



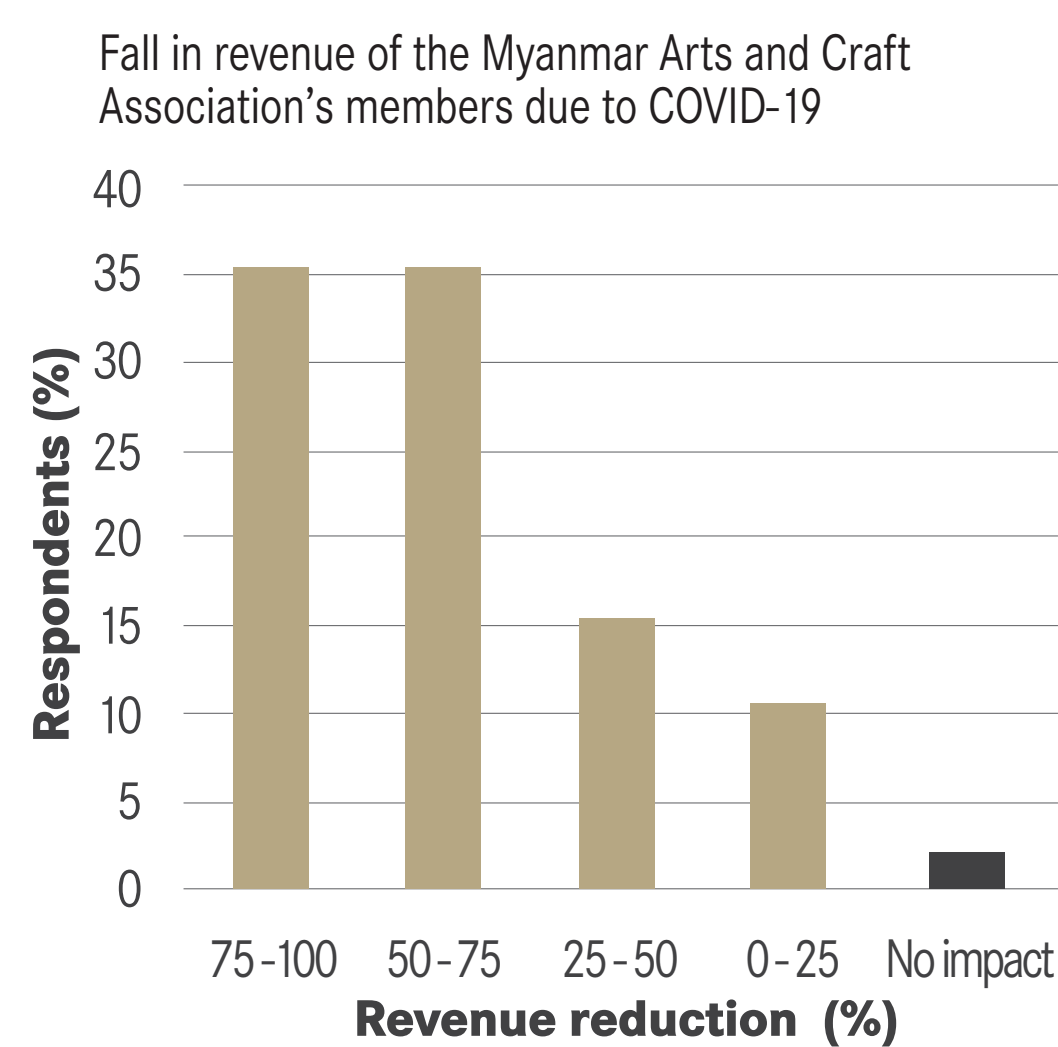
# Supporting **SUSTAINABILITY AND GROWTH** in the Mekong Region's **Micro, Small and Medium TIMBER PROCESSING ENTERPRISES**

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## COVID-19 severely impacted MSMEs

**Micro, small, and medium enterprises (MSMEs)** constitute 80-90 per cent of all forestry enterprises in the Mekong region. They generate livelihood and employment opportunities but were severely impacted by COVID-19. Surveys of MSMEs conducted by the European Forest Institute (EFI) in 2020 and 2021 found that their customer demand, revenue and workforce dropped.

The pandemic underlined the vulnerability of MSMEs to sudden market disruptions, highlighting the importance of placing them at the centre of the post-COVID-19 economic recovery.



## EFI's support to MSMEs in the Mekong

**Timber processing MSMEs** can be part of the solution to reducing deforestation and forest degradation if they are encouraged to adopt legal and sustainable sourcing and processing practices. **With support from the Swedish International Development Cooperation Agency (Sida), EFI has supported over 100 forest- and timber-based MSMEs** in Laos, Myanmar, Thailand and Vietnam in their efforts to operate legally and sustainably. Building on a baseline assessment, EFI identified key challenges faced by MSMEs to operate legally and sustainably. These include low productivity and poor operational capacity, access to legal timber, compliance with regulatory requirements and poor representation in policy processes. EFI then tested solutions to these challenges in six pilot projects in the abovementioned countries.

## Key results and lessons from EFI's experience

**Timber processing MSMEs** are generally willing to commit their time to capacity-building activities to improve the transparency of timber sourced and its efficient use, as well as environmental and health and safety aspects. With specialised training on management and market related topics, MSMEs can also improve their business. Marketing trainings motivated three enterprises and five household businesses from Lien Ha wood village to join hands and establish a formal company to market their products in the south of Vietnam.

**Accounting training helped MSMEs** in Vietnam and Myanmar to make profit/loss statements and calculate product costing more accurately. Tree growers in Thailand learned to calculate volumes and values and record the location of their trees to commercialise them legally and apply for loans at subsidised rates.



• Maintenance of cutting tools in Lien Ha, Vietnam. Hoang Thanh

**Production management training** increased productivity and work safety, and reduced waste among MSMEs in Vietnam, Thailand and Laos. Improvements ranged from more efficient workshop layouts and processes, to the enhanced safety of machine use and the utilisation of scrap wood.



• Before and after the production management training, Lien Ha, Vietnam. Pham Duc Thieng

**MSMEs welcome the opportunity to collaborate with larger companies.** In Vietnam, several MSMEs became subcontractors of larger companies, which brought them additional income opportunities and knowledge transfers. In addition, larger companies started to supply engineered materials made from legal sources to the MSMEs, which increased efficiency, reduced waste and increased legal timber use.

**Technical trainings helped MSMEs** comply with national laws on timber legality. In Laos, informal household furniture makers learnt to calculate timber recovery rates and use inventory control forms. Several households are maintaining a timber input-output monitoring system, and all improved their occupational health and safety practices.

**Advocating for MSME interests in policy processes can trigger regulatory reforms in support of these enterprises.**

**In Thailand,** negotiation with the EU of a Voluntary Partnership Agreement (VPA) to combat illegal logging and related timber trade provided a platform for connecting MSMEs with policy makers. Through EFI's pilot, two industry associations were formed, and reclaimed timber is now recognised as a legal source of timber.



• Reclaimed doors in Ban Thi, Thailand. Agus Djailani

## Promoting gender equality among MSMEs

**Among micro businesses in the timber processing sector, gender inequalities are pronounced.** For example, in Vietnam, the wage gap among timber-based household businesses is **51%** compared to an average of **37%** in the forest product processing sector.

EFI conducted gender analyses, raised awareness about gender equality among the MSMEs during technical trainings and promoted women's participation in such events, which raised their confidence and skills. More efforts are needed to mainstream gender among MSMEs in the timber processing sector, such as improving compliance with gender-related provisions in labour regulations and building the capacity of industry associations to promote gender equality among their members.



• Financial management training in Yangon, Myanmar. Sagawa



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