



# Market Analysis for Rural Livelihoods in Kayah State

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An independent review conducted by Sam Cartmell and commissioned by The Border Consortium

This research was conducted with funding from the Australian Government's Gender Action Platform as part of a project led by Act for Peace. The "I'm prepared" project promotes gender equity, economic empowerment and refugee protection during return and reintegration processes from Thailand to Myanmar and from India to Sri Lanka.

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## Executive Summary and Recommendations

### Executive summary

Kayah state is Myanmar's smallest state by size and population, yet boasts a wide range of economic development opportunities. The state's seven townships are rich in natural resources, including mountainous areas of natural forest and fertile agricultural plains with access to irrigation water. Nestled between Shan and Kayah states and Thailand's Mae Hong Son province; the state is well-suited to be part of various trade routes.

Following significant conflict-driven displacement in the 1990s, Kayah state continues to be impacted by armed conflict to the present day. Over 10,000 people are living in refugee camps just across the border in Thailand, and there are over 25,000 internally displaced people living throughout the state. While many of these refugees and displaced people are hesitant to return to their places of origin until a concrete peace settlement is achieved, The Border Consortium (TBC) has been working with them to support community-driven development and lay the foundation for their eventual voluntary return and reintegration. Supporting the development of small and medium sized enterprises by returnee entrepreneurs, especially women, is one of TBC priorities.

To examine the potential opportunities and constraints facing prospective returnee entrepreneurs, this market analysis of key economic sectors for rural livelihoods in Kayah state was produced as part of the Myanmar/Thailand component of the "I'm Prepared – Equality for Refugee Women in the Return-Reintegration Context" project. The "I'm Prepared" project is being implemented in Myanmar and Thailand by TBC in partnership with Australian NGO Act for Peace (A4P) with support from the Australian Department of Foreign Affairs through the Gender Action Platform (GAP). This market analysis reveals that there are a range of potential business opportunities, as well as challenges, for prospective returnee entrepreneurs in rural Kayah state.

Interviews with TBC staff, Kayah-based GAP partner organizations and other key stakeholders in Loikaw were conducted to identify the most important economic sectors for rural livelihoods in Kayah state, as well as the ambitions and concerns of prospective returnee entrepreneurs. The key economic sectors selected for examination in this market analysis are: agriculture (cash crops); agriculture (value-added products); agriculture (livestock); fruit tree plantations and agroforestry; non-timber forest products; fisheries; handicrafts; garments and textiles; trade; hospitality; and tourism. These interviews were supplemented with desk research on the political economy of Kayah state and value chain assessments of the selected key economic sectors.

Initial value chain assessments for each sector give prospective entrepreneurs insights that will be beneficial when developing their business plans. A key finding cross-cutting

the value chain assessments is that individual entrepreneurs would benefit from coordination with other entrepreneurs through producer's groups and collectively-owned enterprises. An important goal of such coordination would be to enable returnee entrepreneurs to gain more power within the economic sector in which they are operating. Collectively-owned storage, transportation and distribution enterprises could enable entrepreneurs to work together to multiply their power in the market and improve the viability of their businesses.

Another key finding is that many prospective women entrepreneurs from Kayah state have specific criteria which influence their initial decision to even start a business. Key criteria for women entrepreneurs are: the ability to remain in their communities and homes (to take care of other responsibilities such as childcare, eldercare, etc.); the desire to secure official land tenure rights before investing in a business; the ability to continue engaging in subsistence agriculture (household gardening, etc.) at the same time as running a business; and a desire for business opportunities that are not capital-intensive as they are debt averse.

Key success factors for women entrepreneurs include: accessing market insights into new crops to grow and value-added product ideas; gaining technological knowledge such as optimizing storage facilities and how to operate value-added production equipment; being able to take advantage of economies of scale; being able to time the sale of their produce to overcome volatile commodity prices and unscrupulous brokers; and strengthening networks among women's groups in village tracts across the state. The Women's Economic Groups established as part of the GAP project will be instrumental in sharing experience among entrepreneurs and facilitating networking at the village tract and township levels.

Key challenges facing prospective entrepreneurs in rural Kayah state include: lack of official land tenure rights; an oligopolistic structure in many economic sectors resulting in smallholder farmers and small business people having little power; lack of capital for investment and difficulties accessing financing; and a lack of skills training opportunities.

Below are a selection of recommendations that emerged from this market analysis. The purpose of the recommendations is to assist TBC and the GAP partners in their programming, advocacy work and to make linkages with government processes. Recommendations are grouped into five categories: Related to refugee return; Strengthening value chains; Strengthening business management capacities; and Strengthening food security.

## Recommendations to TBC and GAP partner organizations

### Related to refugee return

- Identify potential relocation sites based on presence of appropriate livelihood opportunities, and integrate business model development activities into refugee go-and-see visits.
- Ensure that GAP programming prioritizes specific needs among different demographic segments of the returnee population (e.g. gender, age, ability, etc.)
- Facilitate sessions aimed at smoothing the re-integration of returnees into host communities (e.g. returnees may have different outlooks and cultural practices after living in Thailand for many years). Such sessions could be integrated into other economic development focused trainings and workshops.
- Build the capacity of community forest management knowledge and skills among returnees and host communities (mapping community land, forest inventories, establishing tree nurseries for reforestation, etc.) An added benefit of effective community-based forest management is that it may help communities secure their land tenure rights.
- Conduct a labor market skills survey of IDPs and refugees to determine how their skills can contribute to the wider economic development of Kayah state without negatively impacting the existing labor market.
- Encourage the Kayah state government to develop state-wide economic development plans in consultation with local communities as well as IDPs and refugees considering returning to the state.

### Strengthening business management capacities

- Support the development of a network of women-led entrepreneurs to share experiences and challenges, and conduct regular exchange visits.
- Conduct workshops on developing business models for prospective returnee women entrepreneurs; the 'business model canvas' method may be appropriate for its speed and simplicity.
- Facilitate discussions among prospective returnee entrepreneurs about which business structures and cooperative governance models are most suitable for their business goals and profit-sharing vision. Recognizing Myanmar's political history and negative connotations related to the concept of 'cooperatives,' discussions should be facilitated examining what cooperatives are, exploring the pros and cons of cooperative arrangements, and discussing global best practice cooperative governance mechanisms in detail.

### Strengthening value chains

- Promote the creation of a Kayah state (or township-level) brand and marketing strategy to support the marketing of agricultural produce and value-added products produced by returnee entrepreneurs.

- Provide new small businesses and cooperative enterprises with technical assistance to conduct detailed geographic markets analysis (e.g. research on annual demand, existing market value, potential new markets, competitor profiles, customer profiles, etc.) for their specific value chain and business model.
- Support returnee entrepreneurs to spend appropriate time designing products (handicrafts) and packaging (for value-added products) that appeal to international customers.
- Assist returnee entrepreneurs in applying for internationally-accepted certification needed to charge a premium price (e.g. organic cultivation, fair trade, etc.)
- Encourage returnee entrepreneurs to think about strategies to protect themselves from volatile commodity prices (e.g. being able to start using corn for animal feed rather than selling crop for a low price, or growing multiple crops to hedge against price fluctuations).

### **Strengthening food security**

- Focus on household food security, home gardens and small-scale cash crop cultivation and livestock enterprises in the short-term.
- Support seed-saving enterprises and initiatives that provide returnees with access to seed stock for traditional agriculture and cash crop enterprises.

## 1.0 Introduction and Contextual analysis

This Market Analysis report was produced as part of the Myanmar/Thailand component of the “I’m Prepared – Equality for Refugee Women in the Return-Reintegration Context” project.<sup>1</sup> The project is being implemented in Myanmar and Thailand by The Border Consortium<sup>2</sup> (TBC) in partnership with Australian NGO Act for Peace<sup>3</sup> (A4P). A4P has secured a multi-year funding commitment for the project from the Australian government’s Department of Foreign Affairs under the new Gender Action Platform (GAP).<sup>4</sup> This three-year project promotes gender equity, economic empowerment and refugee protection during return and reintegration processes from India to Sri Lanka and from Thailand to Myanmar.

The “I’m Prepared” project has four primary objectives:

- 1) **Knowledge:** Increased informed decision making and for those wishing to return, increased preparedness enhances the ability of Karenni refugee women in Thailand and Tamil refugee women in India to return and reintegrate in safety and dignity.
- 2) **Economic Empowerment:** Returnee women enjoy strengthened economic opportunities and economic empowerment to enable safe, dignified and sustainable reintegration.
- 3) **Leadership:** Refugee and returnee women enjoy increased social and political influence and respect through leadership and engagement in family, community-level and broader society in both camp settings and in areas of return.
- 4) **Learning:** Development effectiveness of preparedness and return & reintegration programming is strengthened.

The project has a strong focus on strengthening the livelihoods of women in refugee camps and in communities of potential return as a means of preparing communities on both sides of the border for eventual refugee return and reintegration. In Kayah State, TBC is working in partnership with civil society organizations (CSOs) such as the Karenni Womens’ Organization (KNWO), the Karenni Refugee Repatriation and Reconstruction Working Group (KnRRRWG) and the Kayah Phu Social Service and Development Association (KPSSDA).

In Kayah State, the GAP project is targeting six village tracts spread across Shadaw, Demoso and Mese Townships. In Demoso Township the target village tracts are Htee Hpoe Ka Loe (just south of Demoso town) and Daw Ta Ma Gyi (southeastern part of the township). In Shadaw Township the target village tracts are Shadaw (middle) and Shadaw (north). In Mese Township the target village tracts are Mei Se Nan (west of Mese town) and Nar Man (just north of Mese town).

<sup>1</sup> For more on the “I’m Prepared” project, see <https://dfat.gov.au/aid/who-we-work-with/ngos/Pages/i-am-prepared.aspx>

<sup>2</sup> TBC is an alliance of partners working together with displaced and conflict affected people of Myanmar to address humanitarian needs and to support community-driven solutions in pursuit of peace and development. TBC provides food, shelter and camp management support to over 90,000 refugees in Thailand and supports civil society organizations to address food security and protection concerns amongst communities emerging from protracted conflict in south east Myanmar.

<sup>3</sup> A4P is the international aid and development arm of the National Council of Churches in Australia, and a member of TBC.

<sup>4</sup> For more on the Gender Action Platform, see <https://dfat.gov.au/aid/who-we-work-with/ngos/Pages/australian-ngo-gender-action-platform.aspx>

## Kayah state profile

Kayah state is Myanmar's smallest state by size (11,732 km<sup>2</sup>) and by population (286,627 people). Compared to most areas of Myanmar, Kayah has a relatively low population density.<sup>5</sup> The state is land-locked; surrounded by Shan state to the north and west, Kayin state to the west and south, and Thailand to the east. The topography of Kayah state consists of plains and plateaus; the state is located in the middle of Myanmar's Eastern Highland mountain range.<sup>6</sup> Both lowland and upland agriculture is practiced in Kayah state.<sup>7</sup>

The whole state, even the capital city Loikaw, has been affected by long-term armed conflict involving the Myanmar military and numerous non-state armed groups. There has been significant conflict-driven displacement since the 1990s. Just over the border in Thailand's Mae Hong Son province are two refugee camps where people who fled from conflict in Kayah state now live: Ban Nai Soi<sup>8</sup> and Ban Mae Surin.<sup>9</sup> The population of Ban Nai Soi and Ban Mae Surin are 8,790 and 2,164 people respectively.<sup>10</sup> There are also a significant number of internally displaced people (IDP) living in Kayah state; according to TBC's latest estimates the IDP population is 26,800.<sup>11</sup>

Kayah state is very ethnically diverse; home to at least twelve different ethnic groups – Kayan, Kayin, Kayah, Shan, Kayaw, Bamar, Yintale, Yinbaw, Lahta, Gheko, Ghebar, Monu – speaking six different languages.<sup>12</sup> Towns and villages in Kayah state are typically ethnically and religiously diverse; including Buddhists, Christians and animists.

Women in Kayah state face gender-based rights violations<sup>13</sup> and institutionalized discrimination.<sup>14</sup> Activists are organizing to change this situation; the first Women's Forum of Native Ethnic Races of Kayah was held in February 2018.<sup>15</sup>

Socio-economic indicators are relatively low across the state. Infrastructure is generally underdeveloped; with limited access to paved roads in rural areas and low-levels of electrification across the state (despite Kayah state's Lawpita hydropower dam being a major source of electricity for other parts of Myanmar).<sup>16</sup> Key environmental issues in Kayah state include: mining; logging and deforestation; industrial agriculture; contract farming; and large industrial projects such as cement factories.

<sup>5</sup> Myanmar Information Management Unit, 27 July 2016, Population & Population Density in Kayah State (2014 Census) [map],

[http://themimu.info/sites/themimu.info/files/documents/Population\\_Map\\_2014\\_Population\\_Density\\_Kayah\\_MIMU841v06\\_27Jul2016\\_A4\\_0.pdf](http://themimu.info/sites/themimu.info/files/documents/Population_Map_2014_Population_Density_Kayah_MIMU841v06_27Jul2016_A4_0.pdf)

<sup>6</sup> Livelihoods and Food Security Trust Fund, July 2015, LIFT Uplands Programme: Scoping Assessment Report, page 23,

[https://themimu.info/sites/themimu.info/files/documents/Report\\_LIFT\\_Upland\\_Programme\\_Scoping\\_Report\\_LIFT\\_July2015.pdf](https://themimu.info/sites/themimu.info/files/documents/Report_LIFT_Upland_Programme_Scoping_Report_LIFT_July2015.pdf)

<sup>7</sup> See "Figure 11: Highland and Lowland agriculture practiced, by township" in Mercy Corps, 2013, Kayah State Socio-Economic Analysis (Mercy Corps 2013) <https://www.mercycorps.org/research-resources/socio-economic-analysis-kayah-state-myanmar>

<sup>8</sup> See <https://www.theborderconsortium.org/where-we-work/camps-in-thailand/ban-nai-soi/>

<sup>9</sup> See <https://www.theborderconsortium.org/where-we-work/camps-in-thailand/ban-mae-surin/>

<sup>10</sup> The Border Consortium, October 2018, Refugee Camp Populations: October 2018, <https://www.theborderconsortium.org/media/118239/2018-10-october-map-tbc-unhcr.pdf>

<sup>11</sup> The Border Consortium, June 2018, Human Security in South Eastern Myanmar, <https://www.theborderconsortium.org/media/114642/TBC-Human-Security-in-South-Eastern-Myanmar-2018.pdf>

<sup>12</sup> Mercy Corps 2013

<sup>13</sup> Hein Ko Soe, 10 April 2018. Tackling sexual violence in Kayah, Frontier Myanmar, <https://frontiermyanmar.net/en/tackling-sexual-violence-in-kayah>

<sup>14</sup> Asian Development Bank, United Nations Development Programme, United Nations Population Fund, and the United Nations Entity for Gender Equality and the Empowerment of Women, 2016, Gender equality and women's rights in Myanmar: A situation analysis,

[http://mm.one.un.org/content/dam/unct/myanmar/docs/unct\\_mm\\_UNWomen\\_Report\\_Gender%20Situation%20Analysis.pdf](http://mm.one.un.org/content/dam/unct/myanmar/docs/unct_mm_UNWomen_Report_Gender%20Situation%20Analysis.pdf)

<sup>15</sup> Htike Nanda Win, 5 March 2018, Bias against women persists in Kayah, Myanmar Times, <https://www.mmtimes.com/news/bias-against-women-persists-kayah.html>

<sup>16</sup> Mercy Corps 2013



The economic prospects of Kayah state are intimately connected to its size and demographics. Between 1989 and 2018, the total amount of official foreign investment in Kayah State was a very modest US\$2.431 million.<sup>17</sup> The small size of the state and the low population density mean that the local market can only grow so large; to achieve economies of scale and reach a larger market, businesses in Kayah will need to be export-oriented. There is hope of increased inter-state trade; with Kayah state produce being exported to Shan and Kayin states. Larger populations in Shan and Kayin mean larger potential markets for Kayah goods as well as functioning as thorough-points to the rest of Myanmar as well as India and China. At present, much of Kayah state's agriculture produce is bought by wholesalers who transport it to markets in southern Shan State where it is then purchased by Chinese traders and ultimately exported to China.

The Myanmar and Thailand governments are planning to open four land border crossings (Border Points 9, 10, 13 and 14) linking Kayah state with Mae Hong Son province, although the plans are yet to be fully realized.<sup>18</sup> To date, none of the four border crossings in Kayah State are open to international travelers for tourism.<sup>19</sup> There is economic development potential from international trade through the four planned border gates between Kayah and Mae Hong Son province in Thailand, but Mae Hong Son province itself has quite low population density and is relatively isolated. If international cross border trade increases in the future, both Kayah and Mae Hong Son will likely be through-points en route to largely markets further inside Myanmar and to China and India.

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<sup>17</sup> See <http://www.thaibizmyanmar.com/en/thai-myanmar/trade-investment/Kayah%20State%20Overview.pdf>

<sup>18</sup> Ei Ei Thu, 13 December 2017, Kayah may open Me-se border crossing, Myanmar Times, <https://www.mmtimes.com/news/kayah-may-open-me-se-border-crossing.html>

<sup>19</sup> See <http://www.mip.gov.mm/482/>

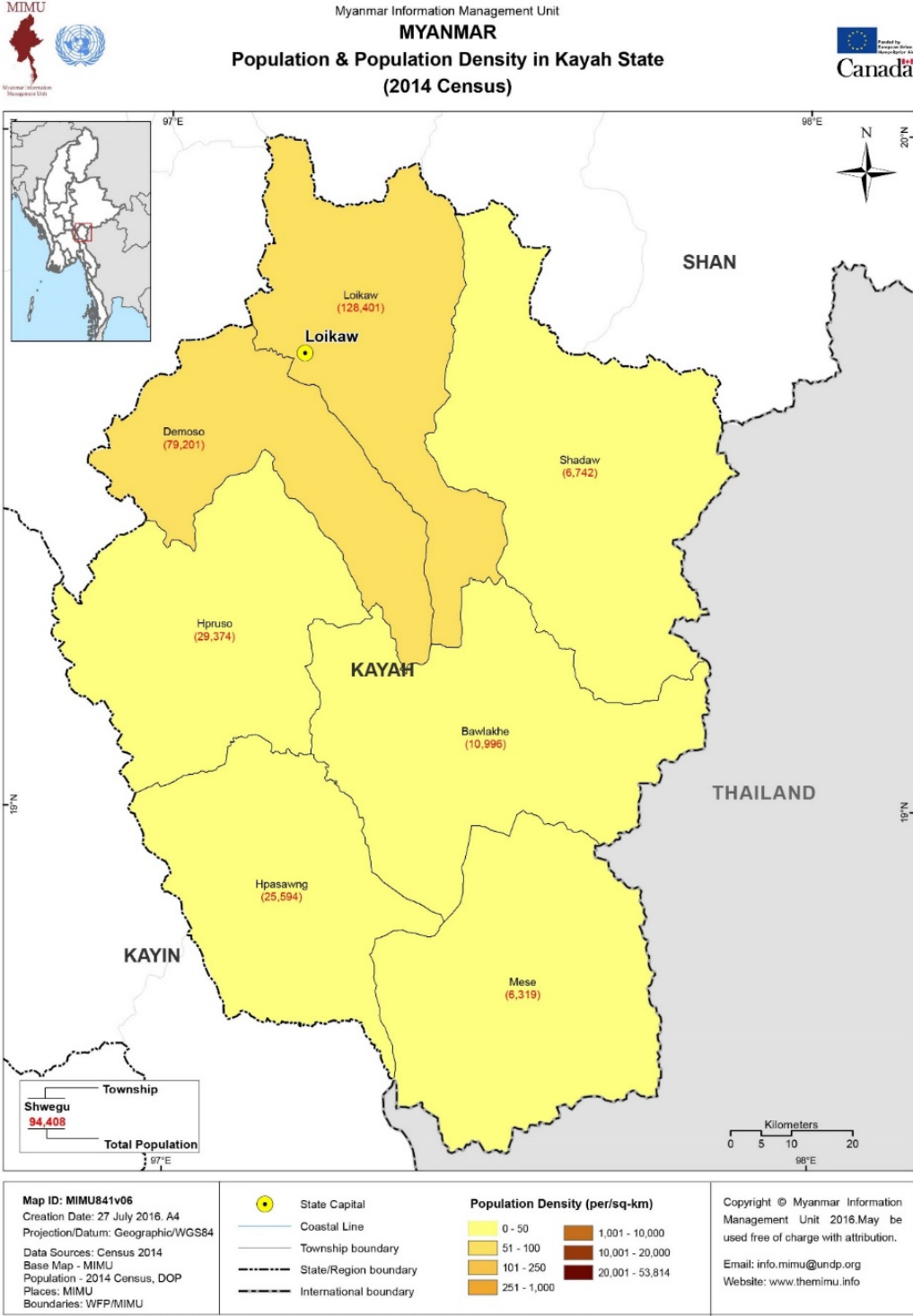


Figure 1 - Kayah State Township and Population Density Map<sup>20</sup>

<sup>20</sup> Myanmar Information Management Unit, 27 July 2016, Population & Population Density in Kayah State (2014 Census) [map], [http://themimu.info/sites/themimu.info/files/documents/Population\\_Map\\_2014\\_Population\\_Density\\_Kayah\\_MIMU841v06\\_27Jul2016\\_A4\\_0.pdf](http://themimu.info/sites/themimu.info/files/documents/Population_Map_2014_Population_Density_Kayah_MIMU841v06_27Jul2016_A4_0.pdf)

## Township profiles

Kayah state has seven townships: Loikaw, Hpruso, Hpasawng, Bawlakhe, Demoso, Mese, and Shadaw (see Figure 1). All of Kayah's townships border either Shan state, Kayin state, or Thailand's Mae Hong Son province. There is significant variation in geography and demographics across Kayah state's townships. There is also a significant divergence in development and livelihoods realities and needs across the seven townships of this small state.

The three townships targeted by the GAP project are particularly affected by armed conflict and face a range of development-related challenges. A 2018 study on vulnerability commissioned by the Humanitarian Assistance and Resilience Programme Facility and the Myanmar Information Management Unit employed a "Vulnerability Index" to classify all of Myanmar's 330 Townships.<sup>21</sup> Of Kayah state's seven Townships, three – Loikaw, Hpasawng and Bawlakhe – were classified as being in the relatively less vulnerable "Agricultural areas with secondary cities and towns" category. In contrast, the three townships targeted by the GAP project fall into one of the categories signaling high vulnerability: Mese as "Very low access to basic services and infrastructure"; Demoso as "Hubs in conflict-affected areas"; and Shadaw as "Conflict-affected areas with poor human development."

Brief profiles of each of Kayah state's seven townships are provided below.

Loikaw Township is the most densely populated township in Kayah state, and the location of state-capital Loikaw. The Kayah state parliament and other government buildings are located in Loikaw. Much of the township is flat plain land suitable for agriculture, with access to irrigation water. Logging and mining areas are in the north of the township. Loikaw has well-developed infrastructure and its flat topography is suitable for industry. Myanmar's first large-scale hydropower development, the Lawpita dam, was built in Loikaw Township in early 1950s with Japanese assistance.<sup>22</sup> The Lawpita dam still provides approximately 10% of Myanmar's hydropower generation, but has been controversial due to significant environmental and human rights impacts.<sup>23</sup> The township is well situated as a trade route, acting as the center of inter-state and international trade in Kayah: roads from Mae Hong Son to Shan state pass through Loikaw, as do roads connecting Shan state to Kayin and the rest of Myanmar. Along with Demoso, Loikaw is the driver of Kayah state's economic growth. Loikaw is home to a diversity of ethnic groups and cultures, which is a selling point for tourism activities. In the 1990s, some villages from the far south of the township close to the Than Lwin River were displaced, and three relocation sites were established in the north.<sup>24</sup>

<sup>21</sup> See 'Township Typologies' map (page 4) in Humanitarian Assistance and Resilience Programme Facility & the Myanmar Information Management Unit, June 2018, Vulnerability in Myanmar: A Secondary Data Review of Needs, Coverage and Gaps, [http://themimu.info/sites/themimu.info/files/documents/Report\\_Vulnerability\\_in\\_Myanmar\\_HARP-MIMU\\_Jun2018\\_ENG\\_Online\\_version\\_with\\_low-res.pdf](http://themimu.info/sites/themimu.info/files/documents/Report_Vulnerability_in_Myanmar_HARP-MIMU_Jun2018_ENG_Online_version_with_low-res.pdf)

<sup>22</sup> Japan International Cooperation Agency, 28 June 2014, Japan-Myanmar renewed 60-year long ties over historic power station, <https://www.jica.go.jp/myanmar/english/office/topics/press140628.html>

<sup>23</sup> Karenni Development Research Group, 2006, Dammed by Burma's Generals, [http://burmacampaign.org.uk/media/Dammed\\_by\\_Burmas\\_Generals.pdf](http://burmacampaign.org.uk/media/Dammed_by_Burmas_Generals.pdf)

<sup>24</sup> See "Figure 9: Displacement in Karenni" (page 52) in Vicky Bamforth, Steven Lanuouw, and Graham Mortimer, May 2000, Conflict and Displacement in Karenni: the need for considered responses, Burma Ethnic Research Group (BERG 2000)

Demoso Township is the second most densely populated township in Kayah state. The area features flat plain land suitable for agriculture and animal husbandry; agriculture in the area benefits from the year-round access to irrigation water from the Seven-Step Lakes. Mountainous areas on the Shan state border have traditionally been centers of opium cultivation; but production has been decreasing in the past five years due to eradication programs, causing economic hardship for some rural communities in the area. The township has well-developed infrastructure suitable for industry. Demoso is well situated as a trade route, acting as the center of inter-state and international trade in Kayah state: roads from Mae Hong Son to Shan state pass through Demoso, as do roads connecting Shan state to Kayin. Along with Loikaw, Demoso is a driver of Kayah state's economic growth. Demoso is home to a diversity of ethnic groups and cultures, which is a selling point for tourism activities. The southeast of Demoso is a dual-administration area under the Myanmar government and the non-state armed group the Karenni National Progressive Party (KNPP). Numerous villages were displaced by conflict in the 1990s, and three major relocation sites were established in the east of the township.<sup>25</sup>

Hpruso Township is well-suited for agriculture and eco-tourism. Fertile cleared agriculture lands are concentrated on the northeastern border with Demoso Township. The mountainous areas in the west of the township are suitable for perennials such as avocado and coffee. The township contains a large area of Lowland Deciduous forest and a couple of small pockets of Pine Forest, as well as large swathes of Degraded Forest.<sup>26</sup> There are small antimony mining operations to the west of the township close to where the Kayin state and Shan state borders meet. Ceasefire groups hold territory in the township. Dozens of villages were displaced in northern Hpruso between 1992 and 1994 and in 1996, with four major relocation sites established close to the highway in the northeast of the township.<sup>27</sup>

Hpasawng Township borders Kayin State. The township contains significant areas of cleared land, as well as degraded forest land and natural forests. Cultivation of rice, sesame and cardamom is common. Hpasawng has been a mining and logging area since colonial times. Logging continues at present; a ceasefire group was recently granted a 5,000 ton logging concession.<sup>28</sup> The area bordering Kayin state is one of the few remaining concentrated forested areas of Montane Evergreen, Lowland Evergreen and Pine Forest in Kayah state.<sup>29</sup> The township is a conflict area; under the dual-administration of the KNPP and the Myanmar government. Dozens of villages across the entire township were displaced in 1996.<sup>30</sup>

Bawlakhe Township is located in the center of Kayah state, and borders Thailand's Mae Hong Son province. The weather in the township is typically hot, and the area is well-

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<sup>25</sup> BERG 2000, page 52

<sup>26</sup> BERG 2000, page 21

<sup>27</sup> BERG 2000, page 52

<sup>28</sup> Myanmar Times staff, 20 September 2018, Kayah's timber deal undermines govt's forestry reform: EIA, Myanmar Times, <https://www.mmtimes.com/news/kayahs-timber-deal-undermines-govts-forestry-reform-eia.html>

<sup>29</sup> BERG 2000, page 21

<sup>30</sup> BERG 2000, page 52

suited for sesame and cinnamon cultivation. Farmers growing these cash crops typically don't grow their own rice, and are dependent on earning income from their crops to purchase basic food needs. Previously timber was the major sector in the area; and while much of the forest in the township has been degraded there are still significant swathes of forest in the central and eastern mountainous areas.<sup>31</sup> The section of the Than Lwin River passing through Bawlakhe Township includes the site of the currently suspended Ywathit dam project.<sup>32</sup> In the 1990s, Bawlakhe experienced relatively less displacement than other townships; in 1991 four villages close to the Thai border were displaced, and in 1996, 16 villages near the Than Lwin River were displaced.<sup>33</sup>

Mese Township, along with Shadaw, has the lowest population density in Kayah state. The township has large areas of cleared agricultural land and degraded forest in the central and west, and on the eastern border with Thailand large swathes of Lowland Evergreen and Montane Evergreen forests.<sup>34</sup> The low population density and topography in the central and western parts of the township make it well-suited for paddy rice and sesame cultivation as well as livestock grazing. Mese is ethnically diverse; with Shan (typical livelihoods being paddy and cash crop cultivation), Kayin (typical livelihoods being rotational cultivation), and Kayan (typical livelihoods being sesame cultivation) all living in the township. Mese Township is a conflict area with contested land governance. Border Point #13 is in the small KNPP-controlled area to the north of the township (mostly Shan villages, and the location of a potential relocation site sufficient for 500 people), and Border Point #14 is in the Karenni National People's Liberation Front (KNPLF) controlled area in the south. Starting around year 2000, many Kayan villages were established in Mese as the KNPLF moved Kayan people from Demoso (often as part of opium crop substitution programs) to set-up new villages in a bid to build their support base in the Township. In the early 1990s, six villages close to the Thai border were displaced.

Shadaw Township, along with Mese, has the lowest population density in Kayah state. It is well-suited for rotational cultivation of rice and corn at higher elevations, and sesame cultivation near the city where weather is warmer. Animal husbandry would be suitable in the flat grassland and degraded forest areas in the central part of the township.<sup>35</sup> Shadaw Township has pockets of Pine Forest in its west, and Evergreen Forest in its east.<sup>36</sup> There is also some mining in the township. Shadaw Township is one of KNPP's key territories. In 1996, several dozens of villages were displaced across Shadaw Township, with a relocation site being established near Shadaw town.<sup>37</sup>

<sup>31</sup> Myanmar Information Management Unit, 27 July 2016, Bawlakhe Township - Kayah State [map],

[https://www.themimu.info/sites/themimu.info/files/documents/Tsp\\_Map\\_VL\\_Bawlakhe\\_Ts-Kayah\\_MIMU154v04\\_03May2016\\_A1.pdf](https://www.themimu.info/sites/themimu.info/files/documents/Tsp_Map_VL_Bawlakhe_Ts-Kayah_MIMU154v04_03May2016_A1.pdf)

<sup>32</sup> <https://ejatlas.org/conflict/ywathit-karenni-state-myanmar>

<sup>33</sup> BERG 2000, page 52

<sup>34</sup> BERG 2000, page 21

<sup>35</sup> Myanmar Information Management Unit, 27 July 2016, Shadaw Township - Kayah State [map],

<sup>36</sup> BERG 2000, page 21

<sup>37</sup> BERG 2000, page 52

## Kayah state labor market trends

The 2014 Myanmar government census of Kayah state found that the overall labor force participation rate of 15 to 64 year olds was approximately 75%, with a significantly higher overall participation rate for men than for women (88% to 60%).<sup>38</sup> Labor force participation was higher in rural than urban areas (77% to 66%), with rural women's participation rate being 64% while urban women's participation rate was only 50%.<sup>39</sup> This is likely because the "Not in labor force" category included "household work" which appears to mean that tasks typically done by women such as child care, elderly care, preparing meals, and even home gardening were not counted as being in the "labor force" and as such were not captured as "economically active people" in the "Labor force participation rate."<sup>40</sup>

Looking specifically at entrepreneurial activity, the census shows that state-wide 28% of the population are self-employed in a small business without employees while only 1% are self-employed in a small business with one or more employees.<sup>41</sup> This means that the vast majority of entrepreneurial activity in Kayah state is essentially "subsistence entrepreneurship" – which is defined as "entrepreneurial actions undertaken by individuals living in poverty."<sup>42</sup>

Looking at entrepreneurial activity by gender reveals that women constitute just over a third (40%) of all entrepreneurs across Kayah state. The census data shows that 11% of women are self-employed in a small business without employees while only 0.4% are self-employed in a small business with one or more employees. These general trends are repeated at the township levels, although notably in Shadaw township women are more involved in entrepreneurial activities. In Shadaw township, the gender distribution is almost equal among people self-employed in a small business without employees, and there are actually more women than men self-employed in a small business with one or more employees.

Looking at the numbers for usual activity status by gender, key findings are that: significantly more women than men usually engage in household work; almost as many women as men work as government employees or are small business owners without employees; and women are underrepresented in the private sector either as employees or employers. The township-level "usual activity status" aggregated by gender shows that women are significantly overrepresented in the "Household worker" category. At the state-level, women were somewhat underrepresented, by about a third, in the "Employee (government)" and "Own account worker" (small business owner). Significantly, in the "Employee (private)" and "Employer" categories women's participation was well below that of men.

<sup>38</sup> The Republic of the Union Of Myanmar, May 2015, The 2014 Myanmar Population and Housing Census - Kayah State, Department of Population, Ministry of Immigration and Population, page 69-71 (Kayah State Census) <https://myanmar.unfpa.org/sites/default/files/pub-pdf/Kayah%20State%20Census%20Report%20-%20ENGLISH.pdf>

<sup>39</sup> Kayah State Census, page 69-74

<sup>40</sup> Kayah State Census, page 115-116

<sup>41</sup> Own account worker is defined as "self-employed persons who worked in their own business or worked in their own/family business for family gain and did not have any employees" (Kayah State Census, page 116)

<sup>42</sup> Madhu Viswanathan, Raj Echambadi, Srinivas Venugopal, and Srinivas Sridharan, 2014, Subsistence Entrepreneurship, Value Creation, and Community Exchange Systems, Journal of Macromarketing, Volume 34, Issue 2, pages 213-226



## Land dynamics

Much of Myanmar's rural population uses and manages land through communal or customary practices and institutions, and do not possess official land title from sub-national or national-level government bodies.<sup>43</sup> Research from land rights advocacy organization Land In Our Hand (LIOH) indicates that in Kayah state, the vast majority of people claim land rights based on inherited customary ownership.<sup>44</sup>

Across Myanmar, the high level of landlessness "results from both community members being unable to acquire land, and existing smallholders losing land due to indebtedness, land confiscation and continued or renewed conflict."<sup>45</sup> This lack of official land title leaves rural smallholder farmers vulnerable to both illegal and legalized land-grabbing: "As with other parts of rural Myanmar, ethnic minority areas are characterized by land expropriation from smallholder farmers for the private sector."<sup>46</sup> Even those in possession of some form of official land tenure are vulnerable to land-grabbing.<sup>47</sup>

Vulnerabilities around land tenure are typically compounded for women. Women are less likely to hold tenure (official or customary), less likely to have access to decision-making processes related to land; and depend on engaging in land related work (from planting to harvesting to selling of produce) for their and their family's livelihood.<sup>48</sup> Gender and gender inequality are a key element relating to weak land rights and landlessness in Myanmar; with woman-headed households were more likely to be landless or have smaller land holdings man-headed households.<sup>49</sup> Women often face structural barriers when accessing land registration processes, credit to purchase land, and agricultural extension services and other training opportunities.<sup>50</sup>

The impacts of land dispossession should not be considered only as processes of economic dispossession, but also as processes with wider social, cultural, political and psychological impacts. Land-grabbing and forced relocation disrupts individual families and entire communities. The disruptions last well beyond the act of dispossession, having implications for future prospects. A lengthy quote from LIOH is informative here:

"The impacts of land grabbing are severe and ongoing, direct and indirect. They are not limited to one aspect (e.g., livelihood), to one moment in time (e.g., during confiscation), to one place (e.g., the area designated for confiscated), or even to just those people whose farmlands are taken. They are wide ranging across the economic, social, cultural and political spheres, and encompassing the physical

<sup>43</sup> Mekong Region Land Governance, March 2017, Documenting Customary Tenure in Myanmar: A guidebook, [http://mrlg.org/wp-content/uploads/2017/03/Customary\\_Tenure\\_Guidebook\\_MMR\\_First\\_Edition.pdf](http://mrlg.org/wp-content/uploads/2017/03/Customary_Tenure_Guidebook_MMR_First_Edition.pdf)

<sup>44</sup> Land in Our Hands Network, December 2015, Destroying People's Lives: The Impact of Land Grabbing on communities in Myanmar, page 20 (LIOH 2015) [https://www.tni.org/files/article-downloads/lioh\\_research\\_report\\_eng\\_0.pdf](https://www.tni.org/files/article-downloads/lioh_research_report_eng_0.pdf)

<sup>45</sup> OXFAM 2014

<sup>46</sup> Myanmar Center for Responsible Business, May 2018, Land Rights and Business in Myanmar (consultation draft), page 26 (MCRB 2018) [http://www.myanmar-responsiblebusiness.org/pdf/2018-Briefing-Paper-Land\\_draft.pdf](http://www.myanmar-responsiblebusiness.org/pdf/2018-Briefing-Paper-Land_draft.pdf)

<sup>47</sup> LIOH 2015

<sup>48</sup> MCRB 2018, page 3

<sup>49</sup> USAID/ Winrock, 2015, Value Chains for Rural Development Social and Gender Assessment, Final Report, [https://pdfsecret.com/download/value-chains-for-rural-development-social-and-gender-assessment\\_5a133650d64ab24772a85fd5\\_pdf](https://pdfsecret.com/download/value-chains-for-rural-development-social-and-gender-assessment_5a133650d64ab24772a85fd5_pdf)

<sup>50</sup> OXFAM, 28 August 2014, Delivering Prosperity in Myanmar's Dry Zone (OXFAM 2014)

[https://www.oxfam.org/sites/www.oxfam.org/files/file\\_attachments/bp-myanmar-dryzone-smallscale-farmers-280814-en.pdf](https://www.oxfam.org/sites/www.oxfam.org/files/file_attachments/bp-myanmar-dryzone-smallscale-farmers-280814-en.pdf)

and psychological dimensions of peoples' lives too, and continue to haunt and undermine peoples life chances long after a confiscation is begun."<sup>51</sup>

Land-grabbing in Myanmar was common under previous military dictatorships, but even following the installment of a quasi-civilian government in 2011 land confiscation continued in Kayah state. In 2014, there was military-led confiscation in Demoso township.<sup>52</sup> As recently as early November 2018, the Kayah state Chief Minister was accused of confiscating land for personal gain.<sup>53</sup>

Since 2011, there have been numerous government bodies set-up to review and resolve land-grabbing and land confiscation issues for regular people, but to date the process is stalled with a huge backlog of cases. When the new parliament sat in 2016, the Parliamentary Farmer Affairs Committee took over 6,000 unresolved cases from the previous Parliament. While the land reform process is also moving slowly in Kayah State, there was some recent positive news when in March 2018 the Military returned 209 acres of previously confiscated land.<sup>54</sup>

### **Shifting legal framework on land rights**

Since the establishment of a quasi-civilian government in 2011, there have been various attempts at reforming the legal framework governing land in Myanmar. The Farmland Law of 2012 made land a commodity that can be sold, although the 2008 Constitution vests ultimate ownership rights with the State. The Vacant, Fallow & Virgin Land Law of 2012 enables parceling of "unoccupied" law to companies (through Myanmar Investment Commission, etc). The Forest Department has a 30-year expansion plan; which focuses on expanding plantation 'forests' and 'reclaiming' untitled land. The National Land Use Policy is under review and may incorporate ICCAs<sup>55</sup> to some extent but it is not clear how this will play out for regular people such as smallholder farmers in rural Kayah state. LIOH has already objected to the enactment of "the Vacant, Fallow & Virgin Land Management Law", which they warn may lead to increase confiscation of 'untitled' customary from local people. Any increase in the confiscation of 'untitled' land will disproportionately impact people in ethnic states; according to the Department of Agricultural & Land Management Statistics, Myanmar has 45 million acres of untitled land, with 82% of it in ethnic states."<sup>56</sup> Without a clear definition of what constitutes 'untitled' and 'vacant, fallow and virgin' land and a recognition of customary land tenure, the land rights of ethnic peoples' across Myanmar remain insecure.

To date, the land law reform process in Myanmar has resulted in an incomplete and contradictory legal framework regarding land rights. There has been talk of creating an overarching 'Land Law' to unify all existing laws and policies related to land, but the path towards this new Law is uncertain. Presently, the government is fleshing-out the

<sup>51</sup> LIOH 2015

<sup>52</sup> LIOH 2015, page 18

<sup>53</sup> Htike Nandar Win, 9 November 2018, Kayah State CM accused of land grabbing in Mese town, Mizzima, <http://mizzima.com/article/kayah-state-cm-accused-land-grabbing-mese-town>

<sup>54</sup> Lin Thant, 12 March 2018, Tatmadaw releases over 200 acres of grabbed land, Kantarawaddy Times, <https://www.bnionline.net/en/news/tatmadaw-releases-over-200-acres-grabbed-land>

<sup>55</sup> <https://www.iccaconsortium.org/index.php/discover/>

<sup>56</sup> Land In Our Hand, 6 November 2018, press release



National Land Use Policy, which would in theory unify divergent interpretations within the existing legal framework but there are no guarantees that it will protect customary rights. All of this to say that the land tenure rights, especially related to customary land rights, of regular people are in a very precarious state.<sup>57</sup>

The ability of returnees to access official processes to have their customary land rights recognized will be an important factor influencing the success of small businesses started by returnee entrepreneurs. Securing official land tenure rights is crucial to a successful return process.

### **Land restitution for displaced communities**

Hundreds of villages were displaced throughout the 1990s due to fighting in all of Kayah states townships.<sup>58</sup> In Shadaw Township alone, several dozen villages fled fighting in 1996; many of these villages remain unpopulated and isolated, with limited connections to the rest of the state.

The process of refugee return will need to be sensitive to not create new land-related conflicts between returnees and host communities. Adding to the complexity of the situation is the reality of intergenerational displacement; when the children of people displaced from Kayah state have been born and grown-up in refugee camps in Thailand their claims to land rights in the villages of their parents come into question.

In 2017, 21 refugees returned from Thailand but even that small number did not have enough land. The government and the KNPP must work together to provide sufficient land to accommodate the returnees. Refugees are hesitant to return without guarantees that they will have adequate land to practice a reasonable livelihood.

There is an area of land in northern Mese township that may be suitable for approximately 500 returnees to settle. The eastern bank of the Than Lwin River would be a suitable location for returning refugees to settle, and the KNPP liaison office noted that the potential use of this areas as a refugee repatriation site is one of the reasons they are in opposition to the Ywathit dam project.

The successful return of refugees will depend on the government's plans to grant sufficient land to accommodate the return of a large group. If small numbers of people continue to trickle back and do not have sufficient land allocated to them and security of tenure, then the return process will not be successful.

### **Conflict dynamics**

Kayah state has been the site of armed conflict for decades, with a diversity of interconnected and shifting non-state armed groups.<sup>59</sup> A full examination of the history of armed conflict and an overview of the shifting-alliances of the numerous non-state

<sup>57</sup> Ben Dunant, 19 November 2018, Why a land law change is sparking fears of mass evictions, Frontier Myanmar, <https://frontiermyanmar.net/en/why-a-land-law-change-is-sparking-fears-of-mass-evictions>

<sup>58</sup> BERG 2000, page 52

<sup>59</sup> Myanmar Information Management Unit / Peace Support Fund, September 2016, Situation Analysis of Southeastern Myanmar, [https://reliefweb.int/sites/reliefweb.int/files/resources/Situation\\_Analysis\\_southeastern\\_Myanmar\\_MIMU-PSF\\_Sep2016\\_low-res.pdf](https://reliefweb.int/sites/reliefweb.int/files/resources/Situation_Analysis_southeastern_Myanmar_MIMU-PSF_Sep2016_low-res.pdf)

armed groups in Kayah state is beyond the scope of this assessment report, but the seminal report “Conflict and Displacement in Karenni: the need for considered responses” contains a wealth of information up to the year 2000.<sup>60</sup>

At present, the two most important non-state armed groups active in Kayah state are the Karenni National Progressive Party (KNPP) and the Karenni Nationalities People’s Liberation Front (KNPLF).

Arguably, the KNPP is the only true ‘non-state’ group in Kayah state as all of the other groups are connected to the Myanmar military as Border Guard Forces (BGFs) or function as pro-government business-focused militias. The KNPP has a presence in all of Kayah state’s townships, with larger areas of dual-administration in the north and southwest of the state. The KNPP signed a bilateral ceasefire agreement with the Myanmar military in 2013 but has not signed the Nationwide Ceasefire Agreement (NCA). The KNPP is a member of the United Nationalities Federal Council (UNFC) and has stated its commitment to working towards signing the NCA. Clashes between the Myanmar military and the KNPP have occurred as recently at October 2018.<sup>61</sup>

The KNPLF emerged out of the now-defunct Burma Communist Party, but in these days more focused on pursuing business activities. Some portion of the KNPLF forces became Myanmar government affiliated Border Guard Forces<sup>62</sup> (BGFs) following ceasefire negotiations in 2009. The KNPLF BGF battalions 1004 and 1005 are present in Demoso, Mese, Hpasawng, Bawlakhe and Loikaw townships.<sup>63</sup> The other non-state armed groups in Kayah are largely involved in business activities, including:

- Kayan New Land Party (KNLP) - a ‘ceasefire group’ in Demoso and Pekon;
- Karenni National Peace and Development Party (KNPDP) - a militia group;
- Karenni National Democratic Party (KNDP) - doing business in Demoso;
- Karenni Solidarity Organization (KNSO) - a militia group in Hpasawng; and
- Kayan National Guard (KNG) - a pro-government militia based in Pekon.<sup>64</sup>

In Kayah state, overlapping governance claims between the various non-state armed groups and militias remains an important dynamic, especially in relation to control over business interests in the extractive sector. The history of armed conflict in Kayah state has led to large areas of potential landmine risk which hinders many types of economic activities include agriculture and tourism.<sup>65</sup> A large-scale initiative to demine the state should be prioritized.<sup>66</sup> Contested land governance and impact of landmine risk on economic development are important issues when assessing rural livelihoods.

<sup>60</sup> See BERG 2000, particularly Chapter 2 “Conflict in Karenni”

<sup>61</sup> Kantarawaddy Times, 22 October 2018, Skirmish Breaks out Between KNPP, Tatmadaw <https://www.burmalink.org/skirmish-breaks-out-between-knpp-tatmadaw/>

<sup>62</sup> BGFs are battalion-sized (326 soldiers) militias form by the Myanmar military following ceasefire negotiations in the late 2000s as a way to take over operational control of ethnic armed organizations or militia groups.

<sup>63</sup> Buchanan 2016, page iv

<sup>64</sup> John Buchanan, July 2016, Militias in Myanmar, The Asia Foundation, page 15 (Buchanan 2016) <https://asiafoundation.org/wp-content/uploads/2016/07/Militias-in-Myanmar.pdf>

<sup>65</sup> Thai Biz Myanmar, 3 July 2015, A new border crossing point between Kayah State of Myanmar and Thailand’s Mae Hong Song Province will open later this year, <http://www.thaibizmyanmar.com/en/news/detail.php?ID=111>

<sup>66</sup> Myanmar Information Management Unit / Peace Support Fund, September 2016, Situation Analysis of Southeastern Myanmar, [https://reliefweb.int/sites/reliefweb.int/files/resources/Situation\\_Analysis\\_southeastern\\_Myanmar\\_MIMU-PSF\\_Sep2016\\_low-res.pdf](https://reliefweb.int/sites/reliefweb.int/files/resources/Situation_Analysis_southeastern_Myanmar_MIMU-PSF_Sep2016_low-res.pdf)

## 2.0 Market analysis and value chain assessment for key economic sectors

The following section examines market opportunities in key economic sectors for the livelihoods of rural communities in Kayah State. These economic sectors were identified during interviews with GAP partners and other key stakeholders in Loikaw. An exhaustive overview of all potential business opportunities and value chains relevant to returnee entrepreneurs is beyond the scope of this analysis. This initial market analysis is intended to provide a high-level overview of the most important economic sectors in Kayah state, and provide the basis for more detailed value chain mapping and business planning to be conducted by returnee entrepreneurs and community-based enterprises.

The key economic sectors selected for examination in this market analysis are: agriculture (cash crops); agriculture (value-added products); agriculture (livestock); fruit tree plantations and agroforestry; non-timber forest products; fisheries; handicrafts; garments and textiles; trade; hospitality; and tourism.

Each sectoral overview starts by presenting a simplified value chain for a businesses operating in that sector; then provides an overview of potential business opportunities for returnee and women entrepreneurs and a brief discussion of potential markets; and ends with an examination of the likely material and technical assistance needs of returnee and women entrepreneurs looking to start a business in the sector.

### **Generic value chain mapping**

A value chain is the series of activities or transactions involved in bringing a product or service from conception to the final customer. The value chain is the sum of all of the distinct steps required (e.g. sourcing, production, marketing, etc.) Each step may be completed by one firm or multiple firms within a specific industry or economic sector.

The specific form and content of a value chain will be unique to the specific product or service as well as the specific business model of the enterprise involved. It should be noted that a simplified value chain refers to an 'external' perspective on the business processes involved in a specific economic sector, while from the 'internal' perspective of a specific firm their unique value chain would likely include additional value chains (the business's 'supply chains') through which inputs are sourced, goods are distributed, etc.

To restate the point in a different way, each economic sector has an 'industry-level' value chain, each element of which consists of a further 'firm-level' value chains (see Figure 2). A firm that controls all elements of an 'industry-level' value chain is highly vertically integrated. A business can be successful focusing on one element of an industry-level value chain or cover multiple elements of an industry-level value chain, but often the businesses which have control over more elements of a value chain are more profitable and influential because they have greater power within the sector.

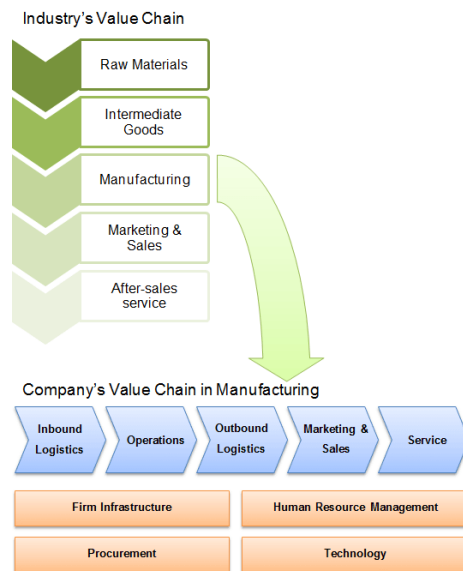


Figure 2 - Relationship between an industry-level and firm-level value chain<sup>67</sup>

When returnee entrepreneurs in Kayah state are analyzing the value chains for their specific business models, they should also consider how their enterprise fits in the wider 'industry-level' value chain. For example, to expand their businesses to become more profitable women entrepreneurs could consider ways to be more active in the supply (producing raw materials) and distribution (transportation) elements of their business's value chain.

Value chains are necessarily embedded in a specific capitalist economy or 'market system' – the wider environment in which the firm is operating. The specific characteristics of the 'market system' in which value chains exist are unique to the political and socio-economic dynamics of the territory or territories where the business operates. The International Labor Organization's (ILO) graphic representation of a market system and embedded value chain clearly shows how value chains are influenced by the wider 'supporting functions' and 'rules and regulations' within a market system (see Figure 2).

<sup>67</sup> <https://www.strategicmanagementinsight.com/tools/value-chain-analysis.html>

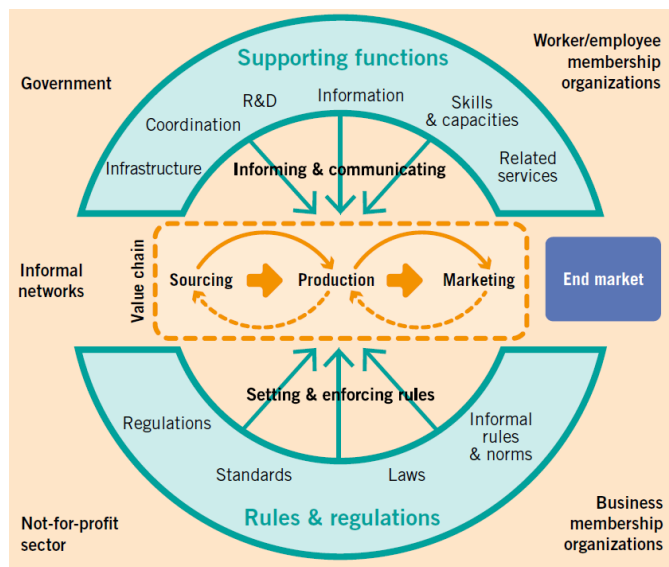


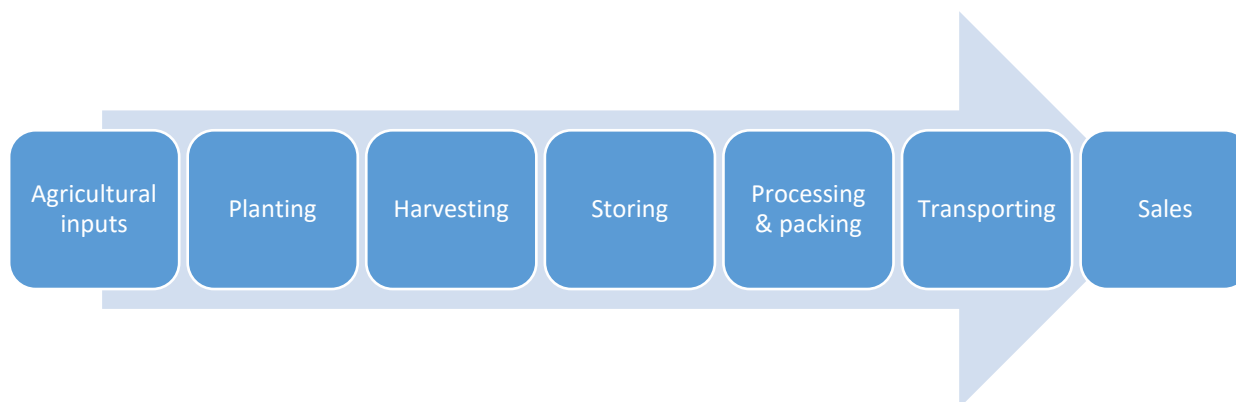
Figure 3 - Value chains as part of market system frameworks<sup>68</sup>

The remainder of this section will provide a market analysis and value chain assessment for the selected key economic sectors.

## Agriculture (cash crop cultivation)

### Simplified value chain

The key elements of a simplified value chain for the “agriculture (cash crop cultivation)” sector include: agricultural inputs (fertilizers, pesticides, seeds, tools, irrigation water, veterinary services); planting (the labor of land preparation, sowing seeds, and tending crops); harvesting (the labor reaping the harvest); storage (storing the harvest); processing & packing (preparing the harvest to be transported to market); transporting (moving the harvest to market); sales (selling the harvest).



<sup>68</sup> Nadja Nutz and Merten Sievers, 5 May 2015, A rough guide to Value Chain Development, International Labor Organization, page 4, [https://www.ilo.org/wcmsp5/groups/public/---ed\\_emp/---emp\\_ent/---ifp\\_seed/documents/publication/wcms\\_366005.pdf](https://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/---ifp_seed/documents/publication/wcms_366005.pdf)

## Potential business opportunities and markets

The GAP partner's economic and livelihood surveys found that the vast majority of people in rural Kayah state are engaged in subsistence agriculture and cash crop cultivation for their livelihood and food security. This important economic sector is therefore a priority for business development by returnees. Based on input from the GAP partners and desk research, the cash crops outlined below have been identified as potentially suitable business opportunities for returnee women entrepreneurs. As agricultural produce is something that is consumed locally on a daily basis, there are opportunities for gaining competitive advantage and securing market share through coordinated production at the village tract, township or state level. For example, if farmers in two different village tracts coordinated their production and each focused on a different staple crop they would be able to meet the needs of both village tracts while not undercutting their respective markets by oversupply and related downward pressure on prices. There are a very wide range of possible cash crops that could be cultivated in Kayah state, but the ones listed below have been identified as especially suitable for people in the GAP project village tracts. Organically-grown crops could be sold to premium restaurants in Yangon such as Sharky's.<sup>69</sup> In addition to the crops listed below, smallholder farmers in Kayah could grow the 13 categories of staple crops distributed in refugee camps on the Thai-side, which could be sold to vendors in the Ban Nai Soi and Ban Mae Surin refugee camps.

*Mushrooms* – Women's Economic Groups in Mese are interested in starting mushroom businesses; with the produce to be for sale in local areas, potentially in a coordinated manner. Mushrooms can also be dried and sold to markets in the rest of Myanmar or neighboring countries.

*Bean sprouts* – Women's Economic Groups in Mese are interested in starting bean sprout businesses; with the produce to be for sale in local areas, potentially in a coordinated manner.

*Corn* – Is a widely grown crop in Kayah state, both by smallholder rotational farmers and through industrial contract farming arrangements. While the corn price is somewhat volatile, if rural farmers are able to use it as input for their animal husbandry enterprises then they are less dependent on the market price. Selling corn to other livestock farmers for animal feed is another potential market.

*Black pepper* – Organically produced black, red, green and Sichuan pepper corns can be sold for a premium in numerous export markets (especially Europe and North America). Black pepper can grow well in Southeast Asia, such as these pepper corns grown in Cambodia<sup>70</sup> and Vietnam.<sup>71</sup>

*Seed distribution* – Collection and distribution of cash crop seeds could be a potentially lucrative small business opportunity. Markets for seeds would be found within the local

<sup>69</sup> <https://www.sharkys.com.mm/>

<sup>70</sup> <http://kampotpepper.com/>

<sup>71</sup> <http://www.thepepperquest.com/pepper-2/>

area and state-wide; with returning refugees who are restarting farms being a good potential market.

*Establishing collectively-owned storage, transportation and distribution businesses –* Interviews with GAP partners revealed that the transportation and distribution of cash crops is highly concentrated in Kayah; resulting in smallholder farmers having few choices over who buys their produce and at what price. A potential opportunity for smallholder farmers to increase the price they receive for their produce would be to join with other smallholder farmers to establish cash crop storage, transportation and distribution collectives.

### **Material and technical assistance needs**

Small holder farmers looking to establish cash crop businesses would likely require financial assistance or loans to purchase inputs, specialized equipment and storage facilities. For cash crops with high price volatility, farmer may need access to agricultural credit to cover potential income gaps due deferring the sale of produce until prices rise. Skills training needs could include storage techniques and business administration and negotiation skills.

## **Agriculture (value-added products)**

### **Simplified value chain**

The key elements of a simplified value chain for the “agriculture (value added products)” sector include: raw materials (agricultural produce); processing (such as peeling, cutting, drying, grinding, etc.); packaging (in a branded package for wholesale or retail); storage and transportation (warehousing and distributing inventory); and marketing and sales (selling wholesale or retail).



### **Potential business opportunities and markets**

There are wide range of potential ways that value can be added to agricultural produce. Given the importance of agriculture livelihoods in Kayah, many of the produce already grown by small holder farmers would have a value-added business proposition. The value-added products listed below were identified as being promising due to being



grown already in Kayah state, having existing markets, and requiring a relatively low level of capital investment to start as a small business.

*Vegetable oils* – Organically-produced vegetable oils (sesame seed, peanut, avocado, pumpkin seed, coconut, moringa seed, etc.) can fetch a premium price on the international market. Producer’s cooperatives at the village tract of township level could pool their resources to invest in the oil pressing equipment and related facilities. The vegetable oil could be bottled locally using bottles sourced from elsewhere in Myanmar or from China. Transportation of bottles is expensive and somewhat risky depending on road conditions, so an alternative would be for the producers cooperatives to transport bulk oil could to markets in the rest of Myanmar or internationally.

*Soy sauce* – Kayah state is suitable for soybean plant cultivation. While the global market for industrially cultivated soybeans has been cornered by the USA and Brazil, the production of soy sauce from organically grown soybeans could be a viable enterprise in Kayah state. Organically-produced soy sauce fetches a premium price in the international market. Soy sauce can be produced on a small scale without the need for electric machinery. Techniques for production could be learned from a women-run collective enterprises in Thailand. Production of tofu would be another related value-added business.

*Sesame and peanut candy* – Sesame seeds and peanuts are both crops that are widely grown in Kayah state. Combining these crops together with locally-produced cane or palm sugar to produce a delicious snack would be a suitable value-added business for returnee entrepreneurs. The equipment and skills needed to make this candy are fairly simple. The candy could be sold in Kayah state or in other areas of Myanmar. If the ingredients are certified organic, the candy could be sold as a premium domestic product in Yangon grocery stores such as Go Green Myanmar<sup>72</sup> and City Mart Marketplace.

*Processed fruit* – A range of fruit is grown in Kayah state, including oranges, mangoes, melons, bananas, papaya, and tamarind. All of these, and more, could be dried or candied to make a value-added snack. Processed fruit snacks are sold across Myanmar. On a larger scale, dried fruit could be sold to companies that use it as an ingredient in their products, such as muesli or pastry manufacturers.

*Avocado products (oil, soap, chicken feed and biochar)* – Value-added products using avocados would be especially suitable for Demoso Township since avocados are grown in the mountainous western part of the township. While the GAP village tracts are in the east and south of Demoso, there village tracts would have access to avocados as input for their enterprises. There are four main value-added options for avocados: oil, soap, chicken feed and biochar production. The avocado flesh can be used to produce an essential oil or as a basis for soap production. High quality avocado oil can be sold as a nutrient rich cosmetic or a premium cooking oil. The pit can be used as a base

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<sup>72</sup> <https://www.facebook.com/GoGreenMyanmar/>



ingredient for chicken feed, or for biochar production. The typical costs of avocado cultivation can entail significant upfront costs as it takes five-plus years until the trees bear fruit, but once mature avocado farms can be lucrative especially considering the value-added options.<sup>73</sup>

*Bee-keeping* – Bulk harvested honey can be transported to a central location where it can be packaged in consumer-sized bottles for retail. The production of honey by-products (medicinal supplements, beeswax candles, etc.) can also be done in village tracts or at a central factory for additional revenues streams. Additional benefits of bee-keeping include improved pollination of cash crops on surrounding farms.

*Herbal medicine* – Herbal medicines are a very popular product in Myanmar as well as internationally, although quality certification may become a complication when exporting medicinal products. Numerous herbs grown in Kayah state could be used to produce herbal medicines; notably moringa leaf powder and papaya enzyme are premium ingredients in dietary supplements.

*Pumpkin flour* – Pumpkins are hearty crops that are rich in protein and nutrients including antioxidants. Pumpkin seed oil is a premium and trendy product. Sun-dried pumpkin flesh can be used to produce a high-nutrition flour (approximately 10kg of pumpkin flesh produces 1kg of flour). These value-added processes use all parts of the vegetable and are suitable for remote areas because heavy fresh pumpkins are difficult and expensive to transport.

*Biochar production* – Biochar is a type of carbon charcoal used as fertilizer for organic agriculture. The materials which can be used to produce biochar are diverse, allowing for the production of biochar to be a value-added activity connected to a range of other businesses. For example, biochar can be produced from avocado pits, mango pits, coconut husks, etc. Processed biochar can be sold to organic farmers in the local area or in Thailand; providing income for the producers at the same time as supporting local organic agriculture. Biochar from some materials (such as bamboo) can be used to produce a premium natural air purifying product.

*Rice wine* – A popular drink in Kayah state, traditional rice wine could be produced in rural areas and sold to restaurants in surrounding areas.<sup>74</sup>

*Buckwheat* – Buckwheat seeds can be used for production of premium pillows popular in Japan. Alcohol made from buckwheat (soju, vodka, whiskey, etc.) could find export markets in Japan, Korea, China and Thailand.

*Elephant Foot Yam* – Yellow and red varieties processed into dried chips or powder have proven to be a lucrative agricultural export product for farmers across Myanmar in recent years. The largest export markets are Japan and China, but potential markets exist in Singapore, Taiwan, South Korea, Indonesia, India, and Philippines. The

<sup>73</sup> Edward A. Evans and Ingrid Bernal Lozano, December 2014, Sample Avocado Production Costs and Profitability Analysis for Florida, UF/IFAS Extension Document FE83700, <http://edis.ifas.ufl.edu/pdf/FE/FE83700.pdf>

<sup>74</sup> <https://kite-tales.org/en/article/rice-wine-crop-cup>

domestic market for processed elephant foot yam is small, but Kayah state businesses could sell seeds and bulbil (seedlings) to other regions such as Chin, Kayin, Rakhine, Tanintharyi, Kachin and Mon. A Myanmar Institute for Integrated Development commissioned study on elephant foot yam production in Chin state made recommendations to improve the incomes of farmers that could be applied in Kayah state.<sup>75</sup> Japan has a tariff on imports to protect local producers, but Myanmar has tariff-free access up to a certain amount.<sup>76</sup> In 2013, the government started to classify the yam as a ‘garden crop’ rather than a ‘forest product’ which reduced regulatory burdens related to transportation and sale.<sup>77</sup> The Ar Yone Oo Elephant Foot Yam Growers and Traders Association (AYO Association) was instrumental in lobbying for this regulatory reform, related to its work to encourage farmers to shift from forest-based wild forge to regular cultivation of the yam.<sup>78</sup>

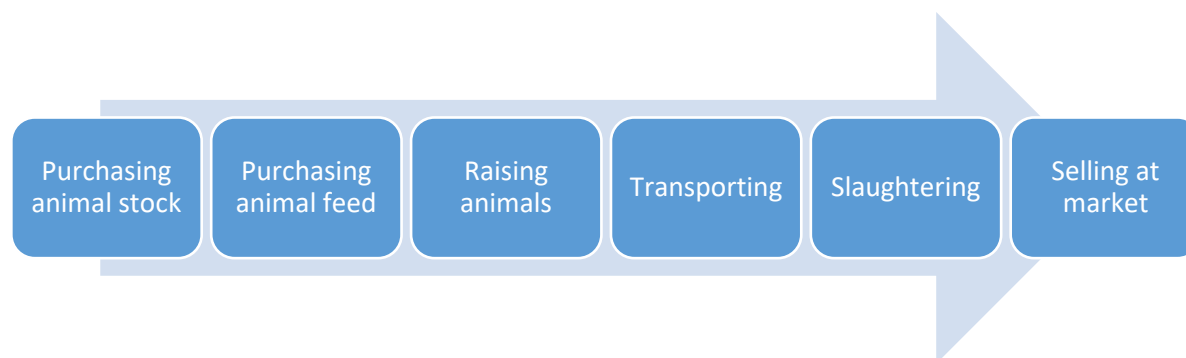
### Material and technical assistance needs

Value-added production technical assistance would include oil-pressing, flour milling, bee hive management, biochar production, inventory storage, etc. Communities may benefit from technical training on establishing village-level cooperative enterprises to process, package, store, transport, market and sell their value-added products. Financial assistance or loans could be used to cover initial investments in value-added enterprises, and longer-term loans may be required to pay for large investments in expensive equipment such as oil presses.

## Agriculture (livestock)

### Simplified value chain

The key elements of a simplified value chain for the “Agriculture (livestock)” sector include: purchasing animal stock (breeding animals or young animals); purchasing animal feed (ideally from other local SMEs); raising animals (around the household, or on grazing land); transporting; slaughtering; and selling at market (meat or full grown animals).



<sup>75</sup> Myanmar Institute for Integrated Development, January 2017, Value Chain Assessment: Elephant Foot Yam Production In Southern Chin State, page 4 (MIID 2017) <http://vcbnetwork.org/wp-content/uploads/2017/11/MIID-Value-Chain-Elephant-Foot-Yam.pdf>

<sup>76</sup> MIID 2017, page 16

<sup>77</sup> MIID 2017, page 21

<sup>78</sup> MIID 2017, page 22

## Potential business opportunities and markets

GAP partner's economic and livelihood surveys found that animal husbandry in rural Kayah state typically happens on a limited household-oriented scale. The sector was identified as an important potential sector for returnee women entrepreneurs because Kayah state's low population density means that there is ample grazing land available. Small-scale livestock raising businesses could also be easily integrated into the existing livelihoods in rural Kayah state as local people already have experience raising animals for household consumption and many grow corn which could be given additional value by using it as animal feed. According to GAP partner's surveys, many refugees have expressed that they would be happy to return to subsistence agriculture but would like access to small income generation activities to raise living standards (especially WASH-related and education). Animal husbandry appears to be a suitable business in this regard. An increase in animal husbandry in rural Kayah state would improve both local food security and incomes.

There is a growing demand for animal meat in intra-state, inter-state and in international markets. There has long been an informal livestock trade from Kayah state to Mae Hong Son province in Thailand. China would also be an obvious market; there is a rapidly expanding market in China for pork, chicken and beef.<sup>79</sup> Potential livestock for returnee entrepreneurs would include pigs (meat), chickens (meat and eggs), cows (meat and milk), buffalos and goats.

## Material and technical assistance needs

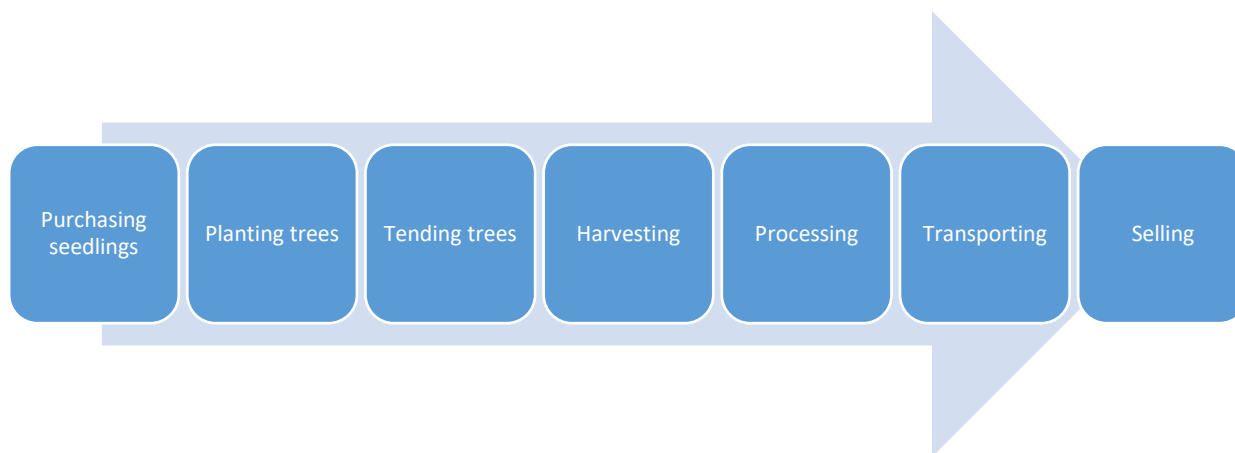
Returnee entrepreneurs will likely require financial assistance to purchase their initial animal stock. Agricultural credit to cover farmers' income gap prior to selling their animals may also be required. Improved rural access to veterinary services would be important for a thriving animal husbandry sector; and such specialized training could also be a form of vocational training for young people.

## Fruit tree plantations and agroforestry

### Simplified value chain

The key elements of a simplified value chain for the "fruit tree plantations and agroforestry" sector include: purchasing seedlings; planting trees; tending trees; harvesting; processing; transporting; and selling.

<sup>79</sup> Livelihoods and Food Security Trust Fund, July 2015, LIFT Uplands Programme: Scoping Assessment Report, page 23, [https://themimu.info/sites/themimu.info/files/documents/Report\\_LIFT\\_Upland\\_Programme\\_Scoping\\_Report\\_LIFT\\_July2015.pdf](https://themimu.info/sites/themimu.info/files/documents/Report_LIFT_Upland_Programme_Scoping_Report_LIFT_July2015.pdf)



### **Potential business opportunities and markets**

Fruit tree plantations can be a lucrative business; promising tree species for Kayah state are mango, avocado, coffee, cocoa, and moringa. It should be noted that tree plantations are long-term investments, with potential negative impacts on local food security in the short-term. There are also numerous barriers to small entrepreneurs looking to enter this sector, including: access to sufficient land; access to seeds and seedlings; technical skills to care for different tree species; and access to capital to sustain farmers through the income-less years between planting seedlings and making the first fruit harvest. This return on investment period can be five or more years for species such as avocado and coffee. For returnee women entrepreneurs with limited start-up capital the more promising opportunity could be establishing a tree nursery to sell high-quality tree seedlings to larger businesses and government plantation schemes.

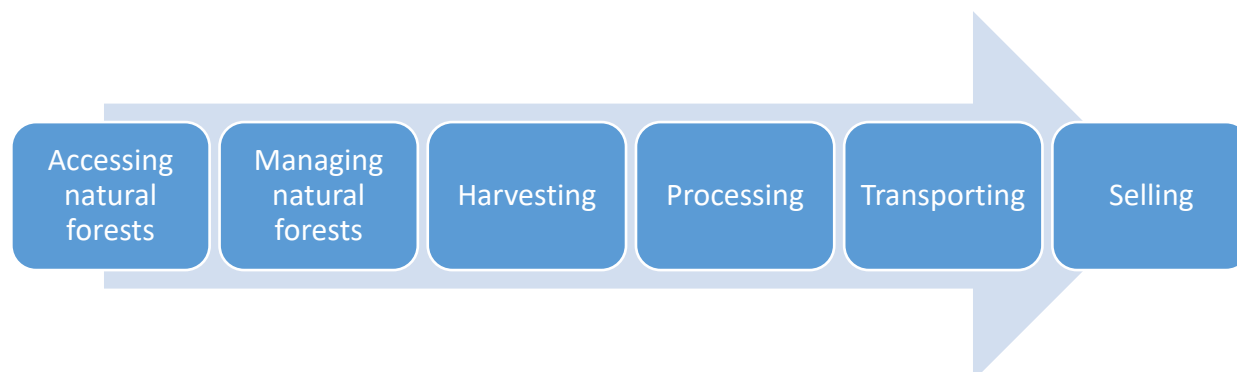
### **Material and technical assistance needs**

In Shadaw Township there has been some experimentation in growing perennials such as coffee, avocado, tea and oranges; including the establishment of a coffee growers group. According to interviews with GAP partners, local people have expressed interest in economic opportunities from coffee cultivation but don't drink coffee or know how to prepare it. In general, local people say that they would need technical assistance for the cultivation and maintenance of agroforestry enterprises. Technical assistance in proper care of specialized tree species would be of benefit to returnee entrepreneurs. Financial assistance would likely be needed to cover the initial investments in land preparation and purchasing seeds or seedlings. Longer-term financial assistance or alternative sources of income generation would be required to get farmers through the income gaps which can be over five years for some species.

## **Non-Timber Forest Products (NTFP)**

### **Simplified value chain**

The key elements of a simplified value chain for the “Non-Timber Forest Products” sector include: accessing natural forests; managing natural forests; harvesting NTFP; processing NTFP; transporting; and selling.



### Potential business opportunities and markets

The NTFP sector is interesting because it can provide forest-dependent communities with a sustainable income source while strengthening community land rights claims through proven management of natural forests and as a way to reinforce cultural heritage. Developing NTFP businesses can be a strategy for maintaining and securing customary land tenure rights.

Potential NTFPs in Kayah state include rattan, bamboo shoots, wild honey and beeswax, wild mushrooms (e.g. termite mushrooms), wild elephant foot yam, wild ginger, and orchids.

As noted in interviews with GAP partners, local people have been collecting NTFP for generations for household use. Internally displaced people have depended on various NTFP for subsistence and small-scale income generation for decades.<sup>80</sup> The more recent arrival of commercial harvesting (mostly to supply the Chinese market) quickly led to over-harvesting and significant depletion of most valuable NTFPs. Deforestation by the timber industry has also destroyed much of the habitats suitable for growth of many NTFP species. This represents a challenge but also an opportunity: a comprehensive NTFP management plan will need to be developed and enforced to prevent overharvesting; but the demand for and scarcity of certain NTFPs mean that they can fetch a premium price in the Chinese and other markets.

On the other hand, KNWO suggested that NTFP-based businesses may not be suitable for women in the village tracts where they work. Some women in rural Kayah state have been hesitant about NTFP businesses because NTFPs cannot provide a stable source of income (they are by nature seasonal and yields are not predictable); the profitable ones are already being harvested or have been over-harvested; and they are concerned that if profitable the business would be taken over by others due to a lack of tenure rights. KnRRRWG suggested that while people in the area do collect NTFP for

<sup>80</sup> BERG 2000, page 22

household use, NTFP do not appear to be suitable as a business since they are seasonal and not sustainable.

The legal framework under which the commercial harvesting of forest products can take place is not clear. Family harvesting is allowed in registered Community Forests, but the Forest Department considers most areas of natural forest to be under its purview even if local people consider it to be their own customary land.

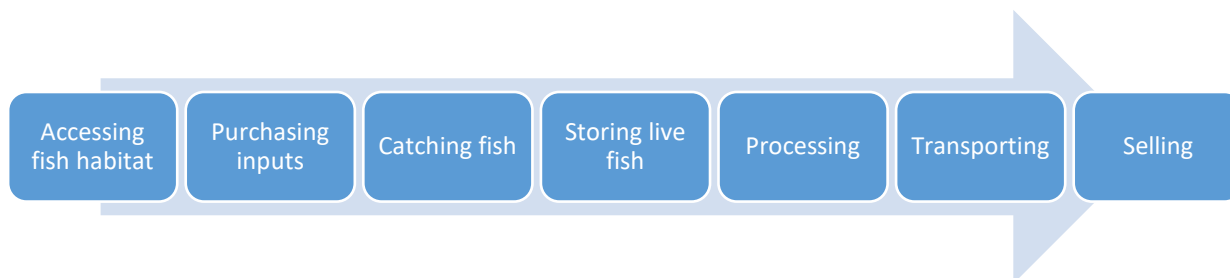
### **Material and technical assistance needs**

The knowledge and skills to identify and harvest many types of NTFPs already exist in the local communities in Kayah state. GAP partners suggest that there would be interest among local people to regenerate the ecosystems that produce NTFP where they have been degraded or over-harvested, but that in order to regenerate forests local people would require the transfer of expertise in ecosystem management, the provision of seeds, and a recognition of customary land rights that allows them to access to forests to harvest NTFP.

## **Fisheries**

### **Simplified value chain**

The key elements of a simplified value chain for the “Fisheries” sector include: accessing fish habitat (either natural freshwater habitats or fish farms); purchasing inputs (fish stocks and equipment); catching fish; storing live fish; processing; transporting; and selling.



### **Potential business opportunities and markets**

There are two types of fisheries that are accessible to returnees in Kayah state: natural freshwater fisheries and fish farming. Both can be done for subsistence food security or as an income generating business. Both have their own challenges.

*Natural freshwater fisheries* – With many bodies of freshwater, including the Than Lwin River, Kayah state has the potential to have a significant freshwater fisheries sector. The main focus of a wild fishery in Kayah state will likely continue to be for local subsistence food security, but it may be possible to slightly expand the commercial catch. Community-based conservation efforts such as fish sanctuaries on rivers and lakes may be an effective way to maintain and increase overall wild fish populations, as

well as getting local people involved in the management of the natural freshwater fisheries sector.

*Fish farming* – Home-based fish and eel farming in purpose-made ponds may be suitable for some returnee entrepreneurs; providing both high-protein food for their households and a valuable product to sell. Markets for freshwater fish and eels can easily be found in rural markets and nearby urban areas. An added benefit of fish farming over wild fisheries is that it allows greater control over the time and quantity of harvesting, enabling farmers to harvest and sell more or less based on their income requirements.

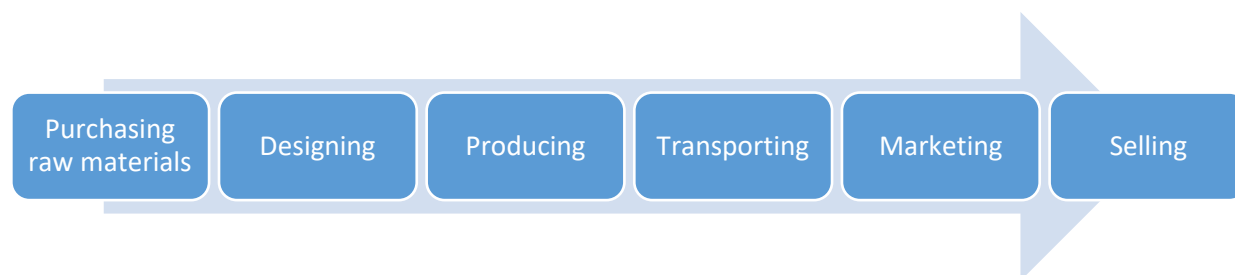
### **Material and technical assistance needs**

Returnee entrepreneurs who are looking to start a fish farming businesses will likely require financial assistance to purchase their initial fish stocks and equipment. Entrepreneurs would need specialized transportation to bring their fish to markets. Local wholesale fish markets able to store live fish would also need to be established.

## **Handicrafts**

### **Simplified value chain**

The key elements of a simplified value chain for the “Handicrafts” sector include: purchasing raw materials; designing (the handicrafts, and the production processes); producing (the handicrafts); transporting; marketing; and selling.



### **Potential business opportunities and markets**

People in rural Kayah state traditional produce a range of handicrafts; typically useful household or agricultural implements, or decorative objects. Some of these handicrafts may be marketable outside of rural Kayah state, and could be business opportunities for returnee entrepreneurs. Promising handicrafts include bamboo baskets, bamboo fish and eel traps (see Fisheries section above), bee hives and boxes (see Agriculture (value-added products section above), pottery, and rattan furniture (see NTFP section above).

The production of bamboo handicrafts would be suitable home-based enterprises for women who have other home-based responsibilities such as childcare, eldercare, gardening, farming, livestock raising or fish farming. Handicrafts that are useful for both



home-based enterprises and have potential as retail products include baskets and fish and eel traps. Fish or eel traps made out of bamboo (can be sold for 500 kyats each; 50 can be produced in 1 week OR 10 to 12 a day)<sup>81</sup> could be a nice complimentary business within a village tract; with a few households producing traps for the rest of the households engaged in fish or eel farming (each household would require 20 to 100 traps). Similarly, the production of bee hives and boxes could be done with locally grown pine, and could service a growing Kayah state and Myanmar honey industry.

Potential markets for Kayah-produced handicrafts are both international and domestic. Internationally, handicrafts can be exported wholesale to businesses specializing in global handicrafts.<sup>82</sup> Taking time to design aesthetically-pleasing and high-quality products will be an important element of handicraft production oriented towards the international market.<sup>83</sup> Domestically, handicrafts could be sold to retailers in Loikaw and elsewhere in Myanmar targeting the tourist market. Another domestic market for handicrafts could be the recently started Kayah State Craft Market group based in Loikaw.<sup>84</sup> Kayah State Craft Market's goals are to "provide market opportunities for Kayah crafts; promote diverse cultures of Kayah through crafts; promote the Loikaw Culture Museum as a thriving cultural hub for Loikaw (locally and internationally); develop a thriving and connected crafts community in Kayah - by exposing artisans to market opportunities helping them to grow and connect to new markets; offer a unique tourism activity while further promoting Kayah as a tourism destination."<sup>85</sup> The organization is organizing a craft sale at the Loikaw Cultural Museum from 14 to 16 December 2018 (see Figure 4).



Figure 4 - Advertisement from Kayah State Craft Market

## Material and technical assistance needs

The commercialized production of handicrafts may be a good focus of vocational programs for returning refugees and youth in rural Kayah state. Training courses in

<sup>81</sup> Myanmar International Television, 2 May 2014, The eel business in Myanmar [video clip], <https://www.youtube.com/watch?v=q5wvbtRiO00>

<sup>82</sup> For example ABC Carpet & Home <http://www.abchome.com/about/>

<sup>83</sup> Myanmar Institute for Integrated Development, 2017, Agroecology Case Study 2: Supporting sustainable livelihoods and reclaiming degraded land by enhancing agroforestry in southern Shan State, page 7, [http://www.mmiid.org/wp-content/uploads/2018/01/MIID\\_CS2\\_171130.pdf](http://www.mmiid.org/wp-content/uploads/2018/01/MIID_CS2_171130.pdf)

<sup>84</sup> Kayah State Craft Market address is 18 5th street, Naung Yeh B, Loikaw, and phone number is +959960107733.

<sup>85</sup> Kayah State Craft Market Facebook page: <https://www.facebook.com/Kayah-State-Craft-Market-337940393428957>

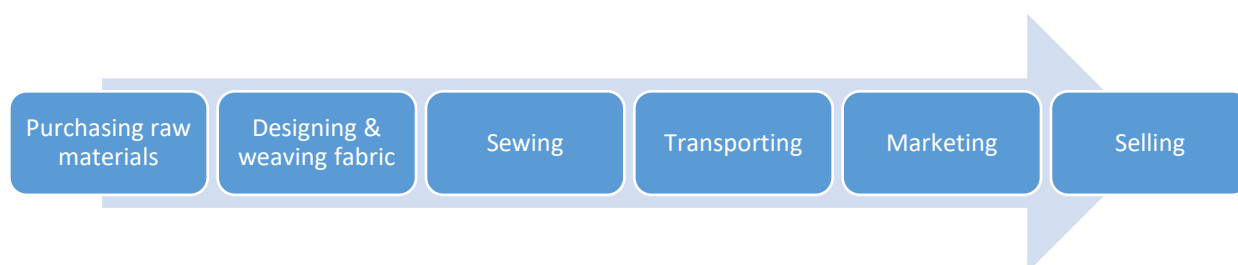


carpentry and industrial design could help to kick-start Kayah’s handicraft sector. The marketing side of the handicraft sector has potential for growth, although women entrepreneurs may need business development training to succeed. The Myanmar Artisan Toolkit is a useful resource for women entrepreneurs planning to establish a handicraft business.<sup>86</sup> The website has downloadable course files free of charge.<sup>87</sup>

## Garments and textiles

### Simplified value chain

The key elements of a simplified value chain for the “Garments and textiles” sector include: purchasing raw materials; designing and weaving fabric; sewing; transporting; marketing; and selling.



### Potential business opportunities and markets

KPSSDA’s surveys found that existing textile production in rural Kayah state is family-focused production, and there is low interest in starting textiles-based enterprises. On the other hand, there is some interest in revitalizing traditional culture through developing the production of traditional textiles using locally grown cotton and natural dyes. This could be a suitable business opportunity for a small number of entrepreneurs. Markets for Kayah-produced traditional textiles include tourists in Loikaw and Yangon, and international premium textiles markets such as ABC Carpet & Home.<sup>88</sup>

### Material and technical assistance needs

Establishing enterprises producing traditional textiles would require knowledge transfer from older generations on thread production and dyeing techniques. In the past, thread from Kayah state grown cotton was used for weaving textiles, so cotton growing for traditional textile production could be brought back.

## Trade

### Simplified value chain

<sup>86</sup> <https://www.myanmarartisan toolkit.org/>

<sup>87</sup> <https://www.myanmarartisan toolkit.org/toolkit/>

<sup>88</sup> <http://www.abchome.com/about/>

The key elements of a simplified value chain for the “Trade” sector include: purchasing goods; transporting goods; storing goods; and marketing and selling goods.



### **Potential business opportunities and markets**

The GAP program partner’s economic and livelihood surveys found that some people were earning their livelihood as small-scale traders and through retail sale of goods. Kayah state has four planned land border gates with Thailand opening in the near future, so there will likely be opportunities for expanding the number of trade related businesses in rural Kayah state. There is potential for Kayah state to become a significant through-point for trade between northern Thailand and Myanmar, southwestern China and India.

There are innumerable trade-related businesses that returnee entrepreneurs could establish; from selling ‘made in Thailand’ goods to markets elsewhere in Myanmar to setting-up small retail stores selling basic needs to other traders plying the highways.

For returnee entrepreneurs it would make sense to establish trade businesses that meet the needs of other refugees returning to rural Kayah state. For example, women entrepreneurs could establish home-based businesses selling the range of inputs required by other entrepreneurs in the agriculture and livestock sectors; such as fertilizers, pesticides, seeds, farming tools, irrigation equipment, animal stock, and animal feed.

As mentioned in the “Agriculture” sector sections above, there are a small number of wholesalers and brokers who purchase the produce of rural Kayah state; acting as a sort of oligopoly. Smallholder farmers have complained that these few traders have significant power in the market, and can collude to set low prices for produce which are unfair for local farmers but which they are in no position to refuse. To counteract this oligopoly, returnee entrepreneurs could form a cooperatively-owned agricultural produce wholesale enterprises which give fair prices to smallholder farmers.

### **Material and technical assistance needs**

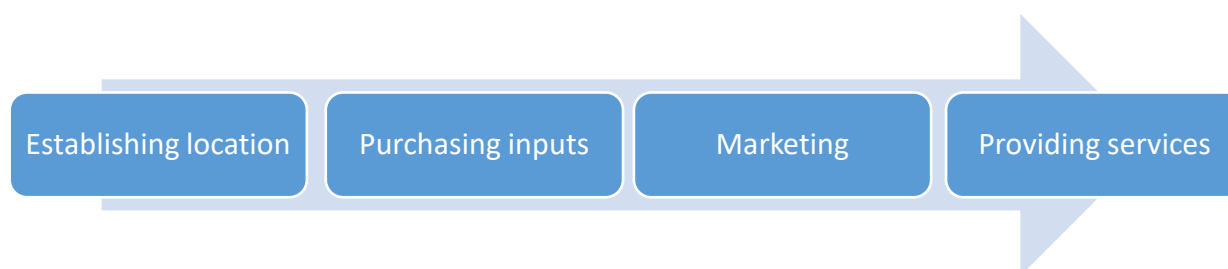
Trade businesses typically need access to upfront capital to investment in the purchase of inventory, warehouse facilities, and vehicles for transportation. While this level of investment would likely be beyond the reach of the average returnee entrepreneur, if groups of entrepreneurs established cooperatively-owned trade businesses they would be able to share the investment burden, the risk, and the profits. Returnee

entrepreneurs may benefit from training in accounting skills and setting-up cooperatively-owned enterprises.

## Hospitality

### Simplified value chain

The key elements of a simplified value chain for the “Hospitality” sector include: establishing location; purchasing inputs (foodstuffs, materials, equipment, etc.); marketing; and providing hospitality services.



### Potential business opportunities and markets

GAP partner’s economic and livelihood surveys found that some people are interested in starting hospitality businesses such as beauty parlors and traditional-style restaurants serving rice wine. Hospitality business provide good opportunities to make linkages with other economic sectors: restaurants will purchase agricultural produce and meat from local farmers, and make connections with local tour agencies looking for attractions that are interesting for tourists.

### Material and technical assistance needs

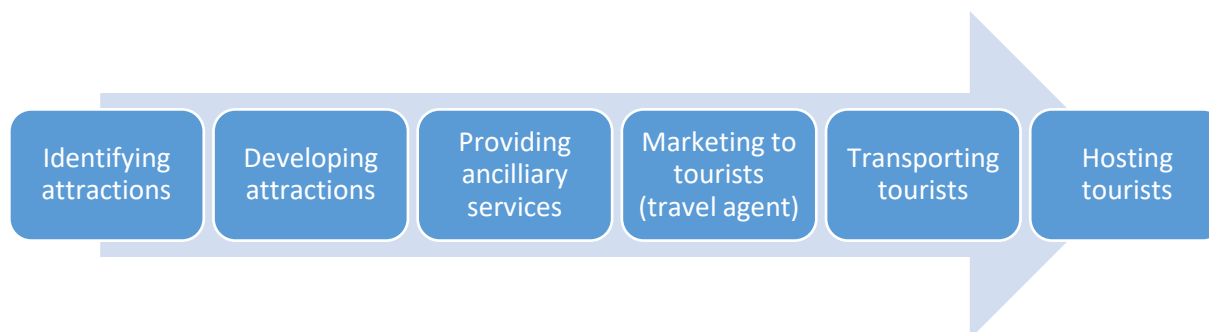
Vocational training for the hospitality sector could include classroom-based learning as well as apprenticeship opportunities. The Picturebook guesthouse in Mae Sot Thailand is an example of a social enterprise aimed at providing vocational training in the hospitality sector.<sup>89</sup> Access to start-up financing to establish hospitality businesses would likely be required. Home-based businesses such as beauty parlors would be suitable for entrepreneurs who have existing responsibilities at their homes.

## Tourism

### Simplified value chain

The key elements of a simplified value chain for the “Tourism” sector include: identifying attractions; developing attractions; providing ancillary services (food and beverage); marketing to tourists (travel agent); transporting tourists (taxi service); and hosting tourists (tour guides).

<sup>89</sup> <http://picturebookthailand.org/>



## Potential business opportunities and markets

Tourism is an important sector for countries worldwide, as it is typically labor-intensive (providing employment for low-skilled and rural-based workers) and has linkages with other local economic sectors such as agriculture, handicrafts and hospitality. There are many types of tourism, but some common types of rural-based tourism businesses include: multi-day trekking packages; day trips from cities; overnight visits; homestays; and eco-tourism operations.

Once mostly off-limits to tourists or requiring permits, more areas of Kayah state are being opened for tourism in recent years. It should be noted that international tourists may only be able to stay at government registered hotels and guesthouses in capital-city Loikaw.

Community-based day tourism operations have been set-up in ethnic Kayan and Kayaw villages in Demoso Township. At Hta Nee La Leh village the animist culture and traditions are showcased. At Pan Pet village the practice of neck elongation is the draw for tourists.<sup>90</sup> Cultural activities can include: education on cultural practices; eating and teaching preparation of traditional cuisine; visits to sacred sites; traditional music performances; theatre performances and storytelling; local transportation (boat rides, oxcarts, etc); and weaving and handicraft production.

Large-scale tourism developments – the so-called Hotel Zone model – typically have many negative impacts for local people, and often are not even consistent with the needs of most tourists and the wider tourism industry.<sup>91</sup> In a recent example, local people protested in opposition to a proposed massive 90-acre hotel zone development on Inle Lake by Myanmar Naing Group Co. Ltd. owned by the son of former SPDC dictator Than Shwe.<sup>92</sup> Community-based tourism models are typically much better suited to the needs of local people and lead to more equitable economic growth in the community and less pressure on the local ecosystem.

An influx of tourists can have significant environmental and socio-cultural impacts on communities that were previously isolated. Tourism businesses have high demands for

<sup>90</sup> <https://www.lonelyplanet.com/myanmar-burma/activities/the-exploring-of-kayah-villages-pan-pet-hta-nee-la/a/pa-act/v-61697P3/357082>

<sup>91</sup> Myanmar Center for Responsible Business, 2015, Myanmar Tourism Sector-Wide Impact Assessment: Executive Summary and Recommendations, <http://www.myanmar-responsiblebusiness.org/pdf/SWIA/Tourism/Executive-Summary-and-Recommendations.pdf>

<sup>92</sup> Htet Naing Zaw, 10 October 2018, Inspection Report to Recommend Canceling Controversial Hotel Project at Inle Lake, The Irrawaddy, <https://www.irrawaddy.com/news/burma/inspection-report-recommend-canceling-controversial-hotel-project-inle-lake.html>

resources such as water, and put stress on the environment especially for waste disposal. The tourism industry may also bring capitalist social relations to areas that were previously cooperative, and influence people (especially young people) to alter their expectations and ambitions. It is typical for outsiders and a small number of locals to have a disproportionate control of the economic benefits from tourism, leading to increased inequality.

There are many good examples of community-driven, environmentally friendly and culturally-sensitive tourism businesses from around the world; such as Ladakh Ecological Development Group<sup>93</sup> in Leh, Ladakh in northern India and the Cooperativa La Paranza<sup>94</sup> in Naples, Italy.

These sorts of community-based tourism initiatives have started coming to Kayah state, and are a model that could be replicated by returnee entrepreneurs. The community-based tourism at Hta Nee La Leh village in Demoso Township has prioritized local employment and cultural sensitivity. Bookings can only be made through the Hta Nee La Leh Community Based Tourism Club and visitors are required to hire a local guide who explains life in the village and cultural dos and don'ts.<sup>95</sup>

Local communities benefit more from tourism when they are able to maintain control over different aspects of the tourism value chain, rather than simply 'hosting' tourists or even being an 'attraction' for tourists to see. When developing a tourism sector, it should also be noted who are being excluded from the tourism value chain – such as surrounding villages that aren't visited by tourists; people without language ability to interact with tourists; people without capital to provide products or services to tourists – so that attempts can be made to include them in the benefits in other ways.

### **Material and technical assistance needs**

Returnee entrepreneurs and communities interested in establishing tourism related businesses could benefit from technical assistance. The International Trade Center (ITC) have established community-based tourism operations in Kayah state, and could provide technical assistance for establishing tourism operations in other parts of the state.<sup>96</sup> Tourism Transparency in cooperation with the Myanmar Ministry for Hotels and Tourism have created a "Do's & Don'ts for Tourists" guide, and may be able to assist creating something similar tailored to Kayah state.<sup>97</sup>

<sup>93</sup> <https://www.culturalsurvival.org/publications/cultural-survival-quarterly/response-tourism-ladakh>

<sup>94</sup> <http://www.catacombedinapoli.it/en/about>

<sup>95</sup> International Trade Center, 2017, information package on Hta Nee La Leh community-based tourism, [http://www.intracen.org/uploadedFiles/intracenorg/Content/Redesign/Projects/NTF\\_3/HtaNeeLaLeh%20Programme2017.pdf](http://www.intracen.org/uploadedFiles/intracenorg/Content/Redesign/Projects/NTF_3/HtaNeeLaLeh%20Programme2017.pdf)

<sup>96</sup> International Trade Center, 26 January 2017, ITC project in Myanmar's Kayah State wins international award for community-based tourism, <http://www.intracen.org/news/ITC-project-in-Myanmars-Kayah-State-wins-international-award-for-community-based-tourism/>

<sup>97</sup> [http://dosanddonsfortourists.com/book/dos\\_and\\_donts\\_for\\_tourists.pdf](http://dosanddonsfortourists.com/book/dos_and_donts_for_tourists.pdf)

### 3.0 Constraints and opportunities

Returnee entrepreneurs face both constraints and opportunities when starting small and medium enterprises in Kayah state. The following section examines constraints and opportunities in six thematic areas: Geography and environment; Financing; Market dynamics; Social norms; Labor market; and Land tenure rights. Followed by an examination of Business structures and cooperative governance models; Access to financing; and Linkages for success.

Table 1 provides a summary of the constraints and opportunities across the six thematic areas, and suggests how they might be weighed against each other. A more detailed examination of the specific constraints and opportunities then follows. These constraints and opportunities were identified through interviews with GAP partners and other stakeholders in Kayah state, desk research, and the market analysis and value chain assessment conducted in section 2.0.

*Table 1 - Summary of constraints and opportunities*

<b>Constraint</b>	<b>Opportunities</b>
<b>Geography and environment</b>	
Soil infertility	Agricultural input enterprises
Pressure to adopt industrialized agriculture	Potential to increase incomes and expand markets
Pressure to enter into contract farming arrangements	Receive predictable prices for produce and to increase incomes
Lack of access to seed stock	Seed and seedling enterprises; seed saving initiatives
Irrigation water requirements	Access to appropriate technologies; outreach to government and donor funded irrigation initiatives
Deforestation-related water shortages	Community forest and watershed management; reforestation and forest protection initiatives
Irregular weather	Producer's collectives to spread weather risk
<b>Access to financing</b>	
Debt repayment difficulties	Low-interest micro-finance or agricultural credit schemes
Loan repayment periods too short	Access to longer-term agricultural credit; financial planning and management skills training
Income gap before harvest	Access to flexible agricultural credit schemes
Women smallholder farmers adverse to investment risk	Need enterprise ideas that are not capital intensive
Difficulty following finance procedures	Financial planning and management skills training
<b>Market dynamics</b>	
Volatile commodity prices	Collectively-owned storage facilities
Price manipulation by brokers	Collectively-owned transportation and

	distribution enterprises
Currency fluctuation (depreciation of the kyat)	Small enterprises producing substitutes for products that are typically imported
Maintaining market share	Focus on quality control; differentiating and personalizing their businesses through certifications and linkages with international networks
<b>Social norms</b>	
Women have responsibilities in their homes and villages	Collectively-owned storage facilities and transportation and distribution enterprises; transforming of gender dynamics by showing the benefits that economically empowered women
Language barriers to intra-state trade	Collectively-owned transportation and distribution enterprises
Difficulty maintaining stable membership base in Women's Economic Groups	Opportunity to bring in new women to the WEGs
Younger generation not interested in farming as a livelihood	Remittances can support dependents back in upland or rural communities and supplement savings and investments in local communities
<b>Labor market</b>	
Outbound labor migration	Remittances can support dependents back in upland or rural communities and supplement savings and investments in local communities
Younger generation not interested in farming as a livelihood	Remittances can support dependents back in upland or rural communities and supplement savings and investments in local communities
Skills training and capacity building	Expand business-focused skills training initiatives in rural Kayah state
<b>Land tenure</b>	
Customary land tenure not recognized	Current land law reform provides opportunity for communities to strengthen land tenure rights
Land-grabbing	Establishing small enterprises and other formalized economic activities on customary lands will strengthen land claims
Lack of stable land tenure for returnees	Returnee entrepreneurs lobby governments to provide stable land tenure

## Geography and environment

**Soil infertility:** Due to years of continuous cultivation the soil fertility decreases resulting in lower yields. Farmers facing decreasing soil fertility are potential customers for small businesses selling agricultural inputs such as chemical fertilizers and pesticides. Small enterprises producing organic fertilizers such as biochar and effective micro-organism would have a potential market in farmers with low soil fertility.

**Pressure to adopt industrialized agriculture:** As sedentary cash crop cultivation expands and soil fertility and yields decline there will be increasing pressure for farmers to fully adopt input-intensive industrial agriculture models. Industrial agriculture techniques make use of hybrid seeds, and chemical fertilizers and pesticides. Local people have raised concerns about the risk of falling into unmanageable debt and losing



their land after switching to an input-intensive model. There are also concerns about potential health problems and environmental impacts from the use of chemical inputs. On the other hand, adoption of industrialized agriculture techniques can provide opportunities for farmers to increase their incomes and expand their businesses through achieving higher yields and expanding into markets outside of Kayah state.

**Pressure to enter contract farming arrangement:** Closely connected to the increase in industrialized agriculture, there has been a significant growth of contract farming in Kayah state in recent years. Contract farming is defined as “an agreement between farmers and processing and/or marketing firms for the production and supply of agricultural products under forward agreements, frequently at predetermined prices.”<sup>98</sup> The contracting companies typically control much of the value chain; from inputs to storage to transportation. While contract farming has provided some farmers with increased incomes, many farmers are concerned that it can lead to increased household debt as well as health and environmental impacts. Contract farming typically favors large farms over smallholder farms, and often sees farmers receiving a below-market price for their produce. Pressure on local farmers to engage in contract farming arrangements will likely increase rapidly once border gates with Thailand are opened. The expansion of conglomerate-driven contract farming have been connected to significant air pollution issues across northern Thailand.<sup>99</sup>

**Lack of access to seed stock:** GAP partners report that local people and returnees will need access good quality seeds to restart their subsistence farms and for their small enterprises. This is a market opportunity for businesses selling seeds and seedlings. In this context, seed saving initiatives would be beneficial for returnees.

**Irrigation water requirements:** The expansion of sedentary cash crop cultivation will likely lead to increased demand for irrigation water. The cash crops currently grown in Kayah state – such as sesame, beans and peanuts – require significant amounts of water to thrive. Farmers will need to find sources of irrigation water and focus on efficient use of existing irrigation water sources through appropriate technology. Myanmar-based Proximity Designs has a range of affordable human-powered pumps and efficient irrigation piping systems which would be appropriate for rural Kayah state.<sup>100</sup> On a larger-scale, rural communities should try to work with the Kayah state and Union government and foreign donors who are interested in funding the development of irrigation infrastructure.

**Deforestation-related water shortages:** In areas that have suffered serious deforestation, especially of watersheds such as hills and mountain tops, farmers may be facing water shortages. This is an opportunity for local communities to take control of community forest and watershed management; conducting reforestation and implementing forest protection initiatives.

<sup>98</sup> <http://www.fao.org/docrep/004/y0937e/y0937e02.htm>

<sup>99</sup> Tan Hui Yee, 21 March 2016, Chiang Mai's headache: Corn-fed smoke haze, The Straits Times, <https://www.straitstimes.com/asia/se-asia/chiang-mais-headache-corn-fed-smoke-haze>

<sup>100</sup> Al Jazzera English, 4 May 2015, Earthrise - Myanmar's Smart Farmers [video clip], [https://www.youtube.com/watch?v=-D\\_VvFZKQc0](https://www.youtube.com/watch?v=-D_VvFZKQc0)



**Irregular weather:** According to GAP partners, farmers have noted irregular weather in recent years; with excessive rain in some areas and drought in other areas. This kind of weather volatility adds to the risks of already volatile prices for agriculture produce. Establishing producer's collectives guaranteeing prices for members could help to spread the risk for farmers in different areas across Kayah state.

## Credit and financing

**Debt repayment difficulties:** Some farmers in Kayah state are currently receiving loans from the Ministry of Agriculture, the World Bank, and some microfinance 'savings and loans' programs. According to interviews with GAP partners, this year farmers have had trouble paying back the loans because of decreased incomes due to heavy rainfall damaging crops, insect damage, and price manipulation by brokers. Many farmers reported that they haven't paid back their loans, and those that have paid back their loans had to use the bulk of the profit from their harvest to cover them. Farmers would be keen for the opportunity to join low-interest micro-finance or agricultural credit schemes.

**Loan repayment periods too short:** Rural entrepreneurs have reported that the existing agricultural loan and microfinance repayment periods are not long enough; meaning that they have to focus on repaying the loans before their businesses have reached a stage of strong and stable growth. In addition to longer-term agricultural credit schemes, farmers would benefit from improved financial planning and management skills. GAP partner KPSSDA will be offer this training in the future.

**Income gap before harvest:** Farmers experience an income gap between the making the expenditures required for cultivation and reaping the income after harvest. Many farmers have difficulty covering their daily expenses during the gap period. Due to this immediate need for income, farmers are sometimes forced to pre-sell their crops at a below-market price. Farmers need access to flexible agricultural credit schemes.

**Women smallholder farmers adverse to investment risk:** GAP partners have reported that women in the village tracts are risk averse and hesitant to take-on too much debt; and are therefore interested in less capital-intensive business ideas. Women smallholder farmers need enterprise options that are not capital intensive.

**Difficulty following finance procedures:** GAP partners reported that some women had difficulty following the finance procedures related to 'self-reliance group' microfinance activities. Farmers would benefit from improved financial planning and management skills. GAP partner KPSSDA will be offer this training in the future.

## Market dynamics

**Volatile commodity prices:** Farmers are at the mercy of the volatile prices in the agricultural commodities market. Those growing a single cash crop are especially

vulnerable to price fluctuations. For example, early in the season the corn price is good, but it reduces overtime as more corn floods the market. Those who harvest late get a low price. Many have no choice but to accept the low price because they have expenses to cover. Collectively-owned storage facilities would give farmers more power in the market and enable them to time the sale of their produce to receive a higher price.

**Price manipulation by brokers:** Another reason that farmers may receive a low price for their produce is not due to fluctuating market prices but because brokers take advantage of their power to pressure farmers to accept low prices. Brokers have disproportionate power to negotiate wholesale prices. Farmers who do not physically bring their produce to market but rely on brokers to pick-up their produce are especially vulnerable to price manipulation because they have no other options. To overcome this, the establishment of collectively-owned transportation and distribution enterprises would serve to increase the overall number of brokers and give smallholder farmers, especially women, more power in the market enabling them to receive a higher price for their produce.

**Currency fluctuations:** The Myanmar kyat has been relatively unstable since it was floated in 2016. Within the past year the kyat has depreciated significantly. High exchange rate volatility is typically a challenge for business owners because it adds unpredictability to their business model, but certain businesses may benefit from depreciation more than others. A depreciating kyat will be a benefit to export-oriented businesses as their products become relatively cheaper in international markets. On the other hand, a depreciating kyat will be a challenge for businesses that require imported inputs, as the cost of their inputs will become relatively more expensive. In the context of a relatively low kyat, small enterprises producing substitutes for products that are typically imported would likely be successful.

**Maintaining market share:** GAP partners report that some prospective returnee entrepreneurs are concerned that if they start a successful enterprise other people will see that their business is successful and try to take over their market share. Their ideas on how to maintain their market share are focus on quality control, and by differentiating and personalizing their businesses (e.g. selling the story of the producers alongside the product) through getting certifications (organic, fair trade, etc.) and making linkages with international networks for community-based and cooperative enterprises.

## Social dynamics

**Women have responsibilities in their homes and villages:** KNWO suggested that women in the GAP target village tracts may be hesitant to travel for trading activities (even to Loikaw) because they do not want to be away from their home responsibilities for long periods (childcare, eldercare, etc.). But women would be willing to send their produce if they had access to transportation. To overcome this, the establishment of collectively-owned storage facilities and transportation and distribution enterprises

would enable women entrepreneurs to share the responsibility of travelling for trading activities, enabling them to receive a higher price while continuing to focus on their village-based responsibilities. An additional benefit would be the transforming of gender dynamics by showing the benefits that economically empowered women bring to the whole family and community.

**Language barriers to intra-state trade:** KNWO suggested that women in Shadaw Township are hesitant to travel for trade because of potential language difficulties when dealing with wholesalers and customers in other parts of Kayah state or other states; few speak Burmese fluently and they speak a different dialect than people in other parts of Kayah state. The establishment of collectively-owned transportation and distribution enterprises would enable women entrepreneurs to share the responsibility of travelling for trading activities, allowing those with strong language abilities to travel for trade.

**Difficulty maintaining stable membership base in WEGs:** Over the past two years, the trend has been for Women's Economic Group (WEG) members to decrease over time as women become busy with other responsibilities including maternity, their own businesses, and cultivation. This is an opportunity to bring in new women to the WEGs.

### Labor market dynamics

**Outbound labor migration:** GAP partners reported that many people from rural Kayah state are choosing to become migrant laborers, especially young people and women aged 18 to 35. Often migrant laborers are leaving opium cultivating areas. Drug and alcohol abuse among men is a both a push factor for women's migration (there is no work, so men indulge) as well as a consequence (men receive remittances and don't work). The opportunity here is for migrant laborers to earn incomes abroad and send remittances which can support dependents back in upland or rural communities. This can in turn be utilized to supplement savings and investments in local communities.

**Younger generation not interested in farming as a livelihood:** This is a classic catch-22 whereby young people don't see a future in agriculture and therefore don't make attempts to innovate which could actually increase the profitability of agricultural enterprises and thus the desirability of the livelihood. GAP partners report that many young people are choosing to become domestic or international migrant workers. The opportunity here is for young people to earn remittances which can support dependents back in upland or rural communities. This can in turn be utilized to supplement savings and investments in local communities.

**Skills training and capacity building:** According to interviews with GAP partners, prospective entrepreneurs among refugees and in rural Kayah state say that they will require technical assistance when starting small businesses. There is an opportunity to expand business-focused skills training initiatives in the refugee camps and in rural Kayah state.

## Land tenure challenges

**Customary land tenure not recognized:** In many areas of Kayah state land is managed by communities based on customary practices. While customary practices are not recognized by the government (e.g. no official land tenure documents) to date the Forest Department has not been strictly enforcing the use of ‘government forest land’ by local communities for rotational cultivation. But this may change in the future, based on examples from other parts of Myanmar. Unlike rotational cultivators who don’t have land papers, paddy farmers can apply for a Form-7 from the Department of Agriculture. Myanmar’s legal framework around land is currently being reformed (e.g. the National Land Use Policy has language recognizing customary tenure, etc.), providing an opportunity for rural communities to strengthen their land tenure rights.

**Land-grabbing:** At present in the three GAP project targeted townships, land grabbing is not a major issue as there are few new external investments in the area (to date, only over-logging has happened). But there is a feeling that this might change once the Thai border-crossings open and more economic activity takes place in the area; business people will see the land available and will apply for concessions from the government to exploit a range of investment opportunities. Local communities without recognized land tenure are vulnerable to this kind of land grabbing, and face the risk of losing their land in the future. This gives rural communities the opportunity to start organizing to maintain and protect their customary land management systems now before land-grabbing threats increase. Establishing small enterprises and other formalized economic activities on their customary lands will strengthen their land claims.

**Lack of land for returnees:** Some refugees have been displaced for over two decades, and there is no formal mechanism for land restitution with Myanmar’s legal and policy framework. Land dynamics at potential returnee sites may lead to land conflicts between current residents and the returnees. The GAP partners suggested that large-scale repatriation of refugees from Thailand would only be successful if they were provided with suitable land for their livelihoods which has stable land tenure recognized by the government. This provides an opportunity for organized returnee entrepreneurs to lobby the Kayah state and Union governments to provide suitable land for them to resettle and run their enterprises.

## Business structures and cooperative governance models

Small businesses can have different business goals and profit-sharing models, and these often influence the structure of the enterprise. When returnee women entrepreneurs are developing their business plans, they should spend time to analyze which enterprise structure would be most suitable for their business goals and profit-sharing vision. Typical enterprise structures and profit-sharing models include: private enterprise (profit goes to owners); social enterprise (some share of profit goes to supporting a social outcome); cooperative enterprise (profit shared among members of

the cooperative); and producers associations (profit goes to owners, but some share of profit goes to support the association as a whole).

The business structures utilized by returnee women entrepreneurs will likely be different in different economic sectors, but ultimately should be based on the preferences of the women themselves. Experience from KNWO training initiatives on soap-making and sewing is that women in Kayah state prefer to work collectively in spaces where they can share ideas and motivation. This indicates that co-operatives enterprises, producers groups or SME associations would be suitable structures for returnee women entrepreneurs in Kayah state.

In general, cooperative enterprises have corporate governance based on collective-ownership and democratic control ("one member, one vote"); operate consciously as stakeholders in a particular community; and have an awareness of being part of a wider network of cooperative enterprises.<sup>101</sup> Research indicates that work cooperatives are well-suited to weather wider economic crises and maintain long-term employment.<sup>102</sup> International frameworks on cooperatives include the ILO's Promotion of Cooperatives Recommendation<sup>103</sup> and the International Co-operative Alliance's Statement on the Cooperative Identity and Guidance Notes to the Co-operative Principles.<sup>104</sup> It should be noted that the history of 'cooperatives' in Myanmar has left a negative connotation for many people, so time should be spent fully examining what cooperatives are, exploring the pros and cons of cooperative arrangements, and discussing cooperative governance mechanisms in detail.<sup>105</sup>

### **Potential models for structuring cooperative enterprises**

Broadly speaking, the structure of SMEs and co-operative enterprises can be very diverse. The structure of an enterprise should be well-planned and created to best meet the goals of the enterprise and the needs of its owner and/or members. The SME Association (Policy Council) model<sup>106</sup> and the Union Co-op model<sup>107</sup> are shown below (Figure 5 and Figure 6) to illustrate the variety of potential ways that cooperative SMEs can work together.

<sup>101</sup> CECOP – CICOPA Europe, June 2012, The Resilience of the Cooperative Model, pages 12-13,

[http://www.cecop.coop/IMG/pdf/report\\_cecop\\_2012\\_en\\_web.pdf](http://www.cecop.coop/IMG/pdf/report_cecop_2012_en_web.pdf)

<sup>102</sup> CECOP – CICOPA Europe, 7 December 2012, TOGETHER: How cooperatives show resilience to the crisis [video documentary],

<https://www.youtube.com/watch?v=iYXOk1ptG28>

<sup>103</sup> [https://www.ilo.org/dyn/normlex/en/f?p=NORMLXPUB:12100:0::NO::P12100\\_ILO\\_CODE:R193](https://www.ilo.org/dyn/normlex/en/f?p=NORMLXPUB:12100:0::NO::P12100_ILO_CODE:R193)

<sup>104</sup> [https://www.ica.coop/en/media/library/research-and-reviews/guidance-notes-co-operative-principles?\\_ga=2.122272648.203962858.1542093164-2006774018.1541924831](https://www.ica.coop/en/media/library/research-and-reviews/guidance-notes-co-operative-principles?_ga=2.122272648.203962858.1542093164-2006774018.1541924831)

<sup>105</sup> Jo-Anne Ferguson, September 2013, Consultancy on Co-Operative Systems in Myanmar, Livelihoods and Food Security Trust Fund,

[https://www.lift-fund.org/sites/lift-fund.org/files/publication/Consultancy-on-Cooperative-Systems\\_English%20\(Sept%202013\).pdf](https://www.lift-fund.org/sites/lift-fund.org/files/publication/Consultancy-on-Cooperative-Systems_English%20(Sept%202013).pdf)

<sup>106</sup> Based on model found here: <http://www.geo.coop/replication-of-arizmendi>

<sup>107</sup> <https://community-wealth.org/content/union-co-op-model>

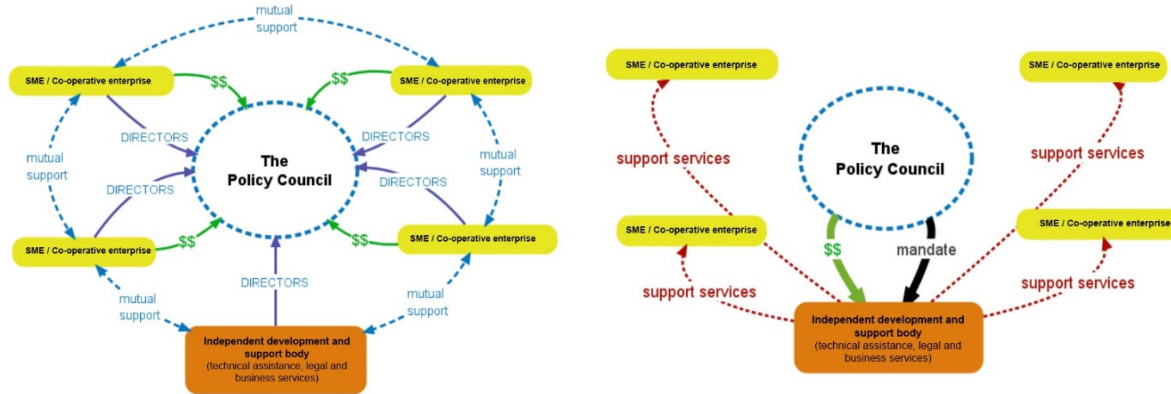


Figure 5 - SME Association (Policy Council) model

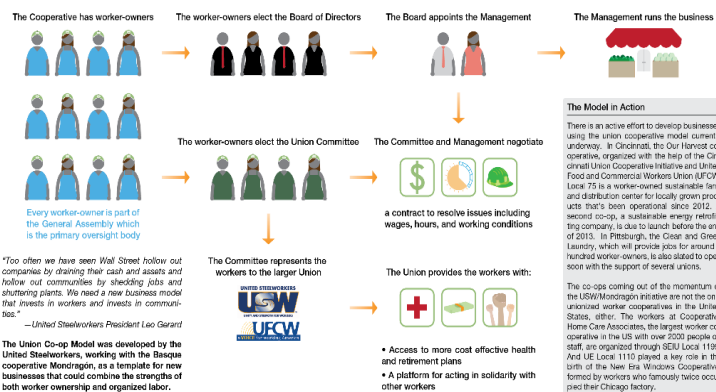


Figure 6 - Union Co-op Model

Co-operative enterprises can be initiated in a bottom-up or a top-down model; neither is necessarily better or worse, but suitability depends on the situation.<sup>108</sup> A bottom-up initiated enterprise is self-initiated by the members of the co-op; for example an existing community of interest or through a charismatic leader. A top-down initiated enterprise is initiated by a group external to the members of the co-op; for example a grant-making community development organization or a government agency.

### Cooperative economic planning and coordination

TBC and the GAP partner organizations are in a good position to assist new enterprises with higher-level economic planning and coordination as they are in a position to take a village tract-level and state-level view of each economic sector. The WEGs organized by KNWO will be positioned to engage in sector-level business planning for all villages in the targeted village tracts and townships. Representatives from all villages will sit on a village tract WEG, therefore the WEG can coordinate business development at the village tract-level and township-level to encourage enterprises to cooperate rather than compete, and to gain comparative advantage and economies of scale. For example, in Mesa the WEGs suggested that one village tract would focus on mushrooms and one village tract would focus on bean sprouts; each selling their surplus production to the

<sup>108</sup> <http://www.geo.coop/node/627>



other. At the state-level, economic planning can be done to encourage different townships to focus on a specific comparative advantage which compliments rather than competes with other townships. The Kayah state government would be the suitable body to take responsibility for this sort of economic planning and coordination. State-level cross-sector planning could be an important success factor for new enterprises and cooperatives created by returnee entrepreneurs.

## Access to financing

The Myanmar Ministry of Agriculture, Livestock and Irrigation's Agriculture Development Strategy and Investment Plan (ADS) identifies one of its key aims as the expansion of agricultural financing and options for farmers as well as those involved in agricultural value chains. Relevant regulatory frameworks would include the recent Financial Institutions Law, an amended Law on Microfinance, as well as laws and policies relating to the provision of digital financial services. The ADS states that the Central Bank of Myanmar and the Ministry of Planning and Finance must be intimately involved in the "development of an agricultural finance policy that encourages banks, microfinance institutions (MFIs), non-bank financial institutions such as leasing and finance companies and insurance companies to provide needed services to rural communities, especially farmers and [small and medium enterprises]." <sup>109</sup>

The capitalization of small businesses and co-operative enterprises can be bottom-up or top-down. <sup>110</sup> A bottom-up capitalization refers to financing through self-financed equity drives, and loans from members or from revolving loan funds originating in the community where the enterprise is located. A top-down capitalization refers to financing by grants (from a foundation or government or both), below-market-rate loans from social development funds, or market-rate loans from commercial banks.

For returnee entrepreneurs in Kayah state, low-interest loans from microfinance lenders such as Proximity Designs would likely be the most suitable financing arrangement. Proximity Designs has four types of loans targeting unique needs of smallholder farmers and small-scale entrepreneurs: Crop Loan; Livestock Loan; Small Business Loan; and On-the-Go Loan. <sup>111</sup>

As the small businesses started by returnees grow and require additional financing to expand, other types of suitable financing mechanisms may include:

- **Private finance sector:** The traditional banking sector remains a source of financing investments in small businesses. The ILO has identified a range of potential partners from the public and private sector who may be helpful for entrepreneurs to strengthen linkages with banks. <sup>112</sup>

<sup>109</sup> Myanmar agriculture development strategy and investment plan (2018-19 ~ 2022-23), page 77

<sup>110</sup> <http://www.geo.coop/node/627>

<sup>111</sup> <https://proximitydesigns.org/service/farm-finance/>

<sup>112</sup> ILO Liaison Office Myanmar, 2015, Myanmar garment sub-sector value chain analysis, International Labor Organization, page 29, [https://www.ilo.org/wcmsp5/groups/public/---ed\\_emp/---emp\\_ent/documents/project/wcms\\_406448.pdf](https://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/documents/project/wcms_406448.pdf)



- **Social investment:** Social investment is a form of lending which aims to contribute to a particular social impact.<sup>113</sup> Below-market or interest free loans are made to non-profit businesses with a social purpose.
- **Green financing:** The aim of green financing is to “increase the level of financial flows (from banking, micro-credit, insurance and investment) from the public, private and not-for-profit sectors to sustainable development priorities [in order to] better manage environmental and social risks, take up opportunities that bring both a decent rate of return and environmental benefit and deliver greater accountability.”<sup>114</sup>
- **Crowdfunding:** is “the practice of obtaining needed funding (as for a new business) by soliciting contributions from a large number of people especially from the online community.”<sup>115</sup> Small businesses started by returnee entrepreneurs could target diaspora communities; those who have resettled to higher-income countries and have disposable income to contribute to development.
- **Crowdfunding:** (also called Equity Crowdfunding or Title III Crowdfunding) is a relatively new source of financing for small businesses facilitated by the internet.<sup>116</sup> This kind of financing would be for enterprises that have been running successfully for some time and are looking for money to expand. Typically, crowdfunding is done through a platform which does due diligence to ensure that the enterprise is legitimate and profitable. Crowdfunding platform include First Democracy VC,<sup>117</sup> SeedInvest<sup>118</sup> and the social enterprise focused CrowdFunder Social Enterprise.<sup>119</sup>

### Financial benefits of forming small business associations and cooperative enterprises

Small businesses and cooperative enterprises can gain advantages related to securing financing through forming or joining associations with other likeminded or similarly structured enterprises. Potential lenders or investors will feel more secure when the responsibility for the finances of a new enterprise are extended to other members of an association through a ‘contract of association’ as well as through the contribution of the association’s own funds. In addition, financial management skills and experience can be shared among members of an association – a multiplier process which will likely make the financial management of each member more effective.

<sup>113</sup> <https://esmeefairbairn.org.uk/social-investment>

<sup>114</sup> <https://www.unenvironment.org/regions/asia-and-pacific/regional-initiatives/supporting-resource-efficiency/green-financing>

<sup>115</sup> <https://www.merriam-webster.com/dictionary/crowdfunding>

<sup>116</sup> <https://www.forbes.com/sites/kauffman/2016/09/20/the-potential-and-perils-of-title-iii-crowdfunding/>

<sup>117</sup> A joint-venture between MicroVentures (<https://microventures.com/what-is-first-democracy-vc>) and Indiegogo (<https://equity.indiegogo.com/>)

<sup>118</sup> <https://www.seedinvest.com/offerings>

<sup>119</sup> <https://www.crowdfunder.com/social-enterprise>

## Linkages for success

### International trade

In Kayah state, inter-state trade is often ultimately linked to international trade. Much of the produce sold to brokers (often rich locals, who transport to larger regional markets such as Ang Ban in Shan State) makes its way to markets in China. Most of the buyers at Ang Ban markets are from China; purchasing corn, sesame, etc. to transport to their customers in China. Much of the cardamom and black pepper produced in Kayah is exported to India. As the Kayah state market is small, connecting to international trade value chain would be a good strategy for returnee women entrepreneurs. Kayah state entrepreneurs should aim to by-pass these ‘middlemen’ and sell their produce directly to wholesalers in larger markets.

The Ministry of Agriculture, Livestock and Irrigations (MOALI) has identified a number of specific trade facilitation and export promotion measures in the Myanmar Agriculture Development Strategy and Investment Plan (2018-19 ~ 2022-23).

Trade facilitation measures relevant to small business development in Kayah state include:

- eliminating export licenses for all agricultural exports
- expanding land border trade cooperation
- upgrading customs clearance facilities at land border crossings
- improving processes for transiting products through Myanmar, especially from Yangon to Muse by implementing the ASEAN Customs Transit System<sup>120</sup>

Export promotion measures relevant to small business development in Kayah state include:

- providing information to farmers and processors about export opportunities and requirements
- promoting Myanmar products in targeted foreign markets
- efforts to raise product quality<sup>121</sup>

### Cross-border trade with Mae Hong Son province, Thailand

With Kayah state’s low population and the potential for there to be four land border crossings to Thailand (Border Points 9, 10, 13 and 14) trade linkages to Mae Hong Son and northern Thailand should be prioritized. This may be a long-term strategy as the future of the four border gates is not clear. Despite Border Point 13 being opened in a ceremony by the Myanmar vice-president there has been little interest from the Thai-side. The road on the Myanmar-side is complete, but construction of the Thai-side road

<sup>120</sup> Myanmar Agriculture Development Strategy and Investment Plan (2018-19 ~ 2022-23), page 78

<sup>121</sup> Myanmar Agriculture Development Strategy and Investment Plan (2018-19 ~ 2022-23), page 79

appears to have be stalled. Further, it is likely that at the early stages much of the trade would be one-way: Kayah state produce doesn't have a market in Thailand at present, but may change with more value-added production.

### **International certification**

To improve the viability of their export-oriented enterprises, returnee entrepreneurs in Kayah state should apply for relevant internationally recognized certifications. The specific certifications would depend on the particular products and markets targeted, but some examples of potential certification standards are those that cover fair trade, organic cultivation, or being part of a drug substitution program.

Fair trade certifications include:

- Fairtrade International
- FLO-CERT (arms-length for-profit subsidiary of Fairtrade International; established to act as an independent certification body)
- Fair Trade USA
- Fair for Life
- Fair Trade Federation (membership-based industry association)
- World Fair Trade Organization (membership-based industry association)

There is no single internationally accepted organic agriculture certification scheme; as this is usually done at the national-level according to national laws and regulations. Definitions and legal standards of organic production methods vary from country to country. For export-oriented production, certification recognized by the laws of the probable country that will import the goods would be important. In Myanmar, organic certification can be received from the Myanmar Organic Agriculture Group<sup>122</sup> and the Myanmar's Organic Food Growers and Producers' Association.<sup>123</sup>

The KNPP liaison office suggested that organic certification should be the focus of all export-oriented production enterprises in Kayah state. Different certification standards would be suitable for different markets (e.g. domestic, Thailand, ASEAN, China, European Union, North America, Australia, etc.).

Organic agriculture encompasses a variety of techniques across the value chain; from soil fertilizing, pest and disease management, and processing into value-added products. There is typically a two to three year conversion period between when chemical usage is stopped and when the farm can become certified as organic. Group certification of multiple farms in the same village tract is possible and may be more cost effective. In addition to the premium prices that organic products receive, the use of organic fertilizers and pesticides, other techniques – such as integrated farming, seed-

<sup>122</sup> [http://www.organic.moc.go.th/sites/default/files/attachments/moc/4\\_myanmar-san\\_san\\_win.pdf](http://www.organic.moc.go.th/sites/default/files/attachments/moc/4_myanmar-san_san_win.pdf)

<sup>123</sup> <http://www.moi.gov.mm/moi:eng/?q=news/24/06/2016/id-7427>

selection and double-cropping – can help to raise yields without the use of expensive chemical inputs.

### **Value Chain Stakeholder meetings**

Priority sectors and products should be identified, and the value chains should be built-up and improved through coordination among all stakeholders. A recent example of this kind of coordination in Shan State is the Ginger Stakeholders' Meeting organized by the ILO's Vision Zero Fund; aimed at improving occupational health and safety throughout the ginger value chain.<sup>124</sup> Returnee entrepreneurs and collectively-owned enterprises should conduct comprehensive stakeholder analyzes for their priority economic sectors and value chains. A generic list of stakeholders that should be included in a value chain stakeholder analysis are:

- Smallholder farmers (subsistence)
- Smallholder farmers (commercial)
- Largeholder farmers (commercial)
- Wage laborers
- People with childcare or elderly care duties
- Small-scale traders
- Distributors
- Wholesalers (domestic)
- Retailers (domestic)
- Exporters (international)
- Retailers (international)
- Consumers (individual)
- Transportation providers
- Government (taxes, regulations)
- Government (infrastructure, roads)
- Government (agricultural extension)
- Advertisers (media and billboard owners, etc.)
- Input manufacturers
- Experts and technicians
- Diaspora communities<sup>125</sup>
- Certification bodies (fair trade, organic, etc.)

### **Networks of similar businesses**

<sup>124</sup> ILO News, 30 October 2017, Myanmar's ginger value chain actors meet to discuss safer practices and better production, [https://www.ilo.org/yangon/press/WCMS\\_621563/lang-en/index.htm](https://www.ilo.org/yangon/press/WCMS_621563/lang-en/index.htm)

<sup>125</sup> Approximately 19,000 people have been resettled from the Ban Nai Soi and Ban Mae Surin camps; mostly to Australia and the USA.

This would include establishing platforms for networking; producing materials on technical aspects; training on different roles within small businesses and cooperative enterprises; and mechanisms for collaboration on international marketing and export logistics. Grassroots networks, such as the Karenni Evergreen initiated multi-village organic cultivation groups, should be encouraged. Returnee women entrepreneurs interested in doing organic cultivation could connect with organic cultivation groups in Thailand for support and skills training. Elephant foot yam producers in Kayah could network with elephant foot yam producers in Chin state and Tanintharyi region to share experience and/or coordinate exports.

### **Connecting to social enterprises across Myanmar and internationally**

Creating a directory of returnee and women-run enterprises and cooperatives in Kayah state could be an important way to access international markets. Such a directory could be used by Myanmar and international social enterprises and premium food distributors to find suppliers in Kayah state; encouraging international customers to come directly to Kayah state.

### **Collecting and sharing data**

Information technology advances mean that collecting, managing and gaining insights from data is an important part of most businesses (even small businesses). Returnee entrepreneurs may want to join data-sharing networks ('data commons') with other similar businesses or create their own network.<sup>126</sup> The GAP project should encourage the development of uniform data collection procedures and data sharing platforms among the three targeted Kayah state townships, as this would likely be beneficial for both improving business processes as well as monitoring the development of and supporting returnee entrepreneurs.

### **Building managerial and human resources capacities**

Improving the business administration and managerial skills of returnee entrepreneurs should be prioritized, as these skills will be needed as enterprises grow. Diverse skill sets will be needed for expansion into higher levels in the value chain such as wholesaling and marketing. Business plan development was highlighted by GAP partners as an important skill lacking in many Kayah state entrepreneurs and potential entrepreneurs; strong business plans are typically required for financing applications.

### **Linkages with the LAIN SME Forum**

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<sup>126</sup> <https://datacommons.coop/vision/>

The Loikaw-based LAIN Technical Support Group<sup>127</sup> has produced recommendations which should be reviewed and integrated into local economic development plans. LAIN identified a number of ways that the Kayah state government could improve its support for small businesses, including: providing small business loans that are interest-free or have a long grace period; agriculture extension activities of local seed varieties and organic cultivation techniques; and state-level planning to assist small businesses to take advantage of land-based trade opportunities.

### **Linkages with local and national environmental networks**

Returnee women entrepreneurs could consult with local and national-level environmental groups such as Karenni Mega-Project Watch and Myanmar Green Network to integrate environmental sustainability into their business models. Kayah state entrepreneurs whose business model integrate environmental sustainability could access financing from international banks looking for investments for their “green financing” portfolios.

### **Legal framework (rules & regulations)**

The legal framework into which returnee entrepreneurs will be starting their businesses is convoluted, often contradictory, and currently being reformed and amended. This level of opacity and uncertainty in Myanmar’s legal framework bring some level of risk for entrepreneurs. An overview of all laws and policy relevant to entrepreneurs in Kayah state is beyond the scope of this paper, but the discussion of just a few of the relevant laws below serves to give an indication of what entrepreneurs must deal with. The 2008 Constitution outlines the legislative, revenue collection and administrative duties of the Union and State and Region governments. The Kayah State government has authority over only the economic sectors for which it has legislative authority. Business licenses and tax collection are done through the Development Affairs Organizations (DAOs), the General Administration Department (GAD), and the Internal Revenue Department (IRD).<sup>128</sup> Myanmar’s legal framework for cooperatives is outdated, based on laws passed by previous military dictatorships.<sup>129</sup> As their businesses grow and expand, returnee and women entrepreneurs can become involved in advocacy related to reforming the legal and policy frameworks relating to the economic sectors in which they operate. Returnee and women entrepreneurs could have important impacts on Myanmar’s legal framework in a way that improves the environment in which they are running their businesses as well as benefiting other prospective entrepreneurs.

<sup>127</sup> LAIN stands for “Lobbyist Advocate Innovator Negotiator”

<sup>128</sup> Jared Bissinger, February 2016, Local Economic Governance in Myanmar, The Asia Foundation, <https://asiafoundation.org/publication/local-economic-governance-in-myanmar/>

<sup>129</sup> “The current legal environment and policy framework for Myanmar is defined by two documents. The first is The Co-operative Society Law (the Law), adopted in December 1992 by The State Law and Order Restoration Council (SLORC), which repealed the Union of Myanmar Co-operative Societies Law of 1970. The second document is the Co-operative Society Rules (the Rules), adopted in March 1998,” from Jo-Anne Ferguson, September 2013, Consultancy on Co-Operative Systems in Myanmar, Livelihoods and Food Security Trust Fund, page 10, [https://www.lift-fund.org/sites/ift-fund.org/files/publication/Consultancy-on-Cooperative-Systems\\_English%20\(Sept%202013\).pdf](https://www.lift-fund.org/sites/ift-fund.org/files/publication/Consultancy-on-Cooperative-Systems_English%20(Sept%202013).pdf)