

Draft Concept Note

Community Forestry Business/Enterprise Development

1. Introduction

Within the framework of the Community Forestry Program (CFP) of the National Forest Programme 2010-2029 (NFP), rural communities in Cambodia have been afforded with the option of adopting Community Forestry (CF) as a system to secure tenure and sustainably manage their forest resources. The CFP-NFP recognises that the most important aspect of the sustainability of CF sites includes their economic sustainability and therefore highlighted *Enterprise Development* (step 9 of CF development process) in these communities. These CF enterprises aim to generate economic benefits from the sustainable utilisation and commercialisation of forest-based products that will help improve the living conditions of CF community members. The development of simple CF Business/Enterprise Development Plan serves as a guide to i CF community members/entrepreneurs and is closely linked to CF management planning. By systematically developing forest-based enterprises and ensuring that their operation will not deplete the community forests and ensuring a sustainable source of forest products. The enterprise development plan can also serve as a basis in securing permits, securing grants or financial assistance, attract investors or reference/inputs to the commune council in developing their Commune Investment Plans.

This draft Concept Note on Community Forestry Business/Enterprise Development (CFBD) has been prepared based on the Market Analysis & Development Manual (MA&D, FAO, 2011) and Field Guide for Facilitators of Community-based NTFP Enterprises (NTFP-EP, 2012) and adapted into Cambodian conditions. The experiences of other organizations like WCS, CI, NTFP-EP, WWF, etc. including the observations made during field visits and feedback and experiences from existing CF enterprises were also taken into account and incorporated in the draft concept note development.

Feedbacks and comments on the drafted concept note of CF Enterprise development during National Consultation Workshop on September 17th 2013.

<u>Original Text of concept note</u>	<u>Feedbacks and comments from Focal Group Discussion and Workshop Plenary</u>
<p>1. Introduction</p> <p>Within the framework of the Community Forestry Program (CFP) of the National Forest Programme 2010-2029 (NFP), rural communities in Cambodia have been given the option to adopt Community Forestry (CF) as a system to sustainably manage their forest resources while gaining some income from the CF resources. The CFP-NFP recognizes economic sustainability is an important aspect of the sustainability of CF sites and therefore highlights <i>CF Enterprise Development</i> as step 11 of the CF development process. The aim of CF enterprises would be to generate economic benefits from the sustainable utilization and commercialization of forest-based products in order to help improve the living conditions of CF members. A CF Business/Enterprise Development Plan will serve as a guide to CF community members/entrepreneurs and will be closely linked to CF management planning. The CF Business/Enterprise Development Plan could also serve as a basis in securing permits, securing grants or financial assistance, attracting investors or serve as a reference/input into the Commune Council in developing their Commune Investment Plans.</p> <p>This draft Concept Note on Community Forestry Business/Enterprise Development (CFBD) has been prepared based on the Market Analysis & Development Manual (MA&D, FAO, 2011) and Field Guide for Facilitators of Community-based NTFP Enterprises (NTFP-EP, 2012) and adapted into the Cambodian context. The experiences of other organizations like WCS, CI, NTFP-EP, WWF, etc. including the observations made during field visits and feedback and experiences from existing CF enterprises were also taken into account and incorporated in the draft concept note development.</p>	<ul style="list-style-type: none"> • <i>Clearly identify the definition of “Community Forestry Enterprise”</i> • Must be clear whether to use the words “enterprise” or “business”. • Describe the benefits of establishing a CF enterprise and how it will be useful for raising awareness when implementing the business plan. • Briefly describe the existing experiences of CF enterprises highlighting success stories if possible. • The introduction should start from a broad concept then focus down to a specific one that fits into the current situation and the rationale of establishing the CF enterprise as well as its objective. • The concept note should emphasize long term strategies to reducing the dependency of the CF from subsidies. The Government must provide supportive policies to sustain the forest based businesses. • This section does not mention about Public Private Partnership. • <i>It is important to clearly define benefit sharing mechanisms in CF enterprises</i> • <i>There needs to be a linkage between the enterprises to biodiversity conservation “ecology system service”.</i> • <i>Any enterprise should be based on marketing data as past experience have shown that without this the CF enterprise will be the unsuccessful.</i> • <i>In the development of the CF enterprise any conflict that may arise with within and outside the CF, due to the development of the enterprise, should be taken into account.</i>

<p>2. Community Forestry Business/Enterprise Development (CFBD) Process</p> <p>The participatory approach is applied for the CF business/enterprise development by involving the Community Forestry Management Committee (CFMC), CF entrepreneurs and the local FA in the process. The business/enterprise development process could be divided into four (4) main phases with the following activities: following steps/activities:</p>	
<p>Phase 1: Assessment of Existing Situation and Selection of CF Business/Enterprise Ideas and Potential Entrepreneurs</p> <ol style="list-style-type: none"> 1.1. CFMC collect information on forest resources, potential products, enterprises and markets from community resource assessment (villager interviews and preliminary field observations). 1.2. Identify existing business ideas and potential entrepreneurs based on the results of CF participatory resource assessment (using a combination of appropriate Participatory Rural Appraisal tools). 1.3. Train the CFMC on identifying potential business ideas for products and potential CF entrepreneurs and develop criteria for entrepreneur selection. 1.4. Select the potential business ideas and entrepreneurs based on set criteria. 1.5. Assess the current situation and identify the problems and opportunities in the market system by selected entrepreneurs and CFMC and CF members. 1.6. CFMC and entrepreneurs identify the best options (e.g. whether to go for high value adding, intermediate processing, develop improved packaging, linking with intermediaries, selling directly to wholesalers, etc.) for potential CF enterprise development. 	<ul style="list-style-type: none"> • Since forest resources are common and are state property. Could these be shared among CF people? The aspect of legal ownership should be studied and considered further. • The following questions need to be considered / addressed: Who should be the investors/entrepreneurs? What will they do? What are the roles and responsibilities of the government and the CF communities? • Decision of selecting a best business idea should be in phase 2. • A set of criteria should be formed and used to select entrepreneurs or a group of entrepreneurs. • Business ideas and type of enterprise should be well described in order to easily identify potential people to lead it. • Analysis of potential forest resources, existing demand in the market, and potential private businesses should be also done within phase 1 but the detailed information to be collected should be at Phase 2. • CF enterprise or any business is about risks and sometimes bring more conflicts. • How to ensure the carrying capacity or sustainable use of the forest resources to be harvested? It means that awareness of establishing CF enterprise should be widely raised among CF members. • <i>The local community culture should be built in as an important factor in CF enterprise development.</i>

<p>Phase 2: Information Collection and Market Analysis for Preparing the CF Business/Enterprise Plan</p> <p>Train entrepreneurs and the CFMC on data and information collection for the five aspects of enterprise development: (1) CF resource management, (2) finance, (3) product research, (4) institutional & legal, and (5) social & cultural aspects.</p> <ol style="list-style-type: none"> 2.1. Entrepreneurs and CFMC review the results of the CF resource assessment and inventory, and management objectives of the CF Management Plan to serve as a basis in assessing the potential products or potential CF enterprises and identify the need of information to be collected, particularly product market information. 2.2. The CFMC and the CF entrepreneurs prepare questionnaires to collect information on the identified products/CF enterprise (value chain study). 2.3. Entrepreneurs carry out a product value chain analysis at a local level based on the collected data. 2.4. Entrepreneurs assess/estimate the demand (market size, prices, constraints) and supply (available skills, quality of resources, compatibility with the CF Management Plan) and prepare a market opportunity assessment/analysis. 2.5. Map the skills and technology in the CF community applicable to the enterprise. 2.6. The CFMC and entrepreneurs decide on the organizational structure of their enterprise. 	<ul style="list-style-type: none"> • Business ideas/products/services should be selected within this phase. Selecting the best to further with to proceed in the developing business plan. • Benefit sharing mechanisms should be well laid out in the business plan • Proposes government interventions/policies to assist CF enterprise/business development e.g: The Non-Timber Forest Products harvested by individuals' households/under traditional use are tax free. • NGO and Government staff should only provide technical assistance to CFMC and CF development. Private partners or their business partners should be involved in providing more capacity of business in the longer run as the project will eventually be phased out. • <i>The focus should not only be on NTFPs in the CF, but agroforestry should be looked at as an income generating mechanism</i>
<p>Phase 3: Preparation of the CF Business/Enterprise Plans</p> <ol style="list-style-type: none"> 3.1. Train the entrepreneurs and CFMC on product marketing and preparing the CF business/enterprise plan (sample format/template in chapter4) for the selected business idea(s). 3.2. Entrepreneurs draft a simple business plan for their product(s)/service(s) based on value chain analysis and market 	<ul style="list-style-type: none"> • At community level, business plans should be very simple and operationalized to fit with their capacity • Information for the business plans should be collected mostly during phase 1 and 2 • The CFMC should be involved in developing the business plan.

<p>opportunity assessment.</p> <p>3.3. Simple CF business plans are presented to the CFMC and CF members for review. Entrepreneurs finalize their business plans by taking into account the comments and feedback from CFMC and CF members.</p>	<ul style="list-style-type: none"> • We hope that entrepreneurs should voluntarily participate in all CF enterprise processes and other business partners were identified. • Business plans should focus on only one product/service. It is good to start from existing business idea/products that the local community is familiar with. However, it is dependent on whether the identified business idea/product/service is feasible or not. • The financial aspect is always an obstacle to producing a business plan therefore the focus should be small and obtainable. • The organizational structure of enterprise should be well created in order to provide a smooth operation when implementing the business plan. • If there is a start-up fund for implementing the business plan, it should be mentioned.
<p>Phase 4: Start-up Phase/Implementation of the CF Business/Enterprise Plan</p> <p>4.1. Conduct training/extension needs assessment among entrepreneurs (product development, processing, monitoring, book keeping, etc.).</p> <p>4.2. Train entrepreneurs on product development, processing, monitoring, book keeping, etc.</p> <p>4.3. Start-up activities at a small scale.</p> <p>4.4. The entrepreneurs secure marketing/supply contracts from interested buyers. Product prototypes and samples are produced and presented to target buyers beforehand.</p> <p>4.5. Entrepreneurs start processing /producing by following the supply contract.</p> <p>4.6. Identify monitoring indicators and develop a monitoring plan and implement it.</p> <p>4.7. Link the entrepreneur(s) to the related product supply chain/enterprise network, if available.</p>	<ul style="list-style-type: none"> • A monitoring plan should not only be implemented as a business/enterprise plan but it should be linked with the forest management plan and assess whether resources are well harvested or not, or if any re-plantation of resources is necessary. • Internal audits should be conducted to focus on the business/enterprise and based on the recommendations improvements should be made. • Who will be selected as a representative for the legal registration of the business and the business permit?

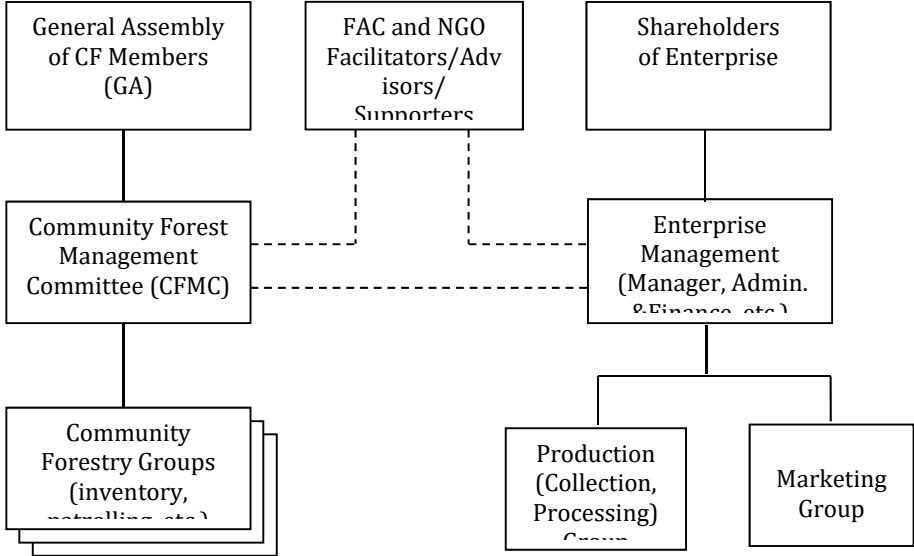
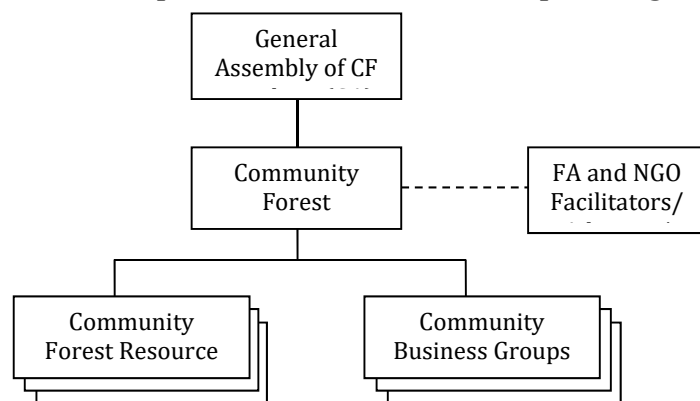
<p>4.8. Entrepreneurs register in Ministry of Commerce (as needed).</p>	
<p>Options for CF Organizational Structure</p> <p>In <i>Option 1</i> for CF Enterprise Organization Structure (Figure 2), the CFMC oversees the implementation of the CF enterprises. For that, the CFMC appoints a Community Forestry Group that will patrol/control the management of the forest resources utilized/harvested by the CF Entrepreneur and ensure that the CF Management Plan is followed. The CF entrepreneurs, who are CF members, operate their business in close collaboration with the CFMC. The sub-national FA and/or NGOs provide technical and organizational guidance to the CFMCs and Entrepreneurs. The harvesting/collecting plan and prices for raw material (timber, various NTFPs) are agreed upon annually between the CFMC and Entrepreneurs. The CFMC uses the revenue from raw material trade for operational costs.</p>	<ul style="list-style-type: none"> • <i>Not all CF members are able to serve as entrepreneurs it is dependent on skills and experience.</i>
<p>Figure 2. Option 1 for CF Business/Enterprise Organization Structure</p>  <pre> graph TD GA[General Assembly of CF Members (GA)] --- CFMC[Community Forest Management Committee (CFMC)] CFMC --- CFG[Community Forestry Groups (inventory, patrolling, etc.)] FAC[FAC and NGO Facilitators/Advisors/Supporters] -.- CFMC FAC -.- EM[Enterprise Management (Manager, Admin. & Finance, etc.)] Shareholders[Shareholders of Enterprise] --- EM EM --- Production[Production (Collection, Processing, etc.)] EM --- Marketing[Marketing Group] </pre>	<ul style="list-style-type: none"> • <i>The structure of CFMC has to be separated from CF enterprise and, built into the CF Business/Enterprise organizational structure there should be the opportunity to have a private partnership linkage.</i>

Figure 3. Option 2 for CF Business/Enterprise Organization Structure



- As comment above

4. Proposed CF Business/Enterprise Plan Format

The main elements of CF Business/Enterprise plan are as follows:

1. Executive Summary

- A summary of business/enterprise concept, key objectives of business, ownership structure, management team, product(s) and/or service(s), target market(s), competitive advantages, marketing strategy, and a summary of financial projections.

2. Overview of Business

- History of enterprise/business, vision of enterprise/business, financial objectives, and the ownership structure.

3. Products and Services

- Present the product(s) and/or service(s) the enterprise is producing and their features/benefits and how and where product(s) /service (s) are

- No comments/feedbacks

produced

4. Marketing Strategies

- Describe the target market segments and differences/competitive advantages of product(s) and/or service(s) to competitors.
- Present the pricing strategy of product(s) and/or service(s) and promotion opportunities to target market segments.
- Value chain analysis of product(s) and or service(s)
- Describe how, where and when the products and/or services are marketed and sold

5. Operations Plan

- Present the organizational structure, management team, human resources needed, enterprise/business location and facilities, production plan, harvesting/collecting plan, supply chain, and description of day-to-day operations.

6. Financial Plan

- Funding/capital required
- Forecast revenues and expenses. Project financial statements, including income (profit/loss), monthly cash flow and annual cash flow

