

STABILIZING AND REBUILDING MYANMAR'S WORKING FORESTS: MULTIPLE STAKEHOLDERS AND MULTIPLE CHOICES

Final Report



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EXECUTIVE SUMMARY

Myanmar is one of the most biologically diverse and ecologically productive nations on Earth. Its forests support the livelihoods of more than 36 million people, while the forestry sector employs more than 500,000 people and is one of seven sectors promoted under Myanmar's National Export Strategy. Yet, after decades of unsustainable exploitation, driven by arbitrary revenue targets, mismanagement, illegal logging and, more recently, large-scale conversion to agricultural crops, Myanmar's forests are badly damaged.

The ongoing political and economic reforms playing out in the forestry sector engender optimism that this loss and degradation can be slowed and eventually reversed. During 2015 and 2016, The Nature Conservancy (TNC) and the Myanmar Country Program of RECOFTC-The Center for People and Forests designed a highly participatory and collaborative study to:

01

Take stock of current production and trade cycles and forest sector reform processes to identify actions that will stabilize and restore Myanmar's production forests.

02

Assess reform processes in other land and natural resource sectors and examine the likely impacts (positive and negative) on current forestry reform processes.

03

Review Myanmar's recent experience with multi-stakeholder processes and detail critical factors likely to support reform in the forestry sector.

A 13-member informal advisory group was established to guide the process, provide technical inputs and contribute to the study's recommendations. Through key informant interviews, focus group discussions, consultative workshops and the work of the informal advisory group, a unique picture of Myanmar's current forest reforms and the actions needed to restore production forests was developed. The recommendations in this report are based on a consensus view from the stakeholders consulted and the informal advisory group.

Myanmar's rate of deforestation and forest degradation is alarming, with it ranking among the highest in the world. Unsustainable and illegal harvesting remain persistent challenges. This report concludes that the critical drivers are agriculture, mining and infrastructure development, plus the unsustainable extraction of fuelwood. Policies and actors outside the forestry sector will be critical in stabilizing and rebuilding the country's productive forests.

Myanmar's forestry sector is still nationally important and a driver of economic growth. But due to a lack of accurate and current data, it is difficult to assess the health and performance of the production forestry sector. The 2014 log export ban, the 2016/17 one-year country-wide log extraction ban, the ten-year logging ban in the teak-rich Bago Region, the Forest Law Enforcement Governance and Trade Action Plan's Voluntary Partnership Agreement (FLEGT-VPA) with the European Union (currently in the early stages of development) and reduction in the annual allowable cut all appear to be moving the sector in the right direction. But results are mixed. The following highlights stakeholders' views of timber production and trade in Myanmar.



© Brent Lewin / An oozie (elephant caretaker or mahout) holds an elephant's chain in the Yoma mountain range near Taungoo, Bago Region.

STRENGTHS

The ongoing political, social and economic reforms are increasingly participatory, more coherent and focused on addressing the challenges facing the forestry sector (examples include the 2016 Land Use Policy and the revisions to the 2016 Community Forest Instruction).

Some recent policies and laws provide a solid starting point for stronger environmental and social impact assessments (such as environmental safeguards in the Myanmar Environmental Conservation Law (2012) and the revised Mines Law (2015)).

WEAKNESSES

Many policies and laws have been developed in an insular or non-participatory manner, which is reflected in their aims and effectiveness.

Poor coordination and planning threaten national targets (such as achieving the 9 percent energy target from biomass).

Policies often prioritize economic development over sustainability

Limited political freedom in the past has facilitated weak governance that will require significant investment to effectively address.

Limited awareness of international initiatives.

Community forests are not yet economically viable and are not recognized as potential sources of timber.

The system is still highly hierarchical, centralized and inefficient.

Data are limited, conflicting and often inaccurate, and information management is weak.

WEAKNESSES

A continuing “silo” culture within the bureaucracy creates inefficiencies and limits coordination and collaboration among the Ministry of Natural Resources and Environmental Conservation departments and between ministries.

Forest Department and Myanmar Timber Enterprise field staff have limited capacity and resources available to practice sustainable forest management.

OPPORTUNITIES

Significant forest resources in the country provide a strong foundation for sustainable forest management with the potential to benefit all areas of society.

There is growing interest among international development organizations to address challenges facing natural resource management in the country.

Ongoing international initiatives (such as the FLEGT-VPA) are likely to evolve and impact the country in a positive way (such as strengthening governance).

There is increasingly open political space for the active involvement of a broad range of stakeholders in important decision-making processes (REDD+ and FLEGT-VPA).

There is potential for improvements in natural resource management arrangements (including production forestry) to be achieved as part of the national peace-building process.

THREATS

Indiscriminate demand for timber from China and India continues.

Instability remains in ethnic areas.

The military remains contentiously involved in logging and the forestry trade, with continuing ability to fuel the illegal logging trade.

As the previous points highlight, many of the challenges and opportunities for ongoing reform lay outside the forestry sector. This underscores the need for cross-sector cooperation, long-term planning and investments to conserve and restore Myanmar's remaining forest resources.

The forestry sector is changing, as are the roles of key stakeholders. The Myanmar Timber Enterprise (MTE) has been the dominant stakeholder in the running of production forestry and the timber trade, but its dominance is slowly diminishing as broader reform processes gain momentum and pressure to reform increases. Stakeholders outside the forestry sector are likely to be some of the most important players for the ongoing reform process. In a stakeholder mapping exercise completed for this study, wood-industry entrepreneurs, the Forest Department and the Ministry of Commerce emerged as likely champions for reform. The Ministries of Energy, Electrical Power, Mining, Agriculture and Irrigation and the Revenue Department, however, were identified as potentially opposing reform. These particular stakeholders must be actively engaged if reforms are to succeed.

The regulations guiding governance and management of Myanmar's production forests mostly demonstrate the right intentions, but implementation is generally poor. Respondents to this study agreed that the biggest problem challenging the forestry sector in Myanmar is not the laws and policies but that they have been routinely ignored for the past several decades. Limited public participation in policy development, decades of highly centralized and opaque governance, poor cross-sector planning, limited capacity and weak incentive structures to drive reform were all cited as structural challenges. The study team concluded that participatory, multi-stakeholder policy and legislative reform processes are not only possible but essential to guide further reform and develop a shared vision for the country's forestry sector.

Myanmar stakeholders are building up experience and expertise in multi-stakeholder processes through several international processes (such as the FLEGT-VPA, the REDD+ program and the Extractive Industries Transparency Initiative). Nonetheless, the structural challenges are further compounded by:

A legacy of weak forest governance.

The level of government commitment to and leadership on reform through multi-stakeholder dialogue is not consistent.

There remains a “silo” mentality with no culture or incentive for collaboration within ministries or between ministries.

Limited capacity of stakeholders to engage in multi-stakeholder processes and their unwillingness to lead such processes.

Different power dynamics between stakeholders, which leads to perceptions of indifference and lack of commitment to a process.

Lack of opportunities to consult on processes, which leads to limited trust in a process.

This report argues that to stabilize and rebuild a sustainable forestry sector for Myanmar, there is vital need to develop consensus, first, on the role of forests in the nation’s ongoing development and, second, on how to restore the degraded forest estate. Given the complexity surrounding the issue, a process that engages all stakeholders, including those outside the forestry sector, is required.

RECOMMENDATIONS

Recommendations made in this report are based on a consensus view from the stakeholders consulted and the informal advisory group. The first group of recommendations is based on the informal advisory group's insights on the FLEGT process, although they have been generalized to guide the Ministry of Natural Resources and Environmental Conservation's (MONREC) leadership of a reform process. The second group of recommendations is more technical, targeting the production, extraction, processing and trade of Myanmar's forest products.

RECOMMENDATIONS FOR MONREC - STAKEHOLDER ENGAGEMENT

- Trust must be built between stakeholder groups through a facilitated capacity-building program on conflict management.
- Stakeholder mapping is necessary to strategically engage stakeholders outside the forestry sector.
- Current stakeholder engagement must be broadened and deepened.
- Participation of women must be increased.
- Preparedness and collaboration between line agencies must be strengthened.
- The VPA process needs to be examined to see how it can contribute to the peace process.

RECOMMENDATIONS FOR MONREC - CAPACITY DEVELOPMENT

- Information sessions on good forest governance should be conducted for the upper echelons of the Forest Department and the MTE.
- Information sessions on the technical aspects of the VPA should be conducted for the Forest Department and MTE officials who will be guiding the process.
- A training program (on the topics recommended here) should be developed for the subnational levels of the Forest Department.

TECHNICAL RECOMMENDATIONS

The technical recommendations are grouped under the four major components in timber production and trade:

- Production (growth and maintenance of forest and forest products including timber).
- Extraction (harvesting of timber and taking them to a processing site).
- Processing (sawing of logs and any value addition to logs or timber).
- Trade (both domestic and international).

PRODUCTION

WHAT	HOW
Prepare and implement a comprehensive national land use plan and map	Mainstream the development of the One Map ¹ initiative. This requires accurate and consistent data and includes the effective participation of stakeholders from community to national levels in the development of the map.
Ensure the use of current and accurate data when defining the annual allowable cut	Conduct a systematic and comprehensive forest inventory every ten years, in accordance with current international best practices and local biophysical conditions. Institute use of appropriate sampling methods to supplement the decadal inventories on an annual basis.
Resolve conflicting definitions of forest land and forest related land across legal instruments	Harmonize the definition of forest land across the Forest Law (1992), the Vacant, Fallow and Virgin Land Law (2012), the Land Use Policy (2016) and the Land Law (under development).
Strengthen the environmental and social safeguards (including strengthening capacity for their implementation) related to forest land use	Define what “small mining” means and make forest rehabilitation by small mining operations mandatory. Ban open-pit mining inside forests by amending legal documents, such as the Mining Law (amended in 2015). Specify the standard or level of forest rehabilitation and align it with the legal and policy documents, followed by awareness raising and capacity building of mining companies for the rehabilitation of a mining site.

¹ See <https://monnews.org/2016/08/08/one-map-myanmar-project-launch-south-burma/>.

PRODUCTION

WHAT	HOW
	<p>Require ministries to strictly follow environmental and social impact assessment guidelines to minimize damage to production forests during infrastructure projects.</p> <p>Focus on building small hydro-power dams instead of larger ones which require large reservoirs.</p>
<p>Increase the participation of forest communities (including smallholders) and the private sector in management of production forests</p>	<p>Simplify the community forestry handover processes.</p> <p>Allow for production forest to be managed by communities.</p> <p>Incentivize forest establishment on degraded lands to make it a financially viable process (e.g. forest tenure reform in China, payment for forest ecosystem services in Viet Nam).</p>
<p>Ensure the sustainability of fuel wood for energy</p>	<p>Improve access to alternative energy sources, such as electricity, natural gas, solar and wind energy, for rural and remote communities.</p> <p>Promote fuelwood-efficient cook-stoves and kilns for cottage industries (e.g. brick production and food industries).</p> <p>Promote the use of “inferior species” and logging residue for fuelwood.</p> <p>Amend departmental instructions that discourage private plantation development, and promote private plantations of fast-growing forest species.</p>

EXTRACTION

WHAT	HOW
Review the Myanmar selection system (MSS)	<p>Form an expert team to review the principle of the MSS and its ability to estimate optimum and sustained timber yields.</p> <p>Review the forest and other policies and government structure, including the MTE, and their capacity to follow the MSS.</p>
Corporatize the MTE and strengthen its governance ²	<p>Pass the Corporatization Law.</p> <p>Corporatize the MTE.</p> <p>Move responsibility of pension payment from the MTE to another government agency.</p> <p>Allocate resources as per requirement and capacity building as suggested by this review.</p>
Review current extraction practices	<p>Form a study team to assess the environmental impacts and costs due to the current harvesting and extraction methods.</p> <p>Revise extraction procedures and invest in the technology, processes and the capacity required for effective implementation of the improved system.</p>
Strengthen the extraction database system and maintain its transparency	<p>Establish an easily accessible online database system and make the timely publication of extraction data mandatory.</p> <p>Introduce penalties for refusal of companies to enter accurate and timely data.</p>

² Strengthening the governance of the MTE refers to increasing the transparency, accountability and efficiency in its decision-making processes.

EXTRACTION

WHAT	HOW
Strengthen the mechanism for monitoring timber extraction levels	Establish an accountable monitoring mechanism to oversee extraction methods and levels with responsibility to periodically report levels to government and public agencies.

PROCESSING

WHAT	HOW
Create a conducive business environment for the establishment and expansion of value-added wood processing enterprises across all levels of the supply chain	Simplify the procedures to establish wood-processing factories.
	Facilitate the private sector's access to investment opportunities and support.
	Promote cost-effective technology to increase the value of processed wood products for export.
	Structure favorable tax regimes to incentivize private sector investment in wood processing.
	Stabilize the electricity supply to wood-processing enterprises.
	Promote foreign direct investment in wood processing.
Introduce value addition technology for lesser used species (LUS)	Assess the market for the supply and demand for LUS.
	Initiate an industry-supported campaign to increase awareness on the potential for LUS in the timber market.
	Provide policy support for processing LUS.
	Introduce technology to effectively process LUS.

TRADE

WHAT	HOW
Improve access to market information on logs and value-added products	<p>Collect and widely publish forest product supply, demand and pricing information in both the domestic and export markets.</p> <p>Encourage smallholders and the private sector to accurately report volumes and pricing.</p>
Simplify and harmonize the definition of value-added forest products	Form an expert team to review current definitions of timber and wood products and, using international best practice, recommend revised definitions.
Promote LUS	<p>Assess the market for different products and uses of LUS.</p> <p>Extend policy support to encourage the trade and processing of LUS.</p>
Diversify trading partners	<p>Encourage and promote communities and the private sector to expand their trade in forest products by raising awareness and building their capacities.</p> <p>Examine the current log and processed wood trade to identify areas for diversification with current trading partners and new trading partners.</p>
Strengthen accountability of border check points to better monitor and regulate the legal flow of forest products	<p>Establish a strong online database system to track the transportation of timber and timber products.</p> <p>Periodically publish detailed reports on domestic consumption and the export of logs and wood products.</p>

TRADE

WHAT	HOW
	Build the capacity of responsible authorities to penalize offenders and those inaccurately reporting log and timber product movement and sales.
Build the capacity of and support a multi-stakeholder process to establish and implement the Forest Law Enforcement, Governance and Trade Action Plan's Voluntary Partnership Agreement (FLEGT-VPA)	<p>Raise awareness on the national benefits that the FLEGT-VPA and forest certification may bring to Myanmar.</p> <p>Strengthen the forest production and timber trade sectors.</p> <p>Strengthen the capacity of stakeholders in sustainable forest management and the Myanmar Timber Legality Assurance System.</p> <p>Sign the VPA with the European Union.</p>
Increase awareness of the process and potential of forest certification	<p>Increase awareness among stakeholders of the importance of market-led initiatives for sustainable forest management and the opportunities that forest certification may bring.</p> <p>Strengthen the capacity of government agencies, local communities and private sector actors to participate in, and benefit from, forest certification.</p>

CONCLUSIONS

The forestry sector in Myanmar is at a crossroads. It has been stripped bare after decades of unsustainable and illegal harvesting. Conversion of forests for agricultural development, some with dubious long-term agricultural benefits, is now the biggest driver of deforestation. The opening of Myanmar's economy and increased international investment in mining and hydropower will likely drive further infrastructure expansion across the permanent forest estate.

There are positive trends. The governing National League for Democracy is committed to reform and is opening space for dialogue and discussion on issues previously suppressed, such as corruption and mismanagement across the forest sector. Private investment into the sector seems to be increasing with a drive to increase production in processed and value-added timber products. The 2016 revision to the Community Forestry Instruction provides provisions for the economic empowerment of user groups. Multi-stakeholder processes associated with the FLEGT-VPA process, the Extractive Industries Transparency Initiative and REDD+ are bringing together stakeholders previous not engaged.

The authors and the informal advisory group think Myanmar's forests still hold immense potential for economic development, environmental and biodiversity protection and poverty alleviation. The recommendations offered in this report, if acted upon, would stabilize and restore the production forestry sector, allowing for this potential to be realized. Given the complexity of the tasks, multiple stakeholders, often with conflicting views, must be engaged in the reform process.

The challenges outlined in this report are significant, but there is sufficient optimism and evidence of openness to change to suggest that a new pathway for Myanmar's forests is still possible.



ABBREVIATIONS

FAO	Food and Agriculture Organization of the United Nations
FLEGT	Forest Law Enforcement, Governance and Trade Action Plan
LUS	Lesser Used Species
MONREC	Ministry of Natural Resources and Environmental Conservation
MSS	Myanmar Selection System
MTE	Myanmar Timber Enterprise (formerly the State Timber Board)
RECOFTC	The Regional Community Forestry Training Center for Asia and the Pacific (also known as The Center for People and Forests)
REDD+	Reducing Emissions from Deforestation and Forest Degradation and the Role of Conservation, Sustainable Management of Forests, and Enhancement of Forest Carbon Stocks in Developing Countries
UN-REDD	United Nations REDD Program
VPA	Voluntary Partnership Agreement (under FLEGT)

Note: For consistency, throughout this report reference is made to the Ministry of Natural Resources and Environmental Conservation (MONREC). This Ministry was established after the election of the National League for Democracy in 2012 and with the merging of the former Ministry of Environmental Conservation and Forestry with the Ministry of Mines.

Years with a slash (2015/16) refer to fiscal years. All dollar currencies refer to US dollars.

1. INTRODUCTION



© Brent Lewin / An oozie (elephant caretaker or mahout) with his elephant in the Yoma mountain range near Taungoo, Bago Region.

The forestry sector remains vitally important to Myanmar. Although valid and accurate data are hard to find, Myanmar's 29 million hectares of forest (2015 data from FAO, 2015) contributed \$254 million to the national economy in 2011, equating to roughly 1 percent of the nation's gross domestic product. In 2013, timber exports accounted for 12 percent of total exports, with wood and wood products the third-most important export earner. An estimated 36 million people are dependent on forests for their livelihoods; in 1997/98, an estimated 500,000 people were employed in the forestry sector (MTMA, n.d.).³ In 2010, 66,000 staff were directly employed by the Ministry of Natural Resources and Environmental Conservation (MONREC) (FAO, 2015).

Myanmar's forest estate has significantly deteriorated over the past two decades. Between 1990 and 2015, the annual deforestation rate was 1.2 percent amounting to a quarter of the nation's forests lost. The Environmental Investigation Agency (2014) estimated that between 2000 and 2013, more than 70 per cent of Myanmar's log exports were illegal. This was partly a reflection of the absence of a sustainable peace accord in the border states and regions, which provided an opportunity for the trade in illegal timber. The degradation of Myanmar's forest estate is also significant. From 1990 to 2000, the growing stock of the country's top-ten most commercially valuable species plummeted, from 1.34 billion cubic meters to 560 million cubic meters (Woods, 2015). Myanmar's selection system (MSS) for forest management and its annual allowable cut (AAC) have been virtually ignored in a drive to capture foreign exchange earnings. Despite reform efforts, the Myanmar Timber Enterprise (MTE) continues to manage a complex and opaque sales system.

Much of the country's timber production has moved from government-managed timber estates to private companies that are clear-cutting high-conservation-value forests for agribusiness, mining, hydropower sites and special economic zones. This has been promoted by the allocation of large-scale private agricultural concessions, which increased by 170 percent between 2010 and 2013; of which only 25 percent of the 2.1 million hectares of land allocated in 2013 was planted with agricultural crops (Woods, 2015).

There is an appetite for reform, and progress is being made. U Thein Sein, Myanmar's President between 2011 and 2016, ushered in significant political and economic reforms, including the introduction of the 2014 ban on log exports. Following the November 2015 election of the National League for Democracy, a 12-month ban on all logging was introduced (in March 2016), along with a ten-year logging ban in the Bago Region (which has experienced particularly high levels of deforestation and illegal logging).

The government is preparing to negotiate a Voluntary Partnership Agreement (VPA) with the European Union under its Forest Law Enforcement Governance and Trade (FLEGT) Action Plan. The Forest Department is reducing timber harvesting targets, and working to align them with an updated calculation of the AAC. Between 2012/13 and 2014/15, the confiscation of illegally exported commodities increased ninefold (Ko, 2016). The MTE is committed to expanding its ongoing reforms, in conjunction with the launch of the new National Land Use Policy in January 2016, the revising of the Forest Law and the current development of a Land Law. The 1995 Community Forestry Instruction provided the foundation for 2,033 community forestry management agreements; its revision in 2016 allowed for the commercial sale of timber by community user groups (RECOFTC, 2016).

To use a well-worn but accurate cliché, Myanmar’s forestry sector reform efforts are at a crossroads. As in other tropical timber-producing countries, the forestry sector reforms in Myanmar have been beset with ambiguity and contradictions in their legal frameworks (including timber-related legal definitions), poor governance, monopolistic rights of State-owned timber agencies, weak monitoring and regulatory enforcement, and revenue targets driving production levels. Myanmar is confronting these challenges at a time when the pace and scale of reform is rapid, yet in-country capacity and leadership is modest, at best.

The window of opportunity to put in place appropriate policies and practices is narrow, but success now will bring substantial long-term benefits for the citizens of Myanmar.

This report argues for consensus to be reached between stakeholders on the future role of forests in Myanmar’s ongoing development. The development of a shared vision can then be used to adapt and reform the regulatory and institutional framework and promote actions needed to bring this vision to life. Equally important, this report argues that any reform must be participatory, transparent, accountable and with sufficient time and resources invested for trust and local ownership of the process and outcomes to take root.

³ See also www.myanmar-timber-association.org/about_myanmar.html.

This report acknowledges that reform has started, but further urgent efforts must be put in place to protect the remaining forests, repair severely degraded production forests and incentivize actions to establish a viable industry based on the export of value-added wood-based products.

The report focuses on the working forests under government control within the reserved and protected public forest and the community forest designations. It is these forests that are the most degraded and at highest risk of conversion.

This report draws from a study that sets out to:

01

Take stock of current production and trade cycles and forest sector reform processes to identify actions that will stabilize and restore Myanmar's production forests.

02

Assess reform processes in other land and natural resource sectors and examine the likely impacts (positive and negative) on current forestry reform processes.

03

Review Myanmar's recent experience with multi stakeholder processes and detail critical factors likely to support reform in the forestry sector.

The report builds upon recent and important reviews of Myanmar's timber sector⁴ through a highly consultative process.

To guide the development of this study, an informal advisory group was established. Between late 2015 and early 2016, several key informant interviews, focus group discussions and consultative workshops were conducted to obtain the views of stakeholders (see Chapter 2). Through this process, the authors constructed a unique picture of Myanmar's current forest reform processes, ongoing challenges, opportunities available and actions needed to move toward the restoration of the production forests. The recommendations presented in this report reflect a consensus of the informal advisory group and outcomes of the consultative process. They are an important contribution to the current discussion on the future of the country's production forests.

⁴ Important publications include: Springate-Baginski, Treue and Htun, 2016; Treue, Springate-Baginski and Htun, 2016; UNODC, 2015; Woods, 2015; EIA, 2015; EIA, 2014; NEPCon, EITF and Forest Trends, 2013; and Woods, 2013.

To stabilize and rebuild a sustainable forestry sector, there is a pervasive need to develop consensus on the role of forests in the country's ongoing development. Without agreement, the narrow window of opportunity will close. The researchers for this report found agreement that policy measures are urgently required to balance economic growth and resource conservation; rights and responsibilities must be clearly allocated; incentives need to be distributed equally and benefits shared equitably; technological advances must be appropriate for the country's capacity; environmental safeguards and standards must be upheld and enforced; and disincentives for private investment in forestry must be removed.⁵ Most of all, forestry institutions need to become more flexible and responsive to enable the sector to capture opportunities now being presented through the broader social and economic reform processes. This will require time to build capacity and leadership to shepherd stakeholders through a consultative process. Given the rapid degradation of Myanmar's forests, this report argues for a long-term view that will provide a framework for strategic short-term investments to stabilize and rebuild the forestry sector.

⁵ Private banks are under the strict control of the Central Bank of Myanmar and require a mortgage to issue loans and charge interest at 12 percent per annum, making loans generally inaccessible and expensive for many small enterprises in the sector. Foreign banks are also not allowed to directly invest in the industry and must go through local banks. This results in timber businesses self-financing their activities with limited investment capacity.

2. STUDY CONTEXT AND APPROACH

This report is based on a study that was jointly designed by The Nature Conservancy (TNC) and the Myanmar Country Program of RECOFTC-The Center for People and Forests⁶. A potential limitation with the study was the lack of data and limited trust among stakeholders to share data. To overcome this challenge, the study was designed to be participatory and collaborative. The success of the work relied on effective stakeholder engagement and building a collective knowledge base on the challenges faced by those concerned with the fate of Myanmar's production forests. Given the ambitious nature of the study, the design was considered a cost-effective way of accommodating a range of views from multiple stakeholders and in building ownership of both the process and the ensuing recommendations.

A critical component of the study was the establishment of the 13-member informal advisory group to steer the process, provide technical inputs, recommend stakeholders to be consulted and contribute to the development of study recommendations (see Annex B for the terms of reference for this group). All advisory group members had an extensive background in the Myanmar forestry sector and an understanding of how the forestry sector functions in neighboring countries. The advisory group consisted of representatives from the Parliament, the Forest Department, the Myanmar Forest Certification Committee, the Myanmar Forest Association, the Myanmar Timber Merchant Association, the FLEGT program, the Pyoe Pin program, the Land Core Group and the NGOs Advancing Life and Regenerating Motherland (ALARM), Ecosystem Conservation and Community Development Initiative, Forest Resources Environment Development and Conservation Association and RECOFTC.

The study ran from late 2015 to late 2016, during which time the informal advisory group met three times. These meetings essentially became focus group discussions, with each based around a subject area:

Meeting one: Discussion on the research framework, methods and data requirements;

Meeting two: Stakeholder assessment (outcomes reported in Chapter 4);

Meeting three and final consultative meeting: Review of the study outcomes and crafting study recommendations (as reported in Chapter 7).

The study team also completed an extensive literature review (upon which Chapters 2, 3 and 5 are based) and arranged several semi-structured interviews with stakeholders, including:

- 5 high-level officers from the Forest Department.
- 4 retired high-level officers from the Forest Department.
- 1 retired high-level official from each of the Departments of Mines, Energy and Agriculture.
- 1 retired high-level officer from Myanma Timber Enterprise.
- 3 individuals currently working in the timber trade sector.
- 1 professor from the University of Forestry.

During these interviews and discussions, the following broad topics were examined:

- Current forest conditions, historical trends, drivers of forest cover changes and the extent of illegal logging.
- The importance of production forestry for Myanmar's economic development and the challenges the country faces in achieving a level of sustainability, both for the domestic and export sectors.
- Current structure and management arrangements for production, harvesting, trade and the monitoring and regulation of this trade.
- Compliance with the MSS, the Code of Harvesting and issues of defining timber legality.
- The role and impact of the logging export ban, the status of other forest laws and policy revisions, the need for regulatory change and the effect of external sectors' policies on production forestry and trade.
- The capacity of government authorities and line agencies to manage the production, extraction and trade of timber and training and technological advances in pursuing higher-valued processed wood products.
- The impact of logging on the livelihoods and rights of local communities.
- The status, opportunities and challenges of initiatives, such as payment for environmental services, forest certification, the FLEGT Action Plan and the Reducing Emissions from Deforestation and Forest Degradation (REDD+⁷) program.

⁶ See Annex A for the terms of reference for the study.

The final consultative workshop to review the study findings and develop the study's recommendations included members of the informal advisory group plus:

- 4 officials from the Forest Department.
- 7 officials from the MTE.
- 3 officials each from the Ministry of Commerce, Myanmar Customs and Myanmar Police.
- 5 representatives from the Myanmar Forest Products Merchants Federation and other forest product traders.
- 11 representatives from civil society organizations, international NGOs and diplomatic missions.
- 5 people from the media.

During this last consultative workshop, the findings of the study were presented, followed by discussion for clarifications. Participants were then divided into five groups (production; processing and marketing; international mechanisms; energy; and mining and agriculture) to examine the findings and develop, and sharpen the recommendations.

The recommendations made in this report are based on a consensus of the informal advisory group and the stakeholders consulted for this study.

3. CURRENT FOREST COVER STATUS, HISTORICAL CHANGE AND FUTURE TRENDS

3.1 Current forest cover status

Myanmar's 29 million hectares of forest (FAO, 2015) are owned by the State, with governance outlined in the 1992 Forest Law and the 1995 Forest Rules. Figure 1 presents the area of each of the three legal forest classifications that make up Myanmar's permanent forest estate, which the Forest Department manages:

Reserved forests are specifically allocated for sustainable timber production under detailed management plans.

Protected public forest is mainly for domestic timber supply and conservation purposes.

Protected areas are set aside for national parks, wildlife sanctuaries and nature conservation areas.

Unclassified forests, or other wooded land (approximately 15 million hectares), are forested areas that do not fall under these three categories and were historically kept as "land banks". The Forest Department and the Ministry of Agriculture and Irrigation have overlapping authority over these land areas (Oberndorf, 2012).

The various land classifications in Myanmar are often poorly defined in the legal framework, with old and conflicting laws further adding to the confusion and complexity over forest and land management.

Figure 1. Classification of Myanmar's forestland



Note: The unclassified forest extent is based on estimates derived from total forestland. PFE: permanent forest estate.

Source: Springate-Baginski, Treue and Htun, 2016, based on MONREC 2011 data.

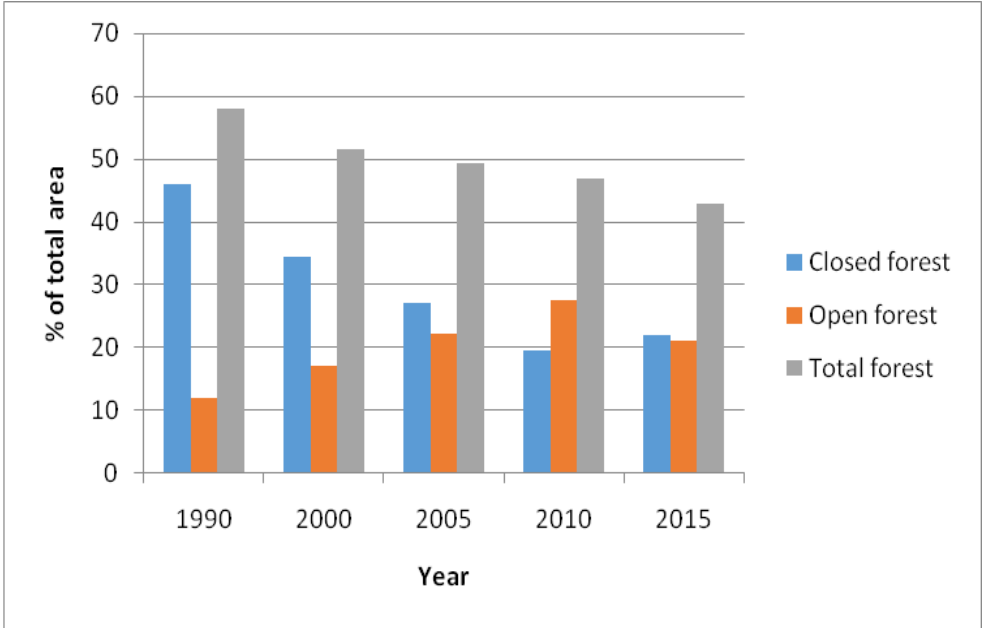
As of 2012, there was about 3.2 million hectares of primary forest and 24 million hectares of other naturally regenerated forest (FAO, 2015). Plantations covered approximately 0.9 million hectares of land, of which 92 percent were State owned. In 2010, Myanmar accounted for approximately half of all the world's natural teak forests (roughly 13.5 million hectares) and had approximately 9 percent of the world's planted teak forests (Kollert and Cherubini, 2012).

3.2 Historical Changes

Myanmar’s historical rate of deforestation and forest degradation is alarming. Although the official land allocation for forest reserves increased from 15 percent in 1990/91 to 26.5 percent in 2010/11 (CSO, 2011, in Than, 2015), there is consensus that forest area and its ecological health have experienced a dramatic decline.

The Food and Agriculture Organization of the United Nations (FAO, 2015) conservatively estimated that Myanmar’s forest cover dropped from 58 percent of the country’s total land area in 1990 to 43 percent in 2015, amounting to a loss of about 10 million hectares. On average, 407,000 hectares of forest were lost per year between 1990 and 2015, or an annual deforestation rate of 1.2 percent—one of the highest rates in the region. The data also reveal significant degradation of Myanmar’s forests with the transition from closed to open forest, as illustrated in Figure 2.

Figure 2. Forest cover change in Myanmar, 1990–2015



Source: FAO, 2015.

Treue, Springate-Baginski and Htun (2016) and a corresponding report by ALARM et al. (2016) have even starker figures for forest loss, reporting that Myanmar lost 20.7 million hectares, or 11.3 percent, of its intact forest between 2002 and 2014 (table 1 and figure 3). Those reports also acknowledged a significant and worrying increase in the degradation of forests.

Table 1. Forest cover change in Myanmar, 2002–2014

Land cover category	2014	2002–2014 change		2002–2014 change within tenure category		
	(millions ha)	(%)	(millions ha)	Unclassified forest (%)	Reserved forest (%)	Public protected forest (%)
Intact forest*	16.19	-11.3	-2.07	=11.7	-10.3	-2.3
Degraded forest	26.17	+1.8	+0.47	+2.0	+1.4	+1.8
Non-forest area**	22.12	+4.7	+0.99	+4.1	+9.1	+11.6
Plantations	1.45	+58.4	+0.54	+58.6	+57.8	+95.7
Water bodies	.85	+9.3	+0.07	+3.0	+61.9	+3.7

Note: *=Forest having more than 60 percent canopy in the dry regions of the country and 80 percent in other parts of the country; **=Mostly agriculture, but the category also includes area cleared for other purposes, such as surface mining. Source: Treue et al., 2016.

ALARM et al. (2016) found that the majority of Myanmar’s intact forests are concentrated in the hilly and mountainous states and regions of Kachin, Sagaing, Tanintharyi, Shan and Chin. But these areas have also experienced the greatest loss of intact forest. Shan State and Sagaing Region experienced the largest overall losses of intact forest, possibly due to those intact forests being severely fragmented and often surrounded by agriculture (Treue, Springate-Baginski and Htun, 2016). The declines were also high in more remote and inaccessible areas, such as Kachin State and Tanintharyi Region, as well as in some of the other hill regions, including Bago Region and Chin, Kayin and Rakhine States (ALARM et al., 2016).

Worryingly, much of the loss of forest has been occurring in reserved forest areas. Treue, Springate-Baginski and Htun (2016) reported that in 2014, reserved forest accounted for 27 percent of intact forest, 55.2 percent of degraded forest, 14.9 percent of non-forest and 2.1 percent of plantations. They concluded, “Forest reserves have in general been poorly conserved. And now are generally exhausted and most of these are dominated by degraded forests while many carry no trees at all or exhibit large areas of non-forest.”

UN-REDD (2013) reported that as much as 50 percent of the permanent forest estate possibly no longer qualifies as “forest” due to long-term agricultural encroachment. If the permanent forest estate boundaries were to be re-drawn to reflect the reality, the area may only be 15 percent of the total land area, leaving more than 30 percent of total land area as unclassified forest.

Other telling signs of the severe degradation of Myanmar’s forests include a significant drop in the growing stock of the top-ten most commercially valuable species, from 1.34 billion cubic meters to 560 million cubic meters between 1990 and 2000 (Woods, 2015). Springate-Baginski, Treue and Htun, (2016) also reported that many sawmills are now idle, running below capacity, cutting non-preferred species or are essentially “scraping the barrel”. There are several other reports⁸ that provide a similar story on the historic decline of Myanmar’s forests, both in terms of area and quality.

Given the importance of forests for climate mitigation, recent estimates (Myint, 2016) suggest that as much as 163.3 million tons of carbon dioxide were released from the conversion of Myanmar’s forests between 2001 and 2010. The country’s Nationally Determined Contribution recognizes the important role of forests in mitigation efforts and proudly states that the country currently contains the “largest standing forests on mainland South-East Asia”. But there is now significant evidence that these forests have been severely degraded, with important local, national and international consequences.

3.3 Drivers of change

The drivers of deforestation and forest degradation in Myanmar are numerous and complex. Yet, any discussion of drivers cannot be divorced from the country's transition from a closed economy to a more liberal, market-oriented economy that is increasingly open to foreign investment. Myanmar's geostrategic position with three bordering countries that have a combined population of nearly 3 billion people and an insatiable demand for raw materials, in combination with its own rapidly growing domestic demands, are forcing huge changes on the governance and management of the country's forest resources. Annual gross domestic product (GDP) growth has increased, from 2.8 percent in 1990 to 8.5 percent in 2013, with a slight drop back to 7 percent in 2015. Optimism about the economy remains high, with GDP per capita expected to rise from \$1,100 in 2012/13 to \$1,502 by 2017/18 and an expected to double in their GDP value in the same period (IMF, 2015). Pledged foreign direct investment is also at record levels, exceeding \$44 billion in 2013 (Doran, Christensen and Aye, 2014). These unprecedented shifts and implications for the forestry sector and forest cover have been reported by numerous authors.¹⁰

The following section reviews the primary contributions but expands the discussion through inclusion of comments and observations from respondents involved in this study and members of the informal advisory group.

3.3.1 Forestry sector

Myanmar, as with most other South-East Asian countries, has ambitious goals for expansion of its forest area and relatively sound regulatory and policy statements on sustainable forest management. Implementation and enforcement, however, is weak. Table 2 illustrates area targets for the forestry sector as detailed in the 1995 Forest Policy.

Table 2. Area and targets for Myanmar's permanent forest estate

CATEGORY	AREA(HA)	% OF LAND AREA	FOREST POLICY TARGET
Reserved forest	12,184,291	18.00	30% of land area
Protected public forests	4,094,960	6.05	
Protected area system	3,510,685	6.67	10% of land area
Permanent forest estate	19,789,936	30.73	40% of land area

Source: Planning and Statistics Division, Forest Department, 2010, as cited by UN-REDD, 2013.

Despite these ambitions, Myanmar's forests are still diminishing at an alarming rate. The following outlines the major drivers of that loss within the forestry sector.

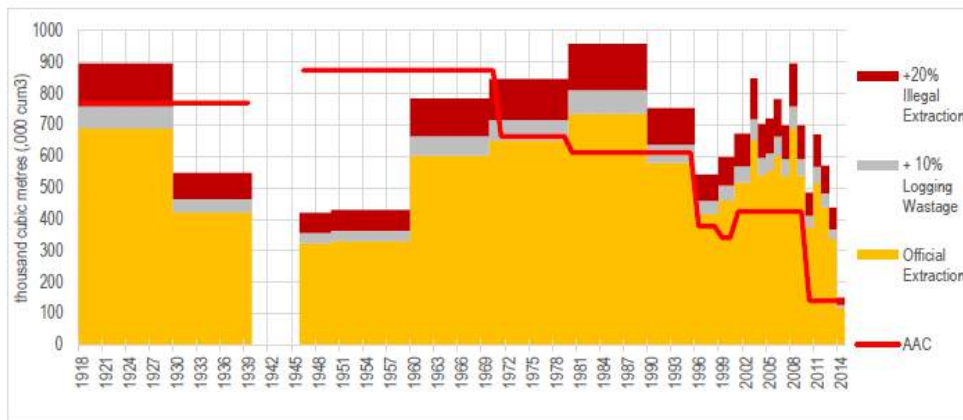
Unsustainable harvesting

Stakeholders involved in forest management, including respondents to this study, have repeatedly cited the complete disregard of the AAC as a significant driver of forest degradation in Myanmar. This was originally triggered by the State Peace and Development Council's¹¹ need for foreign exchange and thus setting revenue targets that were translated into logging quotas for each logging district.¹² This system completely ignored the productive capacity of the forests and the bottom-up development purpose of the AAC. The situation was further compounded by pressure on the MTE and private subcontractors who faced disciplinary action and the withdrawal of permits if they failed to meet their revenue targets. As revenue targets drove extraction targets above the AAC for reserved forests, harvesting from non-reserved forest became necessary, with little or no monitoring of compliance with the National Code of Practice for Forest Harvesting. Using MONREC data, Springate-Baginski, Treue and Htun (2016) illustrated the historical extraction rates for teak and other hardwoods that were well above the AAC (Figure 4 and Figure 5).

¹¹ The State Peace and Development Council (official name of the military government) was established in 1988, when the military seized power, and was dissolved in 2011.

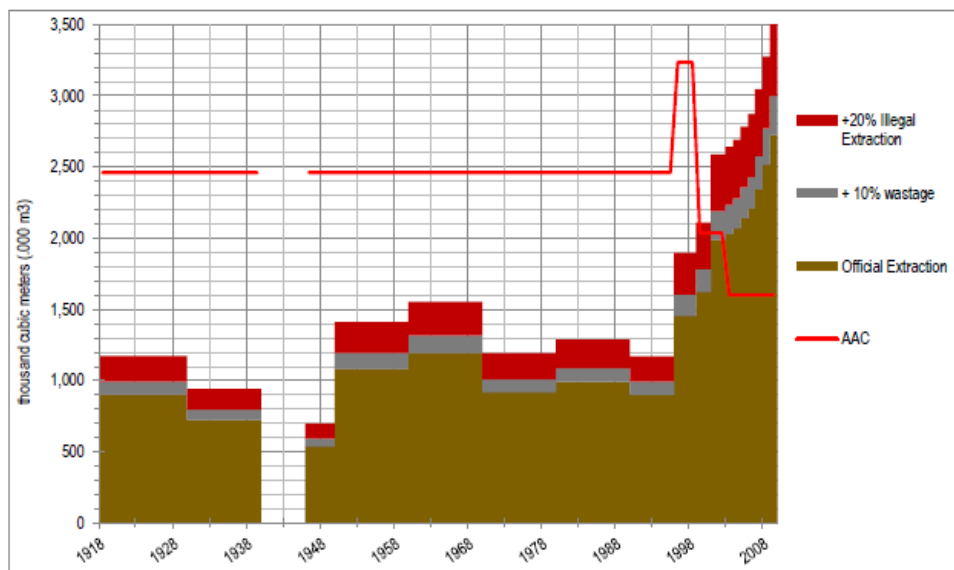
¹² When the country was isolated by foreign government sanctions, the selling of logs and wood helped bring in desperately needed hard currency. Exports of forestry products in 2011, the year that political reforms began, reached \$1 billion.

Figure 4. Annual allowable cut for teak and its production, plus estimated wastage and estimated illegal extraction, 1918–2014



Source: MONREC, 2011 and Castrén, 1999, cited in Springate-Baginski, Treue and Htun, 2016.

Figure 5. Annual allowable cut for other hardwood and its production, plus estimated wastage and estimated illegal extraction, 1918–2008



Source: MONREC, 2011, cited in Springate-Baginski, Treue and Htun, 2016.

There are significant structural issues in setting the AAC. The MSS, a form of forest management that was introduced in 1856, involves specific territories being reserved for timber production (reserved forests) and a 30-year harvesting cycle, with forest blocks divided into 30 plots of approximately equal yield capacity. All trees that reach a minimum exploitable girth are then selected for cutting, with teak removed first and then other hardwoods. A cornerstone of the MSS is the AAC, set for both teak and other hardwoods. The AAC is based on field inventory work completed by the Forest Department to assess forest composition and sustainable extraction levels based on incremental growth.

Almost all respondents contributing to this study agreed that if the MSS was strictly adhered to, forest managers would not be facing so many challenges. Woods and Canby (2011), Mon et al. (2012) and Tint (n.d.), however, reported weaknesses in setting a national AAC level. The primary issue is that the AAC is based on a partial survey of government-controlled land but is extrapolated for the whole country. Woods and Canby (2011) concluded that even if the AAC was “precisely followed”, the limitations in setting the AAC would inevitably lead to the overexploitation of Myanmar’s timber stocks.

LEGALITY AND GOVERNANCE

Illegal logging continues, and there is no universally accepted definition of “legal timber” in Myanmar. The trade in illegal logging has been well documented,¹³ yet it has continued over the years, often at an alarming rate. The Environmental Investigation Agency (2015) estimated that in 2013, 938,000 cubic meters of logs were illegally transported overland to China and that in the months after Myanmar’s log export ban (see regulation explanation in Chapter 4) came into effect, \$52 million worth of rosewood (*Dalbergia nigra*) logs were transported across the border into China. Ko (2016) reported a large volume of unofficially logged timber inflow into China’s domestic market in parallel with the official supply by the MTE. While this cross-border trade appears to have slowed in recent years, some observers have questioned whether this can last in the absence of longer-term political solutions (Gilmore, 2016).

Most of the stakeholders interviewed for this study, both from the public and private sectors, held a firm view that timber sourced from the MTE is legal (see Annex C). This is supported by the work of Woods and Canby (2011), who noted that stakeholders generally understood that any log with an MTE stamp, regardless of whether it was cut and transported illegally by private subcontractors, was legal.

Some respondents to this study agreed that if the Code of Harvesting was not respected, the timber should be regarded as illegal and that all actors within the supply chain need to comply with all regulations in order for timber to be legally extracted and legally sold. But there is no nationally accepted definition of “legal timber”, and differing viewpoints over the issue of legality remain.

Conflict areas still represent considerable risk to the legal trade of timber (Woods, 2011; Woods, 2013; EIA, 2015; Woods, 2015). Some armed groups involved in the civil conflict have established their own forest administration, forest policies and allocation of forest

¹³See NEPCo, 2013; EIA, 2015; UNODC, 2015; and Ko, 2016.

areas for community forestry (most notably the Karen National Union). Respondents to this study were of the view that the extraction and sale of timber by these groups is illegal because it does not comply with the MSS, the Code of Harvesting or accepted principles of sustainable forest management. The risk of illegal logging and trade remains high. NEPCo's National Risk Assessment for Myanmar (2015) found risks in 20 of the 22 legal criteria and sub-criteria for the forestry sector. Critical areas included: unclear legal rights to harvest, tax and royalty avoidance, little or no limit on timber harvesting, unclear tenure rights and corruption in approval of transport, import and export documentation. In its 2015 report, NEPCo concluded that "the overall high level of risk of corruption and issues with timber throughout the supply chain means sourcing low-risk timber from Myanmar is basically impossible".

TENURE

Despite recent advances, local communities still have weak statutory rights to claim forest access and user rights, with the exception of allocations made under the Community Forestry Instruction.

The impact is significant:

- Ongoing community encroachment and degradation of forest resources (the scale at which this is happening is possibly insignificant, compared with the institutionalized degradation described previously).
- Communities that have traditionally used areas of reserved forest land for generations are technically in violation of the Forest Law.
- There is no ability or mechanism for forest-dependent communities to resist State allocation of those forests to businesses for logging, mining, establishing plantations and other commercial activities (USAID, 2013).
- There is no incentive for local communities (or local businesses) to make any long-term investment in forest management.

Transparency and a lack of documentation have resulted in weak forest land tenure security. There is confusion between the overlapping authority of the Forest Department and the Ministry of Agriculture and Irrigation regarding the management and administration of the Vacant, Fallow and Virgin Lands Management Law (2012). Under this law, forest land that falls under the virgin land classification (new land or other woodland that has never been cultivated) is to be administered by the Ministry, but this land is equivalent to the public forest land classification under the 1992 Forestry Law (Oberndorf, 2012). This confusion thus enables forest land within the permanent forest estate to be converted for agricultural purposes.

is equivalent to the public forest land classification under the 1992 Forestry Law (Oberndorf, 2012). This confusion thus enables forest land within the permanent forest estate to be converted for agricultural purposes.

COMMUNITY FORESTRY

The potential of community forestry as a positive driver of forest change has not been realized. The Community Forestry Instruction (1995) issued by the Forest Department is the legal framework that promotes and facilitates community participation in the management of forests. Yet, progress has been disappointingly slow, with less than 13 percent of the target reached in the first 13 years of the 2001 National Forest Master Plan (RECOFTC, 2016). Reasons for this slow progress include lack of political commitment, weak user rights, the handing over of degraded or conservation forests that provide little tangible benefits to communities, rigid planning, excessive record keeping, limited institutional support and lack of knowledge and understanding by Forest Department staff on the role and value of participatory processes (Tint, Springate-Baginski and Gyi, 2011; Tint et al., 2014). The original community forestry push was simply to provide communities access to fuelwood rather than access to a resource upon which viable, independent forest-based enterprises could be established.

Revision to the Community Forestry Instruction in August 2016 set out to rectify the issues of the 1995 version by providing communities commercial rights over timber and non-timber forest products (Macqueen, 2015) and by acknowledging customary and traditional land tenure rights. While the 2016 revision encourages community-based forest enterprises to develop, the disincentives outlined previously remain, as does lack of awareness on the potential for community forest enterprises, a weak investment environment, insufficient technology and capacity limitations of community stakeholders, including no business skills (Tint et al., 2014). One ongoing and vital initiative is the development of guidelines to help translate the Community Forestry Instruction into action and impact.

Despite the numerous challenges, community forestry remains a potentially powerful driver of positive change within the forestry sector.

PLANTATION EXPANSION

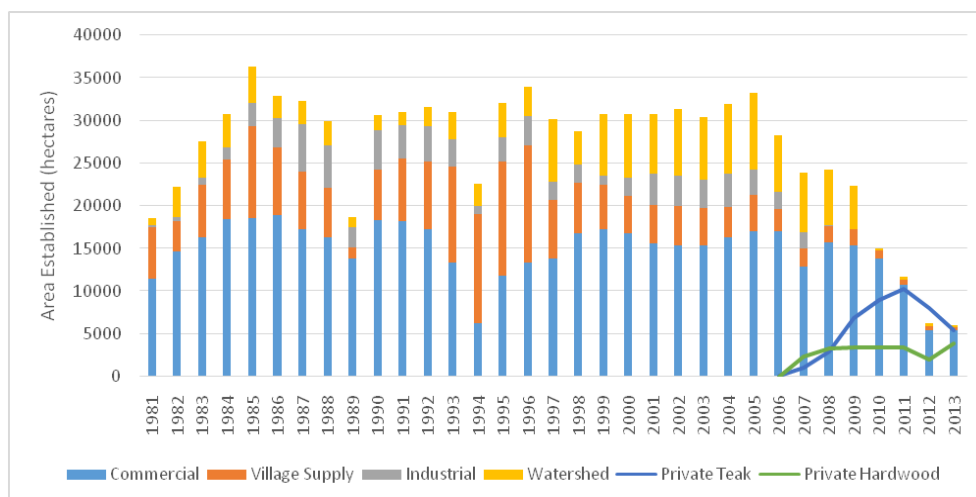
The 1995 Forest Policy encouraged plantation establishments to meet domestic needs and to increase restoration of degraded lands.

Four categories of plantations exist:

- Commercial (for marketable wood, both domestically and for export).
- Local supply (village woodlots for firewood, posts and poles).
- Industrial (for supplying raw material to paper and pulp factories).
- Watershed (for water utilization, water catchment of dams and irrigation flow).

Large-scale plantation development began in the 1980s and continued throughout the 1990s but then stalled when the Forest Department withdrew resources in anticipation of private sector investment (figure 6). In 2006, the government introduced a private forest plantation scheme with three objectives: supplement teak and hardwood production; support economic development; and contribute towards environmental conservation. Since that introduction, the private sector has established 43,445 hectares of teak and 22,134 hectares of other hardwoods (FAO, 2015), based on 30-year extendable leases in the permanent forest estate.

Figure 6. Historical levels of State and private plantation establishment, 1981–2013



Source: FAO, 2015.

Even though the establishment of plantations has the potential to be a positive driver of change in the forestry sector, including easing the pressure on natural forests, government policy on private sector plantation development has been inconsistent, and investors remain skeptical of tenure security (Woods, 2013). Furthermore, plantation establishment, to date, has been at the expense of natural forest, and thus plantation expansion is likely to be a negative driver of forest cover change under current conditions (see the following section).

DATA AND INFORMATION

Estimating the extent of overharvesting (and illegal logging and trade) is obstructed by poor information management, data inaccuracy and data inconsistency. Numerous authors, across numerous sectors, report such difficulty.¹⁴ In this study, the MTE indicated that export data since 2010 were not available, while an anonymous respondent said such data exist but are not publicly available—even though the information has been published in other reports and can be extracted from the International Tropical Timber Organization’s Annual Review Statistics Database.¹⁵

3.3.2 Agriculture sector

Commercial agricultural expansion

Agricultural expansion is the principal driver of deforestation. It has been rapid, and while unregulated and poorly planned, it has been actively endorsed by the State. The agriculture sector accounts for 36 percent of the country’s GDP and 25–30 percent of exports. The sector employs 60–70 percent of Myanmar’s citizens, 30 percent of whom are landless (ADB, 2015; UNDP, 2011). Agricultural development is essential, and the country’s short-term (five years) and long-term (20 years) development plans in the agriculture sector promote efforts to: (i) maximize the market share for important crops and promote value-added products in regional and global markets; (ii) promote food security in rural areas; and (iii) increase green-growth production that conforms with the natural environment. A respondent to this study thought that although the policy objectives of the agriculture sector are to promote food security in rural areas in an equitable and environment-friendly way, the policy has prioritized short-term economic imperatives over sustainable agricultural development.

¹⁴ See EIA, 2014; IMF, 2015; Kollert and Walotek, 2015; UNODC, 2015 and Woods, 2015.

¹⁵ See www.itto.int/annual_review_output/.

Table 3. Available cultivable land and agribusiness concessions in Myanmar, 2020/11–2012/13 (hectares)

Land market availability for perennial crop cultivation				
State/Region	Vacant or virgin land	Reserve or unclassified forest	Other forest	Total land available for cultivation
2010/11				
Nay Pyi Taw				
Kachin	173,206			173,206
Kayin	382,748			382,748
Kayah				
Chin				
Sagaing		19,830		19,830
Tanintharyi	27,519	352,684	112,584	492,786
Bago	23,273			23,273
Magwe	60,114	1,051,253		1,111,367
Mandalay	289,186	542,910		832,096
Mon		83,369		83,369
Yangon	3,099	1,311	107,975	112,385
Rakhine	65,662	454,795		513,173
Shan	1,475,487	987,161	529,778	2,992,426
Ayeyarwady		134,917		134,917
TOTAL	2,500,293	3,628,230	750,336	6,871,575

Table 3. Available cultivable land and agribusiness concessions in Myanmar, 2020/11–2012/13 (hectares).

Allocated	Allocated	Allocated	Total percent allocated	Planted	Percent planted
2010/11	2011/12	2012/13			
	2,998	7,104	0	2,111	30
241,266	565,174	558,938	26	69,747	12
875	1,623	14,142	1	6,421	45
	624	705	0	48	7
40,492	104,924	215,862	10	7,909	4
271,785	402,212	767,677	36	145,466	19
8,001	21,140	80,998	4	36,856	46
81,946	85,507	88,860	4	38,829	44
4,168	2,534	22,681	1	5,867	26
			—		—
12,536	12,537	32,459	2	30,854	95
	3,167	53,284	4	5,332	10
47,387	65,003	131,051	6	48,725	37
78247	115,677	135,704	6	86185	64
786,703	1,383,121	2,109,465	100	484,352	23

Source: Woods, 2015.

Conversion of natural forests to plantations is a major cause of habitat loss in Myanmar. In central Myanmar, there has been an extensive replacement of natural forest with teak plantations, while in the southern Taninthayi Region, lowland forests are being converted to oil palm plantations; and in Kachin State, forests are being converted to mainly rubber plantations (Woods, 2015; Treue, Springate-Baginski and Htun, 2016). More than 60 percent of the government's agricultural concessions have been granted in the Taninthayi Region and Kachin State, although both areas are highly forested, with significant tracts of high conservation value forests. The potential for further forest conversion in these areas is significant.

The country's forests face an unprecedented threat from agriculture expansion as the government continues to promote investment in large scale industrial agricultural enterprises. This, compounded by poor governance and weak tenure regimes, is leaving the remaining natural forests vulnerable in areas mainly populated by ethnic minority groups and in locations of historically high logging and conversion rates. Respondents to this study indicated that while awareness of safeguards to uphold ethnic and local community rights and protection of environmental assets had improved, implementation is still inadequate and poorly executed.

SUBSISTENCE AGRICULTURE AND SHIFTING CULTIVATION

Discussions on shifting cultivation are sensitive, but land-use policies are required where mosaic landscapes are sustainably maintained and forest resources have not been lost. Labrière et al. (2015) demonstrated that shifting cultivation can be productive and environmentally sustainable. Yet, Leimgruber et al. (2005) found high rates of net forest loss in northern Chin State and Nagaland (northern Sagaing Region), which they attributed to intensive shifting cultivation. Than (2015) reported that shifting cultivation in southern Chin State is precipitating an environmental crisis due to shortened rotation lengths, farming of marginal lands and encroachment into forested areas. Increased competition for land due to population growth and large-scale agricultural developments are forcing smallholders to abandon traditional systems to maintain an adequate lifestyle (or simply to survive). The result is an increasingly fragmented and degraded agricultural and forest mosaic landscape.

3.3.3 Energy sector

Nearly two-thirds of the total energy demand is at the household level, of which biomass, particularly fuelwood from natural forests, fulfills roughly 75 percent of the country's total energy needs. In 2015, the National Energy Management Committee released the National Energy Policy, which assessed the available energy resources to meet domestic energy demands and specified that the surplus would be exported as value-added products. The policy set out actions to diversify energy sources so that by 2030/31 Myanmar's energy mix would be 38 percent hydropower, 20 percent natural gas, 33 percent coal and 9 percent renewable resources.

HOUSEHOLD ENERGY SUPPLY

Household fuelwood consumption is significant and increasing.

According to national census data from 2014, 69.2 percent of energy for cooking is supplied by firewood, with 4 out of 5 households relying on wood or charcoal as the main energy source for cooking. Table 4 shows a comparison of fuelwood consumption in 1990, 2000 and 2005. Based on forest resource assessment figures for 2015, an estimated 90 percent of all wood extracted from Myanmar's forests is for fuelwood (FAO, 2015). While per capita consumption has declined, a population growth rate of 0.9 percent¹⁶ is likely to lead to increased use of fuelwood in the foreseeable future (see analysis presented in table 5).

Table 4. Estimated consumption of fuelwood in Myanmar, 1990–2005

	1990	2000	2005
TOTAL CONSUMPTION (MILLION CUBIC METERS)	35.20	40.56	44.59
TOTAL POPULATION (MILLIONS)	40.78	50.13	55.40
PER CAPITA CONSUMPTION (CUBIC METERS)	0.86	0.81	0.80

The unsustainable collection of fuelwood is recognized as a significant issue. Under the National Energy Policy, the government aims to provide, by 2030, electricity for 75 percent of the population (currently it is only 26 percent) and alternative energy sources to 30 percent of households currently dependent on fuelwood. If achieved, the reduced biophysical pressure on forest health and diversity is likely to be significant.

¹⁶ World Bank data taken from <http://data.worldbank.org/indicator/SP.POP.GROW?locations=MM> (accessed September 2016).

In accordance with the National Forest Master Plan (2001), the Forest Department has developed several strategies to promote fuelwood collection from trees outside the permanent forest estate, such as from cropland and home gardens, as well as encouraging local people to establish forests to meet their own fuelwood demands. In the dry zone regions, the Forest Department and the Dry Zone Greening Department have been promoting efficient cookstoves and encouraging the use of agricultural residues as substitutes for fuelwood. Nonetheless, realistic alternatives to fuelwood for most rural citizens are likely to remain limited under current conditions.

NATIONAL ENERGY SUPPLY

Meeting the 9 percent renewable energy target through the expansion of bio-energy crops may catalyze further deforestation. The promotion of fast-growing tree crops (such as Acacia), other bio-energy crops (such as *Jatropha curcus*) and agro-based crops (such as sugar cane, cassava, sweet sorghum and palm oil) are likely to be promoted for degraded forests and agricultural land. But energy sector representatives interviewed for this study expressed concern that biomass plantations could further catalyze deforestation. According to one respondent, there is insufficient land to meet the 9 percent goal within the current land framework.

Meeting the target of 38 percent of energy coming from hydropower is also potentially problematic. There are currently 20 hydropower projects operating in Myanmar with a capacity greater than 5 megawatts. Between 2011 and 2012, 94,000 cubic meters of timber were harvested from protected forests before flooding for hydropower development (Woods, 2015). Thus, the additional 44 dams planned for construction (Doran, Christensen and Aye, 2014) will likely have considerable impact on forest resources. Respondents to this study indicated that many local communities are extremely concerned about forest degradation in watershed areas due to private companies logging well beyond the area to be inundated and degrading important watershed forests.

3.3.4 Mining sector

The mining sector's small physical footprint means it is often not identified as a significant driver of deforestation; yet the rapid expansion of mining operations since 2011 may lead to long-term changes to Myanmar's forests. Myanmar is rich in mineral resources, including precious metals, and has a long history of mining. The mining sector is governed by numerous laws and policies,

including the Mineral Concession Rules (1913), the Myanmar Mines and Minerals Act (1961), the Myanmar Environmental Conservation Law (2012) and the Myanmar Mines Law (1994, amended in 2015). Despite the legal framework, there is little provision for environmental and social protection for local forest and water resources and for people dependent on those resources (Htun, 2014; McCoy, 2007). One respondent to this study highlighted that there are insufficient qualified technicians to conduct environmental and social impact assessments. In addition, finding a third party trusted by both the government and the company to conduct these assessments is an issue. The study's respondents expressed concern that open-pit mining, which has several negative consequences on forests, is still practiced.

The 2015 Mines Law (chapter 10e) requires large-scale mining operations to rehabilitate their mined land with plantations. But the law is vague and does not set a standard on forest rehabilitation, leaving the mining companies freedom to interpret the law. This requirement of forest rehabilitation also does not apply to small-scale operations, which have encroached the permanent forest estate and are a challenge to production forestry.

3.3.5 Infrastructure development

Economic programs supported by the central government have the potential to open forest areas and negatively impact forest resources. Road development has been prioritized by the present government, and substantial investment has been made for the construction of major highways as well district road networks. Between 1998 and 2007, Myanmar's road network increased by 44 percent, to a total of 51,000 kilometers (Than, 2015). Over the next 20 years, 34,400 kilometers of new roads are planned (See, 2016).

3.3.6 Fiscal and taxation drivers

The taxation system is problematic, with contradictions between the tax laws and departmental regulations. According to the Union Tax Law of 2016, sawn timber and log imports are taxed at 25 percent, while sawn timber and log exports are taxed at 50 percent of their commercial value. Respondents to this study indicated that a 50 percent tax on exports was acceptable, but many of them questioned the imposition of a 25 percent tax on imports, which is a disincentive in promoting the import of raw logs for domestic processing and then re-exporting as a value-added product.

Similarly, taxation on log exports has been problematic. For example, prior to 2012/13, the MTE was paying an 8 percent commercial tax to the Revenue Department on the sale of exported logs. When the taxation rate was raised to 25 percent, the MTE was forced to pay the difference for fear of breach of existing contracts with many foreign buyers.

3.4 Future threats and conclusions

The underlying drivers of deforestation are generally outside the forestry sector. Increasing domestic and international demand for agricultural products, a growing population, lack of consistent and comprehensive land-use policies, infrastructure development, lack of social and environmental safeguards, rural poverty and weak governance are all factors that require expertise and leadership beyond the forestry sector.

The severe degradation of Myanmar's forests is driven by factors within the forestry sector. Weak and opaque governance, poor access to accurate data and underdevelopment of private land management options (such as community forestry and plantations), resulting in a lack of clarity around legality, extraction beyond a sustainable AAC and encroachment of the permanent forest estate are troubling issues within the sector.

Unfortunately, deforestation and forest degradation are likely to continue. Using initial analysis of drivers and underlying causes of forest degradation and deforestation, the UN-REDD program's Technical Working Group on Drivers and Strategies attempted to quantify trends over the next 5 to 15 years (table 5). The outcomes presented here illustrate fascinating insight into how Myanmar stakeholders perceive future threats to their forest estate.

Table 5. UN-REDD assessment of possible future trends in forest degradation and deforestation in Myanmar

Driver	D	C	T	M	H	I	Comments
Forest degradation							
Overexploitation (legal logging)	NA	NA	-	-	NA	-	Review of AAC and strict implementation of the Myanmar selection system.
Overexploitation (illegal logging)	NA	NA	+/-	+/-	NA	+/-	Positive political change and improved access to better and more demanding markets (FLEGT-VPA, due diligence regulations with the European Union, Australia, United States) and the Extractive Industry Transparency Initiative, but effects will remain limited in unstable border areas where most illegal logging occurs.
Overharvesting of wood biomass	+	+	+	+	+	+	Increasing energy demand and lack of alternatives.
Shifting cultivation	NA	NA	+/-	+/-	NA	+/-	Stabilization program (promotion of alternatives based on better tenure: agroforestry, community forestry) is likely to reduce the need for additional land.
Deforestation							
Expansion of agriculture	+/-	+	+	+	+	+	Lack of additional land in traditional agricultural areas and rapid increase in demand for agricultural commodities accompanied by influx of foreign direct investment (FDI).
Mining	+	+	+	+	+	+	High demand and influx of FDI.
Hydropower development	NA	NA	+/-	+/-	+/-	NA	Large-scale hydropower development is likely to continue but is no longer a priority for the government. There is now interest to focus on smaller-scale low-impact hydropower development.
Infrastructure development	+	+	+	+	+	+	Will increase due to general population increase and development, plus will accompany influx of FDI in natural resources or the extractive sectors.
Urbanization	+	+	NA	NA	NA	+/-	Central dry zones and coastal areas have high population density that will increase.

Note: D = dry forest, C = coastal forest, T = tropical evergreen forest, M = mixed deciduous forest, H = hill and temperate evergreen forest, I = Indaing (Dipterocarp) forest, NA = not available.

Source: UN-REDD, 2013.

The drivers of the ongoing deforestation and degradation of forests are intimately linked and will require cross-sector planning, multiple-stakeholder dialogue and development of a joint vision on the role of forests in the country's development. As illustrated in table 6, the key sectors for preserving Myanmar's remaining forests and potentially restoring the degraded forests are the agricultural, mining, infrastructure and energy sectors. This is not to diminish the critical role of the forestry sector in forestry reform, but it does highlight the urgent need for cross-sector dialogue and a nationally integrated approach to preserving the country's remaining intact forests and restoring its severely degraded forests.

4. CURRENT STATUS OF PRODUCTION FORESTRY AND TRADE



4.1 Contribution of the forestry sector to the national economy

The forestry sector is still nationally important and a driver of economic growth. Historically, timber exports have consistently ranked among the top-five export items. Over the past decade, the forestry sector contributed about 1 percent to the nation's GDP, contributing \$254 million to the national economy in 2011 (latest available data). Even though labor statistics are hard to find and verify, the sector is important. The Food and Agriculture Organization of the United Nations (FAO, 2015) reported that MONREC employed approximately 66,000 people in 2010 (FAO, 2015), or roughly 0.1 per cent of Myanmar's labor force. A respondent to this study estimated that the MTE alone provides work to around 400,000 people in harvesting and extraction. The Myanmar Timber Merchants Association estimated that in 1997/98, 500,000 people were dependent on the forestry sector for their employment and that 36 million people were dependent on forests for their livelihoods.¹⁷ Forestry was selected as one of seven sectors to be included in Myanmar's National Export Strategy to support the country's sustainable development through export promotion.

4.2 Log export ban

The MONREC Notification No-26/2013 established a ban on log exports, effective 1 April 2014. This was a major policy initiative to stop the unsustainable and illegal exploitation of the forest resources and included Forest Department regulations to:

- Ban all log exports, including the export of certain products, namely Baux square (nominally processed to deform the log), boule cut (logs sawn through but kept together so the form is not changed) and hand-sawn products (mainly confiscated irregular sawn timber).
- Stop the direct sale of inferior quality teak and hardwood logs for domestic purposes.
- Approve the establishment and upgrading of all sawmills and wood-based industries.¹⁸
- Regulate that all logs be exported only through the Yangon seaport, with a stamp from the MTE.

¹⁷ See www.myanmar-timber-association.org/about_myanmar.html.

¹⁸ The Forest Department has not enforced this regulation, thus saw millers and wood-based industries have upgraded capacity since the log export ban was introduced.

4.3 Production forestry before the log export ban

Prior to the ban on log exports, Myanmar was a major exporter of tropical hardwood logs, although, as noted, accurate and reliable data on forestry production and trade are notoriously hard to access. As with other studies, this has made it difficult to accurately review Myanmar's timber production and trade.

Myanmar's share of the world trade in tropical hardwood logs reached 35 percent in 2012, with an annual growth in value of 9 percent between 2008 and 2012. Before the log export ban, Myanmar was a major exporter of teak, accounting for three-quarters of the world's market. Myanmar was also the world's largest exporter of non-coniferous logs, with a reported value of \$493 million in 2012, accounting for 12.8 percent of the world market. According to the Ministry of National Planning and Economic Development, for 2012/13, the country exported 510,000 cubic tons of teak logs and converted products and 742,000 cubic tons of other hardwood logs and hardwood-converted products.¹⁹

Prior to the log export ban, product diversification was extremely low. According to the Government of Myanmar, exports from the forestry sector exceeded \$1 billion in 2012, consisting almost exclusively of:

- Tropical hardwood logs (accounting for 43.5 percent of the sector's exports, or \$500 million in value); and
- Non-coniferous logs (42 percent, or \$400 million in value).²⁰

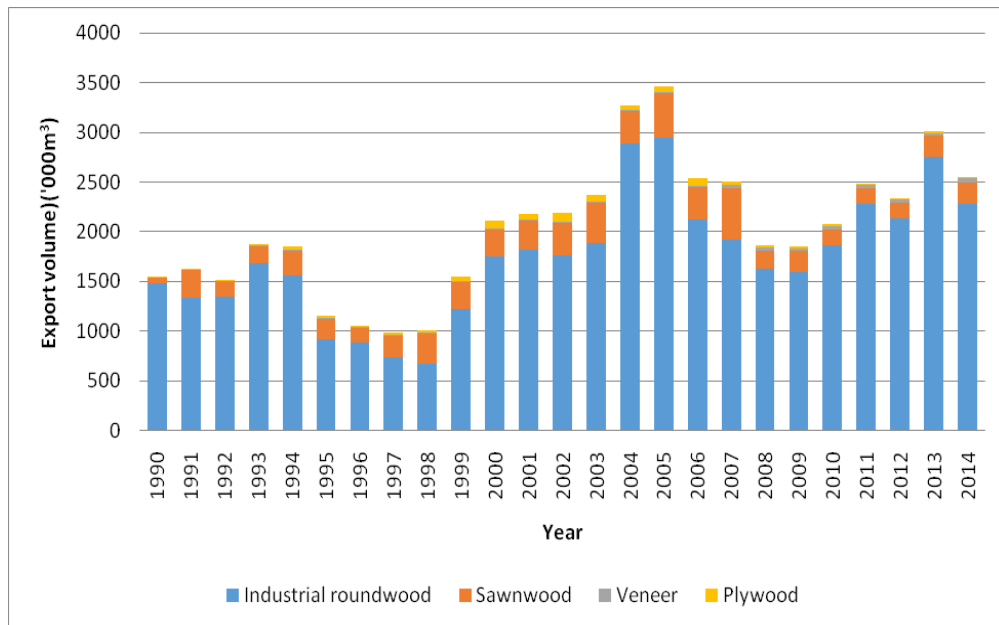
Processed products have remained a relatively small industry and undeveloped in comparison to the export of unprocessed logs (figure 7 and figure 8):

- Sawn or chipped wood, wood charcoal, plywood and veneered panels, shaped wood and veneer sheets, with a combined exported value of \$154 million in 2012; while
- Furniture (exported value of \$8 million), pulpwood (\$2 million) and paper (\$600,000) were only minor products.

¹⁹ The data in this paragraph are from unpublished government records, obtained through personal communication.

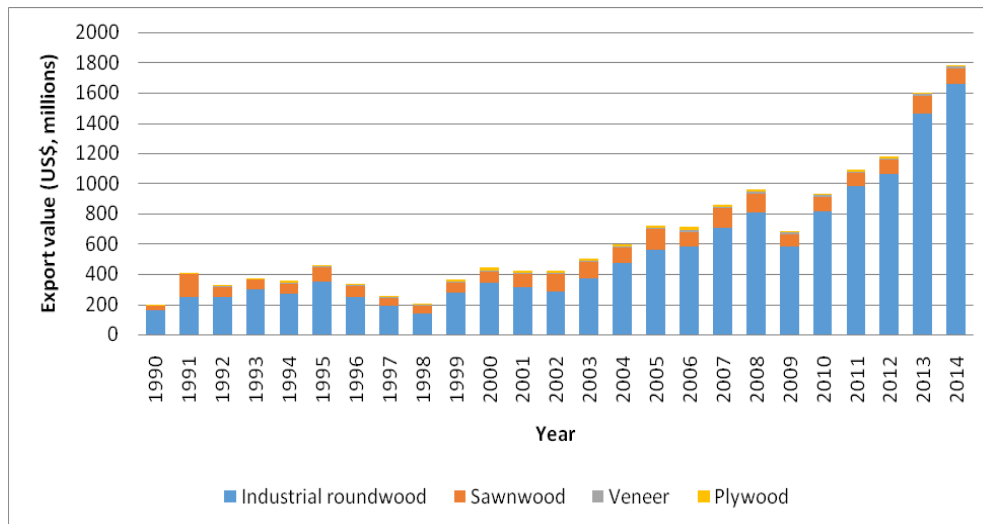
²⁰ As above.

Figure 7. Timber product exports from Myanmar (quantity in 1,000 cubic meters)



Source: ITTO, 2015.

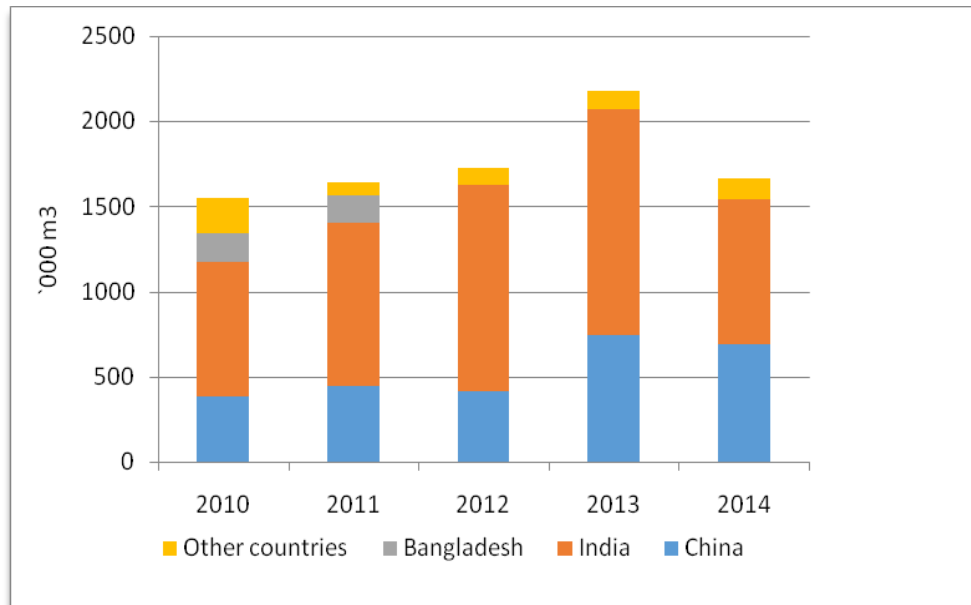
Figure 8. Value of timber product exports from Myanmar (value in US\$ millions)



Source: ITTO, 2015.

Prior to the log export ban, customer diversification was also limited. The main destinations for forestry products and logs before the ban on log exports were India and China, respectively accounting for 58 percent and 26 percent of wood product exports in 2012 and 45 percent and 37 percent in 2013. Thailand (at 7 percent), Taiwan (at 3 percent) and Malaysia (at 2 percent) made up the remaining buyers (Forest Trends, 2014) (Figure 9).

Figure 9. International markets for roundwood products from Myanmar, 2010–2014



Source: EFI, 2015.

With notification of the impending log export ban, traders acted.

The Ministry of National Planning and Economic Development reported a sharp increase in the quantity of teak logs exported between 2012/13 and 2013/14, from 485,600 to 908,900 cubic tons (approximately 741,374 to 1,387,633 cubic meters).

4.4 Production forestry after the log export ban

The impact of the log export ban on the legal export of timber from the State sector was immediate and dramatic. According to figures released by the Ministry of Commerce, between 2013 and 2015, forestry sector exports declined from \$948 million (8.5 percent of total exports) to just under \$95 million (0.8 percent) of exports, with exports from the State sector virtually disappearing. A 40 percent fall in the price of locally produced teak also occurred (Kollert and Walotek, 2015). Table 6, showing data from the Myanmar Forest Department’s Statistics Division (as cited in EFI, 2015), reflects a similar trend.

Table 6. Production of teak and other hardwoods from State-managed forests and plantations

Year	Teak		Other hardwoods	
	AAC 000 cubic meters	Production 000 cubic meters	AAC 000 cubic meters	Production 000 cubic meters
2010/11	311	280	2,854	1,796
2011/12	106	386	2,236	2,184
2012/13	106	329	1,991	1,667
2013/14	106	253	2,061	914
2014/15	106	87	2,062	711

Source: EFI, 2015.

Private sector investment has increased in higher-valued processed products. The Ministry of Commerce is confident, as reported to the authors of this study, that the ban on log exports has and will continue to increase the role of the private sector and revenue with a shift toward domestic processing of higher-value products. Figures reported by the Myanmar Forest Products Merchants Federation and the Ministry of Commerce for this study (table 7) tend to support this confidence. Although the claim could not be quantified, Ministry of Commerce officials noted that foreign direct investment in veneer factories increased after the ban on log exports and increased the earnings from the forestry sector. Table 8 illustrates the increase in wood processing industries since the log export ban.

Table 7. Export performance by the private sector

Budget year	Commodity				Total	
	Teak		Hardwood		Quantity (HT)	Amount (\$)
	Quantity (HT)	Amount (\$)	Quantity (HT)	Amount (\$)		
2012/13	5,553	15,240,493	22,898	14,302,681	28,451	29,543,175
2013/14	7,410	20,836,587	29,772	17,704,173	37,182	38,540,760
2014/15	15,352	64,900,036	76,852	52,327,104	92,204	117,227,140
2015/16	14,760	45,534,614	81,031	58,041,724	95,791	103,576,340

Note: *=1 HT (hoppus ton) =1.8027 cubic meter.

Sources: Data obtained from Myanmar Forest Products Merchants Federation and the Ministry of Commerce during the study.

Table 8. Status of wood-processing industries established in Myanmar

Year	Myanmar citizen-owned factories		Foreign direct investment		Total	
	SME	WBI	SME	WBI	SME	WBI
2013/14	1,340	217	-	6	1,340	223
2014/15	1,340	217	-	10	1,340	227
2015/16	1,361	321	-	12	1,361	333

Note: Small to medium-sized (SME) enterprises are generally smaller sawmills producing for the domestic market and do not require registration with the Forest Department, while wood-based industries (WBI) are larger commercial operations targeting the export market and register as a company with the Forest Department. Source: Obtained from Forest Department database (unpublished Forest Department data accessed through personal communications).

Illegal cross-border trade continues, which has been well documented in a number of important reports. The Environmental Investigation Agency (2015), Kollert and Walotek (2015) and the Southwest Forestry University (2015) all reported a surge in illegal logging, log smuggling and illegal exports, with an estimated increase in timber exports to China increasing from 300,000 cubic meters in 2012/13 to 400,000 cubic meters in 2014 and a significant increase in the proportion of teak and rosewood illegally exported (from 40 percent in 2012/13 to 75 percent in 2014).

The continued presence of armed groups in forest-rich areas in northern Myanmar with access to the Chinese border, weak control of these areas by the central government and continued influence of “crony” companies (EFI, 2015) has meant illegal logging continues to be a problem.

This has had significant impact on cross-border relations between Myanmar and China, including the arrest of 153 illegal loggers from China in 2015 who were later sentenced to life in prison. This treatment was strongly criticized in the Chinese media, and the men were subsequently released and deported. The Environmental Investigation Agency hypothesized that the criminal punishment was one of the reasons behind a fall in timber smuggling across the border in late 2015 and early 2016, and has highlighted the need for a longer term political solution in order for it to be sustained (EIA, 2016b; Gilmore, 2016). The situation highlights the complexity of relations between the two countries.

THE NEW NATIONAL LOGGING BAN

In response to the ongoing crisis, the newly elected National League for Democracy introduced in 2016 a temporary one-year ban on all logging, effectively stopping all logging over one logging season, plus a ten-year logging ban in the teak-rich Bago Region. For the duration of the national ban, Myanmar relied on stockpiled timber to supply its domestic wood processing industry and the international market. According to the Environmental Investigation Agency (2016), current stockpiles are sufficient to meet demand for up to three years. The ban was lifted in April 2017 as planned. The impact of these measures has yet to be fully assessed.

4.5 Conclusions

It is difficult to accurately assess the status and potential of production forestry in Myanmar. To summarize the often contradictory economic, regulatory and social forces in play, the authors of this report detailed the key strengths, weaknesses, opportunities and threats for production forestry and trade in Myanmar (table 9).

The persistent and persuasive factors that have been facilitating the illegal logging trade continue, despite the forestry sector's concerted efforts to stop it. Much of the challenges and opportunities for ongoing reform lie outside the forestry sector, including stopping the illegal logging. Table 9 illustrates the need for cross-sector cooperation and long-term planning and investments to conserve and restore Myanmar's remaining forest resources.

²¹ See Woods and Canby, 2011; Woods, 2015 and 2013; EIA, 2014; Springate-Baginski, Treue and Htun, 2016; UNODC, 2015; Ko, 2016.

Table 9. Strengths, weaknesses, opportunities and threats to forest production and trade in Myanmar

STRENGTHS

The ongoing political, social and economic reforms are increasingly participatory, more coherent and focused on addressing the challenges facing the forestry sector (examples include the 2016 Land Use Policy and the revisions to the 2016 Community Forest Instruction).

Some recent policies and laws provide a solid starting point for stronger environmental and social impact assessments (such as environmental safeguards in the Myanmar Environmental Conservation Law (2012) and the revised Mines Law (2015)).

WEAKNESSES

Many policies and laws have been developed in an insular or non-participatory manner, which is reflected in their aims and effectiveness.

Poor coordination and planning threaten national targets (such as achieving the 9 percent energy target from biomass).

Policies often prioritize economic development over sustainability.

Limited political freedom in the past has facilitated weak governance that will require significant investment to effectively address.

Limited awareness of international initiatives.

Community forests are not yet economically viable and are not recognized as potential sources of timber.

The system is still highly hierarchical, centralized and inefficient.

Data are limited, conflicting and often inaccurate, and information management is weak.

Table 9. Strengths, weaknesses, opportunities and threats to forest production and trade in Myanmar

WEAKNESSES

A continuing “silo” culture within the bureaucracy creates inefficiencies and limits coordination and collaboration among the Ministry of Natural Resources and Environmental Conservation departments and between ministries.

Forest Department and Myanmar Timber Enterprise field staff have limited capacity and resources available to practice sustainable forest management.

OPPORTUNITIES

Significant forest resources in the country provide a strong foundation for sustainable forest management with the potential to benefit all areas of society.

There is growing interest among international development organizations to address challenges facing natural resource management in the country.

Ongoing international initiatives (such as the FLEGT-VPA) are likely to evolve and impact the country in a positive way (such as strengthening governance).

There is increasingly open political space for the active involvement of a broad range of stakeholders in important decision-making processes (REDD+ and FLEGT-VPA).

There is potential for improvements in natural resource management arrangements (including production forestry) to be achieved as part of the national peace-building process.

THREATS

Indiscriminate demand for timber from China and India continues.

Instability remains in ethnic areas.

The military remains contentiously involved in logging and the forestry trade, with continuing ability to fuel the illegal logging trade.

5. TIMBER PRODUCTION AND TRADING STAKEHOLDERS

According to Woods (2013), the main sources of timber in Myanmar are:

01

State-managed forests under the management of the Forest Department and harvested by the MTE. These forests are supposedly managed under the MSS and the AAC, but as previously explained, these systems are based on outdated data and are not followed adequately in practice.

02

Community forests. Until the recent Community Forestry Instruction revision, community forest was to be used solely for subsistence needs. No community forestry user group is known to have legally harvested timber for commercial purposes.

03

Land conversion of natural forests. Forest clearing takes place prior to the development of land concessions for agricultural plantations, hydropower, mines and road projects (a significant source of timber in the country).

04

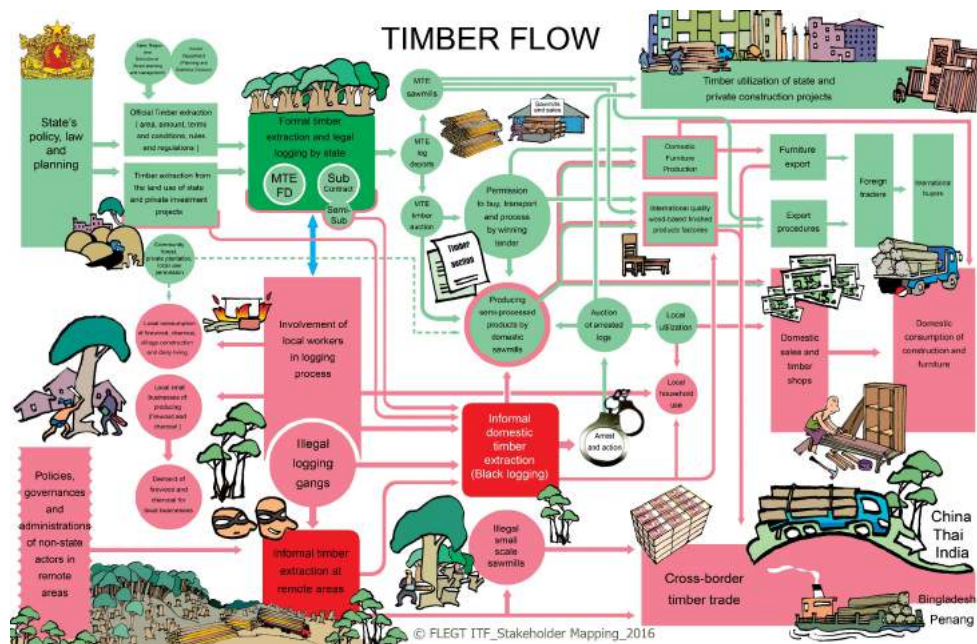
Tree plantations. Timber sourced from tree plantations, however, is not yet a major source of logs.

05

Logging concessions, mainly in ethnic-controlled conflict areas. Logging in these areas is “controlled” by non-State armed groups who generally manage the illegal extraction and sale into China and Thailand through local elites.

As part of a national stakeholder mapping exercise undertaken in 2016, Myanmar’s FLEGT Interim Task Force (ITF)²² mapped the timber sources against stakeholders to illustrate the legal and illegal timber flows (Figure 10). The role of each of the main actors is briefly described in the following section.

Figure 10. Timber flows and main actors in the Myanmar timber trade



Source: FLEGT Interim Task Force, European Forest Institute and Sagawa Development Consultancy Co., Ltd., 2016.

5.1 State-owned sector

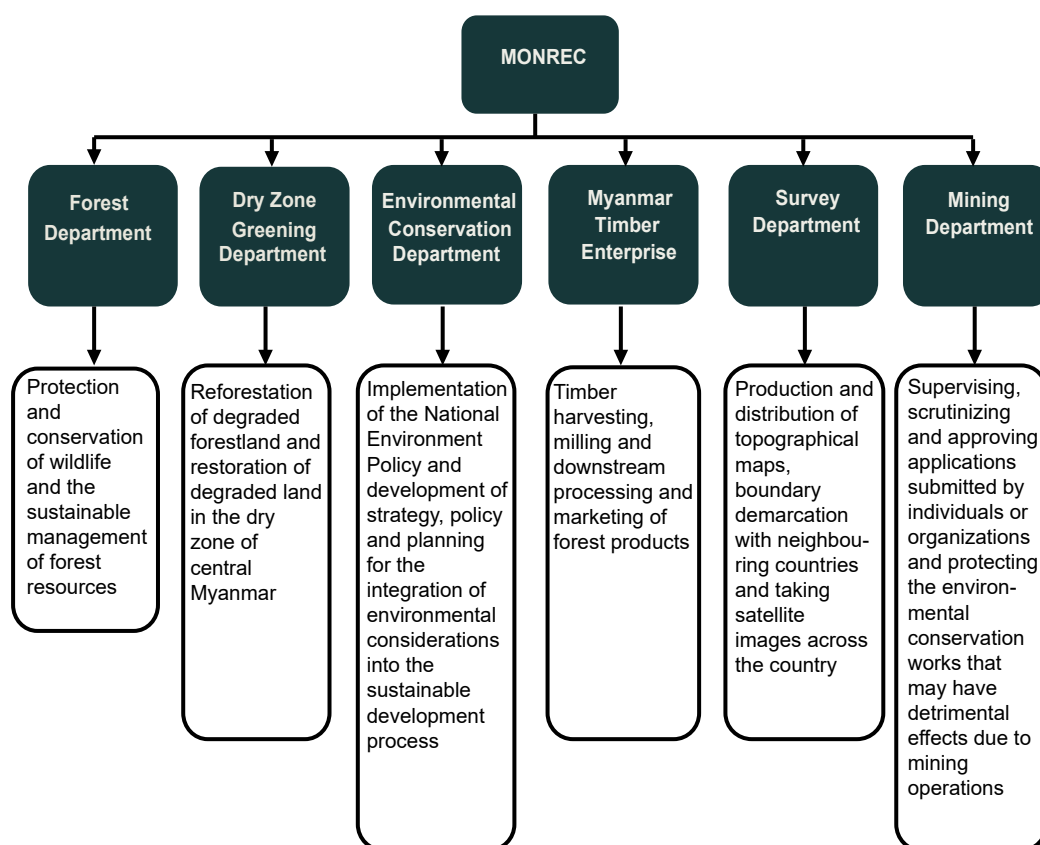
Following the election of the National League for Democracy, MONREC was created by merging the Ministry of Mines with the Ministry of Environmental Conservation and Forests (MOECAF). MOECAF was responsible for managing all forestlands, including the permanent forest estate and public forests (figure 11). It was also responsible for development of national forest policies and overseeing implementation of the Forest Law (1992), the Protection of Wildlife and Wild Plants and Conservation of Natural Areas Law (1994), the Forest Policy (1995), the Community Forest Instruction (1995), the Forest Rules (1995), the National Code of Practice for Forest Harvesting (2000) and the Environmental Conservation Law (2012).

5.1.1 Forest Department

The Forest Department is responsible for the protection and conservation of biodiversity and the sustainable management of forest resources in Myanmar. It is the primary authority for administering reserved forestland and is the delegated authority for land classified as protected public forest and public forest. Persons and companies issued extraction permits must abide by the conditions of the permit as well as orders, directives, prohibitions and restrictions issued by the Forest Department (this includes compliance with the National Code of Harvesting Practices).

The Forest Department is responsible for developing the forest management plans (that set the AAC), forest working plans at the district level and annual extraction plans. In 2015, the Forest Department produced five- and ten-year forest management plans for each district. The capacity of the Forest Department to ensure consistent and accountable adherence to all the policy, legislative and legal requirements governing forest management and timber extraction, however, is limited (Forest Trends, ETTF and NEPCon, 2013).

Figure 11. MONREC divisions and their responsibilities



²² The FLEGT Interim Task Force (ITF) is the main national body through which discussions and activities related to preparations for the anticipated Voluntary Partnership Agreement negotiations with the European Union take place. The ITF includes representation from government, the private sector and civil society.

5.1.2 Myanmar Timber Enterprise

The MTE enjoys a monopoly over the right to harvest and extract timber but is under tremendous pressure to reform. The MTE was established in 1948 as the State Timber Board to undertake commercial exploitation, processing and marketing of teakwood. Although several reforms and name changes have occurred, it is still the commercial arm of the MONREC primarily responsible for:

- i. Felling, transportation and exploitation of forest resources in accord with the directives laid down by the government and guidelines established by MONREC; and
- ii. Marketing and product enhancement of timber and timber products.

In 2013, the government announced plans to corporatize the MTE as part of its overall reforms to modernize the public sector (EFI, 215). The ban on log exports has further driven the need for extensive revision of the MTE mandate as it attempts to move from a commercial entity based on extraction and sale of raw materials to a responsible, corporatized entity seeking premium markets for value-added wood products.

The MTE controls virtually all aspects along the commodity chain from harvesting to processing to marketing and export. Harvesting responsibilities are the mandate of the MTE. But due to its limited human resources, the MTE often subcontracts logging operations to private sector operators who, in return, are usually requested to deliver a certain volume of timber at a given price, often at a financial loss to the MTE. Respondents in this study noted that the private subcontractors are often the ones who determine extraction levels, species to be harvested and generally run logging operations independently of advice from the Forest Department or even the MTE. Due to the increasing role of private subcontractors, the MTE's²³ influence over the timber supply and export chain has been diluted.

The MTE operating costs and staff liabilities are high. Woods and Canby (2011) reported that the MTE owns and manages 81–91 sawmills (nine for teak, the rest for other hardwoods), four to five plywood factories, one block board factory, five to eight furniture factories, two to three molding factories, two veneer factories and one flooring and molding factory. A former staff member reported that the

MTE has between 25,000 and 30,000 employees, with financial commitment for the pensions for 25,000 former staff. The management of pension commitments and the likely reduction in staff numbers due to the possible corporatization of the MTE will be politically challenging (EFI, 2015).

Reform of the MTE is required. Many respondents to this study suggested that the MTE primarily focuses on log extraction and sales at the expense of developing value-added products for the export market. Respondents also pointed out that the MTE fails to consider market supply and demand trends, is highly inefficient and any operation could be more efficiently and effectively completed by the private sector. While many respondents expressed appreciation that a reform process was being carried out, many of them were of the view that the process was more administrative and was not getting to the core of the issues around extraction levels, operational efficiency, transparency and accountability.

In August 2016, the National League for Democracy and the NGO ALARM organized a workshop to discuss the future of the MTE. The workshop considered different options, including its dismantling, but recommended that reform was a preferable option due to the anticipated high social costs of dismantling the organization. The workshop participants also recommended separation of the extraction and processing functions of the MTE, with extraction based on sustainable forest management principles and processing made financially viable through a commercially orientated, private sector-style management of the MTE.

5.2 Private sector

Allocation of logging concessions and the sale of timber was, until relatively recently, dominated by large influential domestic conglomerate companies with traditionally strong ties to the ruling military elite. Although their position in the timber sector is still relatively strong, one study respondent remarked that some of the large conglomerate companies are reportedly considering moving out of the forestry sector since the ban on log exports came into effect.

Yangon-based domestic timber traders and processors are important in meeting domestic wood needs yet are generally sidelined from accessing MTE timber. Even though these traders and processors can bid for MTE timber, the process is bureaucratic and focused on larger scales. The smaller companies do not have the

²³ The Minister for MONREC recently announced in Parliament that no more logging contracts will be issued to private companies. This could allow the harvesting role of the MTE to be merged with the Forest Department's role, allowing the MTE to concentrate on industry development.

political connections to successfully secure a quota. Thus, much of the domestic supply of timber takes places through informal sources (Springate-Baginski, Treue and Htun, 2016; Forest Trends, ETTF and NEPCo, 2013).

Up to 96 percent of production in Myanmar can be attributed to small and medium-sized enterprises—with SMEs contributing more than larger enterprises in terms of employment, output and investment (Than, 2012). Development of forest-based SMEs may drive economic development in many parts of rural Myanmar—provided the timber resource is there to build upon.

Domestic processing and value adding of timber products by the private sector remains undeveloped. Since 1993, log harvesting and exporting by the private sector has been banned, although the private sector is now permitted to work in cooperation with the MTE to export value-added semi-processed wood products. Finger-joint panels, moldings, furniture, plywood and veneer remain largely undeveloped product lines and account for only a minor share in the sector's exports (Woods, 2013 and respondents to this study).

Private sector production will likely remain undeveloped due to broader structural issues. Despite increased private sector activity, most of the wood-based businesses are low-tech and inefficient. Uncertainty in the flow of raw materials is a major reason for this, but equally important are such issues as inadequate electricity supply, burdensome bureaucratic requirements, lack of adequate investment capital, limited access to finance and limited access to insurance services.

MYANMAR FOREST PRODUCTS MERCHANTS FEDERATION

The Myanmar Forest Products Merchants Federation,²⁴ established in 1993, comprises about 250 timber business representatives and more than 900 timber companies under the government-sanctioned Union of Myanmar Federation of Chamber of Commerce and Industry. As a government-backed private timber business entity, it is the sole commercial association for wood production, marketing, distribution and export and obtains timber from the MTE to distribute to its members, mostly for export. The Forest Products Merchants Federation has an important facilitation role between the MTE and the private sector and often courts foreign timber buyers on behalf of the government. SMEs are not members and therefore cannot obtain wood from the Federation. Woods (2013) reported that large and more influential companies are often prioritized for monthly wood quotas at below-market prices, while small domestic companies often are forced to purchase raw materials on the black market at much higher prices than those provided by the MTE and the Federation.

5.3 Community forestry

Community forestry could have an important role in Myanmar's production forestry, but progress is slow. By 2013, 2,033 forest user groups had been registered, representing 113,765 hectares (RECOFTC, 2016), leaving a substantial way to go to meet the 919,000 hectares target of the National Forest Master Plan (see Chapter 3). But as Tint et al. (2014) acknowledged, that Master Plan target still only amounts to 2.8 percent of the total forest estate.

Communities traditionally have been denied access to the timber market, and the commercial rights of the community forestry user groups have been ambiguous. The 2016 Community Forestry Instruction revision is encouraging, however, and is expected to further incentivize community forestry user groups to both establish and seek a more commercially orientated management strategy for their forests. It is too early to say if the 2016 revision will “unleash the potential of community forestry enterprises” (Tint et al., 2014), although many observers are hopeful that a strong community forestry sector will increase local incomes and government revenues, thereby reducing rural poverty levels and further encouraging local people and communities to better manage and restore degraded forests (RECOFTC, 2016).

5.4 Stakeholders and their roles and responsibilities in reforming the timber industry

There was consensus among respondents to this study that the pace and depth of reform needs to be increased. An important exercise during this study was the mapping of stakeholders involved in the forestry sector and then examining their involvement in the reform process as well as their likely interest or opposition to reform. At the informal advisory group's meeting in January 2015, group members were asked three questions:

1. Who are the important stakeholders in the forestry sector?
2. Do these stakeholders have a right to be involved in the reform process and decisions regarding the future of production forestry in Myanmar?

Participants in the exercise could score each stakeholder:

- Just representation = 1
- Right to consult = 2
- Right to influence the final decision = 3

²⁴The Myanmar Forest Products Merchants Federation was originally named the Myanmar Forest Products and Timber Merchants Association; in 2010, the name first changed to the Myanmar Timber Merchants Association and then to its current name in June 2015.

3. Will the impact of any reforms likely be positive or negative for these stakeholders, and therefore, would they likely support or oppose reform processes?

Participants in the exercise could score each stakeholder as:

- Positive and supportive, to be ranked between 3 (high) and 0 (low);
- Negative and opposed, to be ranked between -3 (negative) and 0 (low).

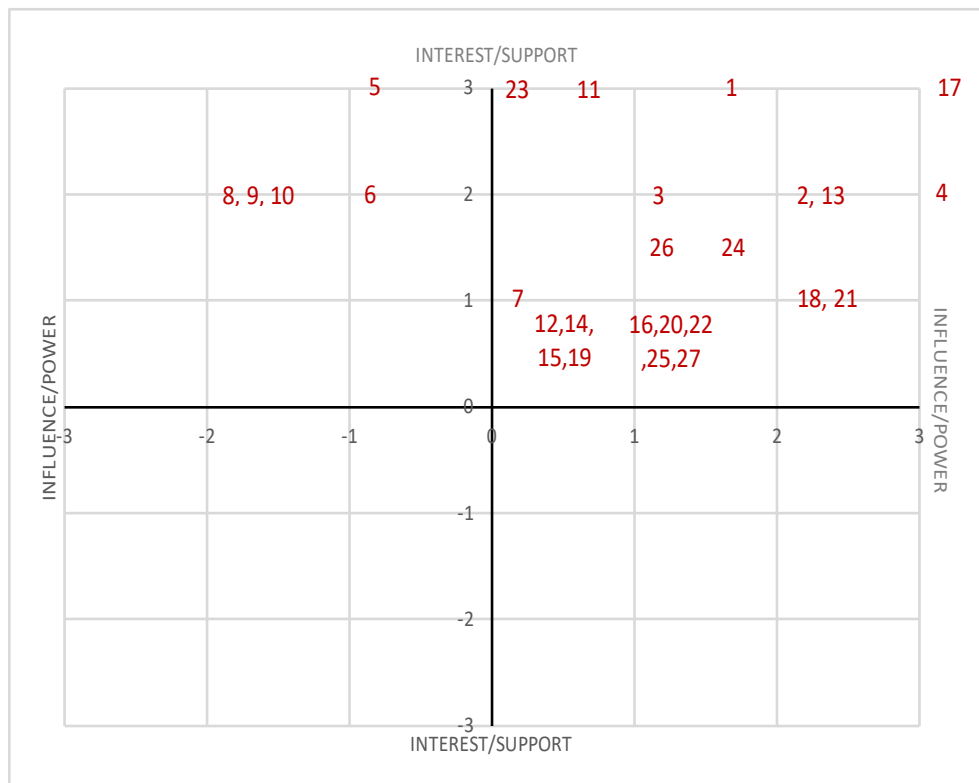
The results from the stakeholder mapping exercise are outlined in table 10.

Table 10. Stakeholders and their power and interest in reform of the Myanmar forestry sector

No	Stakeholders	Influence (power)	Support or opposition (interest)
1	Forest Department	3	1.5
2	Myanma Timber Enterprise	2	2
3	Environmental Conservation Department	2	1
4	Ministry of Commerce	2	3
5	Ministry of Agriculture and Irrigation	3	-1
6	Revenue Department	2	-1
7	Custom Department	1	0
8	Ministry of Energy	2	-2
9	Ministry of Electrical Power	2	-2
10	Ministry of Mining (now part of MONREC)	2	-2
11	State Security Forces (Police, Army)	3	0.5
12	Ministry of Tourism	1	0.5
13	Local NGOs working on forestry issues (FREDA, ECCDI, MERN, ALARM, etc.)	2	2
14	Local NGOs working on human rights (Paunggu, Dawei Development Association, etc.)	1	0.5
15	Local NGOs working for ethnic communities (Promotion of Indigenous and Nature Together, Myanmar Alliance Transparency Accountability Coalition, etc.)	1	0.5
16	Community-based organizations working on local development (forest user groups, village development committees, etc.)	1	1
17	Entrepreneurs in the wood-based industry	3	3
18	Logging extractors	1	2
19	Private forest plantation developers	1	0.5
20	Cottage industries (domestic furniture makers)	1	1
21	Trade and marketing organizations	1	2
22	Labor unions	1	1
23	Non-State armed groups	3	0
24	International NGOs (Flora and Fauna International, CARE, etc.)	1.5	1.5
25	International financial institutions (World Bank, Asian Development Bank, etc.)	1	1
26	Media	1.5	1
27	Research institutions	1	1

The rankings were then transferred to a “stakeholder power and influence graph”, as shown in Figure 12 (the numbers correspond to the stakeholder numbers in Table 11).

Figure 12. Stakeholder power and influence in Myanmar



Among the 27 key stakeholders identified, the majority landed in the quarter of positive influence and positive interest and support. The participants completing the exercise confirmed that these stakeholders can have an important role in leading the reform within Myanmar’s production forestry sector.

Some stakeholders emerged in the quarter of high influence but negative interest (opposition). These important stakeholders include the Ministries of Energy, Electrical Power, Agriculture and Irrigation and the Mining and Revenue Departments. They are powerful and potentially disruptive, yet all participants agreed that their views toward reform would need to be taken into account and that they must continue to be engaged throughout the process.

5.5 Conclusions

The forestry sector in Myanmar is changing, as are the roles of stakeholders. The MTE has been the dominant stakeholder in the forest and log trade, but its position and role are changing as broader reform processes gain momentum and pressure to reform increases. The possible corporatization of the MTE would likely lead to a more efficient, commercially orientated organization, but this transformation would not address all the challenges to the forestry sector. The continued extraction of timber by non-State groups, limited development of commercially viable community forestry user groups, ongoing influence of historically well-linked domestic conglomerate companies and the poor investment environment to attract new private sector actors into the sector are all issues that will need to be addressed through targeted stakeholder engagement strategies.

Entrepreneurs in the wood-based industry may be a powerful stakeholder group in any reform process. Their high influence, high positive interest in reform and possibly important contribution to the development of a value-added timber processing industry suggest that this group of stakeholders could champion reform within political circles and potentially neutralize entrenched interests.

But as highlighted in Chapter 3, some of the major drivers of change are outside the forestry sector. The stakeholder mapping exercise completed for this study supports this assessment. The Ministries of Energy, Electrical Power, Mining, Agriculture and Irrigation and the Revenue Department were identified as having a potentially moderate to high negative influence over any reform process, while the Ministry of Commerce has a potentially high and positive influence over any reform process. This classification is highly important when developing strategies to build alliances between stakeholders to promote reform and strategies to positively engage stakeholders opposing reform.

Given the interconnected web of stakeholders, both those promoting and opposing reform, a top-down reform process focused on the timber sector is unlikely to achieve long-term success. Establishing a process to engage all stakeholders is complex as well as resource and time intensive. Given the emerging experience and lessons being learned (see Chapter 7) and the potential to achieve genuine buy-in and long-term success, a multiple-stakeholder process to design and implement a reform process can be expected to produce the best results for Myanmar.

6. REGULATORY FRAMEWORK AND IMPLEMENTATION



© Brent Lewin / A grandmother poses with her grandson in Mindat, Chin State.

6.1 Existing regulatory framework

There are multiple policies and associated laws, rules, instructions and guidelines that were developed and/or revised at different times but that govern different aspects of production forestry and the timber trade in Myanmar (Table 11). Those having the greatest near-term implications for the future of production forestry (in the view of this report's authors) are highlighted in bold and elaborated in the following section.

Table 11. Forestry sector policies, laws and rules

POLICIES	LAWS	RULES/ACTION PLANS
Forest Policy (1995)	Forest Law (1992)	<p>Forest Rules (1995)</p> <hr/> <p>National Forest Master Plan (2001-2031)</p> <hr/> <p>Community Forestry Instructions (1995 and revised in 2016)</p> <hr/> <p>The forestry section of Myanmar Agenda 21 (1997)</p> <hr/> <p>Standard (Principles, Criteria and Indicators) for Sustainable Forest Management Certification (1999 and revised in 2016)</p> <hr/> <p>Timber Board (MTE) Extraction Manual (1948), Standing Orders for Extraction Staff (1970), Departmental Instruction for Extraction Department (1986)</p> <hr/> <p>National Code of Practice for Forest Harvesting (1999)</p> <hr/> <p>Reduced Impact Logging Guidelines (2008)</p> <hr/> <p>Protection of Wildlife and Wild Plants and Conservation of Natural Area Rule (2002)</p> <hr/> <p>National Biodiversity Strategy and Action Plan (2012)</p>
National Environmental Policy (1994)	Environmental Conservation Law (2012)	<p>Environmental Conservation Rules (2013)</p> <hr/> <p>Environmental Impact Assessment Procedure (2013)</p>

Table 11. Forestry sector policies, laws and rules

POLICIES	LAWS	RULES/ACTION PLANS
National Land Use Policy (2016)	Customary land laws ²⁵	Duties and Rights of the Central Committee for the Management of Culturable Land, Fallow Land and Waste Land (1991)
Myanmar Investment Policy (2016)	Vacant, Fallow, Virgin Lands Management Law (2012)	Vacant, Fallow and Virgin Lands Management Rules (2012)
Trade Policy (2013)	Foreign Investment Law (2012)	Foreign Investment Rule (2013)
	Myanmar Citizen Investment Law (2013)	
	Myanmar Investment Law (2016)	
		National Export Strategy (2015)

6.1.1 Forest Policy (1995)

To ensure the security of its forest resources, Myanmar’s Forest Policy includes targets for increased areas of forest reserves (reserve forest and protected public forests), at 30 percent of the total land area, and that of the protected area system, at 5 percent in the short term and 10 percent over the long term (NEPCon, 2013). Forest Department data show that, to date, the area of reserved forest and protected public forest has reached 24.1 percent, while the protected area system is only 6.7 percent of the country’s total area (NEPCon, 2013).

²⁵ Customary law, as opposed to statutory law, is the written and unwritten rules that have developed from the customs and traditions of communities.

The Forest Policy outlines 6 “imperatives” for the forestry sector, derived in accordance with the forestry principles adopted at the United Nations Conference on Environment and Development (UNCED) in 1992 and the goals and objectives of the National Development Policy (1992). These cover:

- i. Protection of soil, water, wildlife biodiversity and environment.
- ii. Sustainability of forest resource use.
- iii. Basic needs of people for fuel, shelter, food and recreation.
- iv. Efficient use, in a socially and environmentally friendly manner, of the full economic potential of forest resources.
- v. Participation of people in the conservation and use of forests.
- vi. Public awareness of the vital role of forests in the well-being and socioeconomic development of the nation.

The Forest Policy also explicitly encourages the establishment of timber plantations to supply local and industrial demand as well as to increase reforestation of degraded lands.²⁶

With respect to production forestry, one of the main strengths of the Forest Policy is its inclusion of measures under imperative iv on efficiency, related to the promotion of the wood products industry, marketing and trade. The tasks and responsibilities designated for State-owned enterprises (such as the MTE), however, do not reflect the actual capacity of these organizations and their staff to deliver.

Although a process to revise the Forest Law (see Chapter 6) was initiated under the previous government and is expected to continue under the current government, it is unclear whether an attempt to revise the Forest Policy will be considered as a preliminary step to revising the law, which is a sequence favored by several respondents in this study.

²⁶

Four categories of timber plantation exist: commercial (marketable wood, for both domestic sale and export); local supply (village woodlots for firewood, posts and poles); industrial (raw material for pulp and paper factories); watershed (water utilization, catchments of dams and irrigation flows).

6.1.2 Forest Law (1992)

The Forest Law (updated from the first Forest Act of 1902) aims to support conservation, sustainable forest and socioeconomic benefits. Highlighting environmental and biodiversity conservation, it encourages private sector and people's participation in forest management to contribute toward the needs of the public.

The Forest Law also decentralizes forest management and opens opportunities for increased private sector involvement in the timber trade, including permission for any person or organization to establish private forest plantations or wood-based industry operations.

The law does not include any incentive mechanisms to encourage private actors and provides more opportunities for State-owned enterprises (such as the MTE) to undertake extraction and the sale of forest products, both within and outside the country. Absolute authority over timber extraction rests with the Minister of Natural Resources and Environmental Conservation. In addition, the law does not recognize tribal or communal ownership of forestland and lacks clarity in several areas that the authors of this report believe to be critical for delivering conservation, sustainable forest and socioeconomic benefits.

The Forest Law is being revised by the Forest Department on the advice of Parliament, although it is not yet known whether the revisions will be circulated for public consultation and further revision. Under the previous government, suggested revisions to the 1992 Forest Law were developed in a process facilitated by the Myanmar Environment Rehabilitation-conservation Network (MERN) that involved individuals from civil society organizations and the private sector along with retired high-level forestry professionals. The revisions were handed to the Forest Department in May 2011. Table 12 provides a summary of the proposed revisions.

Table 12. Proposed changes to the 1992 Forest Law, developed by a MERN-led group, May 2011

Chapter in the law	Proposed changes
Chapter 1: Title and definition	Update definitions
Chapter 2: Basic principles	Broaden the basic principles
Chapter 3: Constitution of reserve forest and declaration of protected public forests	Reserve forest and protected public forests reservation and declaration should better recognize citizens' user rights De-reservation of reserve forests and protected public forests should not be for private interests Increase transparency of land areas under reserve forest and protected public forests Broaden teak ownership provision
Chapter 4: Management of forest land	Clarify tree reservation purpose and process Facilitate participation Clarify the criteria for land transfer
Chapter 5: Establishment of forest plantation	Strengthen ecological management of forests and plantations Protect standing forests from plantation Improve plantation provision for community forestry Improve regulation regarding conversion of village land for plantation Empowerment of village forest management Ensure plantations are implemented
Chapter 6: Permission of extraction of forest produce	Permit system can facilitate community harvesting Ensure bidding is fair and transparent and first favors local citizens Promote community harvesting and value addition
Chapter 7: Removal of forest produce	Facilitate community forestry product marketing
Chapter 8: Establishment of wood-based industry	Revise chapter title Include forest user groups with entrepreneurs
Chapter 10: Search, arrest and administrative action	Improve relevance of powers
Chapter 12: Offences and penalties	Differentiate livelihood use and criminal plunder Resolve jurisdictional conflict with Fisheries Department

6.1.3 Forest Rules (1995)

The Forest Rules, which were issued soon after the Forest Policy (1995), focus on increased formation and protection of reserved forests and protected public forests, the sharing of forest management responsibilities with local communities, the establishment of fast-growing plantations on degraded forestland to conserve soil, water and biodiversity, the harvesting of timber and other forest products in an environmentally sound manner and the establishment of wood-based industries.

For each area, the Forest Rules outline activities to support the provisions of the Forest Law (1992), with strong emphasis on sustainable forest management. Implementation has been hindered by a number of factors, including:

Insufficient consultation with affected local communities Government officials are required to consult with all affected local communities as part of the process for establishing protected public forests, and the elements of an effective consultation process are clearly outlined in standard operating procedures (SOPs). However, the SOPs are not well understood by most forestry officials, who also lack the time and dedicated human resources needed for implementation.

Insignificant penalties for violations A generally low level of penalties reduces the motivation to comply.

Lack of alignment with other important sectors While it is required that anyone who wants to establish a plantation of conserved natural forest must comply with the rules and regulations under the Foreign Investment Law (2012), the Forest Rules have not been updated to reflect these requirements, which are also not well known or understood by the forestry officials regulating such activities.

6.1.4 National Forest Master Plan 2001–2031

The National Forest Master Plan outlines the plans for the period 2001/02 to 2030/31. It covers a range of issues, including conservation and protection, along with sustainable harvesting of teak and the export of value-added wood and non-wood forest products. Also included are forest regeneration and rehabilitation, watershed management, law enforcement and the promotion of fuelwood substitutes.

The Master Plan provides a guiding framework for five- and ten-year forest management plans developed by the Forest Department for each forest district, based on estimated figures for timber and non-timber forest products. Forest districts comprise “working circles”, or the area of forest from which a sustained yield of timber and byproducts is planned. These plans are a blueprint for forest district officials to make decisions about the appropriate management regimes (such as harvest, plantation, community forestry and conservation) and the level of investment in timber processing.

In many areas, however, the aspirations and targets of the Master Plan are ambiguous and do not reflect the actual capacity and resources available for implementation. Some examples include:

- Ability to satisfy the timber needs of local people. The Master Plan estimates that by 2030/31, production of 400,000 cubic tons will be required annually, an increase in 190,000 cubic tons over the current annual yield from natural production forests of 210,000 cubic tons. The Forest Department expects this level of production to come largely from plantations, community forestry and gardens, which are highly incapable of producing such demand.
- Heavy reliance on the production of timber from State-owned plantations. In reality, State-owned plantations face many operational challenges due to inadequate resources. This is compounded by the weak commitment of adequate resources for alternatives, such as the establishment of private plantations and community forestry.
- The potential to secure economic benefits from the forest. While measures for timber production are presented clearly, product distribution and access to markets are not adequately addressed, with measures for developing non-timber forest products and/or managing environmental services (as options for increasing income and employment from the forest) lacking as well.

6.1.5 Community Forestry Instruction (1995 and 2016)

Issued by the Forest Department, the Community Forestry Instruction is the legal framework to promote and facilitate community participation in managing forests. It focuses on management by communities through protection of natural vegetation and the establishment of forest nurseries and forest plantations that will enable their basic needs for firewood, farm implements and small timber. However, the original Community Forestry Instruction that was enacted in 1995 fell short in clarifying certain rights, including the circumstances under which communities could undertake commercial forestry activities.

In 2014/15, the Community Forestry Instruction underwent a revision process that included a stakeholder consultation facilitated by the multi-stakeholder National Community Forestry Working Group, which resulted in, among other things, the inclusion of full commercial rights over both timber and non-timber forest products for communities and opening the potential to increase production of timber and non-timber products from community-managed areas. The revised Community Forestry Instruction was issued in August 2016, with the following primary changes:

Encourages community forestry-based enterprise development and high willingness of Forest Department to provide support.

Highlights the involvement of women in leadership positions for community forestry management.

Allows for community forestry implementation within buffer zones around protected areas.

Clearly outlines compensation rights (but still limits alienation rights).

Requires the Forest Department to take more accountability in addressing illegal logging in community forestry areas.

The Forest Department must acknowledge customary or traditional land tenure rights.

6.1.6 MTE Extraction Manual (1948)

The MTE Extraction Manual includes detailed working procedures and is an important tool to guide the MTE's extraction work. The extensive manual contains institutional mechanisms, organizational instructions and reporting requirements, along with detailed timber extraction methods, including low-impact harvesting methods, such as the use of elephants.

An important drawback of the manual is its heavy emphasis on documentation and the time-consuming nature of the extraction methods it describes. In addition, because timber extraction has been pushed to hillier, harder-to-reach areas, the use of elephants has been replaced with more ecologically harmful practices, such as mechanized "green tree" felling techniques, bulldozers and excessive networks of feeder roads and skid trails (EFI, 2011b; NEPCo, 2013). The manual also lacks any method to provide for traceability of timber supply chains.

6.1.7 Land Use Policy (2016)

While the scope of the Land Use Policy extends far beyond the forests, its implications make it an instrumental piece of the regulatory framework governing production forestry in the country (the Forest Department is one of the 220 departments dealing with land management, according to respondents for this study). The new Land Use Policy, which promotes responsible investment in the land sector by providing increased tenure security, was passed in January 2016, with the following features:

- Commitment to adopt voluntary guidelines on the responsible governance of tenure of land, fisheries and forest in the context of national food security and human rights standards, and emphasis on inclusive public participation and consultation in decision-making processes related to land use and land resource management;
- Recognition of forest land as part of the permanent forest estate;
- Authorization of District Land Use Committees to define land zones, including production forestry, propose land-use changes and harmonize zoning by revising land-use plans at different levels;
- Requirements to review, register and protect²⁷ customary lands of ethnic groups that fall under the category of forestland; and

²⁷Who is to be responsible for this task has yet to be clarified.

- Recognition of the reclassification, formal recognition and registration of customary land-use rights relating to rotating and shifting cultivation that exists in farmland, forestland, vacant land, fallow land or virgin land.

The Land Use Policy has been positively received, although it still allows for the conversion of forestland with the approval of the District Land Use Committees and prioritizes economic development over conservation. At the same time, the policy includes requirements for fees and stamp duties to be paid for grants or leases of public land based on the value of the land, including improvements, crops and other natural resources located on or beneath the land, which presents a potential barrier for the establishment of private forest plantations. Another weakness is its dispute settlement procedures, with the forestry sector having no formal representation in the Dispute Resolution Committee.

6.1.8 National Export Strategy

Myanmar launched its first National Export Strategy in March 2015. It is a five-year road map (2015–2019) that was completed by the Ministry of Commerce in partnership with the International Trade Centre and is “designed to fuel the country’s sustainable development through export promotion”. The strategy cites several priority sectors, including forestry; each sector has its own strategy. The forestry sector strategy contains four objectives, around which a plan of action has been designed:

1. Streamline administrative rules and procedures and assure reliable upstream supplies.
2. Improve the skills and capacity of the industry.
3. Increase the sector’s sustainability.
4. Improve Myanmar’s international market share in value-added products, and promote trade and investment in Myanmar forestry products.

In addition, four structural changes to the value chain are outlined, aimed at increasing efficiency and expanding export reach:

1. Build technical skills to target higher value-added and by product market segments.
2. Develop a new product line of wood residues for alternative energy production.
3. Reduce the level of illegal logging practices, which are threatening the sustainability and image of the sector.
4. Promote stronger institutions to support the sector.

Although it is not perceived as part of the regulatory framework for production forestry, the forestry sector strategy (within the Export Strategy) emphasizes sector sustainability and moving the forestry sector up the forest products value chain, including strengthening the human resource, financial, regulatory and institutional elements needed to make that transition. Thus, it reinforces important aspects of the Forest Policy. If implemented, it has the potential to create the kind of enabling downstream environment for sustainable and inclusive development of Myanmar's production forests that is currently lacking.

Implementation of the forestry sector strategy is coordinated by the Myanmar Trade and Development Committee and its executive secretariat, with several institutions designated to lead on different elements of the plan of action.

6.2 Implementation

Even when laws are “good on paper”, the majority of them have not been put into practice. Forestry and timber trade stakeholders, including respondents to this study, agree that the biggest problem facing the forestry sector is not the laws and policies but how they have been routinely ignored for the past several decades (see Chapter 3 for examples). There are several reasons for this, many of which cannot be addressed through regulatory and institutional reform alone. It is also clear that there is considerable room for improvements in systems for regulatory development and oversight that could help bring about better implementation.

Policy development and legislative processes that have not provided opportunities for public participation have created policies and laws that do not adequately reflect the realities of the people and places they are intended for and are therefore not followed. The case of community forestry is a good illustration of this. Until recently, the two leading priorities for would-be community foresters—tenure security and livelihood improvement—remained largely unaddressed in the regulations, such as the Forest Law and the original Community Forestry Instruction (1995), creating significant barriers to the growth of community forestry as an important mechanism for people's participation in the management and use of the forests. The enactment in 2016 of the Land Use Policy and amendments to the Community Forestry Instruction, both of which were arrived at through a more consultative approach, introduced measures to address some of the blockages. The impact of these changes remains to be seen, but they are an important part of the broader regulatory environment that will be needed to effectively support the growth of community forestry.

²⁸ See www.intracen.org/news/Myanmar-launches-first-National-Export-Strategy/.

Decades of a highly centralized and opaque governance system have led to an absence of mechanisms for transparency and accountability in policy implementation. One of the important legacies of decades of military rule is a general lack of experience with the principles of transparency and accountability and a highly authoritarian organizational culture. An important example from the forestry sector is the inaccessibility of reliable data on timber extraction or trade flows, which creates space for irregularities and makes it hard to track and monitor the compliance of actors with the guidelines and legislation. One respondent for this study even cited the entry of transactions from one year into the budgets for subsequent years, once the target for the year in question had been met (see Chapter 3).

The policy objectives of the forestry sector are not always aligned with or supported by the policies of other influential and economically significant sectors. The importance of agriculture as a driver of economic growth, for example, gives policies promoting agricultural development a top priority, often at the expense of forests—so much so, that agricultural expansion is now the country’s principle driver of deforestation (see Chapter 3). This, combined with a lack of a comprehensive land-use policy (until recently) and adequate environmental safeguards, have challenged the MONREC’s goals of increasing the portion of total land area designated as forest reserve and for the protected area system (see Chapter 6).

The capacity and incentive structures that drive the behavior of actors do not support the stated policy objectives for the forestry sector. The MTE is an important example of this. Respondents for this study noted an ongoing tendency within the MTE toward prioritizing exports of minimally processed timber over developing value-added products and securing an adequate timber supply for domestic needs. Many respondents also noted considerable inefficiencies in the system of production and distribution employed by the MTE. This runs directly counter to some of the central aims and priorities of the Forest Policy and Law, including “efficient use, in a socially and environmentally friendly manner, of the full economic potential of forest resources,” meeting people’s basic needs and private sector and people’s participation in forest management and wood processing. However, the MTE, as a State-owned enterprise, accustomed to decades of operating a log export-driven economy focused on foreign exchange revenue targets, lacks the skills and organizational culture to adapt to the changing market conditions. This is exacerbated by its notoriously high running costs, including remuneration for its current staff and pensions for previous employees.

6.3 Conclusions

The regulations guiding governance and management of Myanmar's production forests mostly demonstrate the right aims and intentions but need additional clarity and measures to better support implementation of what they have set out to achieve. While sustainability, participation and socioeconomic benefits, including through increased efficiency, feature prominently in the regulations guiding the forestry sector, ambiguity around the targets and some of the factors needed to deliver these outcomes limit their potential to achieve their stated objectives.

One important way to address these weaknesses in the regulatory regime is through participatory, multi-stakeholder policy and legislative reform processes. For the most part, the current regulatory regime is the result of top-down policy design and legislative processes that did not allow for participation from stakeholders. Nor did it provide mechanisms for transparency and accountability so that implementation could be tracked and weaknesses addressed. Where more consultative approaches to reform have taken place, such as with the 2016 Community Forestry Instruction or the 2016 Land Use Policy, some important gaps have been addressed, and the ability of these regulations to achieve their intended outcome appears to have improved (although these, too, are not perfect, and many obstacles outside of the regulations remain).

Any regulatory reforms undertaken should be guided by a national consensus on a shared vision or strategy for the activities of the institutions and actors within the forestry sector. There is also a question about sequencing. The current Forest Policy was enacted after the Forest Law, and revisions to the Forest Law were initiated prior to any similar efforts in relation to the Forest Policy. Given a number of major changes in recent years (political reform, economic policy, extent of forest cover loss and degradation), many observers, including respondents for this study, noted that a natural and sound next step following the completed development of the new Land Use Policy would be to consider reforming the Forest Policy. This could then be followed by corresponding revisions to the Forest Law.

These revisions should be done in consultation with other sectors to ensure alignment with the drivers of forest loss and degradation. It is clear from the research undertaken for this report

and many others cited here that the most significant drivers of forest loss in Myanmar lie outside the forestry sector and that the forestry sector no longer holds the political and economic importance it once held as the main earner of foreign currency. In light of this new reality, the forestry sector must take the initiative to work with other sectors and attempt to design policies that are not in conflict with the objectives of other relatively powerful sectors (agriculture, energy) and are complementary where possible.

A success factor for the sustainable development of Myanmar's production forests is going to be the ability of the sector to generate sufficient economic returns. The regulatory framework can support this by including measures that incentivize and reward appropriate land management arrangements, business models and activities that will allow private actors to benefit economically from the forest while also supporting its long-term ecological health. This need to find new ways to support the appropriate economic activity in the forestry sector will become increasingly important in the absence of the quantity and quality of natural, old-growth teak that the forestry sector has relied on for so long.

7. INTERNATIONAL MECHANISMS TO PROMOTE SUSTAINABLE FOREST MANAGEMENT



© Michael Yamashita/
A man fishes in the Irrawaddy river
in Myanmar.

Myanmar is participating in a number of international processes to strengthen the sustainable management of its forest resources. Each provides insights into possible reforms for its production forestry sector.

7.1 Forest law enforcement, governance and trade

In March 2014, a European Union delegation to Myanmar acknowledged the decision by the government to commence the preparatory phase for the Voluntary Partnership Agreement under the FLEGT Action Plan. An inception workshop was organized in January 2015, with the government announcing a six-month period, starting July 2015, to share information and raise awareness among stakeholders. The United Kingdom's Department for International Development and FAO have provided technical support for these preparatory activities.

The Interim Task Force was established to guide the FLEGT-VPA preparatory phase and the establishment of the longer-term VPA negotiation structure. The ITF has 24 members in total, with eight representatives each from government, the private sector and civil society. The Forest Department leads the VPA process on behalf of the government.

7.2 Reducing emissions from deforestation and forest degradation

Myanmar received UN-REDD targeted support in 2013 to develop a REDD+ Readiness Roadmap (published in July 2013) and used this road map to develop a full-funding proposal (\$23.3 million over four years) in November 2013. Activities began in January 2015 with the development of action plans for a national forest monitoring system, forest reference emissions levels, forest reference levels and capacity building to support the plans. National and subnational activities have continued to increase stakeholder awareness and engagement on participatory governance arrangements, REDD+ safeguards, national safeguard information systems, monitoring, reporting and verification mechanisms, the use of free, prior and informed consent and development of a National REDD+ Strategy. Myanmar's National Program was provisionally approved in 2015 and the National REDD+ Strategy is currently being drafted with sub-national consultations planned in 2017.

7.3 International market based forest certification schemes

The Myanmar Forest Certification Committee (MFCC, but known as the Timber Certification Council of Myanmar until 2012) was established in 1998 under a ministerial decree. The MFCC was established to explore the potential requirements of a timber certification regime and is currently the national body monitoring the future timber certification process and activities.

In 1998, the then Timber Certification Council developed criteria and indicators for sustainable forest management, both at the national and Forest Management Unit levels and based on the International Tropical Timber Organization's Criteria and Indicators for the Sustainable Management of Tropical Forests. While the work on criteria and indicators has been tested at the Forest Management Unit level (Pyi District, Bago Region), no national scheme has been established. This is despite Myanmar developing a National Code of Harvesting Practices in 2000 (revised in 2003), reduced-impact logging guidelines in 2008 and chain-of-custody requirements in 2012 (Woods and Canby, 2011). In 2016, the MFCC, with the support of the FAO-EU FLEGT Programme, undertook an assessment aimed at strengthening the Myanmar Timber Legality Assurance System, including its ability to meet international market requirements. In 2017, the MFCC in partnership with the Program for Endorsement of Forest Certification initiated a three-year project to further develop forest certification in the country.²⁹

To date, no internationally recognized certification scheme has been implemented, and currently no forest in Myanmar has been independently certified against an internationally recognized standard, including plantations or community forests.³⁰

7.4 Challenges and lessons learned

Since 2011, the government has engaged in several consultative and multi-stakeholder processes including the three described previously as well as the Extractive Industries Transparency Initiative and the country's peace process. While the following section draws mainly upon the informal advisory group's experience with the FLEGT-VPA process, the challenges detailed and lessons learned are important for any new multi-stakeholder process focused on reforming Myanmar's production forestry sector.

THE LEGACY OF WEAK FOREST GOVERNANCE

This report cites several challenges for the government to control illegal logging. But because corruption is both entrenched and institutionalized across all levels of government, many low-level stakeholders have no option but to turn a blind eye. For example, at the border areas, government staff can be harassed or threatened by the military or ethnic armed forces and are at times given the choice, as one respondent put it, “to either take the money or the bullet”.

THE LEVEL OF GOVERNMENT COMMITMENT AND LEADERSHIP

Many respondents to this study were concerned about the level of political commitment to genuine reform: Is there sufficient commitment to reform the sector or is engaging in the FLEGT-VPA process simply a strategy to increase Myanmar’s international standing? With important decisions invariably made at the presidential and vice-presidential levels, which override the ministerial level, any process must be led at the highest level of government and not limited to MONREC.

THE CONSTRAINTS ON COMMUNITY FORESTRY USER GROUPS

Community forestry represents an ideal vehicle to promote broad sector-wide reform. A critical challenge is that no community forest is yet economically viable without external support, and political leadership on this issue has been missing. Although the 2016 revisions to the Community Forestry Instruction allow for the commercial sale of timber by community forestry user groups, current legislation is ambiguous. The political ambiguity must be removed if community forestry is to achieve its potential as envisaged under the National Forest Master Plan.

THE SILO CULTURE OF THE BUREAUCRACY

Historically, there has been no culture or incentive for collaboration among MONREC departments or between MONREC and other ministries. Where collaborative efforts have emerged, line agencies often only assign junior staff, who are often rotated, making it difficult for line agencies to be consistently involved and for other stakeholders to build trust in the process. Without some changes in this organizational culture, it will be extremely difficult for any multi-stakeholder process to emerge.

²⁹ For more details see <https://www.pefc.org/projects/forest/national-system-of-myanmar>

LIMITED OWNERSHIP AND CAPACITY TO ENGAGE IN A REFORM PROCESS

Because the political space for debate was limited for many years, many stakeholders are skeptical of multi-stakeholder processes or do not have the capacity to immediately engage in constructive dialogue. It is therefore important to prepare all stakeholder groups so that they understand the process and, through this, build a sense of ownership in the process and outcomes, especially among government agencies.

THE CHALLENGES OF FACILITATING MULTI-STAKEHOLDER GROUPS

Different decision-making processes (and cultures) among stakeholder groups often make it difficult for a multi-stakeholder process to effectively function. Many non-government groups provide their representatives with the power to make decisions during the meetings, while government representatives generally need to refer to a higher authority before a formal decision can be made. Also, government actors usually come to meetings with limited preparation and have difficulty in presenting a common position because there is no culture of collaboration between line agencies. This lack of preparedness, an inability to present a common position, the slow decision-making process and frequent rotation of line agency staff are often perceived by non-government stakeholders as a lack of interest and commitment among government agencies to the process or outcomes.

Unfortunately, chairpersons for many of these important processes are often elected due to their seniority or status rather than their facilitation skills or competency. Given the culture of respect for hierarchy, a “bad” chairperson can hamper a multi-stakeholder process. There is need for skills, maturity and even training for potential chairpersons to facilitate constructive multi-stakeholder processes.

LACK OF CONSULTATION

The opportunity to constructively comment on meeting agendas, decisions and technical documents and to consult with constituents is an essential part of any consultative process. However, the lengthy decision-making process within the government slows this process considerably, which means that agendas and important documents are often only made public a few days before a meeting. This does not build trust in the process or allow the full potential of a multi-stakeholder process to be realized.

7.5 Conclusions

Much of this section emerged from the experiences of the informal advisory group with the current FLEGT-VPA process. Given the contextual reality, members of the informal advisory group concluded, it is likely that it will take years before the FLEGT process can reach its outcomes. Nonetheless, these early multi-stakeholder experiences and lessons are essential in developing stronger, more robust processes to engage a broader array of stakeholders in the critical questions regarding the future of Myanmar's production forests.

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The United States Treasury Department's Office of Foreign Asset Control issued a General License No. BU-2013-3051141-1 on 1 July 2014 to the International Wood Products Association allowing its members to import MTE timber and wood products to the United States for one year, ending on 31 July 2015. The license was issued on condition that domestic mills work toward independent legality verification and improve timber traceability systems (The Oxford Business Group, 2015). The Association received a second licence (License No. BU-2013-305114-2), which expires 31 July 2017. See: http://c.ymcdn.com/sites/www.iwpawood.org/resource/resmgr/Files/2nd_License_Jan_21_2016_FINA.pdf?hhSearchTerms=%22myanmar%22

8. RECOMMENDATIONS AND CONCLUSIONS

The following recommendations are based on the informal advisory group's consultative meetings and workshops and the authors' analysis. The first group of recommendations is based on the informal advisory group's insights into the FLEGT process, although they have been generalized to guide MONREC's oversight of a reform process for stabilizing and rebuilding the country's production forestry. The second group of recommendations is more technical, targeting the production, extraction, processing and trade of forest products.

8.1 Recommendations for MONREC

MONREC faces two types of issues: its role as a leader and facilitator of a reform process (as illustrated through its leadership of the FLEGT-VPA process) and issues more directly linked to the need to build its leadership capacity in the forestry sector, particularly within the Forest Department.

LEADERSHIP RESPONSIBILITIES

As leader of the ITF under the FLEGT-VPA process, the Forest Department is responsible for ensuring adequate stakeholder representation, establishing an environment that allows for effective and fair participation of all stakeholders and the management of a smooth and consistent consultative process.

Based on the early ITF work, it is recommended that MONREC:

Build trust among stakeholder groups. Due to little historical dialogue between stakeholders, there is limited trust between stakeholder groups and little experience in communicating with one another. Respondents to this study cited a need to convene a facilitated capacity-building program on conflict management to nurture understanding, trust and the skills required to manage and mediate disputes when they arise.

Use stakeholder mapping to strategically engage stakeholders outside the forestry sector. This study carried out a stakeholder mapping exercise, as did the ITF and the UN-REDD program, which also established a Stakeholders and Safeguards Technical Working Group. MONREC could further refine the stakeholder mapping work across the government sector. But it is critically important that MONREC use the results of their own work and the work of others to develop strategies to effectively engage stakeholders (with both positive and negative views on any reform process) from outside the forestry sector.

Broaden the depth and breadth of stakeholder involvement. The informal advisory group found the quality of representation in the FLEGT process is a limitation. This has important implications for other reform processes. Small enterprises, such as sawmills, are not represented in the FLEGT process, and the larger companies (national and multinational) have shown little interest in joining. The private sector is mostly represented by timber traders, but with the recent restructuring of the Myanmar Forest Products Merchants Federation, some furniture makers are now engaged.

Civil society organizations and NGOs are active in the FLEGT-VPA process through representation of larger network groups, such as MERN. But within the civil society and NGO community, there is also some suspicion and mistrust of the motives of some NGOs (such as the role and influence of retired forestry officers) or affiliations with ethnic groups and representation of ethnic minority political interests through forestry platforms. The role of the civil society and NGO community is vital, but trust and commitment to the reform process are also essential.

Increase the participation of women. The informal advisory group also expressed concern that women were insufficiently represented during the early stages of the ITF. Four women have since joined as members, yet there are no women in the higher echelons of the Forest Department. No women took part during this study's various visits, and while there are women entrepreneurs, none seem to have a prominent role in the FLEGT process.

Increase the preparedness of and collaboration between line agencies. Given the historical reluctance for line agencies to collaborate and seek agreement on contentious issues, the informal advisory group strongly recommends that government actors prepare a collective response or position ahead of ITF meetings.

STRENGTHENING THE CAPACITY OF THE FOREST DEPARTMENT

The informal advisory group strongly believes that for a sustained and effective approach to capacity building within MONREC, existing internal resources must be used and built upon. While there is already considerable capacity within the Forest Department, with several staff having undergone training overseas, the informal advisory group found that the existing resources and division within MONREC (the Forest Extension Division, the Training and Research Development Division, the Forest Research Institute) could be better mobilized to further develop capacity within the Department and across the various sections.

Given the importance of the FLEGT-VPA process to the ongoing reform of the forestry sector, the informal advisory group determined that priority issues should be the strengthening of the MONREC's understanding of VPA concepts and processes and building up the capacity of the Forest Department technicians to adequately facilitate the process, design the Myanmar Timber Legality Assurance System and link it to other similar activities, such as the development of a national certification scheme and third-party verification.

Strengthening knowledge of these issues at the higher echelons of the Forest Department and the MTE is necessary. But it is also critical to consider awareness and capacity needs at the subnational and field levels. Due to the size of the workforce, the Forest Departments needs to design a training of trainers process to deliver basic practical information about the VPA and good governance. The informal advisory group also suggests that village heads, who currently have no understanding of the VPA process, would benefit from such a training, which could be achieved through a collaborative work program with local community-based and civil society organizations.

It is recommended that MONREC:

Conduct information sessions on issues of good forest governance for the upper echelons of the Forest Department.

While it is acknowledged that the government's understanding of the VPA process and what it entails is limited (see Annex C), discussions with Forest Department staff indicate there is an immediate need to strengthen the understanding among senior management of good forest governance and participatory policy design, which in turn will underpin the VPA preparation and negotiation process. The Training and Research Development Division should develop a series of short training and discussions sessions on a weekly basis on such topics as participation, transparency, communication, accountability and organizational change. Then more technical aspects of the VPA, such as the negotiation process and development of the Timber Legality Assurance System, could be introduced.

Develop a training program for the subnational levels of the Forest Department.

To inform field staff about the VPA process and its implications, the Forestry Training Centre should develop a basic introductory program for field testing and then roll it out across the country. Material already exists (such as the European Forest Institute's FLEGT briefing notes) and Myanmar-specific material may be available through other organizations, such as RECOFTC.

Examine the VPA to see how it may contribute to the peace process.

There could be opportunities for the VPA process to contribute to the peace-building process—rather than seeing the peace process as a pre-cursor to the VPA. This may be possible through the necessity to build trust in a multi-stakeholder process, particularly in conflict-sensitive areas, where illegal logging still occurs.

8.2 Technical reform recommendations

The following technical recommendations are also based on the informal advisory group's consultative meetings and workshops and the authors' analysis. The recommendations are grouped under the four major components of forestry production and trade:

- Production (growth and maintenance of forest and forest products including timber).
- Extraction (harvesting of timber and taking them to a processing site).
- Processing (sawing of logs and any value addition to logs or timber)
- Trade (both domestic and international).

The organization of recommendations also follows the grouping of stakeholders during the March 2016 multi-stakeholder workshop. To assist in capturing, analyzing and suggesting solutions to the critical challenges, the four components of production and trade outlined above were considered. This allowed stakeholders with a deep understanding in each of these areas to examine the issues and recommend realistic and achievable solutions to the challenges.

The suggested solutions are wide in scope and coverage and are directed to a number of government agencies, as well as Parliament, the private sector, civil society organizations, forest communities, the ITF and the donor community.

Critical recommendations for the stabilizing and rebuilding of Myanmar's production forestry sector target five general outcomes:

- Implementation of a comprehensive national land-use plan and agreed national land-use map.
- Clarification and harmonization of forestry and land-use terms used throughout all legal and policy documents (regarding forest land and value-added products, for example).
- Strengthening forest governance, especially the accountability of actors and the transparency of forestry operations.
- Strengthening capacity for the efficient and transparent implementation of the FLEGT-VPA and a national forest certification system. Enhancing the forestry sector's competitiveness and sustainability.
- This will include reviewing the MSS and current extraction practices strengthening environmental and social safeguards, corporatizing the MTE, diversifying producers and traders and introducing advanced technologies for value-added production across all sawn and processed production ranges.

PRODUCTION

WHAT	WHY
Prepare and implement a comprehensive national land use plan and map	<p>There is weak harmony across various ministries and departments, including between the Forest Department and the Department of Mining.</p> <p>Having a shared map will help mitigate conflict but also facilitate synergies and adherence to safeguards across line departments and ministries</p>
Ensure the use of current and accurate data when defining the annual allowable cut (AAC)	The existing AAC was developed based on weak and outdated forest cover and quality data; it thus does not reflect the forest condition, and it is unknown what yield level would allow for the sustainable use and regeneration of Myanmar's production forests.
Resolve conflicting definitions of forest land and forest related land across legal instruments	<p>Conflicting definitions and interpretations of forest resource and forest use across ministries and departments, including the Forest Department and the Department of Mines creates confusion over management responsibilities and tenure.</p> <p>Differing definitions in laws, such as the Vacant, Fallow and Virgin Land Law, and their interpretation by departments and ministries enables unsustainable practices, including land grabbing.</p>
Strengthen environmental and social safeguards (including strengthening capacity for their implementation) related to forest land use	Production forests are lost or damaged while large infrastructure projects (such as hydropower plants) are constructed, with environmental and social impact assessment provisions are applied incorrectly or ignored by ministries and their departments.

HOW	WHO ³¹	WHEN ³²
<p>Mainstream the development of the One Map³³ initiative. This requires accurate and consistent data and includes the effective participation of stakeholders from community to national levels in the development of the map.</p>	<p>Forest Department (as the lead agency of One Map Myanmar); Land Core Group</p>	<p>Medium term</p>
<p>Conduct a systematic and comprehensive forest inventory every ten years, in accordance with current international best practices and local biophysical conditions.</p>	<p>Forest Department</p>	<p>Long term</p>
<p>Institute use of appropriate sampling methods to supplement the decadal inventories on an annual basis.</p>		
<p>Harmonize the definition of forest land across the Forest Law (1992), the Vacant, Fallow and Virgin Land Law (2012), the Land Use Policy (2016) and the Land Law (under development).</p>	<p>Forest Department; Settlement and Land Records Division (Ministry of Agriculture); General Administration (Ministry of Home Affairs)</p>	<p>Short term</p>
<p>Define what small mining means, and make the forest rehabilitation by small mining operations mandatory.</p>	<p>Environmental Conservation Department; Department of Mines;</p>	<p>Medium term</p>
<p>Ban open-pit mining inside forests by amending legal documents, such as the Mining Law (amended in 2015).</p>	<p>Forest Department; Department of Hydropower Planning (Ministry of Electricity and Energy)</p>	

PRODUCTION

WHAT	WHY
Strengthen environmental and social safeguards (including strengthening capacity for their implementation) related to forest land use	In the mining sector, a definition of a small mine is not clear (there is no provision for forest rehabilitation for small mines) and provision for forest rehabilitation for large mines is ambiguous (no specific standard for forest rehabilitation).
Increase the participation of forest communities (including smallholders) and the private sector in the management of production forests	<p>Forest lands are not managed to maximize their full ecosystem services potential.</p> <p>Community and private sector knowledge and skills in forestry production are not fully utilized.</p> <p>The forest handover process to communities is complex and difficult for communities to take part in.</p>
Ensure the sustainability of fuel wood for energy	<p>Due to lack of energy alternatives, there is a significant dependency on forests for fuel wood.</p> <p>Fuel wood collection is not sustainable and is degrading the productive capacity of forests.</p>

HOW	WHO ³¹	WHEN ³²
<p>Specify the standard or level of forest rehabilitation and align it with the legal and policy documents, followed by awareness raising and capacity building of local mining companies for the rehabilitation of mining sites.</p> <p>Require ministries to strictly follow environmental and social impact assessment guidelines to minimize damage to production forests during infrastructure projects.</p> <p>Focus on building small hydropower dams instead of large ones, which need large reservoirs.</p>	<p>Environmental Conservation Department; Department of Mines; Forest Department; Department of Hydropower Planning (Ministry of Electricity and Energy)</p>	<p>Medium term</p>
<p>Simplify the community forestry handover processes.</p> <p>Allow for production forest to be managed by communities.</p> <p>Incentivize forest establishment on degraded lands to make it a financially viable process (such as forest tenure reform in China, payment for forest ecosystem services in Viet Nam).</p>	<p>Forest Department; Myanmar Forest Products Merchants Federation</p>	<p>Medium term</p>
<p>Improve access to alternative energy sources, such as electricity, natural gas, solar and wind energy, for rural and remote communities.</p> <p>Promote fuelwood-efficient cookstoves and kilns for cottage industries (such as brick production and food industries).</p> <p>Promote the use of “inferior species” and logging residue for fuelwood.</p> <p>Amend departmental instructions that discourage private plantation development, and promote private plantations of fast-growing forest species.</p>	<p>Ministry of Energy and Electricity; Dry Zone Greening Department; Forest Department; Myanma Timber Enterprise</p>	<p>Medium term</p>

³³

See <https://monnews.org/2016/08/08/one-map-myanmar-project-launch-south-burma/>.

EXTRACTION

WHAT	WHY
Review the Myanmar selection system (MSS)	<p>There is doubt over the ability of the MSS to estimate a sustainable yield.</p> <p>The felling cycle is shorter than that prescribed by the MSS.</p> <p>There is weak adherence to the AAC as prescribed by the MSS.</p> <p>There is resource scarcity and capacity gaps in monitoring adherence to the AAC.</p>
Corporatize the MTE and strengthen its governance ³⁵	<p>The MTE is inefficient and has limited capacity in extraction.</p> <p>There is an imbalance between extraction targets and the number of staff.</p>
Review current extraction practices	<p>Harvesting practices are inefficient.</p> <p>Extraction by elephants in all forest types is unsuitable.</p> <p>There is excessive forest and environmental damage due to unplanned bulldozer extraction.</p>
Strengthen the extraction database system and maintain its transparency	Extraction is unsustainable, and there is no ability to monitor due to the lack of an accurate, systematic and transparent database.
Strengthen the mechanism for monitoring timber extraction levels	There is improper and unsustainable harvesting of forest resources due to a lack of strong and impartial monitoring and enforcement of appropriate penalties.

HOW	WHO	WHEN ³⁴
<p>Form an expert team to review the principles of the MSS and its ability to estimate optimum and sustained timber yields.</p> <p>Review the forest and other policies and government structures, including the MTE and its capacity to follow the MSS.</p>	<p>Forest Department; Myanma Timber Enterprise</p>	<p>Short term</p>
<p>Pass the Corporatization Law.</p> <p>Corporatize the MTE.</p> <p>Move responsibility of pension payment from the MTE to another government agency.</p> <p>Allocate resources as per requirement and capacity building as suggested by this review.</p>	<p>Parliament; Ministry of Natural Resources and Environmental Conservation</p>	<p>Medium term</p>
<p>Form a study team to assess the environmental impacts and costs due to the current harvesting and extraction methods.</p> <p>Revise the extraction procedures and invest in technology, processes and the capacity required for effective implementation of the improved system.</p>	<p>Myanmar Timber Enterprise</p>	<p>Long term</p>
<p>Establish an easily accessible online database system and make the timely publication of extraction data mandatory.</p> <p>Introduce penalties for refusal of companies to enter accurate and timely data.</p>	<p>Myanmar Timber Enterprise</p>	<p>Short term</p>
<p>Establish an accountable monitoring mechanism to oversee extraction methods and levels, with responsibility to periodically report levels to government and public agencies.</p>	<p>Forest Department</p>	<p>Short term</p>

PROCESSING

WHAT	WHY
Create a conducive business environment for the establishment and expansion of value-added wood processing enterprises across all levels of the supply chain	<p>Returns to the nation are not maximized through the export of unprocessed logs.</p> <p>Private sector investment is limited due to difficulties in establishing value-added factories, such as the unstable electricity supply.</p> <p>Private sector knowledge and investment in advanced wood processing technology is limited.</p> <p>The establishment of all facilities to convert roundwood logs into finished products is beyond the capacity of small and medium-sized investors.</p> <p>Establishing efficient processing plants is expensive.</p>
Introduce value addition technology for lesser used species (LUS)	LUS are not properly utilized and are competing with valuable species for space and nutrients in the forest.

HOW	WHO	WHEN ³⁶
Simplify the procedures to establish wood-processing factories.	Ministry of Natural Resources and Environmental Conservation;	Long term
Facilitate private sector access to investment opportunities and support.	Ministry of Industry; Myanmar Investment Commission	
Promote cost-effective technology to increase the value of processed wood products for export.		
Structure favorable tax regimes to incentivize private sector investment in wood processing.		
Stabilize the electricity supply to wood processing enterprises.		
Promote foreign direct investment in wood processing.		
Assess the market for the supply and demand for LUS.	Forest Department; Myanma Timber Enterprise; Myanmar Forest Products Merchants Federation;	Medium term
Initiate an industry-supported campaign to increase awareness on the potential for LUS in the timber market.	private sector	
Provide policy support for processing LUS.		
Introduce technology to effectively process LUS.		

TRADE

WHAT	WHY
Improve access to market information on logs and value-added products	<p>There is need for increased transparency and accountability in the log and timber products market.</p> <p>There is little competition in the log and timber products market due to limited price and trade data.</p>
Simplify and harmonize the definition of value-added forest products	<p>Ambiguous and differing definitions of timber and wood products have been used to circumvent the log export ban.</p> <p>There is difficulty in monitoring trade due to confusion over definitions and standards.</p>
Promote LUS	LUS are underutilized due to insufficient knowledge and acceptance in the market.
Diversify trading partners	The trade of forest products is not competitive and is not well developed.
Strengthen accountability of border checkpoints to better monitor and regulate the legal flow of forest products	Transboundary regulation of timber is weak, which allows the illegal sale of logs and timber products to go unreported and offenders to be excused.

HOW	WHO	WHEN ³⁷
<p>Collect and widely publish forest product supply, demand and pricing information in both the domestic and export markets.</p> <p>Encourage smallholders and the private sector to accurately report volumes and pricing.</p>	<p>Myanma Timber Enterprise; Myanmar Forest Products Merchants Federation</p>	<p>Short term</p>
<p>Form an expert team to review current definitions of timber and wood products and, using international best practice, recommend revised definitions.</p>	<p>Forest Department; Myanmar Timber Enterprise; Myanmar Forest Products Merchants Federation</p>	<p>Short term</p>
<p>Assess the market for different products and uses of LUS.</p> <p>Provide policy support to encourage the trade and processing of LUS.</p>	<p>Myanmar Timber Enterprise; Myanmar Forest Products Merchants Federation; Myanmar Trade Development Committee; private sector</p>	<p>Medium term</p>
<p>Encourage and promote communities and the private sector to expand their trade in forest products by raising awareness and building their capacity.</p> <p>Examine the current log and processed wood trade to identify areas for diversification with current trading partners and new trading partners.</p>	<p>Ministry of Natural Resources and Environmental Conservation; Ministry of Commerce</p>	<p>Medium term</p>
<p>Establish a strong online database system to track the transportation of timber and timber products.</p> <p>Periodically publish detailed reports on domestic consumption and the export of logs and wood products.</p>	<p>Ministry of Border Affairs; Ministry of Home Affairs; Ministry of Commerce; Customs Department (Ministry of Planning and Finance)</p>	<p>Short term</p>

³⁷ Short term is considered up to 1 year; medium term up to 5 years and longer term is more than 5 years

TRADE

WHAT	WHY
Strengthen accountability of border checkpoints to better monitor and regulate the legal flow of forest products	Transboundary regulation of timber is weak, which allows the illegal sale of logs and timber products to go unreported and offenders to be excused.
Build the capacity of and support a multi-stakeholder process to establish and implement the Forest Law Enforcement, Governance and Trade Action Plan's Voluntary Partnership Agreement (FLEGT-VPA)	<p>There is limited understanding among key stakeholders on the need and process of the FLEGT-VPA initiative.</p> <p>There is limited capacity to facilitate effective multi-stakeholder processes and limited capacity and enthusiasm of key stakeholders to actively engaged in them.</p>
Increase awareness of the process and potential of forest certification	<p>Awareness of forest certification and sustainable forest management is poor, contributing to continued degradation of forest resources.</p> <p>Myanmar is potentially excluded from high-value markets and the production of high-value products.</p>

HOW	WHO	WHEN ³⁷
Build the capacity of responsible authorities to penalize offenders and those inaccurately reporting log and timber product movement and sales.	Ministry of Border Affairs; Ministry of Home Affairs; Ministry of Commerce; Customs Department (Ministry of Planning and Finance)	Short term
Raise awareness on the national benefits that the FLEGT-VPA initiative and forest certification may bring to Myanmar.	Forest Department, FLEGT Interim Task Force; donor community	Medium term
Strengthen the forest production and timber trade sectors.		
Strengthen the capacity of stakeholders in sustainable forest management and the Myanmar Timber Legality Assurance System.		
Sign the VPA with the European Union.		
Increase awareness among stakeholders of the importance of market-led initiatives for sustainable forest management and the opportunities that forest certification may bring.	Myanmar Forest Certification Committee; international organizations; civil society organizations	Medium term
Strengthen the capacity of government agencies, local communities and private sector actors to participate in and benefit from forest certification.		

³⁷

Short term is considered up to 1 year; medium term up to 5 years and longer term is more than 5 years

8.3 Conclusions

The forestry sector is at a crossroads. The country's forests have been stripped bare after decades of unsustainable and illegal harvesting. The 2014 ban on log exports has not stopped the illegal cross-border trade with neighboring countries, outcomes of the 2016/17 national logging ban are not yet known, the unsustainable collection of fuelwood looks certain to remain, the development of community forestry faces significant challenges, and there are contradictions within the regulatory framework governing forest and land management that confuses agency responsibilities and stifles investment. Conversion of forests for agricultural development, some with dubious long-term agricultural benefits, represents the biggest threat to the 1995 Forest Policy target of bringing 40 percent of Myanmar's forests under the permanent forest estate. The opening of the economy and increased international investment in mining and hydropower will likely drive further infrastructure expansion across the permanent forest estate.

There are positive trends. The newly elected National League for Democracy is committed to reform and is opening space for dialogue and discussion on issues previously suppressed, such as corruption and mismanagement across the forestry sector. Private investment into the sector seems to be increasing, with a drive to increase production in processed and value-added timber products. The 2016 revision to the Community Forestry Instruction provides for the economic empowerment of user groups. And, importantly, multi-stakeholder processes associated with the FLEGT-VPA process, the Extractive Industries Transparency Initiative and REDD+ are bringing together stakeholders previously not engaged.

The authors and informal advisory group think Myanmar's forests still hold immense potential in terms of economic development, environmental and biodiversity protection and poverty alleviation.

LEGAL AND POLICY FRAMEWORK

The policy and regulatory framework governing the management of Myanmar's forests is considered largely appropriate, with potential to be strengthened considerably through better process and oversight. The challenge is in its complete and accountable application. Chapter 6 details these challenges, including the ambiguity of definitions, targets and measures in key areas. Much of the regulatory framework emanates from a top-down, authoritarian approach to policy development that lacked consultation and was directed toward revenue generation. This is now slowly changing, as the value of consultation is better understood, a wider range of benefits from the forest are better valued (or at least acknowledged) and the rights and traditional knowledge of indigenous people and local communities are recognized.

Nonetheless, work is required, particularly on the integration of forest policies and planning efforts with other sector plans and national development programs, including the National Export Strategy. Without this, the current lack of integration and collaboration will continue to hamper efforts to address the critical drivers of forest degradation and deforestation outside the forestry sector.

SOCIAL AND ENVIRONMENTAL GOVERNANCE

The civil conflict has undoubtedly increased opportunities for the illegal extraction and the sale of logs and prevented the creation and implementation of a truly national system for managing Myanmar's forests. There is, however, optimism that the developing peace process will allow previously inaccessible forest areas to be included in a national system, thereby allowing forest benefits to be more equitably, fairly and legally distributed for all citizens.

Environmental governance challenges are increasing with the rapid and unsustainable development of the mining and energy sectors and the rapid expansion of agribusiness operations. Environmental and social impact assessments are, at best, rudimentary, with the more unscrupulous operators ignoring the legal, environmental and social safeguards. Yet, progress is still being made with newly developed laws, such as the Environmental Conservation Law (2012) and the Mines Law (2015), both of which strengthen the legal application of the environmental and social safeguards for new developments. It is hoped that with the new openness and increased international accountability, implementation and accountability will begin to match the intent of these laws.

INSTITUTIONAL AND ORGANIZATIONAL CHALLENGES

The informal advisory group and the authors acknowledge that the MTE, as a government agency with monopolistic rights over timber extraction and sale, is not structured to adapt to the evolving market dynamics, meet domestic timber needs and pursue a value-added export business. The often-conflicting regulatory environment and intense political pressure that the MTE operates under is detailed in this report, but the informal advisory group recommends that the MTE be corporatized to increase its efficiency, accountability and transparency.

A further challenge for all stakeholders is the lack of coherent, consistent, accurate and up-to-date data on forest and land use, tenure, forest inventory, timber extraction, sales and revenue generation. This is a national issue and vitally important to accurately track, analyze and predict trends across the forestry sector.

INVESTMENT

The challenges have impacted on the development and investment in value-added forest products and industries. The ongoing illegal sale of timber, an opaque and confused regulatory environment, the unpredictable supply of raw materials, poor infrastructure, limited technology and limited finance are all constraining investment.

Yet, even here, there are signs that private sector investment is increasing. Chapter 4 presents data to suggest private sector investment has increased production and revenue levels since the introduction of the 2014 log export ban. Several important recommendations are made in this section to increase the confidence for sustained investment in the forestry sector.

INTERNATIONAL PROCESSES

The informal advisory group and authors acknowledge that Myanmar is moving toward an internationally recognized level of sustainable forest management, albeit slowly. The challenges detailed in this paper are recognized. But the ongoing political reform process and resulting policy changes favor the move toward harmonizing the legal framework and forest practices in Myanmar required for implementation of the FLEGT-VPA, REDD+ and forest certification. It is also acknowledged that it will be a time-consuming process to build awareness, capacity and trust. This, in turn, will require patience, commitment and a level of empathy by external stakeholders supporting the process. Strengthening capacity, building trust and facilitating support will be the keys to ensure that the ongoing process of reform moves in the right direction.

THE PROMISE OF A PARTICIPATORY APPROACH

Myanmar's production forests are depleted, and efforts must now turn to protecting the country's remaining intact forests, restoring the degraded forests and rebuilding a sustainable, equitable and profitable forestry sector. For this to occur, consensus must emerge over the role and value of the country's forests and how to rebuild. Because of the complexity surrounding this issue, a consultative process taking into account the views of multiple stakeholders is considered the only sensible way to approach this task. For this multi-stakeholder approach, several recommendations are detailed in this chapter. Some will undoubtedly require further attention to refine and strengthen, but it is important to start building through an open and consultative process.

Further work will be needed to better define what a reformed forestry sector looks like in 5, 10 or 50 years' time. Given the multiple pressures and demands from outside the forestry sector, a broader set of stakeholders must be included in this dialogue and in crafting a collective vision for the production forestry sector.

The multi-stakeholder processes initiated by the FLEGT-VPA process has provided a unique platform to bring together forestry stakeholders. But MONREC and the Forest Department will need to show further leadership to use the outcomes and lessons learned from that process to expand a similar multi-stakeholder process that includes other dominate sectors (such as agriculture, energy, mining, infrastructure and finance).

Myanmar is confronting many challenges at a time when the pace and scale of reform across the country is rapid and all encompassing. Consequently, the window of opportunity to put in place the policies and practices needed to rebuild the production forestry sector is narrow. Seizing this opportunity will require the dedicated allocation of substantial resources and time to overcome the challenges resulting from decades of military rule and perverse incentives. There is sufficient optimism and evidence of openness to change to suggest that a new development trajectory for Myanmar's forests is still possible—one that empowers and provides a range of economic, social and ecological benefits for the country and its people.

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ANNEX A: STUDY TERMS OF REFERENCE

TNC-RECOFTC Joint Program of Work in Myanmar

Oct 2014 – June 2015

Objectives

Myanmar Stakeholders involved in Myanmar's reform processes and the hosting of ASEAN 2014 are supported to gain a broader understanding about key production forestry and trade issues in the ASEAN region and jointly develop an agenda for change within Myanmar.

Present Context

The issues confronting the forest sector in Myanmar are not dissimilar from those that other countries in SE Asia have confronted over the past several decades. The challenge is that Myanmar is confronting them at a time in which the pace and scale of external investment is increasing and the in-country capacity to facilitate appropriate development is relatively low. The window of opportunity for Myanmar to put in place the right types of policies and practices is rather narrow.

The Responsible Asia Forestry & Trade (RAFT) partnership's experience and approach is particularly relevant to helping Myanmar begin to bridge the gap between the expectations of global markets and the current situation in regard to the systems and capacity for timber legality assurance and sustainable forest management. The immediate challenge is to work with other donors and NGOs to support the nascent reform agenda, as well as to identify and implement targeted opportunities to demonstrate how the reforms can be implemented in concrete ways on the ground.

Strategies

Build on Past Work.

TNC and RECOFTC have been working together to support the capacity development of a small group of forestry stakeholders from government, civil society and the private sector by involving them in activities conducted at the regional level. This has included a Regional Study Tour to gain exposure to the experiences of other forestry sectors and the steps they are taking to improve their policies and practices related to forestry and trade. It is important that we maintain continuity with this work by keeping the study tour participants engaged in our continued work on this topic.

Begin with Production Forestry.

While our longer-term interest in supporting Myanmar to manage all types of forest to maximize their benefits to society as a whole for generations to come, production forestry is one part of that in which we are able to offer unique expertise through the RAFT partnership. This is also an area of immediate economic relevance to Myanmar as one of the region's most forest-rich countries that is now able to trade with high value markets where its prized teak wood is in high demand.

Complement the FLEGT Process.

Myanmar is preparing for Voluntary Partnership Agreement (VPA) negotiations with the European Union (EU). VPA processes involved extensive stakeholder engagement carried out over several years, leading up to a timber legality definition endorsed by all stakeholders and the parties to the negotiations. The mechanisms used and capacity developed throughout such a process can provide a model and foundation for undertaking similar processes incorporating issues beyond legality – such as broader forest policy reform. For now, it is clear that the VPA process is the initiative with most political will and financial investment behind. As a result, it is important that any work we do on this topic contributes to and does not detract from or duplicate what is already happening under the VPA process.

Foster National Ownership.

The work that we undertake and support will not have a lasting impact on the future of Myanmar's forestry sector unless it is understood and supported by local and national stakeholders and is in line with their priorities. For this reason, measures to support such stakeholders to participate and play a leadership role in the activities we are involved in, and align our work with relevant national initiatives and policy processes will be built into everything we do.

Activities

1. *Identify a small group of production forestry stakeholders who will advise on the design and implementation of activities.*

The participants in the Regional Study Tour mentioned above, and some additional stakeholders engaged in the major reform efforts that will be reviewed and analyzed as part of Activity 2 below will be invited to provide regular advice and inputs to the design and implementation of this program of work. This will be done on a very informal basis.

2. *Undertake inventory and analysis of current cross-sector reform processes in Myanmar that impact legal and / sustainable production and trade in forest products.*

This study will review and analyze a selection of reforms and reform processes relevant to production forestry in order to determine implications for Myanmar's production forestry sector. This will include highlighting reforms that are working and why, and identifying obstacles to others that have had less success. This work will be designed in consultation with individuals involved in the FLEGT process to ensure complementarity and avoid duplication.

3. *Convene multi-stakeholder workshop to discuss findings from inventory and analysis and identify recommendations to address blockages to production forest sector reform.*

This event will provide an opportunity to disseminate key findings from the inventory and analysis, but also to discuss how those findings can be applied to overcome some of the obstacles identified and improve the effectiveness of well-intentioned reforms, drawing on similar experiences in other places. This workshop will be designed in consultation with individuals involved in the FLEGT process and could form part of a joint program of work under the VPA preparation phase, as the outcomes and possible solutions discussed will likely be of relevance for the success of the FLEGT process.

ANNEXB: INFORMAL ADVISORY GROUP TERMS OF REFERENCE AND MEMBERSHIP

Terms of reference

RECOFTC-The Center for People and Forests, an international non-profit organization, signed a five-year MOU with the Forest Department under the Ministry of Environmental Conservation and Forestry (now the Ministry of Natural Resources and Environmental Conservation, or MONREC) in January 2013. Since the MOU was ratified, RECOFTC has been supporting capacity building for community forestry and other activities in the forestry sector.

The Myanmar Country Program of RECOFTC and The Nature Conservancy (TNC), in collaboration with the Forest Department under MONREC, want to conduct policy research to support forestry sector reform, with a focus on legal timber production and trade. In this context, it is planned to establish an advisory group to smoothly run this policy research.

The advisory group will be requested to complete the following tasks:

- Provide comment and recommendations on the draft methods for data collection and analysis to be used by this study on current cross-sector forestry reforms, in particular on the issue of legal.
- Share ideas for developing a work plan on designing and organizing multi-stakeholder workshops.
- Support and arrange meetings with other relevant line agencies whose work is affecting or affected by forestry sector reform to facilitate the study and the work of TNC and RECOFTC.
- Provide technical guidance to the consultants and RECOFTC and TNC staff on the organization of workshops, including facilitating necessary permissions and invitations.
- Provide advice to the consultants and RECOFTC staff in arranging multi-stakeholder workshops to review key findings and develop a framework or guidelines for forestry sector reform.
- Provide suggestions, comments and steer the development of the final framework or guidelines based on key workshop findings.

MEMBERS

Name	Position	Organization	Sector	Contact email
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ANNEX C: RESULTS OF KEY INFORMANT INTERVIEWS DURING THE FLEGT-VPA PROCESS

Issue 1: Understanding legal logging and FLEGT-VPA

QUESTIONS	YES	NO OR NOT AGREE	DON'T KNOW
Did you know about floods that recently occurred in some parts of the country?	48 (100%)		
Do you know that the causes of this flood situation and climate change are due to deforestation and forest degradation?	47 (97.9%)	1 (2.1%)	
Do you know deforestation and illegal logging are linked?	46 (95.8%)	2 (4.2%)	
Where do you get your raw materials?	MTE=37 (77.1%)	11 (22.9%)	
If you buy raw materials from MTE, do you think it is legal?	35 (72.9%)		12 (25%)
If you buy raw materials from other sources (not from MTE), do you think it is illegal?	31 (64.6%)	13 (27.1%)	4 (8.3%)
If you get required raw materials for MTE, will you buy raw materials from other illegal sources?	Willing to buy=1 (2.1%) Less price=6 (12.5%)	41 (85.4%)	
Illegal Logging business is due to the demand in market?	39 (81.3%)		
Illegal Logging business is due to the supply side market?	9 (18.8%)		
Which is causing more forest destruction—cross-border illegal logging or in-country illegal logging?	B = 40(83.3%) IN = 1(2.1%)		7 (14.6%)
Do you know about the legal forestry products trading system between Myanmar and the European Union, which is called FLEGT-VPA?	22 (45.83%)		25 (52.1%)
If you were to receive information on FLEGT, would you be interested in FLEGT?	42 (87.5%)		6 (12.5%)

Source: Myanmar Forest Products Merchants Federation, Private Sector Need Project, A brief survey, September 2015.

Issue 2: Stakeholders' (wood-based factories, furniture businesses) understanding and interpretation of the FLEGT-VPA

QUESTIONS	NUMBER (PERCENTAGE)
Stakeholders who said that the certificate for legality of forest products (for export) issued by the Forest Department is a valid document.	20 (90%)
Stakeholders who think that raw materials bought from the MTE are legal timber to meet the requirement of the EU FLEGT-VPA process.	15 (86.2%)
Stakeholders who consider that the raw materials they are buying from government sources are legal.	12 (54.5%)
Stakeholders who understand the EU-Myanmar FLEGT-VPA process.	5 (22.7%)
Stakeholders who think that if the EU FLEGT-VPA is done the border illegal logging will totally disappear.	5 (22.7%)
Stakeholders who think that if the EU FLEGT-VPA is done, the border illegal logging will be reduced.	14 (63.6%)

Source: Myanmar Forest Products Merchants Federation, Private Sector Need Project, A brief survey, September 2015.



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