



Policy brief

A model for restoring forests and improving livelihoods in Lao PDR

Supported by:



FLOURISH

based on a decision of the German Bundestag



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FLOURISH



A model for restoring forests and improving livelihoods in Lao PDR: Private sector-community partnerships in the teak value chain.

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Private sector–community partnerships in the teak value chain

Policy brief

August 2022

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Foreword

Flourishing partnerships between communities that depend on forests and private sector businesses are integral to the restoration of forest landscapes and to sustainable livelihoods. These partnerships are also the foundation of the project Production-Driven Forest Landscape Restoration Under REDD+ Through Private Sector–Community Partnerships, or FLOURISH.

FLOURISH is an innovative four-year forest landscape initiative that uses market forces combined with community forestry to combat climate change, restore degraded forests and improve the well-being of forest communities. RECOFTC launched FLOURISH in Lao PDR, Thailand and Viet Nam in 2018.

Building and maintaining partnerships takes work and commitment. But these partnerships must start out as equitable and fair agreements. RECOFTC is committed to building partnerships between local communities and the private sector that benefit every party, most especially the forest.

This policy brief is part of that commitment. It supports policymakers at the central, provincial and district levels who are developing, improving and implementing policies on forest landscape restoration, promoting cooperation between enterprises and communities and establishing community-based businesses.

Around 133 million people from indigenous or local communities in Southeast Asia live in or within one kilometre of forests that they rely on for their livelihoods. No single organization or approach can ensure that forest communities and forests thrive. Nor can one organization provide the diverse solutions the world needs to mitigate and adapt to climate change, transform conflict into collaboration, overcome poverty and food insecurity, achieve gender equality and social inclusion, protect the Earth's biodiversity and develop sustainable livelihoods and economies.

Local communities, governments, civil society and the private sector must work together to accelerate progress towards thriving forests and forest communities, sustainable economies and a world free of the threats posed by climate change.

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Summary

Lao PDR aims to increase forest cover to 70 percent of the land area by 2035. This ambition is part of its efforts to help green the economy, create sustainable livelihoods, combat climate change and protect biodiversity. Rural communities are vital to restoring forest cover as participants in supply chains for sustainable, legal forest products. But they are lacking of effective, self-sustaining models for livelihood development based on the sustainable trade of forest resources.

This policy brief describes how production-driven partnerships between forest communities and the private sector, with government support, can improve livelihoods and economic development while restoring forest landscapes.

It draws on experiences in Bokeo and Xayaboury provinces, where RECOFTC has facilitated partnership agreements between groups of teak-growing smallholders and private sawmills. With local government support, the project has incentivized tree planting, promoted sustainable forest management, increased incomes and improved the supplies of raw materials, including legal timber for the private sector. This policy brief recommends that such partnerships be replicated and scaled up, alongside technical, financial and policy support.

Key messages

Efforts to restore forests should use a “landscape approach” that connects stakeholders from government, communities and the private sector in the restoration efforts, making the outcomes more effective and sustainable.

Partnerships between communities that harvest forest products and businesses that process and sell such products can improve and legalize livelihoods, promote sustainable forest management and forest restoration and contribute to the Government’s socioeconomic development and environmental targets.

Government support to private sector–community partnerships increases effectiveness, strengthens accountability, clarifies responsibilities and protects the rights of vulnerable communities.

Teak farming, combined with short-rotation crops, can deliver multiple benefits for companies, communities, the Government and forests.

Introduction

Lao PDR has introduced laws and policies to protect and restore its forests so they can deliver sustainable livelihoods and ecological services. This legal and policy framework also contributes to addressing climate change and biodiversity loss.¹ Lao PDR is also negotiating a voluntary partnership agreement with the European Union to improve forest governance and promote trade in legal timber and timber products.

The forthcoming Forest Strategy to 2035 includes a goal of increasing forest cover from 62 percent to 70 percent of the land area by 2035. It targets the rehabilitation of 1.8 million hectares of degraded forest and the planting of trees on 0.5 million hectares of barren land. The Government recognizes that achieving these targets will require effective relationships between communities that sustainably harvest forest products and businesses that process and trade the products.

The Forestry Law 2019 and the Government of Lao Decree No. 247 (August 2019) help to encourage a sustainable supply chain because they promote tree planting for commercialization and recognize the need to support village-level forest management. But there is a shortage of models for livelihood development for forest communities that are based on the principles of sustainable resource management and are sustained through external resources.

A “landscape approach” to forest restoration offers a solution (Sapkota and Hoang, 2020). It works by bringing local stakeholders together to decide in a participatory way how to restore their forest landscape, improve their livelihoods and achieve other socioeconomic and environmental targets.

Since 2018, RECOFTC has been testing such an approach in Bokeo and Xayaboury provinces through a project known as FLOURISH, or Production-Driven Forest Landscape Restoration Under REDD+ Through Private Sector–Community Partnerships.² This policy brief draws on that experience. It shows how production-driven forest landscape restoration can support livelihoods and economic development. This policy brief focuses on the teak value chain.

Yet, the approach it describes is also applicable to other forest products that businesses need in sustainable supply, such as acacia, bamboo, herbs and spices.

Challenges to sustainable smallholder teak production

Teak grows naturally in northern Lao PDR. It has great potential to improve the lives of smallholders there due to the growing demand for teak from domestic and international markets, including China and the European Union. There are partnership and investment opportunities for companies that want to secure legal, transparent and profitable supplies of teak while also protecting forests and helping to benefit smallholders. Through other efforts to address climate change, there are also opportunities for smallholders to benefit from investments based on the carbon stored in the teak forests and teak timber products.

But the teak plantation area in Lao PDR is declining year on year, as cash crops, infrastructure and other land uses replace forests. The Government now encourages smallholders to apply for certificates that grant them legal rights to harvest and sell teak commercially. But many smallholders have had bad experiences when planting teak in the past and were unable to benefit from it. Because teak takes 20–25 years to grow big enough to be profitable to harvest, many farmers prefer instead to grow quicker crops, such as cassava.

Smallholders who want to generate income from teak face a primary challenge to obtain the required teak certificate. They need support to survey, document and register their teak plantations to apply for the certificate. But even when farmers obtain the teak certificate, they tend to lack information, knowledge or other capacity that puts them at a disadvantage with private sector actors.

This affects their ability to get a fair and stable price for their teak. As smallholders struggle to engage with the private sector, their dependence on middlepersons reduces the profitability of teak farming.

Many smallholders also lack silvicultural knowledge and skills needed to manage teak plantations, such as pruning and thinning their trees to improve the quality of their timber. Some harvest their timber too early because they need money and thus do not achieve the maximum possible profit.

The FLOURISH initiative is showing that these challenges can be resolved through private sector–community partnerships that increase forest value, generate sustainable livelihoods and restore degraded land.

Partnership agreements and other solutions

The FLOURISH initiative has been piloting solutions to the challenges by working with communities, local governments and the private sector in Bokeo and Xayaboury provinces. The initiative's activities are in support of Lao PDR's forest sector policy goals. They incentivize farmers to plant teak trees and manage their plantations sustainably over the long term, helping to protect and restore forests.

Teak registration

RECOFTC has supported government actions to clarify land use and land and forest zoning, register tree plots and provide teak certificates to smallholders. It has helped 267 community members (covering 331 hectares of land) to survey and map their teak plantations and then apply successfully for teak certificates. This provides the basis for legal trade, which helps to incentivize villagers to plant trees and manage plantations sustainably. By proving tree and timber ownership, the certificates reduce potential conflict over land and enable trading partnerships.

Smallholder teak groups

FLOURISH has supported the formation and registration of three groups of teak smallholders. Group membership aids communication and knowledge-sharing, improves access to technical support from the Government and strengthens the position of smallholders when dealing with teak processors and middlepersons.

Partnership agreements

RECOFTC has facilitated negotiations towards partnerships agreements between sawmills and groups of teak smallholders in three villages (see box 1). The villagers receive an agreed price that is fair and stable, either with or without a

middleperson. The company gains a legal, sustainable and secure supply of teak. The Government benefits from improvements in the value chain, increased transparency and regenerated forests.

The smallholders are now managing their teak better than before. For example, smallholders are now encouraged to thin their plantations for better overall teak production because the agreements cover the small diameter teak trees removed by thinning.

The local government supports the partnership agreements by providing teak certificates to legalize teak stands, approving harvest quotas and supporting the production of high-quality teak seedlings in village nurseries. Local authorities also monitor the agreements. This helps to hold both parties accountable to their side of the agreement.

The partnerships are linked to village forest management plans approved by district authorities. This contrasts with other models, such as contract farming and outgrower schemes. Such schemes have often failed because of a lack of government involvement, with many villagers defaulting on agreed terms. In contrast, the FLOURISH approach is working, and there have been no defaults. Village forest management plans ensure that the rights of communities to use land are protected in the long term.

Technical support

FLOURISH trained 60 villagers in sustainable forest management practices and silvicultural techniques, such as planting, pruning and thinning, and trained 433 villagers in fire prevention. The villagers now manage plantations for the future, including by letting some of their trees grow large enough through the 20–25 years that it takes to reach their full potential value.

Tree-planting

Each year, FLOURISH organizes tree-planting events in the project's target villages, using seedlings from the nurseries that the initiative helped to set up. In the past two years, more than 10,689 seedlings of teak, acacia and other species were planted.

Non-teak incomes

To maintain cash flow while their teak trees grow to profitable sizes, FLOURISH supports smallholders to produce non-timber forest products, such as malacca (kham pom), and fast-growing trees, such as acacia, which can be harvested in five to seven years.³ This is particularly necessary for new teak farmers whose trees are all young. Existing teak farmers can also sell a mix of small- and large-diameter teak logs while letting other trees grow to maturity.

Box 1: Outcomes of a partnership agreement in Bokeo Province

Community members in Koklouang Village signed a partnership agreement with the Singthoun wood processing company in 2019. Since 2017, teak production and incomes from selling teak have all increased by more than 200 percent. Although the COVID-19 pandemic reduced earnings in 2021, the villagers with partnership agreements could continue selling teak. This made them more economically resilient than other teak harvesters (RECOFTC, 2021c).

	2017	2019	2020	2017-2020 increase
Number of teak smallholders	13	12	11	
Teak (cubic metres)	42.40	72.50	130.40	209.50%
Total teak income (Thai baht)	158,508	287,133	502,346	216.90%
Per capita teak income (Thai baht)	12,192.92	23,927.75	46,667.82	274.60%

Source: FLOURISH data

Recommendations

Partnerships

Private sector–community partnerships like those described here should be replicated and scaled up across Lao PDR (see box 2). They can be used for teak growing as well as other tree species and non-timber forest products. Effective, neutral facilitation is essential. RECOFTC has published step-by-step guidance for facilitating partnership agreements based on its experiences in Lao PDR (RECOFTC, 2021b).

Capacity-strengthening

Local governments should provide extension and market services to support smallholders to manage their plantations, increase timber quality and grow diversified commodities.

To take part in sustainable and legal teak value chains, forest communities need training and other forms of capacity-strengthening in forest management and restoration, enterprise development, value addition, negotiation and marketing.

Nursery development

Local government and private sector companies should invest in nurseries to support the production of high-quality seedlings of teak and other tree species for villagers to plant.



Legal and policy reforms

Lao PDR should develop implementing guidelines and subsidiary legislation to put the 2019 Forestry Law into practice. Subsidiary legislation is necessary to improve legal clarity, address gaps in the legal framework, increase land tenure security and further operationalize village forest management. For example, specific regulations on village forest management planning and implementation are needed,

including on the harvest and use of timber for commercial purposes and the recognition and formalization of the rights of villagers in forests and forest land. To improve access to finance and encourage investment in teak plantations, the Government should develop a mechanism that enables smallholders to use tree certificates as collateral for loans.

Box 2. Scaling up the partnership model

FLOURISH has shown that teak farming, combined with diversified short-rotation crops, can deliver multiple benefits to communities, companies and the environment. More villagers now want to get involved in teak plantation because they see how their neighbours are benefiting.

RECOFTC is scaling up this successful model to form a green corridor along the Mekong River in Bokeo and Xayaboury provinces. The following statistics are from the business case for investment that RECOFTC has developed with the Lao Department of Forestry and the Provincial and District Agriculture and Forestry Offices (RECOFTC, 2021a).

60

village production groups involving 1,000 smallholders

US\$407,430

estimated profit for smallholders in years three and four

3,000

hectares of teak plantation with improved productivity

4,200

cubic metres of teak logs produced each year

46,000

tonnes of carbon stored in growing teak and wooden teak products

20%

profit for investors over 20 years on investment of US\$4.2 million over five years

Endnotes

1. Policies include the Five-Year National Socio-Economic Development Plan 2021-2025, the Five-Year Agriculture, Forestry and Rural Development Plan 2021-2025, the National Green Growth Strategy of Lao PDR to 2030, the National REDD+ Strategy and the forthcoming Forest Strategy to 2035
2. See www.recoftc.org/projects/flourish
3. RECOFTC calculated rates of return for six options that mix teak farming with other crops – see table 1 in RECOFTC, 2021c.

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At RECOFTC, we believe in a future where people live equitably and sustainably in and beside healthy, resilient forests. We take a long-term, landscape-based and inclusive approach to supporting local communities to secure their land and resource rights, stop deforestation, find alternative livelihoods and foster gender equity. We are the only non-profit organization of our kind in Asia and the Pacific. We have more than 30 years of experience working with people and forests, and have built trusting relationships with partners at all levels. Our influence and partnerships extend from multilateral institutions to governments, private sector and local communities. Our innovations, knowledge and initiatives enable countries to foster good forest governance, mitigate and adapt to climate change, and achieve the Sustainable Development Goals of the United Nations 2030 Agenda.



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