Small Forest Enterprises in the Mekong Region

Legality or Livelihoods?

Hugh Speechly
FLEGT Facilitator, Myanmar

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Mekong Region

- **Processing countries** – raw material importers, processing for export and domestic consumption
- **Producing countries** – largely raw material exporters, little value-added processing

Producers and processors – more differences

* **Producing countries:**
  * Large-scale land clearing for agriculture and infrastructure; external investment
  * Domestic timber market supplied by informal sector
  * Illegal logging including high-value species widespread
  * Log export bans in place – but ineffective?
  * Weak investments in plantations, and small-scale and community forestry
* **Processing countries :**
  * Investors in producing countries' infrastructure and plantation agriculture
  * Natural forest logging bans – stimulated imports
  * Domestic supplies largely regulated
  * Consumer and/or conduit for illegal high-value timber
  * Strong household plantation sector resulting from more favourable tenure rights

Small forest enterprises in the Mekong Region

* Community forests
* Small-holder plantations
* Loggers / artisanal millers
* Transport organisations
* Manufacturers
* Traders

Community forestry in the Mekong

	Cambodia	Lao PDR	Myanmar	Thailand	Viet Nam
Total land area	18.2	23.7	65.8	51.3	33.1
Total designated forest area	10.4	15.8	31.8	22.4	15.2
Community forest area (RECOFTC)	0.4	8.2	0.42	0.5	0.3
Designated or owned by IPs and local communities (RRI - 2013)	0.21	0.02	0.04	0.51	0.3

Source: RECOFTC (www.recoftc.org); Rights and Resources Initiative

Community forestry - Cambodia

* 2006 community forestry guidelines (*Prakas*) legal basis
* Government target: 2 million ha; 2011: 400,000 ha allocated
* Constraints to timber production:
  * Allocated forest areas badly degraded
  * Natural forest timber cannot be marketed without approved Forest Management Plan (FMP)
  * FMP preparation can take five years - 250 submitted; only 2 approved (2015)
  * Forest Management Plans require complete inventory, including planted trees
  * Tenure is only 15 years

Community forestry – Lao PDR

* Community land tenure and forest zoning are contested and unclarified
* Land and forests are subject to discretionary intervention by powerful actors; local communities have had little political recourse to defend their rights
* The State is legally responsible for determining how land can be used by individuals and organizations; often leads to conflicts with villagers' notions of their customary rights
* Projects to promote collective tenure models for rural communities remain at a pilot stage
* Current legal revision process promises increased rights for communities over local forest areas??

Source: Forest Trends (2011)

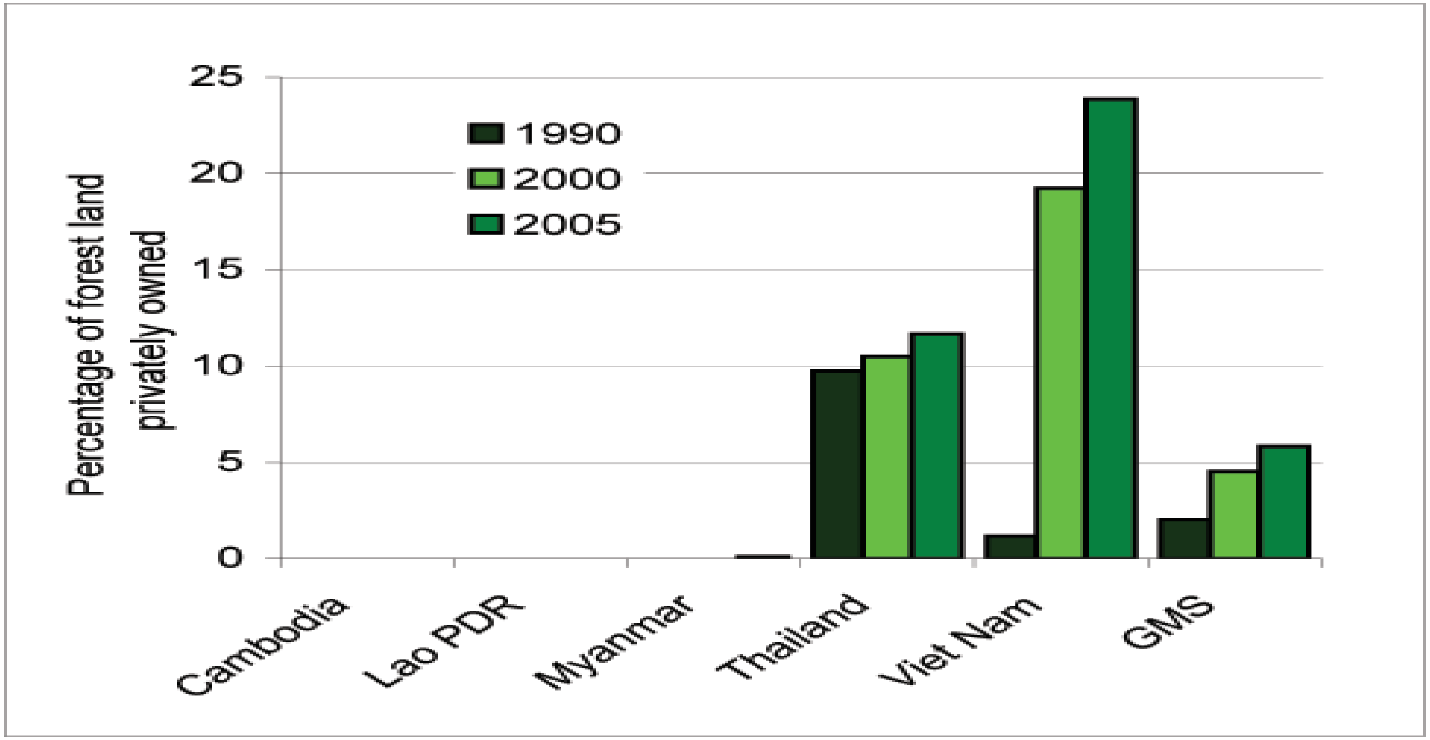
Community forestry - Myanmar

* 2001 Forestry Master Plan target: 0.92 m ha (2.8% of forest area) should be allocated to Forest User Groups by 2031
* 2011 status: 572 FUGs with certificates, managing 42,150 ha – much slower than needed to achieve target
* Forest officers lack interest in community forestry
* Insecure tenure and use rights to commercial land and resources
* Unclear rights concerning teak harvest
* Shortage of investment – accessible bank loans, membership saving schemes, supplier-buyer partnerships, insurance schemes, simplified export requirements.
* Widespread lack of business skills among communities
* Lack of suitable technology
* Weak community participation

Sources: Kyaw Tint, Oliver Springate-Baginski and Mehm Ko Ko Gyi (2011); Kyaw Tint, Oliver Springate-Baginski, Duncan Macqueen and Mehm Ko Ko Gyi (2014)

Privately-owned forest land in the Mekong

"…The area of forests where secure tenure rights for local stakeholders have been devolved remains extremely small and unclear forest tenure constrains SFM in many countries in the sub-region…"



Source FAO (2010)

Plantations – Lao PDR

* 30% of plantation timber (including teak) is from smallholder plantations
* Bureaucratic constraints to harvesting and transport
* Target of 500,000 ha for new plantations , but current moratorium on new rubber and eucalyptus planting

Plantations – Thailand

* Thailand's wood industry relies mainly upon rubber-wood and eucalyptus supplied by small-holder plantations (> 1 million)
* Smallholders may face challenges meeting legality assurance systems
* Teak and other plantation species are subject to complex regulations … the new Plantation Act aims to reduce these
* Smallholder growers face bureaucratic hurdles: teak and rubber wood processing is controlled by big companies, or the State

Plantations – Viet Nam

* 2.7 m ha in 2011
* About half Viet Nam's plantation timber is from households, with an average size of 1.1 ha
* Many face severe capital or liquidity constraints: 80% of production is sold after 4-5 years for wood chips
* Regulations governing harvesting transport and trade are difficult for households to comply with
* Financial, technical, and organisational support, and more secure tenure for smallholder plantations would raise incomes of poor households and increase the size and quality of plantation timber for value-added processing, reducing need for imports

Artisanal logging (chainsaw milling)

* Generally illegal in all Mekong countries
* Scale, structure and economics not well understood
* Significant supplier to domestic market (except Thailand?)
* Main method of rosewood logging in producer countries
* Sustained by local poverty and high value of timber, formal sector's focus on exports and weak enforcement

Small-scale manufacturing

* Often rely on informal markets for raw material
* Predominantly supply domestic sector
* High labour intensity ; low-tech equipment
* Low health and safety standards
* Even if operating legally, unlikely to meet legality standards

Small-scale timber trading

* Supply local markets
* Often dependent on informal supply chains
* Mixed quality standards
* No chain of custody
* Unlikely to comply with legality standards

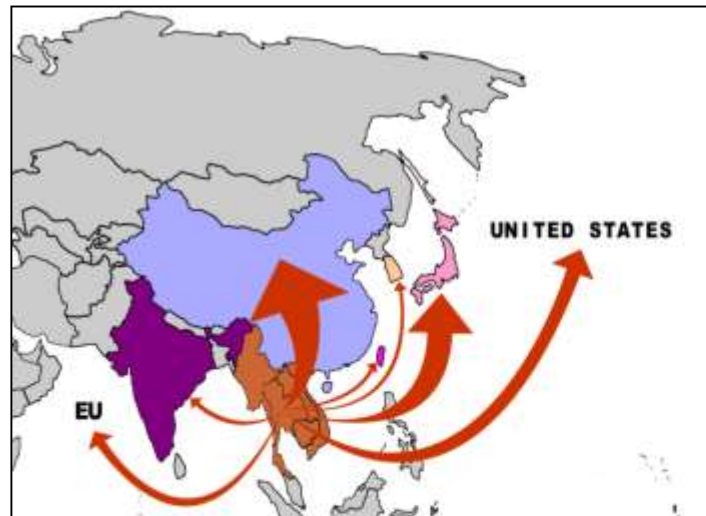
Regulations – obstacles to progress?

* Vietnam: *"Regulatory constraints favouring forest protection, low forest quality/value, inequitable benefit sharing arrangements and poor local awareness of rights"*
* Thailand: *"A 2007 bill defining the rights of forest-dependent people recognises the rights of those living within protected areas to collect NWFPs but not to harvest trees".*
* Philippines: *"Incomplete delegation of rights and responsibility due to an emphasis on forest protection has been largely to blame for forest degradation"*
* Indonesia: *"… little recognition of local-level rights… , the lack of a workable model of local-level forest management and associated lack of livelihood benefits, combined with continuing forest degradation and the financial attractiveness of palm oil production, provide a lean basis for forest management".*

From FAO, Asia-Pacific Forest Sector Outlook Study, 2010

Implications for FLEGT

* EUTR (and other market) due diligence requirements may segment the trade: exporters to Europe procure raw material from lower-risk sources
* Small-scale producers confined to less-demanding and domestic markets
* <u>Dilemma</u>: Extending VPA timber legality assurance to *all* exports and domestic markets needed to tackle illegal production…
* … BUT could put small producers out of business - perverse impact that FLEGT increases poverty
* FLEGT unlikely to affect rosewood trade (unless China takes similar action to EUTR)



Mekong Forest Product Exports by Volume (Forest Trends, 2011)

Solutions?

* Appropriate level of regulation for small-scale and community forestry, especially low-risk plantations
* Assess impact of lighter regulatory regimes – what are regulations aiming to achieve?
* *Don't* introduce new regulations, e.g. for rubber-wood
* Consider appropriate verification procedures for small-scale producers when developing Timber Legality Assurance Systems - allow small enterprise representatives to participate in TLAS design
* Where regulation is needed, examine feasibility of cooperative or group verification approaches (Indonesia's SVLK)
* Transparent, one-stop shops for all registration requirements for small manufacturers
* Consider how to regularise the informal sector (e.g. Liberia Chainsaw Milling Regulation 115-11)

Let's discuss!