acres). While 2,500 acres have been sown with teak, some of this is mixed planting and the remainder is a mix of native species that are also used in domestic construction – such as *Gmelina arborea* and Ironwood – or fast growing firewood such as *Cassia siamea*. Each community now has a nursery – which have provided seedlings internally – but have also sold seedlings (especially teak) to neighbouring large plantation companies granted land by the Government and short on nursery capacity and know-how.

Shalom has been part (with ECODEV and perhaps others) of an effort to establish an association of CFUGs spanning three townships currently. The aims were described as primarily political – building strength in numbers to negotiate with decision-makers. Some decisions are of immediate importance as they form part of the peace settlement negotiations (e.g. within which community control over timber might potentially be negotiated). Some 15 CFUGs are part of this association, registered at township level but not yet at state level – but supported financially by the civil society network – the Kachin Conservation Working Group. The association is not set up commercially but does involve at least one representative of each of the 15 communities, and its membership draws on the full membership of those CFUGs.

In addition, Shalom is supporting the development of an 'enterprise' initially thought of as an entity with a pilot at one township level that has the ambition of making and selling furniture. The 'enterprise' is as yet in the design phase but does already involve 9 CFUGs – some of these overlapping with the association – and both rather heavily oriented towards communities inside and outside of Shalom

support who have formal title to their community forest areas. No market survey has yet been conducted, nor any full inventory of the available growing stock that might be sold. There was recognition among Shalom staff that an initial step might involve the sale of other products (logs or sawn timber, or bamboo) and that furniture manufacture was a longer term ambition.

The enterprise has not yet been formally constituted, and so has no real owners, or any profits to distribute, but there has been some thinking about how any profits would be shared between reinvestment in the enterprise, support for community forest establishment and so on. This reflects similar more advanced thinking on benefit sharing from CFUG activities (which do involve some sales of firewood and bamboo already) and from which 70% goes to households selling the product, with additional components to the CFUG management committee and the rest to a savings account.

At present, there is little conceptual link between the 'association' and the 'enterprise' although both involve a degree of association, and both could potentially play a role in business. This confusion is partly because the idea of a 'business' seems to be something with value added processing (rather than simply an organised venture in pursuit of financial profit). A discussion was held about how the 'association' might indeed serve the financial interests of the member CFUGs by negotiating better prices for their logs – purely by dint of controlling a substantial proportion of the locally available timber. But as yet the association has neither the geographical extent, nor formal organisation to play such a role.

In most government controlled CFUG areas, the forest plantation areas are planted and managed by household – although in KIO controlled areas, there is a strong pressure to adopt a more socialist community management model. Encouragingly, there do seem to be examples of households selling product through their local CFUGs. Perhaps the starting point then is to look at what they are selling (firewood, bamboo and charcoal in certain areas) and then build the CFUG activities and any potentially larger association / enterprise around these.

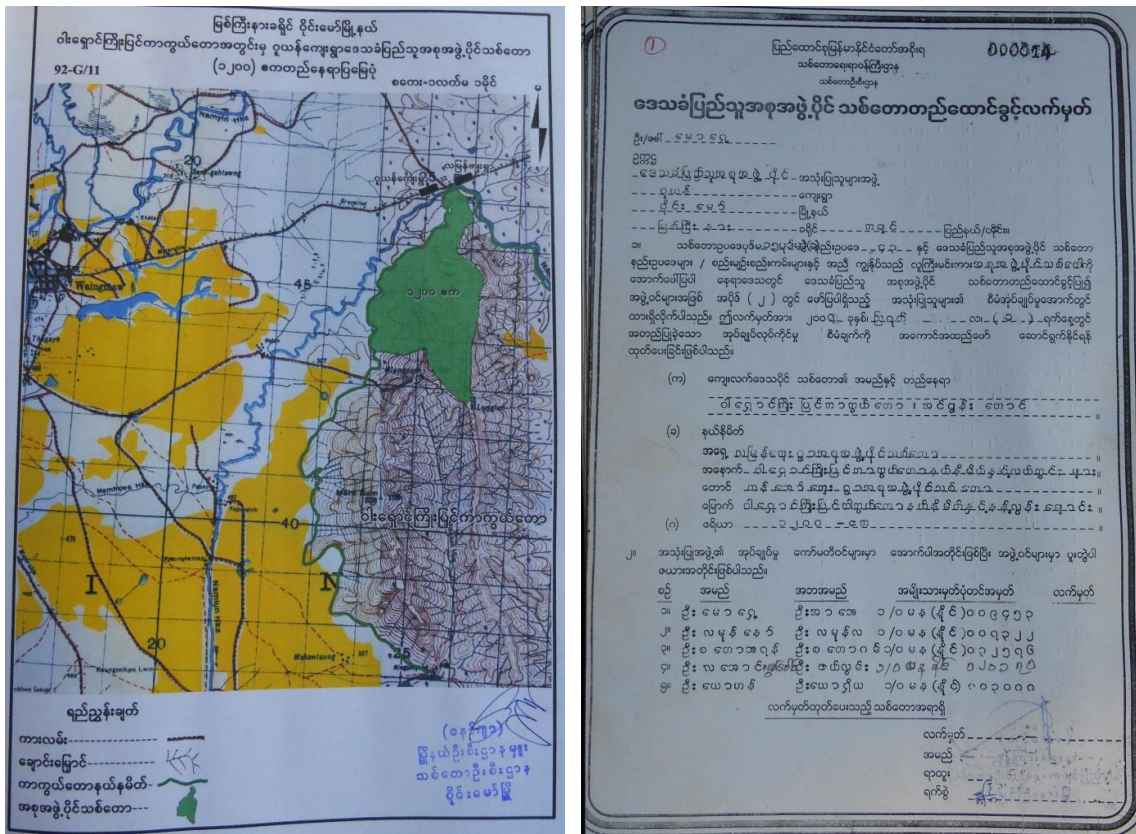
## Meeting representatives of six CFUGs

Meeting with Kam Shawng, lum Gam, Hkaw Lay, Lapa Hkaung Lum, Lamuk Gyung Lum, Maw She and Rev. Paukhum Tu Lum together with Aung Tsen of Shalom and Salai Cung Liam Thawng of Pyoe Pin (see Figure 3). A whole morning was spent discussing the idea of community forest enterprise with the Chairmen of six communities each with a substantial community forest:

- Bum Tawng – 400 acres (all plantation) – 30 members
- Gwi Rut Yang – 1400 acres total (600 acres of plantation) – 72 members
- Lamyang – 800 acres total (400 acres of plantation) – 145 members
- Mine Nar – 1000 acres total (500 acres of plantation)
- Waiyin – 300 acres (all plantation) – 120 members
- Wuyan – 1200 acres total (600 acres plantation) – 260 members

Not all had yet received a community forestry certificate (see Figure 2) but all had applied. Wuyan had applied in 2004 and had received title in 2007! The areas of forest that they had established as Forest User Groups (FUGs) included a mix of plantation, natural regeneration forest and conservation areas. The plantation was varied, sometimes mixed species (especially in the early years when there was much more uncertainty over their right of grow teak), and sometimes with single stands of a particular species (more recently teak being more favoured).

Figure 2. Map of Wuyan community forest and copy of certificate



Fifteen FUGs have now established a Kachin Forest Users Association (KFUA) represented by the chairs of each FUG (some of whom, including the Chair were in this meeting). The KFUA had three main aims:

- Improve linkages between the work of rural communities in the area of forest environment to government.
- Promote community forestry and enhance linkages between the FUGs.
- Share experiences and support new FUGs to form.

The various FUG chairs noted the two main reasons behind FUG establishment: (i) political pursuit of land security to protect them from logging and land grabs (ii) environmental concern over dry season water flows that had deteriorated substantially after logging in their forests by government and other private companies. It should be noted that these two reasons provide strong motivation for CF establishment with or without an economic incentive (through community forest enterprise). What was holding up greater expansion of community forest area in Kachin did seem to be more about government delays in awarding certificates rather than a lack of incentive on the part of communities, but this may vary by township.



Figure 3. Discussion about community forest enterprise with FUG Chairs



The main way Community Forest land has been allocated was to individual households (all except in Gwi Rut Yang where some of the forest was being managed collectively). Within the management plan of the FUG there were provisions for benefit distribution from money generated through the sale of forest products. For example in Wuyan FUG, 80% of any sales can go to the individual household, 5% to the Management Committee, 5% to the community as a whole, 5% towards further commercial investment by the CFUG and 5% into a savings fund. The Management Committee had a detailed set of accounts – but these were mainly concerned with managing finance injected by projects (e.g. from Shalom) not from income from sales. It was noted that some households had begun collecting firewood and selling some, and the collection of bamboo was also taking place but mostly on a subsistence basis.

The idea of some form of collective enterprise was welcomed and they favoured some form of marketing company at the township level to whom product could be sold, and which would then sell-on produce. They commented that a major difficulty is that they did not really know what the market would buy from them and that they had little experience of business. They were sure that the demand for wood and wood furniture was there, and that there was a market for firewood (although potentially quite limited due to the extent that people collect their own). Bamboo was a further option (see Figure 4).

Figure 4. Local bamboo construction use and stands in Wuyan community forest





## Observations from a field trip to Wuyan Community Forest

The scale of voluntary activity to establish 1200 acres of community forest by the 260 households involved was impressive. A full description of the forest area established and the species involved is found elsewhere (Springate-Baginski and Than, 2011). A heavily degraded mountain in the centre of a low plain of rice paddy was now completely forest-clad. A taungya agroforestry area (300 acres) of fast growing firewood species had been planted around the edge of the forest – mixed in with naturally occurring (or older historic plantings) of bamboo – present in extensive quantity. We encountered regular women carrying head loads of firewood (and animal fodder) from this area of forest. The firewood species (*Cassia siamea* and *Gliricidia sepium*) had already been cut at least once and was coppicing vigorously (see Figure 5). A coppice management system for firewood was clearly well established.

Figure 5. Stands of coppiced firewood



Further up the mountainside there was 300 acres of large plantation blocks. Each block contained a mix of several local hardwood species (*Gmelina arborea*, *Chukraria tabularis*, *Cedrela multijuga*, *Amoora wallichii* and even Agar wood *Aquilaria molaccensis* etc.) planted from 2006 onwards, but with most planting seeming to have occurred between 2006 and 2009. Some teak (*Tectona grandis*) and Ironwood (*Xylia dolabriformis*) was mixed into these planted areas, although it was being overgrown by some of the faster species and would probably need single species planting if to be managed commercially. Ironwood was also planted but growing very slowly in the understory except where planted in single species plots. The faster growing of the species mix that had been planted in 2006-2008 were now 20cm dbh (perhaps a little more, but mostly a little less – see Figure 6). It seemed that individual households had planted using slightly different mixtures of species both between households and between years (e.g. some single species teak had been planted later on as confidence about the community forestry title grew).

Figure 6. Trees planted in 2008 – smaller overshadowed teak in background



There was a strong need for thinning in many parts of the forest observed, plus some better management of livestock grazing (trees had been damaged early in their life-cycle by grazing animals which damages the form of the tree and its commercial potential). So a relatively large volume of poles could be extracted in the short term – provided that this was allowed within the management plan. The volumes of bamboo and firewood that could be harvested sustainably are also relatively large – especially if one considers collective marketing of such products from more than a single FUG.

### Designing a community forest marketing enterprise business model with Kachin NGO network

Meeting with Moe Moe (ECODEV), Saga Yaw San (Anglican NGO), Zung Sau (KURM), Sao Noi Sah Taw (Shan Literature and Culture Committee) and Aung Tsen (Shalom). Options for establishing community forestry enterprises based on the quite extensive growing community forest resources were discussed. Alternatives at the level of the Forest User Group or at the level of the Township or even at the level of the state were proposed. Enterprise development at the Forest User Group (village) level was felt to be suboptimal because of the lack of scale (and distance from immediate markets) and also the transaction costs of developing identical business capacity in multiple locations. Within the current political situation in Kachin state the option for developing community forestry enterprises at the Township level appeared to be the preferred option – with the initial businesses acting as collective marketing enterprises for a number of Community Forest User Groups within that township. Current restrictions on transporting product between townships complicate the idea of a broader state-level enterprise owned by communities – but this might be able to evolve if policies change in the future.

It was agreed that the development of such community-owned ‘marketing enterprise’ would help to generate revenues for some (but not necessarily all) of the members of a number of different Forest User Groups, and strengthen the revenues accruing to the management committees of those Forest User Groups. This would strengthen the financial viability of the embryonic Kachin Forest User Association – which has already been partially established (though not yet formalised) in order to represent the interests of Forest User Groups with regional and potentially national decision-makers. The community owned ‘marketing enterprises’ would therefore complement, rather than build directly upon the emerging Kachin Forest User Association.

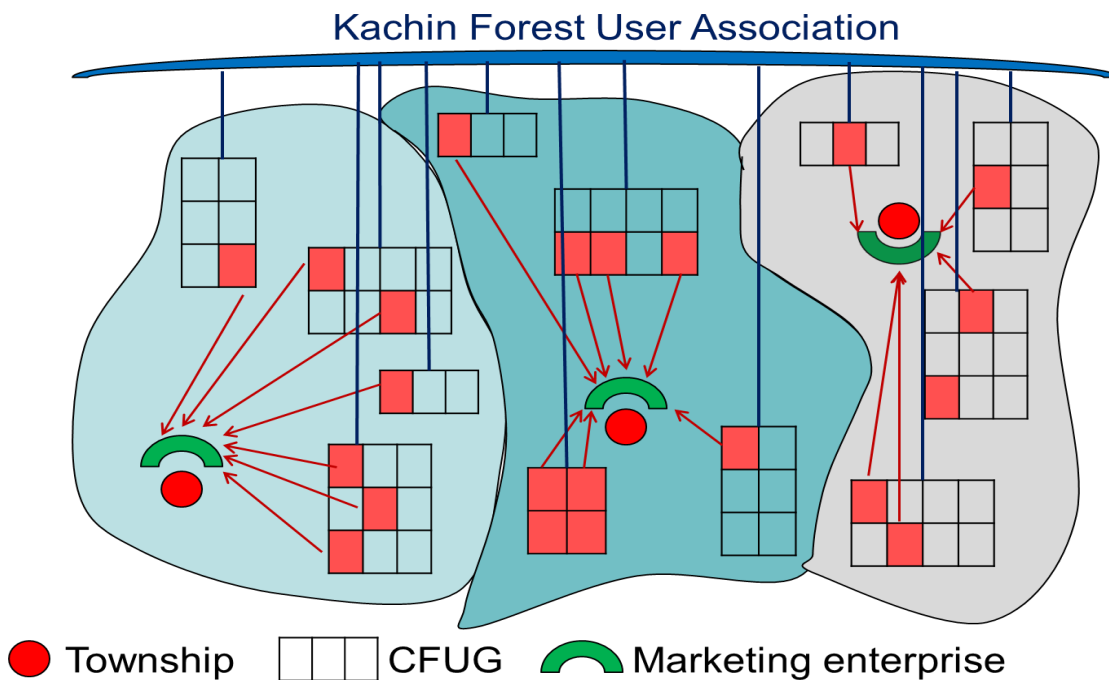
A number of potential issues were discussed, including the necessary next steps for further developing and implementing this model. These issues are discussed separately in the section below.

## 4. A proposed model for business organisation

### Ownership and management structure

Through the discussion with Forest User Group chairmen and local NGOs the following model of business organisation at the township level was proposed for further development in Kachin State. Figure 7 shows schematically how the model might work over three different township areas (large blobs shaded in blue).

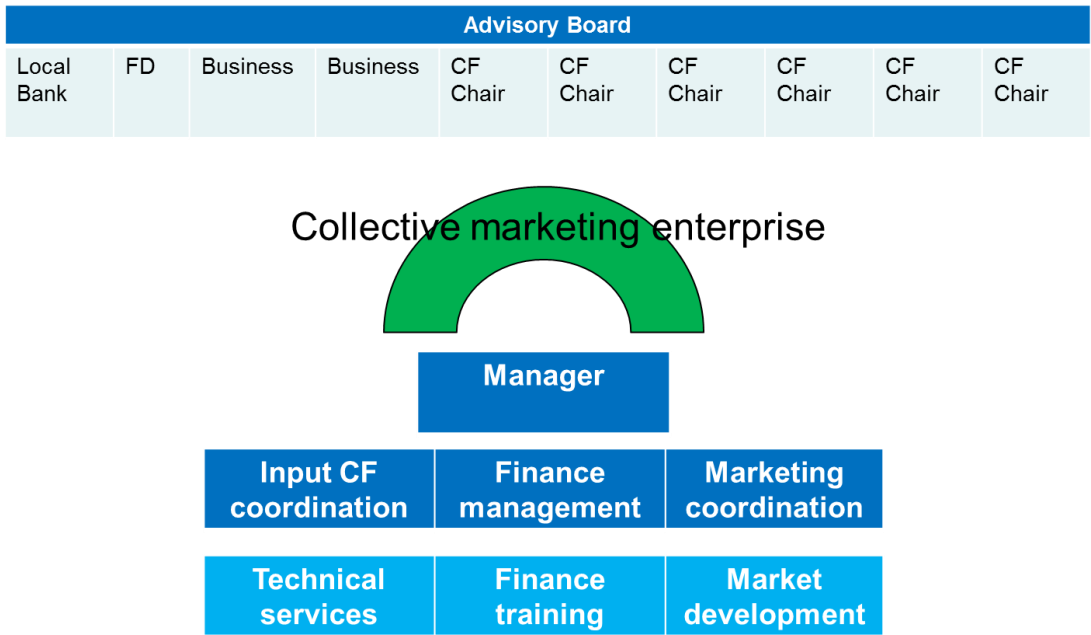
Figure 7. Schematic model of how township-level community-owned 'marketing enterprises' might be structured.



Starting with the most promising township of Myintkyina – but also rolling the model out to adjacent townships in due course – the idea is to establish on the periphery of the main town and community-owned marketing enterprise. This would sell into the local market. It would source its product from any of the households within established FUG areas that (i) wished to sell through that enterprise and (ii) were allowed to sell product under the current terms of the management plan with the local Forest Department authorities.

The marketing enterprise would be established as a formal entity (either cooperative or company) following an assessment of the relative merits of those legislative forms – and almost certainly requiring a name that did not involve the word 'cooperative' if it were to be established as the former (due to a history of forced cooperation under the previous regime). It would have its own manager and staff (see Figure 8) – covering at least four main functions at the outset: manager, input coordinator, finance management and marketing coordination. Each of these latter three functions might later be developed into paid services.

Figure 8. Basic structure of the community-owned 'marketing enterprise



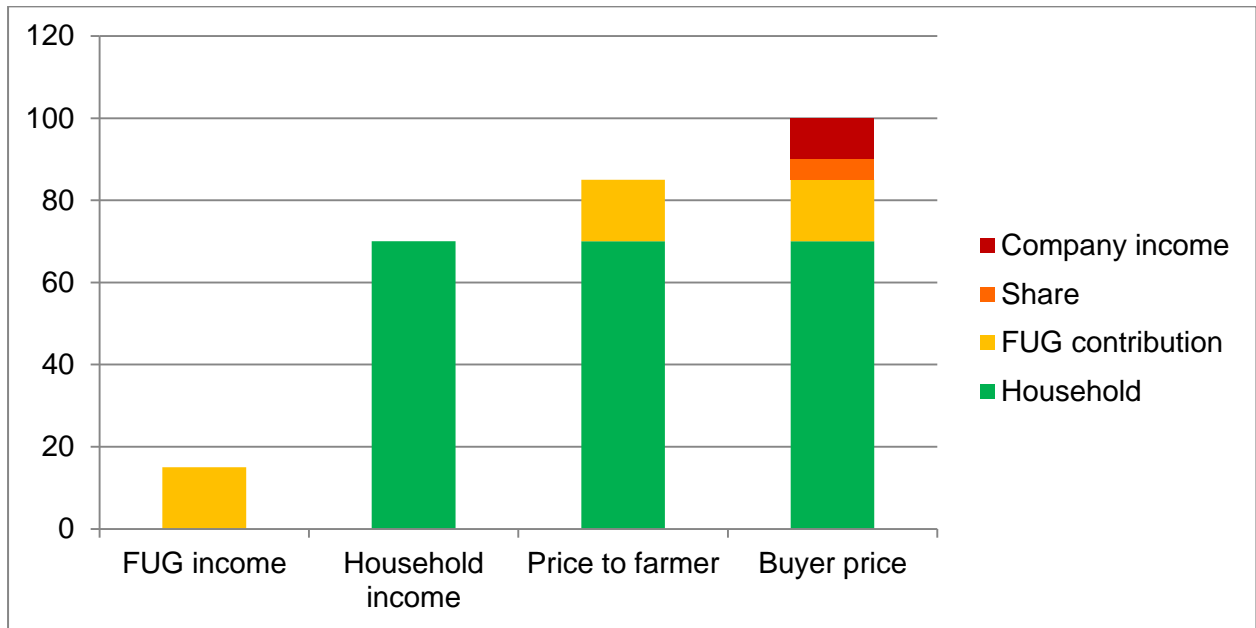
A local advisory board might be constituted and include not only chairs of relevant FUGs but also key local business / finance persons or representatives from government departments. The advisory board would not only improve the management of the business and ensure transparency, but also help facilitate market links and the bureaucratic process relating to FUG registration, transport permits etc.

Exactly what would be sold by the marketing enterprise would depend very much on the market within the township and the production capabilities of the FUGs surrounding it. For Myintkyina township, the obvious starting point would be bamboo construction materials, with timber poles (from thinnings) which in time evolved into fully fledged timber (and potentially processed timber) sales.

The marketing enterprise would be fully owned by the community forest user groups (although potentially capitalised initially through some form of joint venture agreement with an NGO donor whose share would be bought back over time – or through a grant). The means of ownership would be a shareholding deducted as a small percentage of the sales price of any product sold through the marketing enterprise. Figure 9 shows a schematic representation of how the buyer price might be divided up between the marketing enterprise, household and FUG so as to include a shareholding ownership structure.



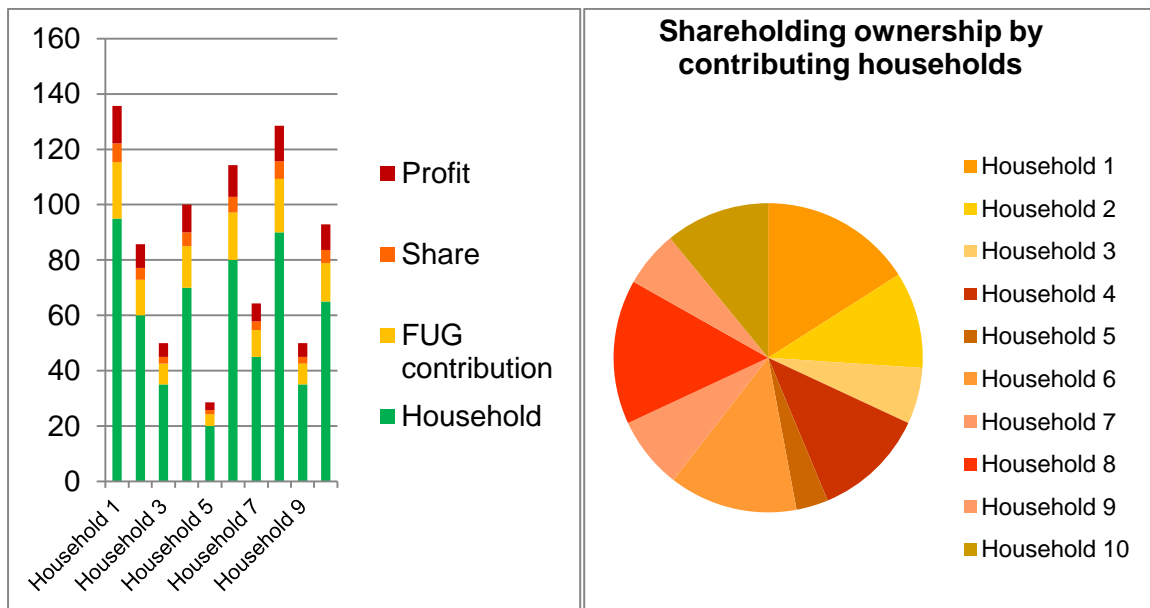
Figure 9. Theoretical distribution of income between marketing enterprise, household and FUG



### Financial structure

The marketing enterprise would initially make its income through taking a margin from product bought from FUG households and then sold to final buyers. It would also deduct as a share, a small portion of the final sales price. The FUG household would keep most of the remaining income except for any contribution to the FUG management committee within the existing management plan. This would result in an enterprise owned by multiple household shareholders – whose share would vary according to the volume of product sold through the marketing enterprise (see Figure 10).

Figure 10. Different sales volumes and shareholdings of household owners of the marketing enterprise



Both the shareholding capital and the company income (margin) from product sold would accumulate within the marketing enterprise bank account. Some of the latter money could be redistributed to members as an annual dividend in the eventuality that the enterprise began to make a profit (see Figure 11). Some could be invested in further value-adding options to increase profits (and potential future dividends). The financial management for such a model would need to be relatively sophisticated – and needs further expert design input.

Figure 11. Theoretical enterprise finances

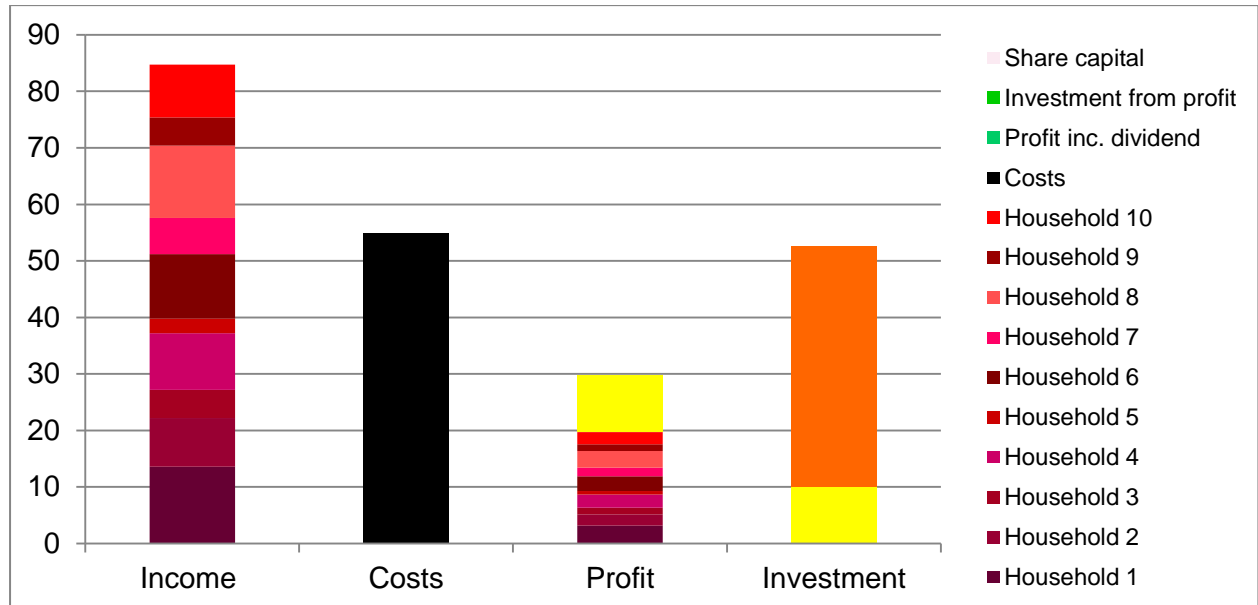


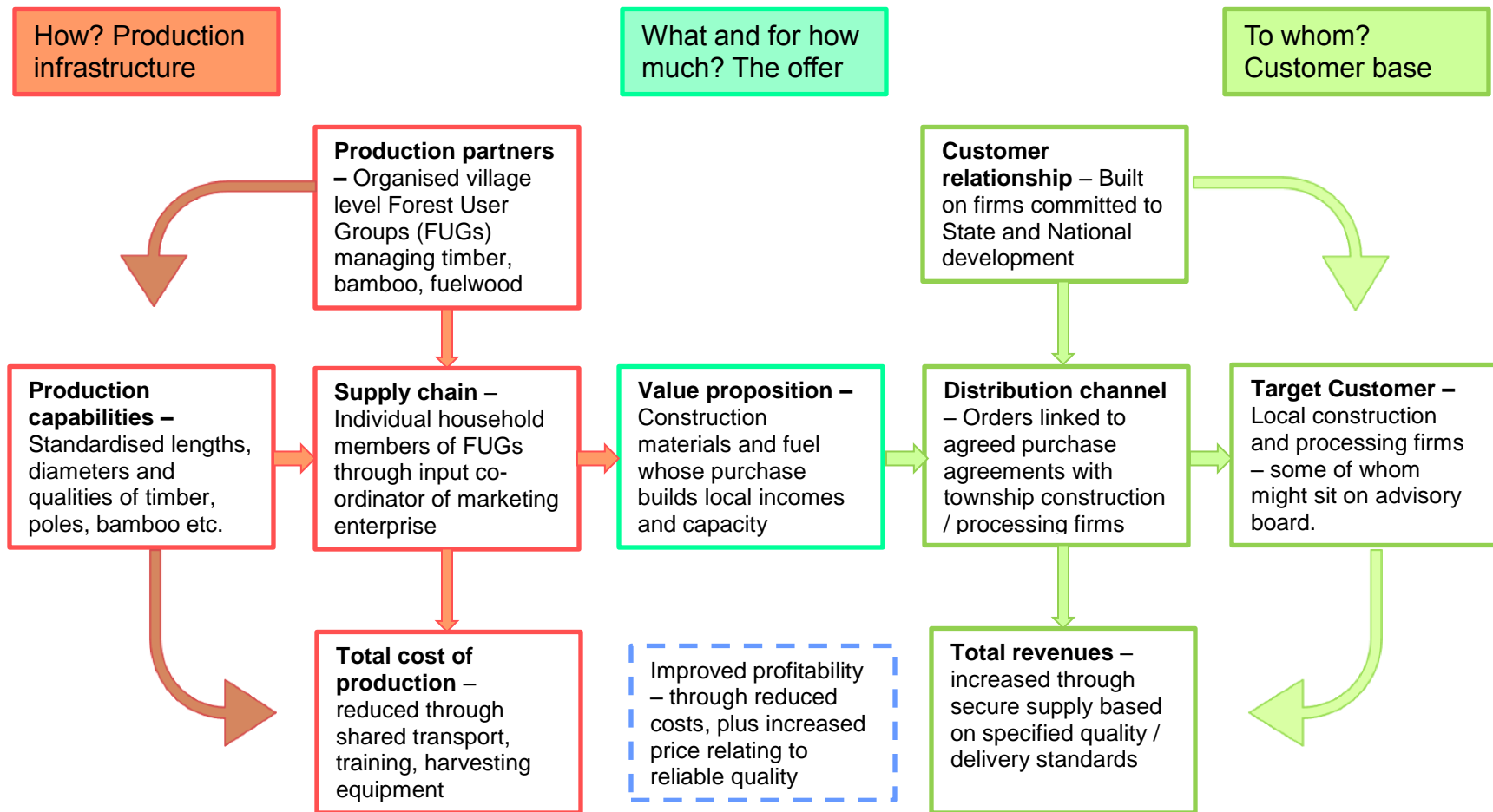
Figure 11 depicts income from the sale of multiple household's product, the profit after deducting operating costs, and possible division of those profits into dividends and investment capital to augment the shareholding capital that will accumulate over time.

Over time, further value addition by the enterprise could be a source of additional income. This might also be augmented by paid services that the enterprise could provide to both its members and more broadly (e.g. advice on timber management, financial services, value added processing). These additional revenue streams could help stabilise the enterprise and increase the profitability and potential dividends to household owners, thereby attracting new households to join the enterprise.

An initial attempt to show a possible business model for such marketing enterprises is given in Figure 12 overleaf.



Figure 12. Possible business model for community-owned marketing enterprise at township level



## Next steps

The short field visit to Kachin did not allow for extensive market research, or for an adequate inventory of potential volumes of different products from within the many FUGs in Kachin State. In short, the ideas presented above do not constitute a proper feasibility study for this model of business organisation. It is important to state therefore that the business model proposed above may or may not be financially viable for different product types and different township markets. A more thorough feasibility study and process of business planning will be required to ensure that the model is developed successfully or abandoned (in the event that it would lose money).

In order to further develop and then test the implementation of this model, two further steps are therefore required:

- A feasibility study and business planning consultancy which involves demand surveys with potential buyers (what they would buy at what price) and production surveys with FUG members (what they could supply), and then assesses both start-up and running costs against projected income to assess profitability.
- A substantial project that involves either a joint venture or grant capital, led by local NGOs to actually register, staff and pilot this business model.

### Recommendation 3

Fund a consultant to conduct market research and assess production capabilities for a township level 'marketing enterprise' selling bamboo, timber poles or fuelwood charcoal in Kachin State (in one or more townships) and develop a robust business plan for that enterprise according to the ToRs in Annex 4.

## 5. A training workshop on proposed business organisation

In order both to validate the proposed business organisation model and to begin to develop national capacity to test it in practice, on 17 December 2013 a training workshop was held for ten civil society organisations under the title 'Facilitating community producer organisation at different levels for market access and political voice' at the Central Hotel, Yangon.

Hosted by Pyoe Pin, MERN and the Forest and Farm Facility (FFF) and facilitated by the author, this training was based on the fact that a market-led approach to community forestry relies on organised producer groups that pursue business opportunities. Facilitating that organisation at local, regional and national levels is an important task for civil society organisations. The participatory training event invited individuals supporting community forest enterprise to share their experience in three areas: (i) roles organisations might play at different levels; (ii) financing options to establish and maintain them; (iii) health checks to ensure their sustainability.

### **Session 1. Assessing problems that might be solved by better organisation**

Session 1 dealt with assessing the problems civil society organisations might want to solve through producer group organisation. For this session the main problems for which better organisation might be a solution were introduced:

1. The need to cut costs and develop scale efficiencies, for example in:

- Market research / information
- Business / management planning
- Premises / storage / equipment / technology
- Design / packaging
- Transport / fuel
- Retail / customer service

2. The need to increase price and bargaining power through:

- More specialised staff with market knowledge
- Bigger volumes of product with which to negotiate
- More uniform quality standards through collective action
- Recognised brand linked to a significant scale of production
- Capacity to deliver required volumes on time

3. The need for better networking and service provision through:

- Collective market contacts and information

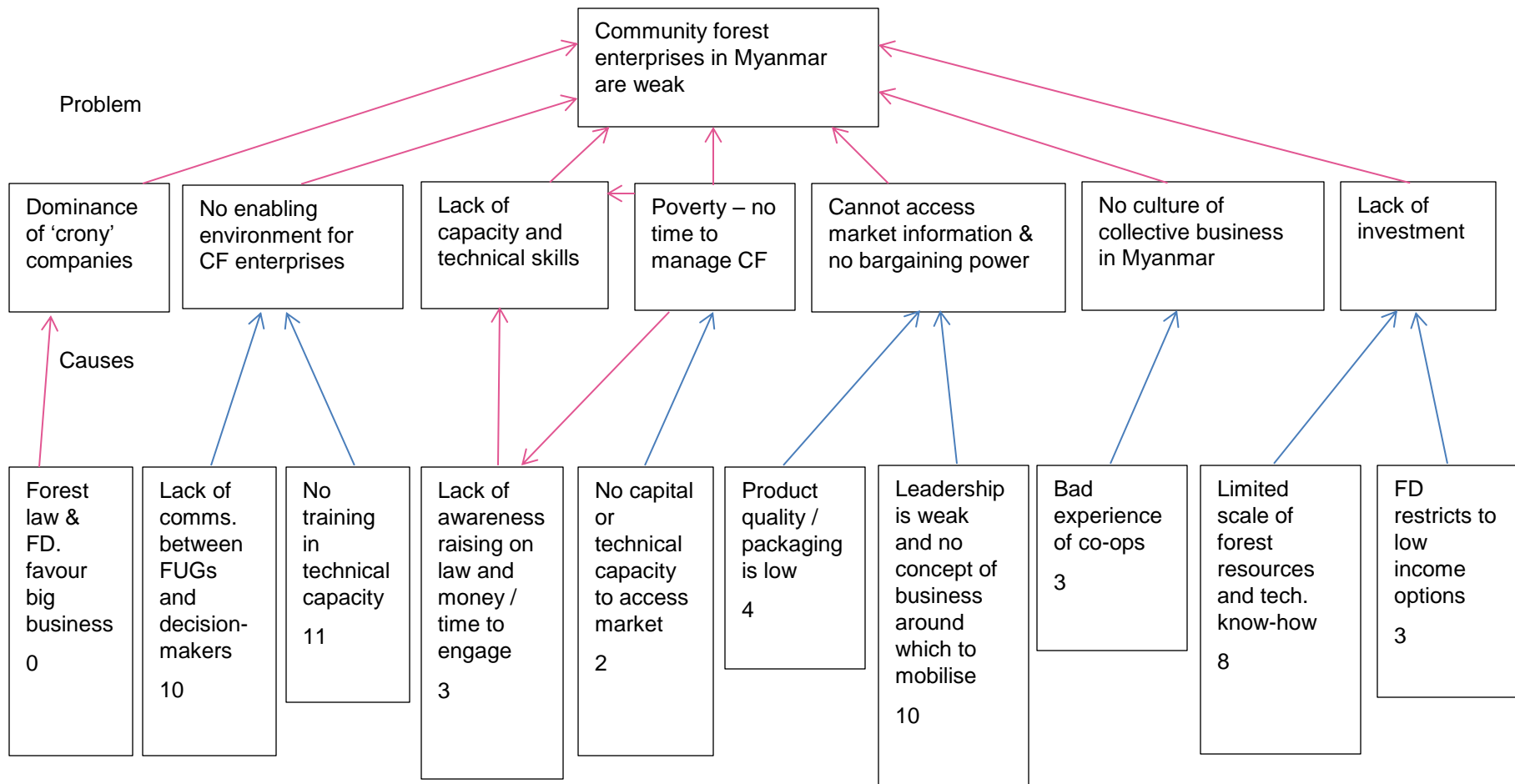
- Partnerships with donors / private sector due to better visibility
- Financial savings and investment services
- Internal training capacity / mentoring
- Better ability to spot new opportunities for upgrading / diversification

4. The need to lobbying for better enabling environment, through:

- The compilation of market information
- Broader evidence over constraining factors
- Stronger constituency built through the membership base
- Capable representatives armed with clear messages
- Resources to engage politically

Participants then drew on their experiences to assess the main causes and underlying causes of the continued weakness of community forestry enterprises in Myanmar (See Figure 13).

Figure 13. Summary of the problem tree analysis – underlying causes of why community forestry enterprises in Myanmar are weak



Underlying causes (with degree to which marketing enterprises might be a solution scored by participants)



## Session 2. Discussing a proposed community marketing enterprise model developed in Kachin

In this session the proposed model for business organisation (outlined in section 4 above) was presented. Participants were then invited to discuss in two groups, based on their own experiences, what they thought the main strengths and weaknesses of that model were. Their conclusions are presented below:

### Group 1. Strengths

- The marketing enterprise model described above has a useful focus on identifying products for which there is market demand.
- Collective production of marketable products is a good approach rather than relying on individual FUGs.
- The group liked the model of benefit sharing (shareholding) according to the ratio of production inputs.
- The approach would lead to better networks between FUGs and transparency.
- The model would add financial strength to effort to encourage collective community forestry activity.
- It could lead to an increase in investment in community forest businesses.
- Having a single marketing enterprise at township level would be cost effective.
- There would be greater potential to share markets currently dominated by private sector.
- It could ultimately lead to communities controlling the market.

### Group 1. Weaknesses

- There might be conflicts of interest in the initial choice over products to sell that would need to be handled carefully.
- Technical and marketing production skills will need to be developed in the marketing enterprise.
- There is need for substantial initial investment to set up the marketing enterprise with enough cash flow to make initial purchases from community households.

### Group 2. Strengths

- The model has a strong focus on trust building.
- The model will increase the chances of accessing markets if based on a good market assessment.
- Access to information within the model has been considered.
- The model encourages stronger partnership and ownership from community members.
- It could lead to increase in incomes.
- There will be more chances for sharing and learning on community forest enterprises if it is implemented.
- The end result will be improved skills at all levels.

### Group 2. Weaknesses

- If there are not clear rules and policies there could easily be a collapse – due to conflicts between the community and the enterprise management.

- Decision-making would be important – if it needs many people to give formal approval it would delay the process and hamper enterprise management.
- Getting skilled quality persons in the management posts will be a challenge.
- The business concept is good – but how to apply it in practice could be problematic (e.g. the amount of financial data that needs to be managed).
- Quality control will be important – if we don't progress in uniform harvesting, storage and processing the business could fail.

**Session 3. Making sure we check on the health of any emerging community marketing enterprises**

In this session the main known success factors for functional groups were introduced (See Table 1) and then a set of questions to monitor the health of community marketing enterprises suggested.

Table 1. Known success factors for functional groups (e.g. group enterprises)

Factor	Lesson
Successful past experience	Groups benefit from successful past joint ventures – so try things!
Size	Groups benefit from being central to the economy – so include many household!
Political affiliation	Groups benefit from self-organisation free from political interference
Wealth	Groups benefit from a degree of income security – so explore income options!
Activities on inception	Groups benefit from focusing on one or a few things at the start
Leadership	Groups benefit from strong leadership provided it is democratically chosen
Membership	Groups benefit from shared concerns – so don't neglect environmental and tenure issues!
Skills and abilities	Groups benefit from a mix of skills – but make sure finance among them!
External support	Groups starting without external support are usually more motivated / strong
Objectives	Groups benefit from broad objectives beyond only income generation
Boundaries	Groups benefit from clear boundaries around membership (who is in or out)
Rules	Groups benefit from flexibility to try new things, but also from clear rules
Meetings with members	Groups benefit from regular meetings that are relevant to members interests
Accountability and sanctions	Clear records, transparent decision-making and clear sanctions are key!

The questions to assess the health of an organisation are drawn from DeMarsh and Macqueen (2011).

1. Results/accomplishments of the past year

- What are the things our community marketing enterprise has done well in the past year?
- How can we explain what has helped bring about each of these accomplishments?

2. Harmony in our community marketing enterprise

- Are the roles of our manager and staff as clear as they need to be?
- Do household owners understand their responsibility to participate in general meetings?
- Are each of us, households, employees, and advisors doing what is expected of us?
- Are any jobs not getting done?
- Are household owners satisfied they are getting enough information on the decisions being made, our finances, and on our general progress in learning to run a successful business?
- Has the participation of women and young people in the affairs of the community marketing enterprise strengthened in the past year?
- Have we had any disagreements in our community marketing enterprise in the past year and if so, have they been handled in a constructive way?
- Are new households joining our community marketing enterprise?

3. Our community marketing enterprise's relations with others

- non-member households in our village;
- neighbouring villages;
- other community based organisations;
- Forest Department;
- other Government agencies;
- NGOs;
- international community forest organisations;
- any others?

With which of these can we work to improve relations?

4. The Spirit in our village

- For the people in our village, has confidence in the future improved in the past year?
- How can our community marketing enterprise contribute to a better spirit in our village in the coming year?

5. Goals for the next year

What are the main things our community marketing enterprise can do to:

- correct any weaknesses we have identified in our enterprise;
- improve livelihoods in the village;
- improve management of the forest;
- strengthen our business, improve production, and consider ideas for new products;

- pursue new training and other capacity building needs;
- improve cooperation with the Forest Department;
- improve relations with others;
- consider changes in our business plan to include new objectives; or
- other goals?

What steps need to be taken by the community marketing enterprise so these things will happen?

In discussion with the participants it was agreed that it would be useful to assess different efforts to develop strong community organisations and associations and learn from the experiences across the country.

## Recommendation 4

Arrange independent reviews of key ongoing projects relating to a market led approach to community forestry with an explicit focus on checking the organisational health of emergent business groups.

Following on from this session, participants were invited to suggest next steps to develop the producer organisation model described above. Two groups reported back as follows:

### Group 1. Next steps

- Demand exists for poles posts, timber – so we need to establish marketing enterprise to improve the prospects for community forestry.
- An immediate emphasis will be to build capacity through familiarisation and training at the township level.
- In Myanmar the market led approach just emerging – so will take time to develop a national federation – but we can start to sow the foundations of that now.
- All NGO actors within MERN need to mobilise to make it happen.

### Group 2. Next steps

- A priority is the need for information about market demand and also about how much producers can produce (e.g. the first step suggested by the author).
- Communication exchanges between FUG, community groups and marketing clusters will be needed from across the country to ensure we learn from one another.
- It will take time for national federation – so need support from national level organisations to make this happen.
- Federation could ultimately be useful in helping with market information.
- NGOs within MERN should try to develop plans in their regions of operation.

## Recommendation 5

Augment funding to supporting NGOs in Kachin (e.g. ECODEV, Shalom and Swissaid) to further pursue FUG delimitation and formalisation – with an explicit requirement to sensitise existing FUGs to the business organisation model developed in this report.



## 6. The possibility of broader uptake across Myanmar

Through the process of discussion with various national NGOs within MERN and the team at Pyoe Pin, it is clear that there exist a number of potential clusters of FUGs already established (often for tenure security or environmental rehabilitation ends) but with little economic activity to date. As the forests in these FUG areas mature, it might be increasingly possible to develop the marketing enterprise model highlighted above to improve income generation, and reward communities that have delimited, planted or sustainably managed their forest. Examples that spring to mind include FUGs producing mangrove poles and fuel wood in the Ayeyarwady delta, agroforestry Elephant Foot Yam producer in Chin, Bamboo producers in Shan and a range of other timber and NTFP options across the country.

### Recommendation 6

Insert (through top-up funding) an exploration of whether marketing enterprises might be established based on emerging products from NGO pilot projects already funded such as mangrove poles or charcoal in the delta (e.g. with FREDa).

### Recommendation 7

Explore further community forestry clusters across the country where enterprise options linked to timber, bamboo, rattan, agroforestry food production etc might be developed – in association with the relevant trade associations and NGOs working in States where this is a possibility.

If it were possible to develop several clusters of FUGs joined both by representational associations, and by the common ties of jointly owned marketing enterprises for their products, it might be possible to envisage the eventual federation of such cluster into state-level or even national groups. Such federation could make much stronger inputs into the development of national and state level policies (as has happened in many other countries across the world).

In the interim, however, it will be necessary to continue to track and push for the devolution of commercial rights within community forest areas – and for a much more ambitious programme of rolling out a market led approach to community forestry – spearheaded by the new Community Forestry National Working Group and special Community forest Unit proposed within the Forestry Department.

### Recommendation 8

Draw on increasingly detailed attempts to develop market-led community forestry pilot projects to push for changes in the Farmland Law and the Vacant, Fallow and Virgin Lands Management Law (VFV Law) – and track the emergence of the new Forest Law to build new legal opportunities into those pilots.

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## Annex 1. Persons consulted in the course of consultancy

Kyaw More Aung – Independent consultant working for RECOFTC  
 Lu Awn – Shalom field officer  
 Ium Gam – FUG Chair, Waiyin Community, Kachin  
 Mehm Ko Ko Gyi, ECCDI  
 Kamam Zau Hkam – Programme Coordinator for Kachin, Swissaid  
 Hkaw Lay – FUG Chair, Bum Tawng Community, Kachin  
 Khin Khin Lay – Shalom field officer  
 Cin Khan Lian – Programm Director, Ar Yone Oo  
 Claire Light – Country Coordinator, Swissaid  
 Lamuk Gyung Lum – FUG, Wuyan Community, Kachin  
 Lapa Hkaung Lum – FUG Chair, Lamyang Community, Kachin  
 Rev. Paukhum Tu Lum, KCWG and FUG Chair, Mine Nar Community, Kachin  
 Daw Tin Su Su Mar – Coalition Facilitator, Pyoe Pin  
 Moe Moe – ECODEV project coordinator, Kachin  
 Hkun Myat – Shalom field officer  
 Saga Yaw Sam – Anglican NGO, Kachin  
 Zung Sau – KURM Community forestry project officer, Kachin  
 Kam Shawng – FUG Chair, Gwi Rut Yang Community, Kachin  
 Maw She – FUG, Wuyan Community, Kachin  
 Soo Noi Sah Taw – Shan Literature Culture Committee, Kachin  
 Dr. Maung Maung Than - RECOFTC  
 Salai Cung Lian Thawng – Strategic Advisor, Pyoe Pin  
 Win Myo Thu - ECODEV  
 U Kyaw Tint - ECCDI  
 Shwe Toe – Programme Office for Kachin, Swissaid  
 Aung Tsen – Director, Shalom - Kachin  
 U Aung Thant Zin - MERN

## Annex 2. Participant list for training

Mehn Ko Ko Gyi	ECCDI
Myint Aung	FREDA
Aung Thant Zin	MERN
Wai Lin	MCS
Than Win Hlaing	SDF
Shwe Toe	SWISSAID
Min Hah Htet	AYO
Thein Han	MHDO
Yi Yi Win	SVS
Thin Thin Mya	MCS
Naing Zin Latt	SVS
Myint Zu	BANCA
Thamas Nin Ha Shing	NAG
Phyu Phyu San	ECODEV
Dr. Myo Thant Tyin	MCS
Salai Thawng	Pyoe Pin
Duncan Macqueen	IIED

## Annex 3. Terms of Reference

### Market-led Community Forestry (CF) and Community 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 and community based enterprises.

### **Key activities**

- Provide technical inputs on finalization of Community Forestry Sourcebook.
- Field visit to Kachin State to explore options for strengthening associations of Community Forest User Groups/ community based producer groups.
- Provide technical advice for some possible project ideas discussed between Pyoe Pin and Partners and suggest pilot projects including a quick way to get community enterprises actually started.
- Explore with partners organizational model and business model options for community based producer association (how small producers will have economic scale). Discuss with Shalom and Ecodev for Kachin, Aryoneoo for Chin, FREDa for Delta, MERN and RCA for Rakhine etc.
- Provide one day training on facilitating producer organization at different levels for market access and policy voice.
- Strengthen synergies with emerging Forest and Farm Facility (FFF) and help to design in-country engagement strategy that is mutually beneficial to both FFF and Pyoe Pin.

### **Outputs**

- A final report, structured to address the above points.
- Training delivered on facilitation of market led approach.

### **Work Arrangement**

The consultant will report to Strategic Advisor in Pyoe Pin in collaboration with the Team Leader.



## Annex 4. Proposed consultancy ToR for the development of a business plan for community-owned marketing enterprises in Kachin State

### Market-led Community Forestry (CF) and Community 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.

An Issues-Based Project (IBP) is developed to support the range of interests around each issue. The selection of issues to work on 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.

Pyoe Pin has supported a series of recent consultancy inputs in collaboration with Myanmar members of MERN by staff of both the University of East Anglia (UEA) and the International Institute for Environment and Development (IIED). Through these missions, a framework for a market-led approach to community forestry has been developed with four pillars of: securing commercial forest rights; building business capacity; strengthening enterprise-oriented organisation, and attracting investment. In Kachin (and more broadly across Myanmar) there are now clusters of Community Forest User Groups (FUGs) with established forest areas that are now exploring options to develop profitable businesses based on those forest resources.

A model of business organisation has been developed through a participatory discussion process involving local FUG leaders, local NGOs working in Kachin and a national workshop involving members of MERN in Yangon. It involves a community-owned marketing enterprise that aggregates and sells on product from individual households within multiple FUGs at the township level. The intention is now to test this model described in Macqueen (2014) in Myintkyina township.

The consultant will contribute to the development of this community-owned *marketing enterprise* by conducting a feasibility analysis and developing a preliminary costed business plan to assess both the commercial viability of the proposed model, and the necessary start-up finance required. The intention is that this feasibility analysis (if successful) will then be followed by a project led by a local NGO to implement the business plan.

### Key activities

- Assess the producers who might become potential owners of the marketing enterprise. Make a field visit to FUGs in Myintkyina Township and assess, from management plans, discussions with management committee, and discussions with individual households the willingness to supply a *marketing enterprise* owned by them, and available volumes of different products – focusing on bamboo (raw or potentially semi-processed), timber poles from thinning / harvesting, (potentially also fuelwood charcoal) over the next five years.
- Assess the potential customers for such a business. Carry out a market assessment in Myintkyina Township of the potential demand from buyers (construction firms, carpentry shops, processing workshops, tourism operators etc) for bamboo, timber poles (and potentially fuelwood or charcoal), the demand in terms of volumes for such products, the preferred dimensions of such products, and the market price of equivalent products on the market.
- From the two activities above, make an initial proposal of the types and volumes of products that could be sold by the marketing enterprise – and at what selling price – and with what margins (above the buying price paid to FUG households). Propose the buying price to FUG households to check that they would be prepared to sell to the marketing enterprise at that rate.
- Prepare a list of all the things that will be needed to start-up and then run the marketing enterprise – for example, availability and cost of land in the township, storage facilities / covers, permits and registration fees, suitable office space, necessary furnishings, computer hardware and software to manage finance and shareholdings, sufficient cash to pay in advance for products from FUG households, service supplies (e.g. electricity, water) and connection fees, vehicle to procure product from FUGs and deliver to customers, fuel, rope ties and covers for that transport, signs and brochures, staff (at least: manager, input coordinator, accountant, marketing coordinator, labour) etc.

- Divide these costs into start-up costs and running costs – and make an assessment of the required start-up capital that will be needed and the time to complete the necessary registration, fitting-out, staff procurement etc.
- Assess the longer term feasibility of the marketing enterprise. Make an assessment of the likely monthly income (from the margin on the volume of likely product sold) against the likely monthly running costs (e.g. monthly staff salaries, electricity, fuel, monthly premises and vehicle maintenance costs, fees etc.). Do the projected incomes cover the projected costs (i.e. is the marketing enterprise feasible?) If not, are there ways of increasing volumes or reducing costs to make it feasible?
- Write a report that describes briefly:
  - The business proposition - what a marketing enterprise could sell, in what volumes and at what prices.
  - The feasibility analysis – present the projections for income against the likely running costs to show that the marketing enterprise is (or is not) viable.
  - The start-up costs – what finance would be required, both for start-up costs and initial operating capital (to buy products from FUG households) to launch the marketing enterprise
  - The business plan – assuming that start up finance can be secured, and that the enterprise is feasible, what steps and timeframe will be required to operationalise it (hiring staff, procuring land and premises, getting required permits) etc.
- Present findings at a meeting of local NGOs working in Kachin – or more broadly as directed by Pyoe Pin.

### **Outputs**

- A final report, structured to address the above points.
- Presentation delivered on feasibility of and business plan for marketing enterprise.

### **Work Arrangement**

The consultant will report to Strategic Advisor in Pyoe Pin in collaboration with the Team Leader.