Supporting Community Forestry Enterprises (CFEs) with the ASEAN Strategic Action Plan (SAP) for Small and Medium Enterprises (SMEs)

Prepared by the ASEAN Social Forestry Network (ASFN) in collaboration with the Non-Timber Forest Products – Exchange Programme (NTFP-EP) Asia
Indigofera tinctoria (Mindorensis) seedlings (or “Tagum” in Mangyan Hanunuo language) gathered from their Indigo Garden in Panaytayan, Mindoro, Philippines

Photo by Rex dela Pena (NTFP-EP Philippines)
POLICY PAPER

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### List of Acronyms and Abbreviations

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>AEC</td>
<td>ASEAN Economic Community</td>
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<tr>
<td>AMAF</td>
<td>ASEAN Ministerial Meeting on Agriculture and Forestry</td>
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<td>ASEAN</td>
<td>Association of South East Asian Nations</td>
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<td>ASFCC</td>
<td>ASEAN-Swiss Partnership on Social Forestry and Climate Change</td>
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<td>ASFN</td>
<td>ASEAN Social Forestry Network</td>
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<td>ASOF</td>
<td>ASEAN Senior Officials on Forestry</td>
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<td>AWG</td>
<td>ASEAN Working Group</td>
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<td>CF</td>
<td>Community Forestry</td>
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<td>CFEs</td>
<td>Community Forestry Enterprises</td>
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<td>CIFOR</td>
<td>Center for International Forestry Research</td>
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<td>CSO</td>
<td>Civil Society Organizations</td>
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<td>EXCEED</td>
<td>Expanding Community Enterprise and Economic Development</td>
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<tr>
<td>IIED</td>
<td>International Institute for Environment and Development</td>
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<tr>
<td>IPR</td>
<td>Intellectual Property Rights</td>
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<tr>
<td>JMHS</td>
<td>Sumbawa Forest Honey Network</td>
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<td>NTFPs</td>
<td>Non-Timber Forest Products</td>
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<tr>
<td>NTFP-EP Asia</td>
<td>Non-Timber Forests Products – Exchange Programme Asia</td>
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<tr>
<td>RECOFTC</td>
<td>The Center for People and Forests</td>
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<td>SAP</td>
<td>Strategic Action Plan</td>
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<td>SDGs</td>
<td>Sustainable Development Goals</td>
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<td>SMEs</td>
<td>Small and medium-sized enterprises</td>
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<td>SMED</td>
<td>Small and medium-sized enterprise development</td>
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<td>SF</td>
<td>Social Forestry</td>
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Forests and Livelihoods

The World Bank reported that an estimated 90 percent of the poorest people rely on forests for subsistence and income. To date, forests are inhabited by approximately 1.3 billion rights holders (Mcqueen, 2008) of which 450 million people are living in the Asia-Pacific (ADB, 2003) and an estimated 300 million people in the ASEAN region depend, directly or indirectly on the various benefits derived from its forests. These people and their communities can contribute to sustainable growth in the region if empowered through supportive policies and programs particularly on community economy, and assisted in developing sustainable forest and non-forest based livelihoods.

Community Forestry Enterprise

Findings from a global study led by the Center for International Forestry Research (CIFOR) on the relationship between livelihoods and environment based on sample surveys of 8,300 households in 24 developing countries, revealed that income from natural forests and other natural areas accounted for 28 percent of total household income, nearly as much as crops (Wunder, et. al, 2014).

Similar studies have also underscored how community forest enterprises (CFEs) can add value to local forest economies and help to reduce poverty (Molnar et al. 2007), which in turn encourages local people to invest time and money in their forests and in a range of other assets. A Community Forestry Enterprise is defined as an “entity that undertakes commercial business based on forests or trees. It is overseen by a credible representative body. The enterprise can claim legitimacy within a self-defining community in terms of people and area, and it generates and redistributes profits within that community” (adopted from Macqueen, 2008).  

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1 Excerpted from the Minutes of the Special ASEAN Ministerial Meeting on Forestry, 2012.
2 CFEs are based on the concept of community forestry (CF). There are various definitions of CF but it is generally considered “an approach to forest management that actively promotes the rights of the people living in and around the forest to both participate in forest management decisions and to benefit (financially and in kind) from the results of the management” (Carter, 2010). Other definitions can be found in RECOFTC, 2014.
Non-timber Forest Products (NTFPs) have been shown to contribute to a large part of forest peoples’ incomes and livelihoods (Van Paddenburg et al, 2012). It accounts for an estimated 25% of the income of close to one billion people (Monlar et al. 2004 as cited in Guerrero et al., 2015) and form the base of community forestry enterprises in the ASEAN region. Box 1 expresses the definition of NTFPs.

Stories from the Ground: Success and Gains of CFEs

Several cases, studies and researches have already proven the feasibility of CFEs and that locally controlled forest business organizations can be made to work at scale (Macqueen, D. Bolin, A. and Greijmans, M. eds., 2015) and provide economic, social and environmental benefits and contribution, if provided enough support and an enabling policy environment (Hoare and Glover, 2016). See examples in Box 2.

Box 1

**NTFPs defined**

Non timber forest products are all biological products other than timber extracted from forests for human use (de Beer and McDermott, 1989). NTFPs include fruits and nuts, vegetables, fish and game, forest honey, medicinal plants, resins, essences and a range of barks and fibers such as bamboo, rattans, and a host of other palms and grasses, among other species. Well known NTFPs in ASEAN are *thanaka* bark in Myanmar used for facial treatment, various species of *rattan* in Indonesia that supplies 60-80% of all the rattan in the world, and *resins and balsams* from Dipterocarp species in Vietnam and Cambodia used in boat caulking and perfumes. zvv

Box 2

**Examples of successful community forestry –based enterprises in ASEAN**

The local people in Quan Tri Province central of Vietnam have a multi-level, mutual partnership with the Ben Hai Forestry Company in pioneering a tree planting project where community investment was either in capital, land or labor. Benefit sharing agreements were arranged with the company. The partnership was successful as Ben Hai received the first Forest Stewardship Council (FSC) certificate awarded in Vietnam, and has helped in expanding local and indigenous people’s participation to up to 500 households, covering a total area of 800 hectares.3

Another example is with the Sumbawa Forest Honey Network (JMHS) comprised of over 400 persons within 12 honey groups and 2 forestry cooperatives covering an area of 25,000 has. JMHS consolidates and trades forest honey and also ensures sustainable harvest and hygienic processing. Through a Jakarta-based social enterprise, JMHS has partnered with multi-level marketing giant, AMWAY, to distribute forest honey across Indonesia. JMHS produces about 15 tons of honey a year; a portion of which is sold to AMWAY. JMHS was successful in securing the Geographic Indications recognition for Sumbawa honey.

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3 “The Government of Vietnam has restructured the forestry sector plan (2014-2020) with vision 2025, among others through incentive policies to SMEs, including wood products processing companies, in co-management with households forests (Nam, 2015).”
Various Initiatives in supporting CFEs and SMEs within ASEAN

ASEAN has been supporting such CFE initiatives through the ASEAN Social Forestry Network (ASFN). ASFN is a government-initiated network focusing on participatory approaches to forest policy and management, referred to as social forestry, in Southeast Asia. Its goal is to strengthen ASEAN Cooperation in Social Forestry through the sharing of information and knowledge. ASFN enables the linkage of government forestry policy-makers directly with civil society, research organizations, academia, private sector and experts of related fields – all who share a vision of seeing social forestry grow in ASEAN Member States.

ASFN, through various actions, has supported the policy development, capacity building and market promotion of products emanating from Community Forestry Enterprises (CFEs). In line with regional policy dialogues, NTFP policy reform is being conducted in the Philippines to consider the diverse nature of various species and to streamline procedures. The Forestry Administration of the Ministry of Agriculture, Forestry and Fisheries of Cambodia has also provided fee exemptions for wild honey enterprises, and strengthened NTFP associations while planning to conduct action research on community forestry small medium enterprises (Ratanakoma, 2015). Similarly in Myanmar, SMEs based on NTFPs have no additional restrictions to trade surplus (Oo, 2015) and Thailand has supported SMEs through economic community forestry and creative forest revenue projects to assist forest dependent communities in degraded areas (Dumrongthai, 2015). In Indonesia, NTFP centers are being established and cooperatives at various levels are being supported (Indrawan, 2016) while the Ministry of Forestry and Environment is also targeting support for 5,000 social forestry enterprise and partnership groups by the year 2020 (Rahmansyah, 2015). Participatory certification is being promoted and tested, and capacity building on community forestry enterprises is also being implemented at an ASEAN wide scale.

ASFN has also made recommendations on community forestry based –small and medium enterprises (SMEs) during the last annual meeting in June 2015 and these have been raised to and endorsed by the ASEAN Senior Officials on Forestry (ASOF) Meeting in August 2015. Review the said recommendations in Box 3.

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4 SMEs or Small and Medium-sized Enterprises pertains to businesses with limited workers, assets and revenues. They are defined differently based on each ASEAN country. Due to the significant role of micro-enterprises in the ASEAN economies, the Strategic Plan on SME Development 2016-2025 (SAP SMED 2016-2025) incorporates initiatives related to microenterprises. They are then referred to as MSMEs. Definitions of MSMEs are found in the SAP SMED 2016-2025 http://www.miti.gov.my/miti/resources/ASEAN_Strategic_Action_Plan_for_SME_Development_2016-2025.pdf
5 ASFN has supported regional NTFP forums including “Resins on the Rise: Maximizing Opportunities and Benefits in the Advent of the AEC,” October 2015, Manila, Philippines, among other policy dialogues.
6 Participatory Guarantee System for rattan is being tested in Kalimantan and Sulawesi in Indonesia involving various public and private stakeholders.
7 ASFN in partnership with NTFP-EP has supported trainings for small business managers, forestry extension workers, and the like in enterprise trainings through the Expanding Community Enterprise and Economic Development (EXCEED) program.
Opportunities for community forestry based SMEs within the ASEAN Economic Community (AEC)

In 2015, ASEAN launched the ASEAN Economic Community (AEC) which adheres to the principle of equitable economic development. CFEs have the potential to be drivers of such equitable economic development, particularly in the rural areas and in working to narrow the economic gap between ASEAN Countries. ASEAN has recently developed the ASEAN Food, Agriculture and Forestry (FAF) Vision and Strategic Plan for 2016-2025 which strongly prioritizes support to small producers and SMEs in the food, agriculture and forestry sector. ASEAN has also prepared a strategic plan on SMEs to realize its promise of equitable economic development in the region. The ASEAN Strategic Action Plan for SME Development (2016-2025) or SAP SMED 2025 was launched in the 4th Quarter of 2015 with a vision of “Globally Competitive and Innovative SMEs”. The SAP recognizes that to achieve SMEs that are globally competitive, innovative, inclusive and resilient, a two-step process is needed in securing integration and targeting global expansion. Accordingly, two action pathways, i.e., enhancing competitiveness and ensuring advancement of more traditional economies, are also planned. There is still room to integrate support to CFEs and benefit from their contribution within ASEAN’s overall plans for the SME sector.

A review of the SAP SMED vis-à-vis CFEs

A review of the strategic goals and desired outcomes of the SAP SMED (Box 4), allows the identification of areas where ASEAN may offer support for Community Forestry-based SMEs:

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1. Though promoting productivity, technology and innovation is targeted mostly to economically advanced countries in ASEAN, it is also important to have action points for other developing nations in the region for a wide array of industries relevant to community forestry enterprises. Community forestry industry clusters (rattan, forest honey, crafts, resins, palm products, essential oils, creative and cultural economies etc) should also be supported and incentives for the same facilitated in parallel with other industries. Facilitating innovation is not only critical in technology-driven economies; it is also important in creative economies. This is where ASEAN is uniquely positioned and where there is reduced competition from other countries because of low substitutability of products.

2. Under financial literacy and connectivity, what can be strengthened and highlighted in the SAP in support of rural and forestry enterprise is support for credit unions and microfinance to stimulate local rural economies. Examples of this are replete in West Kalimantan, Indonesia for instance 11. Increasing guarantee mechanisms, insurance mechanisms as well as providing financial incentives for linkages to agro-forest and forestry industries in rural areas is important to stimulate transactions and long term investments.

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<thead>
<tr>
<th>STRATEGIC GOALS</th>
<th>DESIRED OUTCOMES</th>
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<tbody>
<tr>
<td>A. Promote productivity, Technology and Innovation</td>
<td>A-1 Productivity will be enhanced</td>
</tr>
<tr>
<td></td>
<td>A-2 Industry clusters will be enhanced</td>
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<tr>
<td></td>
<td>A-3 Innovation will be promoted as a key competitive advantage</td>
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<tr>
<td>B. Increase Access to Finance</td>
<td>B-1 Institutional framework for access to finance will be developed and enhanced</td>
</tr>
<tr>
<td></td>
<td>B-2 Financial inclusion and literacy will be promoted, and the ability of MSMEs to engage in the financial system will be enhanced</td>
</tr>
<tr>
<td>C. Enhance Market Access and Internationalization</td>
<td>C-1 Support schemes for market access and integration into the Global Supply Chain will be further developed</td>
</tr>
<tr>
<td></td>
<td>C-2 Export capacity will be promoted</td>
</tr>
<tr>
<td>D. Enhance Policy and Regulatory Environment</td>
<td>D-1 Inter and Intra-governmental cooperation in terms of policy and regulation will be enhanced</td>
</tr>
<tr>
<td></td>
<td>D-2 MSMEs’ interests will be promoted and involvement in the decision-making processes will be enhanced</td>
</tr>
<tr>
<td></td>
<td>D-3 Obtaining of permits and business registration will be streamlined</td>
</tr>
<tr>
<td>E. Promote Entrepreneurship &amp; Human Capital Development</td>
<td>E-1 Entrepreneurial education and learning programmes will be instituted</td>
</tr>
<tr>
<td></td>
<td>E-2 Human capital development for MSMEs will be enhanced especially for women and youth</td>
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</tbody>
</table>

Source: SAP SMED 2016-2025

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3. **Linking SMEs to the global market is important but it is also vital to recognize that markets are not only found but also created and enhanced.** Promoting green and fair products and markets across ASEAN makes ASEAN a more responsible region. ASEAN recognizes formal certification mechanisms. However, there is crucial need for official recognition of **alternative certification systems** that are less costly and likely more empowering. It is also important to have a **program that promotes ASEAN SME (local) products** as a whole to generate support for ASEAN products and not just country-based promotions and endeavours.

4. **The policy environment for CFEs often hampers growth.** Greijmans et al. (2014) pointed out in their RECOFTC study that CFEs are limited by several factors such as lack of public sector support and trust in sustainable forest management by communities and a regulatory framework favoring private sector and state forest enterprises. **Inequitable tenure and resource access issues inhibit equitable benefit sharing, and lack of investments in CFEs in addition to unclear business policies result in high transaction costs** (Pinto, 2015).

5. **Often entrepreneurship programs cater to the urban context.** There is need for entrepreneurship programs that **can fit the context of different ASEAN Countries with large rural areas and indigenous populations.** Priority should be given to CFEs which have been provided tenure, have recognized governance mechanisms and capacity. Such CFEs likely have greater incentive towards conservation and sustainable business. Enterprise programs should cater to rural and indigenous enterprises which build on the unique selling point of local areas and forest diversity. An example of the same is in Box 5.

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**Box 5**

**The Pamulaan Center: an Example of Appropriate Entrepreneurship Training**

The Pamulaan Center for Indigenous Peoples Education is an educational institution based in Davao, Philippines dedicated to indigenous peoples (IP). The first of its kind in the country, its main thrust is to create culturally appropriate and relevant pathways of training and formation for the indigenous youth and community leaders. The Center produces graduates equipped with knowledge and abilities to initiate collaborative actions towards sustainable development of IP communities. The center includes a four-year bachelor’s degree in Social Entrepreneurship program with the University of Southeastern Philippines. Graduates of the Center now run the very successful “advo-café” featuring sustainable, community made products in at least 5 branches all across the country reaching sales close to USD200,000/year.

*Source: personal communication with Pamulaan Director, Benjamin Abadiano, 2016*
RECOMMENDATIONS

In line with the 5 strategic goals of SAP SMED 2016-2025 the following actions are recommended to enable and support CFEs in the region:

For Strategic Goal 1: Promote Productivity, Technology, and Innovation

- Promote industry clusters that are important for green and fair traded products from the forestry sector.
- Install and implement incentives for appropriate technology and innovation in creative, green, community forestry industries earlier than 2021 which is the planned programming in the SAP to include more traditional economies and not only advanced ones.
- Provide support for research and development needed for innovation in community forestry relevant industries.

For Strategic Goal 2: Increase Access to Finance

- Further explore and develop low interest financing and favorable loan arrangements to CFEs, including tax breaks, and risk sharing modalities, among others
- Support credit unions and matching incentives for cluster industry development
- Encourage and provide incentives for private sector / larger industries to engage with community-forestry based SMEs as part of their commitment for corporate responsibility
- Provide crop and forest product insurance especially for CFE products vulnerable to climate change and disaster risk.
- Provide clear financial incentives to encourage the spread and uptake of green industries.
For Strategic Goal 3: Enhance Market Access and Internationalization

- Provide policy, technical and market development support for creative economy, community forestry industries and traditional occupations
- Support alternative certification and capacity building to comply with product and market standards
- Support the campaign for CFEs that manage and run biodiversity friendly enterprises, such as agro-forestry and NTFP products.
- Update and exchange data and information on SMEs development potential from the forestry sector.

For Strategic Goal 4: Enhance Policy and Regulatory Environment

- Facilitate the easy entry of CFEs and their market engagement by including them in support for “one stop” service centers\(^{12}\) intended for all SMEs.
- Support sustained policy research related to CFEs and NTFPs that feeds into policies to improve and upscale community forestry enterprise.
- Accelerate the granting of community tenure systems to support long term local investment in CFEs
- Streamline policies so the added regional structure does not hamper trade

For Strategic Goal 5: Promote Entrepreneurship & Human Capital Development

- Support entrepreneurship for rural, forest based products, integrating cultural and sustainability goals along with economic targets.
- Consistent support for enhancing technical and financial capacity of CFEs to ensure competitiveness of locally-made CFE products and improved capacity of CFE managers.

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\(^{12}\) Identified under recommendation #5, ASFN 6th Conference Recommendations to ASEAN endorsed by the 18th ASEAN Senior Officials on Forestry (ASOF) Meeting, Yogyakarta, 6-8 August 2015
References


ASEAN Social Forestry Network (ASFN) is a government-initiated network that aims to strengthen social forestry in Southeast Asia through the sharing of information and knowledge. ASFN was established by the Association of Southeast Asian Nations (ASEAN) Senior Officials on Forestry (ASOF) in August 2005, linking government forestry policy makers directly with civil society organizations, research organizations, academia, private sector, and all who share a vision of promoting social forestry policy and practices in ASEAN.

For more information, contact

**ASEN Secretariat**
Manggala Wanabhakti Building, Block VII, 4th Floor, Jalan Gatot Subroto, Senayan, Jakarta 10270, Indonesia
Tel: +62-21-5703246, ext 478 - Fax: +62-21-5730136

**NTFP-EP Asia**
92 Masikap Ext. Bgy. Central, Diliman, Quezon City, Philippines, 1100
Tel: +63-2-9204201 Fax: +63-2-4262757

The ASEAN-Swiss Partnership on Social Forestry and Climate Change (ASFCC) is a Partnership Programme of the ASEAN that aims to contribute to the ASEAN Mandate and Policy Framework through support for the ASEAN Social Forestry Network (ASFN) and the ASEAN Multi sectoral Framework on Climate Change towards Food Security (AFCC).