

# **Towards a Sound Financial Architecture for Sustainable Forest Management (SFM): The Role of National Forest Funds (NFFs)**

Government Financing for Forestry

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Country Profile	
Area	676,577 km <sup>2</sup>
Latitude N	9° 32' - 28° 31'
Longitude E	92° 10' - 101° 11'
Length (NS)	2051 Km
Width (EW)	936 Km
Population	58.38 mil
Pop growth	1.52%
Countries bordered	Bangladesh India China Lao PDR Thailand

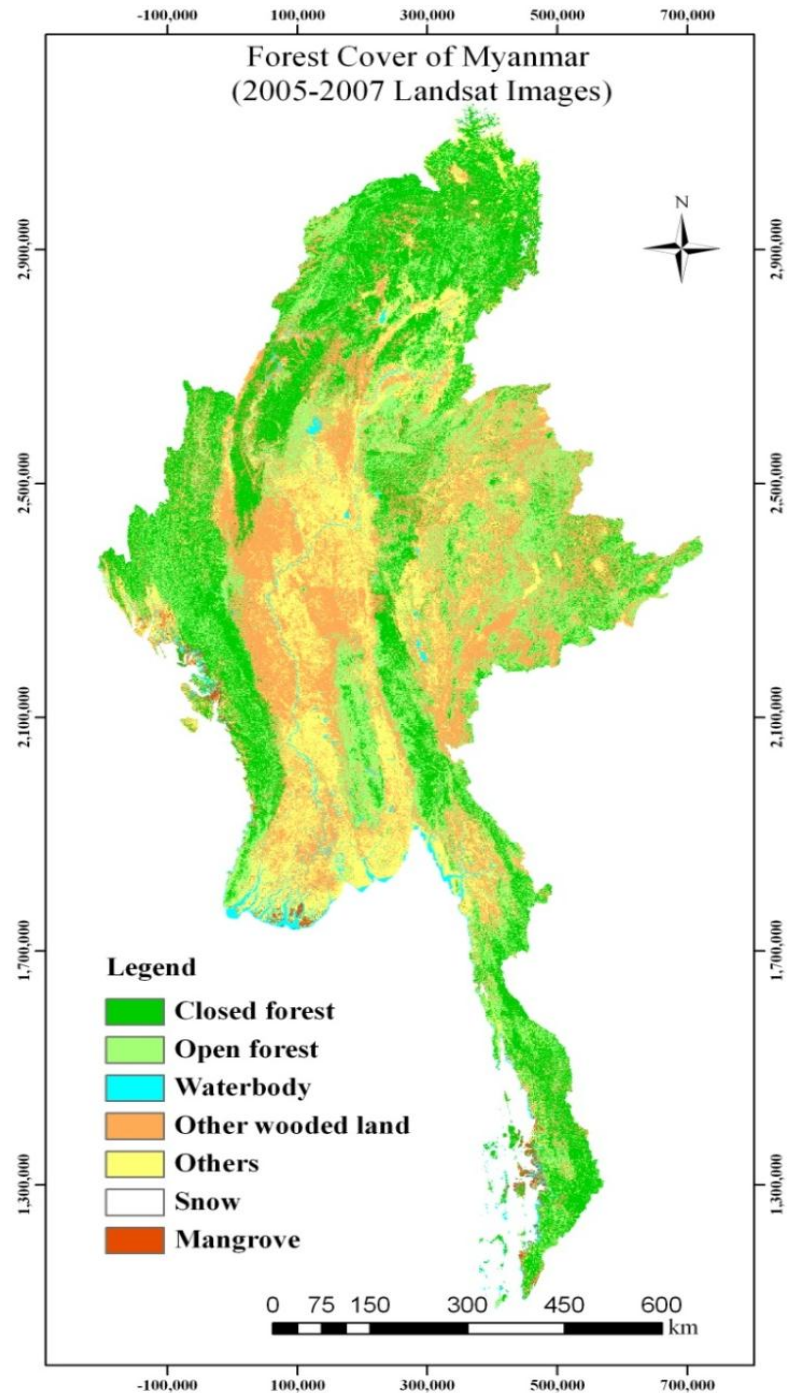
# Republic of the Union of Myanmar



Climate	Months	Min	Max
i. Summer season	Mar - May	32 C°	39 C°
ii. Rainy season	Jun - Oct	25 C°	35 C°
iii. Cold season	Nov - Feb	10 C°	25 C°
iv. Annual rainfall		500 mm	5,000 mm

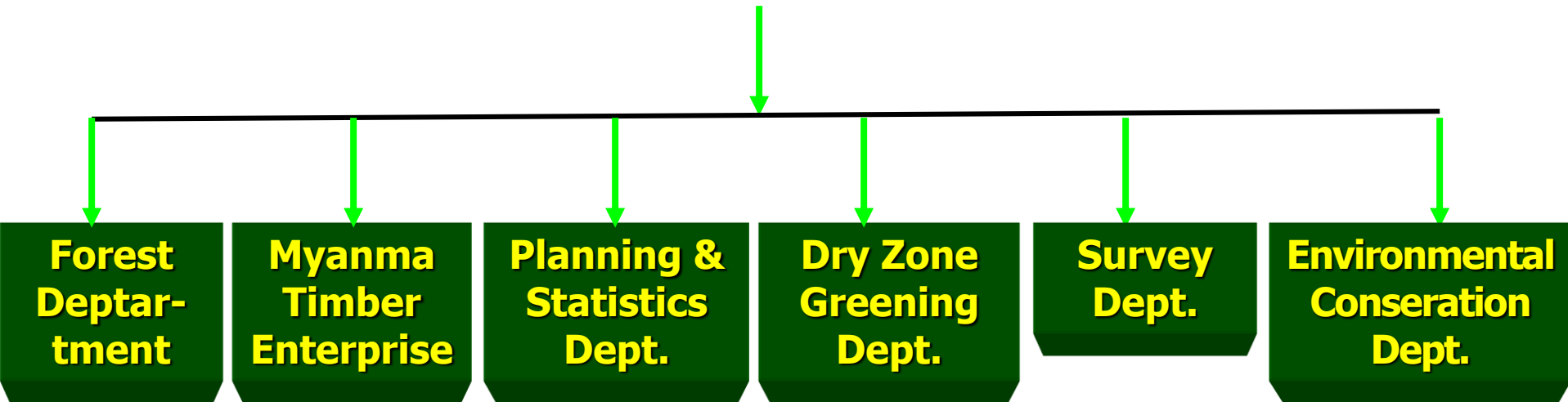
Forest Resources:  
 Forest coverage = 47% of the country

Forest Category	Area (km2)	% of land area
Permanent Forest Estate	197,899	30.73%
i. Reserved Forests	197,899	18%
ii. Public Protected Forests	121,842	6.05%
iii. Protected Areas System	40,949	6.67%



<b>No.</b>	<b>Forest Type</b>	<b>Area</b>	
		<b>(,000 ha)</b>	<b>%</b>
<b>1</b>	<b>Mangrove Forest</b>	<b>1,375</b>	<b>4</b>
<b>2</b>	<b>Tropical Evergreen Forest</b>	<b>5,500</b>	<b>16</b>
<b>3</b>	<b>Mixed Deciduous Forest</b>	<b>13,407</b>	<b>37</b>
<b>4</b>	<b>Dry Forest</b>	<b>3,438</b>	<b>10</b>
<b>5</b>	<b>Dipterocarp Forest</b>	<b>1,719</b>	<b>5</b>
<b>6</b>	<b>Hill &amp; Temperate Evergreen Forest</b>	<b>8,938</b>	<b>25</b>
<b>7</b>	<b>Fallow land</b>	<b>988</b>	<b>3</b>
	<b>Total</b>	<b>35,375</b>	<b>100</b>

# Ministry of Environmental Conservation and Forestry



# Government Financing

- **Financial year** practiced in Myanmar is from 1<sup>st</sup> April to 31<sup>st</sup> March of next calendar year. One financial year will cover two calendar years. So that in practice, financial year is written down as "2012-2013 financial year", in example, and the period will start from 1<sup>st</sup> April 2012 and end at 31<sup>st</sup> March 2013

# Government Financing - cont

- For a new financial year, each government institution prepares estimated budgets before the end of the current financial year and submits to the Ministry. Then, the estimated budgets from all Ministries are compiled at **Ministry of Finance and Revenue- MFR.**

# Government Financing - cont

- Then MFR submits it to Union Parliament. In accordance with the Union Financial Law (2012), Union Parliament Law no. 6 (2012) and with **the approval of the Union Parliament**, MFR informs allocated budgets for a new financial year to respective ministries.



# Forest Revenues

- Under the MOECAF there are two institutions which could earn income;
  - Forest Department-FD - collecting forest revenues generated from extracting forest products and
  - Myanmar Timber Enterprise-MTE - selling timber products in domestic and export markets.
  - All those income is **entry to the national income budget of** Ministry of Finance and Revenue- MFR.

# Forest Revenues - cont

- Timber revenue –

Timber production is regulated by the FD within the bounds of Annual Allowable Cut-AAC. MTE has responsible to extract extraction and to pay prescribed revenues for those timbers to FD.

# Forest Revenues - cont

- **Export earnings**

Export quality timbers of teak and hardwoods are sold to both foreign and local companies through tender sales by competitive bidding in US or Euro currencies. Lower quality timbers are sold to local companies for domestic consumption.

# Forest Revenues - cont

- Revenues from minor forest produce

FD allows local merchants with license and collect prescribed revenues for producing small timber such as post and pole, and other non-timber forest products or minor forest products including fire-wood, charcoal, bamboo, rattan, barks, resins so on.

# Forest Revenues - cont

- In the case of **forest offences**, seizing illegal forest products in example, **fin**es are collected by the FD in according to the Forest Law.
- **License fees** for sawmills, furniture manufactures, and timber shops in the local are collected by the FD.

# Forest Revenues - cont

- Starting from 2006, private companies are allowed for investment in establishment of forest plantations with prescribed **annual fees for hiring forest land**.

# Budget control

- All government institutions have to spend allowed budgets in accordance with the financial principles and procedures in a manner of retrenching.
- As a general constraints;
  - Limited budget
  - Long process
  - Strictly controlled

# Opportunities for Forest Fund

- **Strategic reforms** of new government
  - Political reform
  - Social reform
  - Economic reform
  - Privatization



# Opportunities for Forest Fund - cont

## Policy changed

- Political commitment of the new government on **favouring environmental conservation** is witnessed.
- Export ban of timber in log form was declared and it will be in effect starting from 1<sup>st</sup> April, 2014. It will encourage in development of wood-based industry to produce value added products.

# Opportunities for Forest Fund- cont

- Legal framework
  - Foreign Investment Law (2012)
  - Environmental Conservation Law (2012)
  - Forest Law Amendment (in process)
  - Forest Land re-allocation

# Opportunities for Forest Fund

## Social Organizations, NGOs

- With growing awareness in forest and environmental conservation in post-Nargis Cyclone at 2008, NGOs on environmental conservation are appearing with private fund foundation.
- Now in favour of new government policy to social societies, role of NGOs increases in the public. According to their performance and achievements in forest restoration and environmental conservation activities, NGOs can attract funds and assistance from internal donors and INGOs.

# Opportunities for Forest Fund - cont

## Growing International Relations

- On going 28 projects
- Under negotiation 22 projects
  - UN Agencies (UNDP, UN-habitat, UNEP, FAO -)
  - INGOs (ITTO, ICIMOD, WCS, ---)
  - Bilateral cooperation ( G to G)-
  - International developers or partners

# Potential area for Forest Fund

- Ecotourism
- Biodiversity conservation
- Wood-based industry
- Medicinal plants
- Community Forestry
- Climate Change and REDD+ (Carbon credit)

# **Areas of Challenges and to be Strengthened for Forest Fund**

- Institutions
- Regulations
- Human resource
- Knowledge/Awareness

**Thank You**