

December 2003

The IUCN/WWF Forest Conservation Newsletter

## contents



**2-4 News from around the world:**  
Investments in forests; World Bank advisors; Mining in World Heritage sites and news in brief

**5 Protected areas news:**  
The World Parks Congress and news in brief

**6 International Initiatives:**  
Forest fires

**7 Meetings:**  
World Forestry Congress and Forest Investment Forum



**8-11 Feature:**  
Improving forest governance

**12 WWF News:**  
Global Forest and Trade Network

**13 IUCN News:**  
Timber trade in the Lower Mekong basin



**14 Livelihoods and Forests:**  
Community-based fire management in Pakistan

**15 Guest Feature:**  
The Tropical Forest Trust

**16 Reviews in brief**



**IUCN**  
The World Conservation Union



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## The Challenge of Governance

This issue of *arborvitæ* focuses on the related topics of forest law enforcement, governance and investment. Poor governance and the associated problems of illegal logging, corruption, illicit trade in bush meat and weak infrastructure and forest management capacities, have the potential to undo many hard won conservation gains. It is not surprising then that the promotion of good governance is a central part of the strategy of many conservation organisations. Such organisations rightly see it as fundamental to achieving sustainable long-term forest conservation. Promoting good governance may involve changes in government structures, legislative frameworks, investment patterns and tenure and access rights, and a greater participation of civil society in decision-making, and it has to be linked to improved education.

According to the World Bank, illegal logging results in annual losses of at least US\$10 billion to \$15 billion of forest resources from public lands alone, revenue that could be spent on education, health and other social necessities. Furthermore, the ease with which illegal logging takes place fosters corruption, and opens the way to lucrative criminal activities associated with violence and conflict. As a result, the long-term impacts on local communities and social dislocation can be enormous. Since the May 1998 G8 summit first prioritised illegal logging as an issue of international concern, understanding of the complexities involved has increased considerably. The challenge now is to pin down and implement workable solutions. Some favour a return to a no-nonsense 'fences and fines' approach to resource conservation and management. IUCN and WWF believe that, even where successful, such solutions are temporary, risk reinforcing social inequities and are invariably too expensive for poor countries to sustain indefinitely. As discussed in this issue, combating illegal logging has to go far beyond preventing the person with the unregistered chainsaw from entering the forest. It means systematically addressing unresolved tenure and use rights, optimising forest rent capture, reforming forest fiscal policy, strengthening trade agreements and improving investment screening procedures.

In many countries decentralised forest management is now seen as central to improved forest governance. While such developments can provide real opportunities and are to be strongly welcomed, it is also important to realise that decentralisation on its own is not a panacea. For devolution to be meaningful it has to be accompanied by effective democratic structures which ensure that less powerful groups, such as women and the poor, are not excluded or further marginalised and a mechanism that enables fair compensation when national and local interests diverge.

Finally governments cannot be expected to provide all the solutions on their own – the private sector, particularly forest companies at all stages of the production chain, and lending institutions, must face up to how errant or ill-considered investment decisions can encourage forest-related crime. Active engagement with these groups must be part of a wider conservation strategy.

*Jill Bowling, WWF and Stewart Maginnis, IUCN*

# Forests not safe from banks

The connection between investment and forest destruction is just starting to be recognised, but little is being done so far to ensure investment policies help safeguard forests. [Martin Geiger](#) explains more.

their environmental and social standards for investments – in particular those affecting forests. Each bank was subject to NGO criticism in the 1990s for their investment in the Indonesian pulp, paper and palm oil sectors – the consequences of which can still be seen today in Indonesia. Three German banks (Deutsche Bank, Nord LB and IKB Industriebank) refused to participate in the research, the other eight banks agreed to provide the necessary information. ABN Amro from the Netherlands had one of the best ratings – its exemplary environmental policies developed together with NGOs that serve as an example for others. A few banks have recently adopted the World Bank safeguard policies, including those on forest policy and natural habitats (ABN Amro, HypoVereinsbank, West LB, Dresdner Bank), but West LB and Dresdner Bank have not yet integrated these into their investment decisions.

Overall, the report shows that despite some good examples German banks remain relatively disinterested in ensuring that they make environmentally and socially sound investments. WWF-Germany's suggestion to screen forest projects systematically and in a transparent way through effective environmental and social criteria has not, so far, been acted upon by the banks.

A report published by WWF-Germany shows that projects likely to cause environmental and social problems are still being financed by German banks, which have no effective safeguards to prevent their money being used this way.

Eleven German, Dutch and Swiss banks were asked to take part in the research, which rated the banks according to

Source: Martin Geiger,  
[www.panda.org/about\\_wwf/what\\_we\\_do/forests/news/news.cfm?uNewsID=9864](http://www.panda.org/about_wwf/what_we_do/forests/news/news.cfm?uNewsID=9864)

## World Bank External Advisory Group

In October 2002, the World Bank Board of Executive Directors approved a new forest strategy and forest policy that includes a number of innovative approaches to increase stakeholder engagement and participation in implementation. [Laura Ivers](#) reports

One important innovation is the development of an External Advisory Group (EAG) that provides the Bank with independent advice on the implementation of its forest strategy. The Group's membership is drawn from diverse backgrounds including: international organisations, research institutes, client country governments and civil society groups, who have been invited to participate on the EAG in their individual capacity and not as representatives of their organisation or constituency. The members are: Yati Bun, Angela Cropper, Hosny El Lakany, David Kamowitz, Arvind Khare, Stewart Maginnis and Yam Malla. Both the Bank and the EAG have recognised that due attention must be given to transparency and public disclosure. Therefore it has been agreed that every effort will be taken to ensure that the nature of the advice provided by the Group will be disseminated through various channels including, as

appropriate, **arborvitæ**. The Bank for its part will post minutes of EAG meetings and other relevant documents on its website at: [www.worldbank.org/forests](http://www.worldbank.org/forests).

The EAG inaugural meeting was held in September 2003. Over the course of two days, the EAG discussed three key areas of work relating to the implementation of the Bank's forest strategy: managing impacts of adjustment lending operations on forests; projects underway through the Program on Forests (PROFOR) – a multi-donor partnership hosted at the Bank; and the Forest Sector Investment Forum, which took place in October 2003. The organisation and working modalities of the EAG were also discussed. The Group is now finalising some specific advice to the Bank on some of the matters discussed.

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# Keep Out!

## No-go areas for mining

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Mining exploration scars on Coronation Hill in Kakadu National Park and World Heritage site, Australia.

IUCN's World Conservation Congress in Amman passed two recommendations in relation to mining: on mining, biodiversity and protected areas and on exploration in arid/semi arid zones. A recent statement from several mining companies indicates that some progress is being made from the on-going dialogue with conservation organisations.

In August, the newly established International Council on Mining and Metals (ICMM) – comprising 15 of the world's largest mining and metal producing companies - released a public statement on behalf of its member companies which recognises existing World Heritage properties as 'no-go' areas for exploration and mining activities. The ICMM statement also acknowledges the role and importance of protected areas and commits ICMM to work with IUCN and its membership in strengthening the IUCN protected areas category system. It also commits ICMM members to work on the development of transparent, inclusive, informed and equitable decision-making processes and assessment that better integrate biodiversity conservation and mining into land-use planning and management strategies.

This is the first time that any major mining company or business association has taken the voluntary step of declaring a policy for a significant part of the world's protected areas estate. Although there remains a great deal of work to be done to ensure coherent and effective legislative frameworks that meet the needs of biodiversity conservation and society's demand for minerals, the ICMM's acknowledgement that mining is incompatible with the protection of the universal values of World Heritage sites is a step in the right direction. The challenge remains for the mining industry to fully endorse the principles which underlie the concept of protected areas, and define the activities which are acceptable within their boundaries.

Contact: Mohammed Rafiq, mohammad.rafiq@iucn.org or full ICMM statement at: [www.icmm.com/html/news\\_listing.php](http://www.icmm.com/html/news_listing.php)

**Logging Canada:** A new report *Through the Trees: The truth behind logging in Canada*, states that 90 per cent of logging in Canada occurs within primary and old growth forests; clear cutting was the logging method used in almost 90 per cent of the 2000 harvest and less than eight per cent of Canada's Boreal forest is protected. The US is the destination of approximately 80 per cent of Canada's forest products exports.  
Source: [www.greenpeace.ca/e/campaign/boreal/documents/BorealReport.pdf](http://www.greenpeace.ca/e/campaign/boreal/documents/BorealReport.pdf)

**More boreal news:** A study of the collective impact of energy development and logging in northeastern Alberta, Canada, funded by the paper company Alberta Pacific Forest Industries, has predicted that mature forest stands will be largely eliminated from the landscape in approximately 60 years. This will lead to the habitat availability for woodland caribou declining from 43 to six per cent and to a progressive shortfall in the supply of softwood timber. The study used a landscape-scale simulation model to quantify the effects of the current regulatory framework and typical industrial practices on a range of ecological and economic indicators over the next 100 years.  
Source: *Conservation Ecology* 7(1): 8. [www.consecol.org/vol7/iss1/art8](http://www.consecol.org/vol7/iss1/art8)

**Certifying small producers:** Over 40 million ha of forest have been certified under the Forest Stewardship Council (FSC) standards and 70 million ha more under other schemes. However, according to a review by Forest Trends, only 50 community-owned forest enterprises and smallholders, covering 1.1 million ha of forest mostly in Mexico and Guatemala, had been certified under the FSC system as of August 2002. The FSC has approved new rules for *Small and Low Intensity Managed Forests*, which make it easier and cheaper for communities to get their forests certified. Even so, the review predicts that only a tiny percentage of communities and small forest owners will ever find it feasible and useful to do so.  
Source: [www.forest-trends.org/resources/pdf/forest\\_communities.pdf](http://www.forest-trends.org/resources/pdf/forest_communities.pdf)

**European logging focus:** A steep climb in investment and production targets set by European timber and wood-processing companies for the Central and Eastern European (CEE) region in the next few years, i.e. one Austrian-Finnish consortium is aiming to extract a million m<sup>3</sup> of timber by 2007, could have major impacts on forests in the region. Of particular concern is the threat to the Carpathian Mountains, which span seven CEE countries and remain almost untouched by industrial logging.  
Source: *Boreal News Update*, [www.taigarescue.org](http://www.taigarescue.org)

**India's growing market:** According to a survey conducted for the International Tropical Timber Council, India is emerging as a major importer of tropical timber. India's annual industrial roundwood imports, mostly of tropical hardwoods, tripled between 1995 and 2000 and now exceed two million m<sup>3</sup> per year. Demand for imported tropical timber is expected to continue to grow and could approach 10 million m<sup>3</sup> by the end of the decade.  
Source: ITTO, [www.itto.or.jp](http://www.itto.or.jp)

**Ecuadorian plan:** Ecuador is developing a 20-year plan to work with the private sector to plant new trees and protect existing forest. The US\$800 million programme aims to reduce the pace of deforestation by at least 30 per cent by planting trees to replace lost acreage and produce timber to keep loggers away from pristine woods. Seventy per cent of the project will be financed by the private sector and 30 per cent by the government. The plan is also aimed at reducing illegal logging, which the government estimates represents 70 per cent of the timber industry.  
Source: Reuters News Service, 20 November, 2003

# Red list increase

Over 12,000 species are now described as critically-endangered in IUCN's newly released 2003 *Red List of Threatened Species*. Indonesia, Brazil, China and Peru have the highest number of endangered birds and mammals, while plants are most under threat in Ecuador, Malaysia and Sri Lanka as well as in Indonesia and Brazil.

The Asian White-handed Gibbon (*Hylobates lar*), pictured above, is one of many species on the CITES list threatened by logging and agricultural expansion.

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## News in brief

**Haze agreement:** The ASEAN Agreement on Transboundary Haze Pollution will enter into force in November 2003, following the ratification of the agreement by the required six regional governments (Thailand, Brunei Darussalam, Malaysia, Myanmar, Singapore and Viet Nam). The Agreement, signed in June 2002, is the first regional arrangement in the world that binds a group of contiguous states to tackle transboundary haze pollution resulting from land and forest fires. The Agreement contains provisions for monitoring, assessment and prevention, technical cooperation and scientific research, mechanisms for coordination, lines of communication, and simplified customs and immigration procedures for disaster relief response. The joint IUCN/WWF Project FireFight South East Asia actively worked on the policy perspectives and the analysis that was undertaken in parallel to the development of the agreement with the ASEAN Secretariat and member nations.

**Source:** [www.haze-online.or.id](http://www.haze-online.or.id), the agreement can be downloaded from: [www.aseansec.org/pdf/agr\\_haze.pdf](http://www.aseansec.org/pdf/agr_haze.pdf)

**US legislation:** The controversial forest-thinning bill, which will streamline environmental reviews and the judicial process for forest-thinning projects on 8.1 million ha of federal land, was passed in the US Congress in November 2003. Meanwhile, land protected from timber extraction under the much disputed *Final Roadless Conservation Rule* in 2001 (see *arborvitæ* 20), has been analysed for ecoregion-scale biological importance and endangered and imperilled species. The research found that more than 25 per cent of areas are located in globally or regionally outstanding ecoregions and that 77 per cent of areas have the potential to conserve threatened, endangered or imperilled species. Overall, these areas would increase the conservation reserve network containing these species by 156 per cent.

**Source:** Reuters News Service, 24 November, 2003 and *Conservation Ecology* 7(2).

**Buying the forest:** Following the bankruptcy of the forestry company, Bosques S.A., The Nature Conservancy (TNC) has bought nearly 60,000 ha of temperate rainforest in southern Chile. The acquisition is part of a wider conservation effort by the Chilean government, local environmental organisations and a range of international conservation organisations, including Conservation International and WWF, to protect the biologically rich Valdivian Coastal Range temperate rainforest. Native forest will be restored on over 5,000 ha (where forestry practices have taken place) and plans will be developed for future conservation management and sustainable development activities to improve the local economy.

**Source:** Press Release (CI, TNC and WWF), 6 November, 2003

**Liberian hope:** After years of civil war that killed hundreds of thousands, Liberia is moving towards peace and stability. One step in the country's recovery is to conserve its natural environment. In November 2003, laws were passed to extend Sapo National Park by 50,000 ha and create the 13,500 ha Nimba Nature Reserve, which contains four per cent of the West African country's mostly intact forest. All logging has also been banned under United Nations-imposed sanctions since July, amid concerns that trees were felled in an environmentally-harmful way.

**Source:** Agence France-Presse, 13 November, 2003

**China planting:** Since 1999, China has converted 15.165 million ha into forest (7.219 million ha converted from farmland and 7.946 million ha afforestation of wasteland), as part of its Grain for Green Programme, according to the latest survey from the State Forestry Administration.

**Source:** Zhu Chunquan, WWF-China

## The World Parks Congress: what does it all mean?

With 3,000 delegates, 10 days of plenaries, workshops and deliberations in close to 200 sessions the Vth IUCN World Parks Congress was the largest and most diverse

gathering of protected areas expertise ever assembled. So it was the biggest yet held but was it the best? Peter Shadie, Executive Officer of the Congress finds time to briefly reflect on the event.



IUCN

Nelson Mandela at the opening of the Congress

The Drakensburg Mountains are major sources of water for many South African towns and cities: one of the many protected areas with *Benefits beyond Boundaries* – the theme of the 2003 Congress

The immediate impact of events such as the World Parks Congress are the networking opportunities, the chance to meet new and old colleagues, to share experiences and to reflect a little on what happens in your own patch of the planet. It will be a while before the conservation community will know if the Congress was more than a giant networking opportunity, whether indeed it was a catalyst for protected areas action.

World Parks Congresses happen only every ten years. Being so infrequent they have tended to herald change and new thinking in the way protected areas are perceived and managed. Most would view the Congress as another significant step on that journey of change. Durban didn't invent a new way of establishing and managing protected areas – the much talked about 'new paradigm' – it cemented a shift in thinking that has been underway for quite some time albeit variously applied around the world.

So how will the Congress be remembered? Perhaps for the first time the international protected areas community purposefully engaged with other constituencies at this level; particularly with youth, indigenous people and the business community. Issues around mining and tourism as well as indigenous peoples created some healthy controversy and debate. Protected areas were also truly mainstreamed into broader agendas relating to sustainable development, poverty alleviation and ecosystem services provision. Conversely the Congress also marked a real acceptance of the limitations of the formal reserve system as the sole answer to conserving earth's biodiversity and natural systems.

The big picture was articulated through the launch of the *2003 UN List of Protected Areas*: offering the first comprehensive review of the global protected area estate since 1997. Protected areas now cover 12 per cent of the Earth's surface - nearly 19 million km<sup>2</sup> which is an area approaching the size of the entire South American continent! Furthermore, since the first UN List was published in 1962, the number of reported protected areas has multiplied 100-fold to more than 100,000. However, despite this impressive

growth we still do not have an effective global network. A comprehensive *Global Gap Analysis* presented at the Congress reveals 'holes' in the system at all levels: species, ecoregions, biomes and at all spatial scales: regional to country; continental to global.

The protected areas finance gap remains huge and unequally distributed around the world. The Workshops on Sustainable Finance estimated that protected areas budgets in the early 1990s totalled only about 20 per cent of the estimated US\$20-30 billion required annually over the next ten years to establish and maintain a comprehensive protected area system.

The high level outputs from the Congress are, by definition, umbrella products. The Durban Accord and Action Plan, Recommendations and CBD Message should set the context for work at national and more localised levels. They represent an important affirmation of the broad directions for the profession and they are essential 'back-up' for decisions that may be taken in a local and sometimes limited perspective. The true value of the Congress will lie in how well its messages and directions are translated into political will and action which then trickle down into better laws, better policy; improved resourcing, greater capacity and ultimately good conservation on the ground.

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### Protected Areas News in brief

Where there is a conflict between development and forest protected areas, protected areas have tended to suffer. But are things changing? For this issue we concentrate on just one area of conflict – roads – and report on some challenges and some successes. In July, five NGOs (Transport and Environment, WWF, BirdLife International, CEE Bankwatch Network and FoE Europe) published a position paper on *Trans-European Transport Networks – Options for a sustainable future*. The paper outlines examples of, and recommendations to resolve, conflict between the development of the trans-European transport network in the countries due to join the EU and Europe's network of protected wildlife areas, Natura 2000 (**source:** [www.panparks.org/users/eborza/fotokhirbe/conflictareas.pdf](http://www.panparks.org/users/eborza/fotokhirbe/conflictareas.pdf)). In Indonesia, legislators urged the government to abandon plans to continue construction of a US\$1.2 million highway in Aceh province, Sumatra. It was claimed that the project, which cuts through the Gunung Leuser National Park, would destroy the Leuser ecosystem. The debate followed the flash flood in early November in North Sumatra, which killed over 100 people. Illegal logging in the adjacent national park has been blamed for causing the flood (**source:** *The Jakarta Post*, 12 November, 2003). And finally, a petition filed by WWF-India has successfully halted a road construction project through India's single-largest remaining Shola forest, the Manavan Shola Forest Reserve in the state of Kerala (**source:** [www.panda.org](http://www.panda.org)).

# Fire: New Partnerships, New Directions

William Jackson, Peter Moore and Jill Bowling report on a new partnership and on a recent conference in Australia.

All three partners in the new Global Fire Partnership were represented at the 3rd International Wildland Fire Conference in October in Sydney, Australia where over 1,000 delegates from all over the world gathered to share ideas, insights and experiences. There were more than 170 posters and presentations in parallel sessions. The messages of two of the key note speakers, Dr Stephen Pyne and Dr William Bond were echoed throughout the three days – a growing recognition that fire needs to be considered in its ecological context and fire management needs to balance this with an understanding of the role and needs of people in fires. Dr Peter Moore representing WWF argued for the need to adapt fire management strategies to local social and cultural conditions and to find economic incentives to address harmful fire management practices in the wet tropics in south east Asia. Both Dr. Jackson from IUCN and Dr Jeffrey Hardesty from TNC emphasised the need to improve fire management for biodiversity conservation by adopting a more comprehensive 'landscape' level of planning that recognises mosaics of land use, monitors impact on biodiversity and enables adaptation to change.

Following the Conference a Fire Summit convened by the New South Wales government agreed on a set of principles that should apply to international wildland fire management projects, a template for cooperative arrangements between countries, the use of an Incident Command System (ICS) as the international standard and a strategy for future development of regional forums on fires, networking and joint efforts.

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On average fires burn between 6 and 14 million ha of forest per year worldwide – equal to the amount of forests cleared by agricultural land conversion. For ecosystems not adapted to fire, the result can be catastrophic. The costs – social, ecological and financial – of the 2003 fires in Europe and the USA have still to be reckoned, but once again forest fires have become a major news story around the world.

Fire is clearly a big conservation issue – but what should be the response from conservation organisations? At the Vth IUCN World Parks Congress in Durban, The Nature Conservancy, WWF and IUCN announced a joint Global Fire Partnership. The Partnership aims to maintain or restore ecologically and socially acceptable fire in ecosystems that depend on it, and reduce the incidence of unwanted fires in ecosystems where it is harmful. Launching the partnership, Dr William Jackson from IUCN noted that a more balanced response to forest fires is needed, differentiating between those fires that have positive ecological and socio-economic impacts and those that are harmful. Dr Claude Martin, Director General of WWF, emphasised that the partnership will involve key actors in fire management and seek to build awareness of fire issues among policy-makers.

Forest fires in the south of France, 2003

© WWF Canon / Michel GUNTHER

## Research in brief

Many conservation priority-setting approaches emphasise biodiversity and threats when deciding where to focus investment. However, other issues such as national socio-economic and political factors can also influence the effectiveness of conservation actions. Research combining *all* these factors and their relationship to 'return on investment' has found that although there is some overlap between high biodiversity nations and return on investment, only a few countries emerged as high conservation priorities irrespective of which factors were included in the analysis. Thus, some countries that were ranked with high conservation priorities when focusing solely on biological indicators did not rank so highly when governance, population pressure, economic costs and conservation needs were considered (e.g. Colombia, Ecuador, Indonesia and Venezuela). The analyses suggest that attention to factors such as governance and return on investment may alter biocentric assessments of ideal conservation investments (*Ecology Letters* 6 (8), 706-711).

Jill Bowling from WWF's Forests for Life Programme reports on this year's big forestry get together in Canada.

## 2003 World Forestry Congress

The XII World Forestry Congress, held in September 2003 in Québec, Canada, attracted over 4,000 participants from more than 140 countries. An additional 5,000 members of the public visited the Congress Exhibition, where participants including WWF and IUCN had booths highlighting activities. A World Forestry Congress is an opportunity for the forest community to reflect on progress to date, debate current issues and trends and explore new horizons. At this Congress the forestry community was asked to seek a common vision of harmony under the Congress theme, *Forests: Source of Life*, and the three programme areas: *Forests for People*; *Forests for the Planet*; and *People and Forests in Harmony*.

A noticeable feature of the Congress (compared to previous Congresses) was increased participation by the NGO community including environment groups, communities, indigenous peoples, forest owners, forest industry and forest workers. Both WWF and IUCN were actively involved in presentations at plenary and theme sessions. They also organised two forest landscape restoration side events (one of which profiled the WWF-Lafarge partnership), and both organisations were members of the Congress Drafting Committee and Policy Committee.

Key emerging issues at the Congress were: the increasing trend in many countries towards decentralisation and devolution of ownership, the increase of community forestry ownership, the need for more public participation in forestry with stakeholders actively seeking to be included in decision-making, and a recognition that the forestry sector needs to look beyond forests and into other sectors to find solutions to the current problems of forest loss and degradation.

The final statement includes a range of strategies and actions in relation to policy, institutional and governance frameworks; partnerships; research, education and capacity building; management and monitoring. Forest landscape restoration (which was heavily promoted by both WWF and IUCN) is specifically mentioned as a solution, as is an approach to fire which includes prevention and restoration activities. Actions will be reported on at the next World Forestry Congress and in the interim FAO has been asked to promote the final statement's strategies and actions through other relevant fora such as the Convention on Biological Diversity and UN Forum on Forests.

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## Forest Investment Forum

7

Christine Carey reports on the recent Forest Investment Forum meeting in the USA.

WWF is working with international financial institutions to bring about changes in the way they do business by advocating more stringent environmental and social investment safeguard policies, to both avoid financial and reputational risk and to improve practices on the ground that impact forests and forest communities.

As a key part of this work, the Forest Investment Forum was held on 22-23 October at the World Bank headquarters in Washington DC, co-organised by the World Bank, World Business Council for Sustainable Development, WWF and Forest Trends. The Forum brought together nearly 150 senior executives from development banks (World Bank, International Finance Corporation, European Bank for Reconstruction and Development, Asian Development Bank, European Development Bank), commercial banks (ABN Amro, Citigroup, Credit Suisse First Boston, Hypo Vereinsbank), investment funds, leading conservation organisations, and globally significant forest product companies (StoraEnso, UPM-Kymmene, Mondi, Metsalitto, Ilim Pulp, Bollere, Danzer, IKEA, Axel Springer, International Paper).

Duncan Pollard (Head, WWF European Forest Programme) introduced the *WWF Guidelines for Investment in Operations that Impact Forests* tailored for development banks, export credit agencies (ECAs), and commercial banks (see also page 11). The guidelines cover not only practices in the forest industry, but also operations that indirectly affect forests such as mining and agriculture.

The discussion at the Forum identified:

- that the forest industry will rely on both natural forests and plantations for future expansion. Russia, China, Brazil and India were highlighted as important places for industry expansion in the future. The need for a proactive WWF approach to plantation development will be important;
- Illegal logging and high conservation value forests were firmly on the agenda as important issues to be addressed, as was the interface between forests and agriculture (e.g., oil palm); and
- There was a consensus on the need for investment safeguards, both as an incentive to responsible investment and a deterrent to unsustainable and destructive activities. WWF was clearly positioned as a player in this debate.

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*WWF Guidelines for Investment in Operations that Impact Forests* available at: [www.panda.org/downloads/forests/wwfinvestmentpol7oct03final.pdf](http://www.panda.org/downloads/forests/wwfinvestmentpol7oct03final.pdf)

# Improving Governance in the

Illegal logging, corruption, absence of the 'right' sort of investment and poor law enforcement and governance are perhaps the most critical challenges facing the forest sector today. These are however poorly understood and seldom explained comprehensively. Kerstin Canby of the World Bank provides an analysis of the issues, examines how they are linked and suggests some ways forward.



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Sawmill illegally exploiting the Atlantic Forest in Bhatia, Brazil

Over the past 4-5 years, the issues of corruption, illegal logging and associated trade have drawn increasing international attention with numerous new forest law enforcement, governance and trade (FLEGT) initiatives emerging. Illegal activities in the forest sector have existed for years. The greater attention probably reflects an increase in our knowledge about the extent of the problem and its impacts rather than a rise in actual incidences. It also shows the willingness of governments (both producer and consumer), the private sector, NGOs and donor organisations to publicly recognise and address these problems.

Poor governance and corruption undermine economic and social development by weakening the rule of law and the institutional foundation on which sustainable economic growth depends. The consequences can be devastating for developing countries: as investment and growth are deterred, public institutions are undermined, trust in the state erodes and incentives are created to unsustainably and inequitably exploit natural resources – further depleting assets.

### Impact of poor governance

A host of studies in recent years have attempted to document the financial, ecological and social costs of poor forest-sector governance. A recent study of nine African countries made conservative estimates of revenue losses from poor regulation of timber production: Ghana alone



loses an estimated US\$37.5 million per year. In 2001, it was estimated that the government of Indonesia was losing US\$600 million per year in payments not made on stolen timber – four times the total amount of local and central governmental investments and operations in the forest sector. At the macro scale, the World Bank's revised Forest Strategy estimates lost revenue from illegal operations cost governments worldwide US\$10 billion per annum, with the failure to collect appropriate royalties and taxes from legal operations costing another US\$5 billion. Put in context, this figure is larger than the total amount of World Bank annual loan commitments for all its client governments in all sectors.

Diagnostic studies also show that poor governance is usually reflected in unclear and conflicting land tenure or management mandates for forest lands and the systematic exclusion of local peoples from decision-making. Existing legislation often conflicts with traditional land systems. In Armenia, where 70 per cent of the population in one district has been accused of illegal fuelwood logging, one has to ask: do these laws adequately recognise the needs of rural households? A recent report on forest law enforcement and livelihoods states that "forestry and wildlife departments generally enforce forestry and protected area legislation more vigorously and with less respect for due process and human rights when poor people are involved."

While not all illegal operations produce unsustainable results, where illegal forestry activities occur it is impossible to guarantee that forest ecosystems are being sustainably managed. For countries with valuable timber resources, securing investment in forest operations has never been a problem *per se*. However, investment in sustainable forest management has. Operators wanting to 'do the right thing'

# Forest Sector



Illegal timber stocks in Central Kalimantan, Indonesia

© WWF-Canon / Tiantyo BANGUN

and prepared to invest in the long-term will tend to avoid weak governance environments – considering the investment climate too risky. For example, over-extensive or confusing regulatory frameworks can exacerbate the cost of compliance and provide increased opportunities for administrative corruption. In 1994, Weyerhaeuser pulled out of a planned investment in Russia due to ‘high risk’ which was assumed to be associated with corruption and unclear legal frameworks.

### Recent trends

Whether the situation is improving or deteriorating is hard to judge. The extent of corrupt and illegal activities in the forest sector has been poorly documented, making comparisons difficult. Persistently low resource rents and non-transparent resource allocation procedures indicate that governance problems and corruption persist. Many are concerned that where rapid decentralization of governmental functions is occurring without clarification of responsibilities, supportive institutions or capacity building initiatives, confusion and unclear legality will exacerbate the situation.

On the positive side, the international community has implemented and learned much in the last few years. Legal frameworks are being reformed and in many cases simplified. Legislative reforms, voluntary trade agreements and policy research programmes, such as those envisioned under the UK-Indonesia Memorandum of Understanding offer promise. There appears to be increased acceptance of schemes which use third-party independent verification of legal origin or legal compliance and independent monitors. Independent monitors, depending how their functions are structured, can help (a) ‘extend the eyes’ of official forest management and enforcement agencies which are often

over-stretched financially or geographically; and/or (b) help verify whether the government has the capacity and/or political will to enforce compliance with forest regulations. The EU FLEGT Action Plan, for example, recognises that independent third-party verification, monitoring and auditing arrangements, will be essential to provide internationally-recognised guarantees that timber has been harvested legally. Likewise, log export monitoring systems have been instituted in numerous countries on all continents. After the instalment of such a system in Papua New Guinea in the mid-1990s, revenues collected and shared between the government and communal land-owners increased by roughly US\$22 million.

There is growing recognition for the need to clarify land ownership and traditional use rights – a condition, while not sufficient on its own to ensure legal or sustainable management of the resource, is fundamental to ensuring a governance structure that is accepted by local stakeholders. Forest areas owned or administered by communities in developing countries have doubled in the last 15 years to 25 per cent of the total area and could be expected to double again by 2020. On the consumer side, retailers are becoming interested in techniques to exclude illegal and other unwanted wood from their supply chains.

Governmental procurement policies, that prohibit the purchasing of illegal wood products and voluntary agreements on international trade of illegal wood, are also being put in place, noticeably in the UK and within the EU FLEGT Action Plan.

### Time to take stock

After this period of increased attention and experience, it may be time to take stock. Which initiatives are working, which ones less so, why, and for what cost? What are the questions that the international forest community should now be asking?

Effective forest governance programmes encompass topics from clarifying ownership and use rights, to how forest resources are managed. The latter includes issues ranging from how decisions about forest use are made and who is involved in the decision making process, to the enforcement of forest laws and policies on the ground. Effective programmes will also need to address underlying causes and broader structural issues that are contributing to problems. They cannot be implemented in the absence of political will and broader supportive governance frameworks, or without recognising the importance of integration with other sectors such as the finance, customs, judiciary, and autonomous anti-corruption commissions.

Has there been enough focus on getting the foundation – the overall governance framework – right? Has there been too much focus on increased enforcement as producer governments rush to respond to NGO and donor pressure? Who has benefited from the recent surge in initiatives, and who has borne the costs? What models of third-party verification work? Are advocacy and monitoring functions adequately separated, and is there [continued overleaf](#) ➤

# focus: forest law enforcement, governance and investment

10

continued from page 9 a need for detailed auditing systems with checks and balances similar to the more rigorous certification systems? Where outside parties have been hired to implement parts of the Governments' forest management mandates, what degree of integration with existing governmental institutions is desired and has been achieved? Are phased approaches to building institutional capacity and eventually transferring expertise and systems back to the government needed? What important lessons can be learned from broader governance and anti-corruption efforts?

Steps forward will include a continuation of traditional forest institutional and management strengthening activities, such as developing sound legislative frameworks, promoting the involvement of local stakeholders and transparent financial and concession management systems, all of which also facilitate programmes addressing illegal logging. In addition, the international community needs to build knowledge about the situation and what can be done. This includes evaluations of processes initiated to-date, more in-depth diagnostics to generate better data, understand underlying issues and advanced research methodologies. Identification of the extent and nature of illegal and corrupt forest activities is a pre-condition to the identification of solutions. Analyses of forest reforms need to carefully pinpoint if they, directly or indirectly, create perverse incentives for illegal and corrupt forestry activities.

Finally, there are other approaches that have not been widely used by the international forest community, but which borrow heavily from other sectors and, if integrated with them, can pave the way for reforms which cut across sectors. For instance, Transparency International is currently working to adapt many of its anti-corruption tools for use in the forest sector. Forest governance issues can also be better integrated into Corruption Surveys or Institutional Governance Reviews – a tool currently used by the World Bank to assess governance issues across many sectors by tracing institutional roots of weak government performance

Effective anti-corruption strategies build on five key elements: (a) increasing political accountability, (b) strengthening civil society participation, (c) creating a competitive private sector, (d) institutional restraints on power, and (e) improving public sector management. Anti-corruption strategies within the forest sector can learn from and adapt these basic principles.

Illegal logging for paper industry and forest clearing for oil palm plantation, Indonesia

and offering practical recommendations for improving government operations and development strategies. Problems with the forest sector such as insufficient community participation, transparency and accountability in formal decision-making can sometimes be seen as a 'microcosm' of broader governance problems within a country. If positioned well, forest concerns can act as catalysts for broader governance reforms within a country.

Contact: Kerstin Canby, kcanby@worldbank.org. The author wishes to thank David Cassells of the World Bank for helpful comments.

## African Action

The 1st African Forest Law Enforcement and Governance (AFLEG) Ministerial Conference took place in Yaoundé, Cameroon, in October, 2003. Carole Saint Laurent reports on the declaration and list of indicative actions adopted by the Ministers who participated.

The AFLEG conference was intended to galvanize the high level commitment of African governments to better governance of forests, including with regard to illegal logging and hunting and associated trade on the African continent. It also aimed to bring together African governments, donors, NGOs and the private sector to recognise their shared responsibility and express their support for an intensified effort on forest governance and law enforcement in Africa. A preparatory process for civil society and the private sector was supported by DFID and was coordinated in East, West and Southern Africa by IUCN. As a result, the participants in this process – and the government representatives they interacted with – were well prepared for the ministerial conference. Networking among these different actors around the issues of forest governance and illegal logging has been strengthened, with benefits which should continue well beyond the ministerial conference.

### Declaration

The AFLEG Declaration recognises the importance of Africa's forest ecosystems and biodiversity, and of forests for the livelihoods of African people, particularly the poor. It acknowledges the rights of stakeholders, including local peoples, to participate in forest decision-making and stresses the need for capacity building, effective partnerships, transparency, monitoring and international cooperation. The Declaration expresses the intention of ministers to take action in a number of areas, including:

- mobilising financial resources for FLEG;
- promoting and financing alternative economic opportunities for communities dependent on forest resources to reduce illegal activities;
- promoting cooperation between law enforcement agencies within and among countries;
- promoting public access to information on protected areas, concessions and other forested areas;
- addressing the re-establishment of good governance in post-conflict situations;



- exploring means of demonstrating the legality and sustainability of forest products;
- establishing and strengthening laws for hunting and bushmeat trade; and
- integrating FLEG into national forest programmes.

The Declaration also includes an indicative list of actions related to national level implementation, legislation and policy reform, capacity building, information, law enforcement and monitoring, wildlife resources, forest management practices, financing and markets and trade.

#### Moving forward

While the outcomes of the AFLEG ministerial conference are not as specific as some participants would have wished, they do go beyond what many felt could reasonably be expected given the limited time for negotiation. Nonetheless, there is a need to maintain the momentum created by the Yaoundé Summit and the engagement of African governments, civil society and the private sector through a coordinated follow up process. There will be a greater chance of progress if all these sectors can move forward together.

An important part of the follow up will be identifying priorities and options for specific action in countries and in the sub-regions. These could be embodied in national or sub-regional action plans arrived at through participatory processes. African countries that played a key role in the AFLEG process, including Cameroon, the Republic of Congo and Ghana, should be encouraged to demonstrate leadership on this. Effective follow up will require, *inter alia*, information about the AFLEG process and its outcomes, baseline biological information to assist with priority-setting and identification of implementation options, and in depth analysis of key themes related to forest governance that are priorities at the national, sub-regional or regional level.

What now? The World Bank has been requested to finance by April 2004 a meeting of regional representatives of the AFLEG process to decide on the next steps. Beyond that, as set out in the Declaration, follow up work is to take place through sub-regional and regional task forces on FLEG, supported by civil society and private sector advisory groups, and making use where possible of existing structures and institutions. Existing institutional architecture and a wide range of sub-regional arenas and institutions can provide lessons learned and models to facilitate follow up and can help deliver additional momentum.

**The broader FLEG context:** The African FLEG conference is part of a process that was initiated with the adoption in 1998 of the G8 work programme on forests, which includes a commitment to develop the capacity of G8 and partner countries to assess illegal logging and international trade and implement counter measures. This motivated a partnership between the World Bank, UK DFID and US State Department, leading to the Asia FLEG conference in Indonesia in September 2001. That meeting adopted a ministerial declaration and established a follow up process. Similar processes are being considered for Latin America, Russia and the Balkan countries, with strong support from the US and other developed countries.

Implementation of the actions associated with the Declaration will be reviewed in 2006, which may result in a second ministerial conference. As a contribution to this process and to keep AFLEG at the forefront of political agendas in Africa, civil society participants in the AFLEG process will be seeking follow up meetings with Ministers over the coming months and developing plans for specific follow up activities.

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www.worldbank.org/forestry/afleg

## Investment Safeguards

Duncan Pollard of WWF's European Forest Programme, expands on the challenges facing those promoting investment in sustainable forestry.

Demand for forest products is increasingly tied to population growth and economic development. Growth is likely to be focussed in Russia, India, China and Brazil. In Russia alone it has been estimated that up to US\$24 billion will be invested in the industry in the next decade. Investments will be based both on natural forests and the establishment of plantations. In addition infrastructure developments (roads, dams, electrification) will increase pressure on forests.

Although it is estimated that 15 per cent of all timber harvested is harvested illegally, the impact on traded products is higher. Illegal logging is not only leading to forest destruction, but also creates a distortion in the market place in the value of timber. For example, a recent analysis by the WWF/World Bank Alliance in Latvia has indicated that illegally logged timber has a 20 per cent lower cost than legally harvested timber. Eliminating illegal timber will probably lead to increasing costs to industry and lower profitability and therefore reduces the ability of industry to repay loans. The development of industry and infrastructure in 'controversial forest' areas provides a further risk for investors. The concept of High Conservation Value Forests provides a process and a framework to identify these areas and the management prescriptions that can lower these risks.

In addition to curbing illegal activity and safeguarding High Conservation Value Forests, there is the need to establish suitable standards for forest management. For financial institutions funding the development and activities of the global forest industry it is clear that a series of environmental guidelines are needed which financial institutions can adopt (see page 7). These should be consistent with the agenda adopted by industry. The need for such guidelines is increasingly urgent given increasing NGO interest in the finance sector such as development banks, export credit agencies and commercial banks.

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# Market-based solutions to illegal logging and forest crime

The Global Forest & Trade Network (GFTN) is WWF's initiative to create a forest industry that conserves the environmental values of production forests whilst providing economic and social benefits for the businesses and people that depend on them. [Darius Sarshar](#) reports.

The GFTN is an affiliation of national and regional Forest & Trade Networks (FTNs). Several hundred companies are currently members of an FTN – and by extension the GFTN – representing a wide range of actors including forest owners, timber processors, construction companies, retailers and investors. The first ten years of the GFTN saw the establishment of demand-oriented FTNs, often called Buyer Groups, made up primarily of retailers, distributors, end-users and specifiers of forest products committed to sourcing credibly certified forest products. Buyer Groups, operating in almost 20 countries, are widely recognised as having been the dominant force in generating demand for certified forest products in the 1990s. The GFTN is now transforming these Buyer Groups to focus their market power on supplies from valuable and threatened forests, where conservation values are greatest, forest governance and law enforcement are weakest, certification has failed to take root and illegal logging remains a significant threat. To complement this new focus, the GFTN has begun the process of establishing new production-oriented FTNs, called 'Producer Groups' in key exporting countries where forests are valuable and threatened.

So what are WWF GFTN Producer Groups, and how do they work? Producer Groups are associations of forest industry producers, processors and traders committed to achieving or supporting responsible forest management and credible forest certification. Members are typically forest owners or managers who are working towards, or have already achieved credible forest certification and forest product processors and manufacturers who are working towards excluding illegal timber from their supply chains and trading increasing quantities of certified forest products.

Producer Groups are a key delivery mechanism for a phased approach to certification. As part of the phased approach, uncertified members are required to meet strict entry requirements, commit to a time-bound action plan that puts them 'on track' to certification and certified supply chains, and periodic third party verification of progress. The groups provide a focus for external assistance and market recognition to ensure committed producers have the incentives and the support necessary to achieve certification. Producer Group membership for forest owners includes a

requirement that their operations are legally compliant. The first Producer Group was established in Russia. Additional groups are currently under development in Latin America, Central and West Africa and South East Asia. In 2003 Producer Groups were launched in Brazil, Ghana, Central Africa, Malaysia and Indonesia.

As they develop, WWF GFTN and the new Producer Groups will have a significant impact on forest law enforcement and governance issues at many different levels by:

- Providing market rewards and external assistance for forestry operations that are legally compliant and 'on track' to credible certification;
- Harnessing the market power of companies from all parts of the supply chain to reduce the demand for and ultimately eliminate illegally logged and traded forest products in key markets;
- Focusing activities on the world's most valuable and threatened forests;
- Facilitating industry advocacy in favour of more enabling legislative frameworks and improved law enforcement;
- Promoting business principles of responsible forestry that go beyond the scope of forest certification, including transparency in concession allocation process participation, and avoidance of bribery and other corrupt business practices.

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## WWF news in brief

**Protect more, manage better:** WWF-Canada has been working with forestry companies to improve the management of forestry operations in Canada. The Canadian forestry company Domtar Inc. (a leading paper manufacturer which manages 9 million ha of forest in southeastern Canada and the US) and WWF-Canada have signed an agreement to certify all of its forests and mills to Forest Stewardship Council (FSC) standards, subject to the successful completion of two pilot projects. And the Canadian-based forestry company Abitibi-Consolidated has entered a partnership with WWF-Canada to assess its management units in Canada, totalling 18 million ha, for High Conservation Value Forests (HCVFs). These will then either be protected or managed for logging under a precautionary approach to conserve the values identified. These commitments bring to 50 million ha the area in Canada devoted to analysis for HCVFs and gaps in protected area networks, representing 40 per cent of the commercial forest estate in Canada. Of the 50 million ha, 30 million ha are also committed to FSC certification.  
Contact: Steven Price, [sprice@wwfcanada.org](mailto:sprice@wwfcanada.org)

**Tracking certification:** The area of FSC certified forests now tops 40 million ha – how do we know? Thanks to funding from GTZ, WWF and the FSC the website containing regularly updated information on certified forest sites endorsed by FSC has been resurrected. The site includes maps, graphs and other data available both to view on screen and downloadable as powerpoint slides, which are updated on a monthly basis.  
Contact: [www.certified-forests.org](http://www.certified-forests.org)

# Regulation of Timber Trade in the Lower Mekong Basin

The Lower Mekong Region has one of the highest regional rates of deforestation in the world. While different approaches and constraints to regulating timber and non-timber forest product (NTFP) trade exist in the four countries there are also broader economic and social trends that indirectly impact upon regulatory systems. [Guido Broekhoven](#) and [Ellena Mangavoulakis](#) report.

To better understand the complexities surrounding timber and NTFP trade in the Lower Mekong countries (Thailand, Cambodia, Lao PDR and Viet Nam) and make a constructive contribution to the on-going FLEGT processes on forest legislation and enforcement (see pages 10-11), particularly in relation to logging and trade, the Forest and Environmental Law Programmes of the IUCN Asia Regional Office, with support from the US Government, carried out a study to analyse and compare the regulatory systems for timber and NTFP trade in the region.

The regulatory systems that have been put in place to manage timber and NTFP trade show that similarities and linkages exist. In each country, regulation of the timber trade and its products is centred on two fundamental tools – the hammer-stamping of trees and newly cut or imported timber and transport licenses. These are supplemented by a range of other permits, documentation and inspections that focus on specific aspects of trade. Beyond these structural similarities each of the four regulatory systems has its own distinctive features. Thailand represents the most comprehensive example, with trade regulations in Cambodia, Lao PDR and Viet Nam being in various stages of evolution. The regulatory system in Thailand focuses on both monitoring of natural forests to implement the national logging ban and ensuring that imported timber does not provide a cover for smuggling illegally felled domestic timber. In contrast, the focus of the regulation regimes in Cambodia, Lao PDR and Viet Nam is firmly on commercial logging in natural forests. The mechanisms in each country differ from that of Thailand in terms of settled policy and legal frameworks, clear jurisdictions and comprehensive procedures for regulating activities that facilitate trade. However, similarities exist with Thailand's regulatory system with respect to legal and institutional aspects and on-the-ground enforcement.

The greatest impediments to effective regulation are the limited human, technical and financial resources of the enforcement agencies to implement systems that span numerous activities and large areas of land. The regulatory system in Cambodia is currently the subject of a reform initiative which, if successful, has the potential to provide a more comprehensive and cohesive legal regime.

The situation in Lao PDR and Viet Nam remains in need of a concerted effort at initiating reform. Weak political processes, lack of sufficient political and administrative transparency, incomplete and sometimes internally inconsistent legal frameworks and poor enforcement capacities in terms of skills, equipment and wages are issues for all four countries. Whilst institutions are being decentralized, deficiencies in the regulatory regime provide opportunities for manipulating the system. Cambodia, Lao PDR and Viet Nam are still very much countries in transition in political and socio-economic terms. All the countries exhibit inefficient allocation of staff between central government offices and provincial and district offices. There needs to be a fundamental shift in investments for administration and enforcement to the field. However, to do so effectively, reformers will have to overcome a traditional disposition in favour of centralized management while simultaneously addressing those underlying systemic institutional weaknesses that continue to constrain regulatory systems even when decentralized mechanisms are in place.

To date the challenge of developing and applying regulatory systems that maximise the contribution of timber and NTFP trade to national development whilst ensuring the long-term supply of these resources has not been met successfully. The linkages between policy decisions in one country and the exploitation of timber and NTFPs in the others strongly supports the need for adopting a coordinated approach to reform in the Lower Mekong Basin. While economies of scale in adopting region-wide strategies and standards would allow for more effective regulation of timber trade in the region, a uniform approach would also address the many regulatory constraints shared amongst all four countries.

**Contact:** This article is based on the findings of a new report, *Regulation of the Trade in Timber and Non-timber Forest Products in the Lower Mekong Basin Countries*, available from [Guido Broekhoven](#), [gbroekhoven@iucn.org](mailto:gbroekhoven@iucn.org)

## IUCN news in brief

**Workshop on Markets for Ecosystem Services:** In October 2003 IUCN co-sponsored a conference entitled *Getting to Grips with Nature: Beyond Carbon – emerging markets for ecosystem services* organised by Forest Trends, the Katoomba Group and the Swiss Re reinsurance company. In his closing speech, Dr William Jackson, Director of the Global Programme, noted that even though public sector spending remains a major source of conservation-related investment in both developed and developing countries, a range of new market-based opportunities supported by the private sector are also emerging. However, the future success of such mechanisms will depend on the willingness of the market to pay for these services, on developing appropriate partnerships between businesses, governments, the multilateral system and civil society and on creating supportive policy, legal and institutional frameworks.

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# Fighting Forest Fires for a Livelihood

Only five per cent of Pakistan's total area is covered with forests, making forest protection a matter of vital importance. **Ismail Khan, Asif Zaidi and Mahmood Cheema** of IUCN Pakistan, report on how local communities are leading the way.

Over an hour's drive northeast from Islamabad, Pakistan's capital, you are in the midst of the country's treasured dry sub-tropical and partly moist temperate forests of Murree Kahuta and Kotli Sattian – part of the eastern ridge of the outer low mountains of the western Himalayas. A population of 300,000 lives in an area scattered over 146 villages. Murree is a rural area, popular with domestic tourists who throng to the hills to get away from the scorching heat of the plains. Kotli Sattian, on the other hand, is a picture of rural ambience, still offering a quiet but colourful mountain village life.



In recent years the upland areas of Murree Kahuta and Kotli Sattian have been facing a common threat – forest fires. The recurrence of forest fires negatively impact the forest- and the agriculture-dependent livelihoods of the communities living in the area. Increasing fuel and construction wood prices further affect the poor subsistence-level economies of the communities. Recently, however, the villagers, with the assistance of a European Union-funded Environmental Rehabilitation project in

the North West Frontier Province (ERNP), have established community-based fire-fighting teams to contain, and, if possible, to eliminate the chances of forest fires. Community activists also work with the entire community through awareness raising and imparting training to control forest fires. As a result, forest fire incidences have decreased significantly, and many fires are controlled.

ERNP was initiated in 1997, with the goal of halting and reversing the process of environmental degradation through integrated measures of rehabilitation, conservation and development. It is being implemented by the Government of Pakistan, with technical support from IUCN and Agriconsulting S.p.A, with active community participation in three upland areas of Pakistan. The Upland Rehabilitation and Development Project for Murree Kahuta and Kotli



Sattian (URDP-MKKS) is one of the three ERNP sub-projects. The URDP-MKKS project spans close to 90,000 ha, 50 per cent of which is under the forest (mainly *Pinus roxburghii*), with altitude ranging from 600 to 2,000 metres.

People in Murree and Kotli Sattian used to live in complete harmony with their forest ecosystems, as the area had always been rich in forests and other natural resources. However, uncontrolled and unsustainable exploitation of these natural resources triggered negative impacts on the forests, land, pastures and water. To meet these challenges, the project has been working with the local communities to motivate them and harness their capacities for efficient and sustainable use and management of natural resources. Many community members argue that over the years, top-down forest management policies have viewed communities as the prime extractors or threats to the forest and used it to justify a series of bans and restrictions imposed on them. However, the Murree and Kotli Sattian experience goes to show that a community-based forest management and rehabilitation approach can work better.

The communities in ERNP would like to be acknowledged as an integral part of, rather than intruders in, the forest ecosystem. It is this realisation which has brought the communities together to establish plantations on 4,455 ha and to develop mechanisms and strategies to monitor, prevent and control forest fires in the project area. For the first time in Pakistan, the local communities and forest officials received joint training to control fires in an integrated fashion at the village level. The project has improved the communication system and constructed water hydrants/tanks for local use. Male and female forest fire control committees have been established with links to the forest staff; fire watch towers have been raised to detect/monitor fire outbreaks and special fire prevention equipment has been provided to the communities. Now, a rapid action fire fighting team comprising forest officials and community activists keeps a vigil and responds to emergency calls during the fire seasons. As a result of this collaborative effort of the forest officials, the communities and ERNP staff, the economic losses, social disruption and environmental damage has decreased significantly.



Edward PARKER

# Finding the right supply...

Illegal and destructive logging and their associated social and environmental impacts pose serious risks to companies' supply chains, corporate reputations and access to markets. Conversely, trading in certified wood products, for example from Forest Stewardship Council (FSC) endorsed forests, helps to protect forest environments, promote social benefits flowing from forests, and to guarantee legality of wood supplies.

But supplies of certified wood remain scarce through much of the tropics. Companies setting out to minimise the risks associated with illegal and destructive logging are confronted by unregulated and deliberately opaque timber trading systems, and by a dearth of well-managed forests. Overcoming this means working through a number of stages:

- developing a 'Wood Policy' that identifies which wood is and is not acceptable;
- implementing a procurement programme to ensure that wood is bought in accordance with the policy;
- ensuring that Chain of Custody (CoC) systems exist throughout supply chains and in the source forests;
- controlling the wood that enters the supply chain (Wood Origin Control);
- an internal audit system;
- an independent third party audit process to verify actions;
- a transparent reporting system.

Retail and supplier companies typically do not have in-house expertise in forest management or the intricacies of the timber trade. In much of the world securing legal wood, traceable to well-managed forests, is difficult – and there is no room to compromise other essential purchasing requirements including price, volume, species, logistics and quality. An 'environmental solution' is only a solution if it also meets all these product requirements.

The Tropical Forest Trust (TFT) was established in March 1999 to help member companies identify the right supply chain partners and forests. TFT members bypass the traditional system of buying wood on the open market with no credible means of identifying origins or legality. Instead they buy wood directly (though sometimes through an agent) from a limited number of known legal forest operations. Their production orders are focused exclusively on factories

The private sector's role in conserving endangered forests is crucial. But how to engage wood products companies effectively so that their purchasing decisions support good forest management in regions where forests are most at risk? Björn Roberts of the Tropical Forest Trust suggests some answers.



Edward PARKER

that have implemented third party audited chain of custody systems to exclude wood from unknown/illegal sources. And, with TFT assistance, these companies are trading in growing volumes of FSC certified product – in some cases 100 per cent FSC.

## B&Q and Yellow Balau

B&Q is Britain's largest DIY chain. Its purchasing policy requires that all wood products stocked originate in FSC certified forests, or forests that are moving towards FSC certification through a controlled programme. For the 2004 season B&Q required large volumes of Yellow balau (*Parashorea sp.*) garden furniture from Indonesia, of good quality manufacture, delivered on time at a competitive price and using wood from demonstrably legal and non-controversial sources. Four of TFT's Indonesia project staff scouted numerous forests in East and Central Kalimantan to find concessions able to harvest Yellow balau legally, at the right volumes, price and quality, and – crucially – that were willing to sell wood directly to B&Q's supplier in Surabaya and to implement an FSC certification action plan. B&Q thus secured Yellow balau furniture in line with its environmental policy and other purchase requirements, and in time for the 2004 season. Meanwhile its considerable purchasing power is supporting legality and good forest management in Indonesia.

Important though this example is, the potential for the private sector to help make legality and good forest management the industry norm remains vast and largely unrealised. To harness this potential the private sector needs to both understand and control its supply chains. To be 'part of the solution' and to realise their potential to be a major positive force for environmental conservation, wood products companies need practical, business orientated solutions to the risks that illegal logging and deforestation pose their businesses.

**Contact:** Björn Roberts, [b.roberts@tropicalforesttrust.com](mailto:b.roberts@tropicalforesttrust.com). For more information see, *Good Wood, Good Business – an industry orientated guide to excluding illegal & other unwanted wood from your supply chain* is available from: [www.tropicalforesttrust.com](http://www.tropicalforesttrust.com)

Photo of logs: 3rd party audited chain of custody systems allow wood products to be traced from the shop floor back to the stump

Photo of chainsaw worker: Training in Reduced Impact Logging, at TFT supported forest project – Perak State, Malaysia.



**arborvitæ**

ISSN 1727-3021

The next issue of *arborvitæ* will be produced in April (copy deadline end of March 2004), and will include a focus on forests and climate change. If you have any material to send or comments please contact: Sue Stolton and Nigel Dudley 47 The Quays, Cumberland Rd, Spike Island, Bristol BS1 6UQ, UK. Telephone and fax: +44-117-925-5393 [equilibrium@compuserve.com](mailto:equilibrium@compuserve.com)

Back issues of *arborvitæ* can be found on the WWF/IUCN Forest Innovations website, at: [www.iucn.org/themes/forests](http://www.iucn.org/themes/forests)

This newsletter has been edited by Sue Stolton and Nigel Dudley of Equilibrium Consultants. Managing editors Sandeep Sengupta of IUCN – the World Conservation Union and Mark Aldrich of WWF International. *arborvitæ* is funded by IUCN and WWF. Design by HMD Graphic Design Ltd UK. Printed on paper manufactured from 100% post consumer waste.

**Acknowledgements:**

Mark Aldrich (Switzerland); Joshua Bishop (Switzerland); Mette Bovenschulte (Switzerland); Jill Bowling (Switzerland); Guido Broekhoven (Thailand); Bruce Cabarle (USA); Kerstin Canby (USA); Christine Carey (Switzerland); Sudipto Chatterjee (India); Mahmood Cheema (Pakistan); Zhu Chunquan (China); Darron Collins (USA); Dominick DellaSala (USA); Thomas Erdmann (USA); Martin Geiger (Germany); Chris Hails (Switzerland); Laura Ivers (USA); William Jackson (Switzerland); Ismail Khan (Pakistan); Leonardo Lacerda (Switzerland); Tom Lalley (USA); Stewart Maginnis (Switzerland); Ellena Mangavoulakis (Thailand); Stephanie Mansourian (Switzerland); Peter Moore (Australia); Duncan Pollard (Switzerland); Steven Price (Canada); Michael Rae (Australia); Mohammed Rafiq (Switzerland); Bjorn Roberts (Switzerland); Darius Sarshar (UK); Carole Saint Laurent (Canada); Sandeep Sengupta (Switzerland); Peter Shadie (Switzerland); Gerald Steindlegger (Austria); Asif Ali Zaidi (Pakistan)

The editors and authors are responsible for their own articles. Their opinions do not necessarily represent the views of IUCN and WWF.

## Reviews in brief

### Buyers Beware

Available from: [www.greenpeace.ca/e/campaign/forest/documents/cert\\_report\\_0303.pdf](http://www.greenpeace.ca/e/campaign/forest/documents/cert_report_0303.pdf)

*On the Ground: Green Stamp of Approval or Rubber Stamp of Destruction?* documents the environmentally destructive forest practices endorsed by industry-backed certification schemes – Canadian Standards Association (CSA) and the Sustainable Forestry Initiative (SFI). Commissioned by ForestEthics, Greenpeace Canada and Sierra Club of Canada, BC Chapter, the report finds that the Forest Stewardship Council (FSC) is the only credible and environmentally responsible forest certification system in North America, whilst CSA and SFI standards allow expansion of plantations, damage to drinking water, fisheries and streamside forests, and continued loss of natural forests.

### Conflicts in the forest

Available from: [www.globalwitness.org/reports/show.php/en.00046.html](http://www.globalwitness.org/reports/show.php/en.00046.html)

Myanmar's (Burma) vast forests contain over 80 per cent of the world's remaining teak trees and a variety of rare hardwoods. But the northern old-growth temperate rainforests of the country are being wiped out by Chinese timber companies and illegal logging. For example, according to Chinese import data, 850,000m<sup>3</sup> of timber crossed the border from Myanmar in 2001; this is over 160,000m<sup>3</sup> more than the total volume of exported timber, to all countries, recorded by Myanmar's authorities. The destructive exploitation of Myanmar's forest has received little attention despite the severe implications for peace, development, prosperity and the environment. A new report from the campaign group Global Witness, *A Conflict Of Interest - The uncertain future of Burma's forests*, is the result of extensive research and fieldwork in Myanmar, Thailand and China. The report examines the roots of the civil war and how conflict and an authoritarian regime (the State Peace and Development Council) have been sustained through the exploitation of Myanmar's natural resources.

### Going local

Available from: [Earthscan \(www.earthscan.co.uk\)](http://www.earthscan.co.uk), £19.99

*Local Forest Management* is centred around a series of case studies on the effects of devolution policies on the management of forests in several Asian countries. The studies demonstrate that devolution policies – contrary to the claims of governments – actually increased governmental control over the management of local resources and did so at lower cost: which raise difficult questions for those who advocate local forest management as a conservation and social development strategy. The findings show that if local forest users are to exercise genuine control over forest management, they must be better represented in the processes of forming, implementing and evaluating devolution policies. In addition, the guiding principle for policy discussions should be to create sustainable livelihoods for local resource users, especially the poorest among them, rather than reducing the cost of government forest administration.

### Fighting poverty

Available from: [www.foresttrends.org/resources/pdf/A%20New%20Agenda.pdf](http://www.foresttrends.org/resources/pdf/A%20New%20Agenda.pdf)

A new Forest Trends and CIFOR study *A New Agenda for Forest Conservation and Poverty Alleviation: Making Markets Work for Low-Income Producers*, by Sara J. Scherr, Andy White and David Kaimowitz identifies opportunities and barriers to forestry making much greater contributions to poverty alleviation and recommends actions for governments, NGOs and the private sector. The paper lays out a set of strategies to promote forest conservation in ways that positively contribute to local livelihoods and community development in low- and middle-income countries. Important commercial opportunities for private forest industry, forest enterprises and business service providers to partner with low-income forest producers are identified, as are alternative strategies which recognise, encourage and reward forest conservation by local forest owners and users. Critical to achieving these benefits will be removing present policy barriers to local market participation, in particular securing forest use and ownership rights, reducing excessive regulatory burdens, "levelling the playing field" for local producers in forest markets, and involving local producers in forest policy negotiations.

### Illegal overview

Available from: [www.illegal-logging.info/papers/Geneveconference\\_finale.pdf](http://www.illegal-logging.info/papers/Geneveconference_finale.pdf)

A review of literature on the issue of illegal logging commissioned by the UNECE and FAO Team of Specialists on Forest Product Markets and Marketing confirms that although there is no consensus on how to define illegal logging and illegal forest activities, such activities have become a major issue for governments, NGOs and wood product producer associations. And, given the extent of the problem and potential impact on the world trade, illegal forest activities pose a threat to the forest products industry. The paper, *Illegal Logging and Illegal Activities in the Forestry Sector: Overview and Possible Issues for the UNECE Timber Committee and FAO European Forestry Commission*, which is open for comment, provides a useful background for issues related to illegal logging.

### Indian Fires

Available from: WWF India, Tel: +91-11-2465-4889, Fax: +91-11-2469-1226, [www.wwfindia.org](http://www.wwfindia.org)

Based on case studies from eight Indian states, *Forest Fires in India: Lessons from Case Studies*, aims to facilitate development and implementation of a meaningful national action plan for the control and management of forest fires in India. The report finds almost all forest fires in India are caused by humans (intentional or accidental), recurrent uncontrolled fires are responsible for large-scale degradation of forests, and scientific information on forest fires is scanty and sporadic. Conclusions include the need for more information, comprehensive research, early warning and other infrastructural/institutional support.