



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.

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.

Source: Martin Geiger,
www.panda.org/about_wwf/what_we_do/forests/news/news.cfm?uNewsID=9864

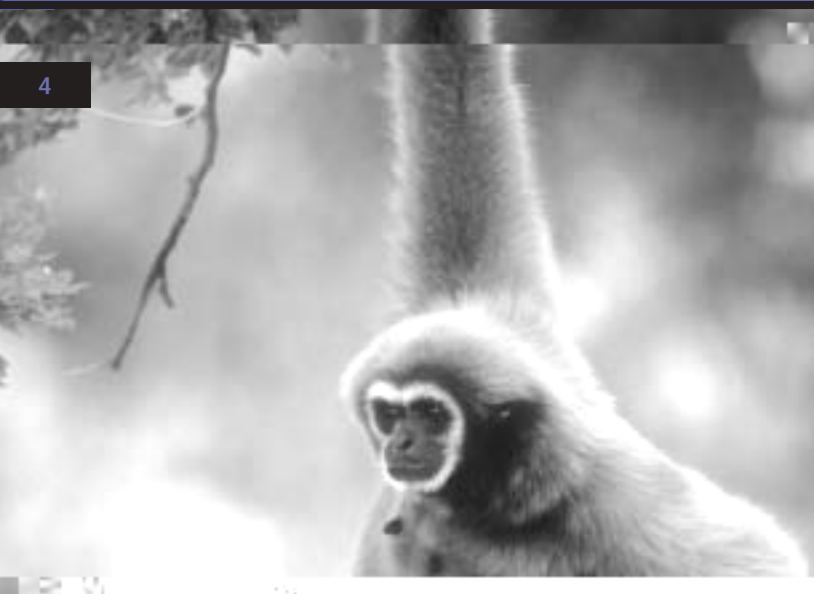


News in brief

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

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



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.

Contact:

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, the agreement can be downloaded from: 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.



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 illuminated through the launch of the 2003 UN List of Protected Areas, offering the first comprehensive review of the global protected area estate since 1992. Protected areas now cover 12 per cent of the Earth's surface – nearly 19 million km² 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). 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).

2003

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 devolvement to r.

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.

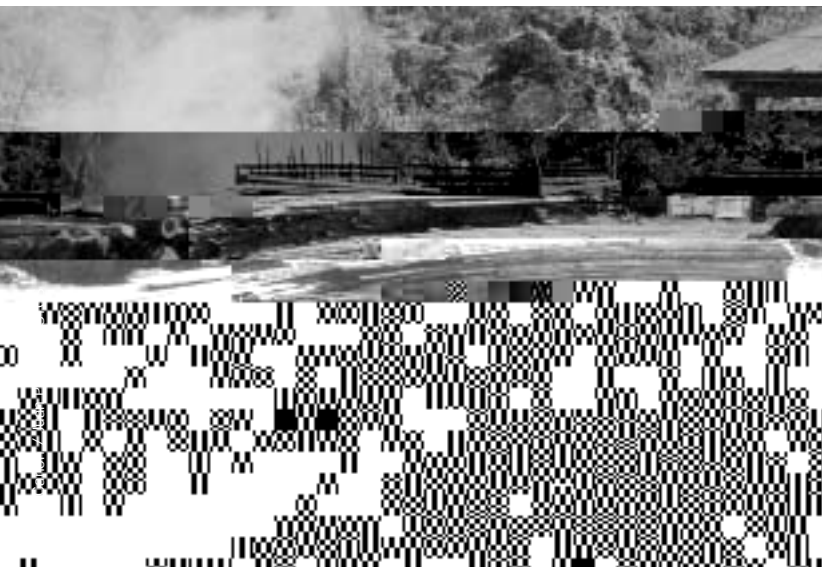
Contact: Christine Carey, christine.carey@iprolink.ch or Duncan Pollard, dpollard@wwfint.org,

WWF Guidelines for Investment in Operations that Impact Forests

available at: 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.



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

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

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





- 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.

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.

Buyers Beware

Available from:

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

Myanmar's (Burma) vast forests contain over 80 per cent of the world's remaining teak trees and a variety of