PROCEEDINGS

FAO Advisory Committee on Paper and Wood Products

Forty-fifth Session

Canberra, Australia, 16-17 April 2004

FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS
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Foreword

The Advisory Committee on Paper and Wood Products (ACPWP) is one of the technical statutory bodies of the Food and Agriculture Organization of the United Nations (FAO). It was originally established in 1959 as the Committee on Pulp and Paper, and later on, in 1996, merged with the FAO Advisory Committee on Wood-based Panels.

The Committee is FAO's main contact with the private forest industry. Its mandate is to advise the FAO Director-General on activities industries consider could usefully be undertaken by the Organization in the forestry sector. Furthermore the Committee provides a privileged avenue of communication between FAO and the private sector, ensuring both that activities undertaken are relevant to the current issues faced by industry and that the information presented is accurate and useful.

The Committee is composed of a maximum of twenty-five members, appointed by the FAO Director-General based on their experience and knowledge of the industry. Typically senior executives of companies or associations, the members come from all regions of the world and currently represent over ninety percent of the world production of pulp and paper. FAO acknowledges the contribution made by Committee members who so generously donate their time and their organizations' resources in support of FAO's work.

This year's Session took place in Canberra, Australia, and FAO expresses its gratitude to the Government of Australia and to the Australian Plantations Products and Paper Industry Council for their most generous invitation and their help in ensuring the success of the meeting.

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Acronyms and Abbreviations

%	percent
AF&PA	American Forests and Paper Association
AFP	Asia Forest Partnership
ATO	African Timber Organization
BRACELPA	Brazilian Association for Pulp and Paper
CAPs	Community Advisory Panels
CO_2	carbon dioxide
C&I	criteria and indicators
CBD	Convention on Biological Diversity
CBFP	Congo Basin Forest Partnership
CDM	Clean Development Mechanism
CELPA	Portuguese Pulp and Paper Associations
CEPI	Confederation of European Paper Industries
CERs	Certified Emissions Reductions
CIFOR	Center for International Forestry Research
COFO	Committee on Forestry
COP	Conference of the Parties
COPACEL	Confederation of the Paper, Cardboard and Cellulose Industries
CORMA	Corporación Chilena de la Madera
CPF	Collaborative Partnership on Forests
CSA	Canadian Standards Association
CSR	Corporate Social Responsibilities
DfID	Department of International Development
DNA	Designated National Authorities
ECOSOC	United Nations Economic and Social Council
NGO	environmental non-governmental organization
ER	emission reduction
ET	emission trading
EMPA	Swiss Federal Laboratory for Material Testing and Research
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
FLEG	Forest Law Enforcement and Governance
FLEGT	Forest Law Enforcement, Governance and Trade
FLR	Forest Landscape Restoration
FORIS	Forest Resources Information System
FPAC	Forest Products Association of Canada
FSC	Forest Stewardship Council
G-8	Group of Eight Highly Industrialized Nations
GHG	greenhouse gas
GPG	Good Practice Guidance
GRI	Global Reporting Initiative
ha	hectare
ICFPA	International Council of Forest and Paper Associations
ICMM	International Council on Mining and Metals
IFC	International Finance Corporation (World Bank Group)
IIED	International Institute for Environment and Development
ILO	International Labour Organization
INC	International Negotiating Commettee

ISO	International Organization for Standardization
ITTA	International Tropical Timber Agreement
ITTC	International Tropical Timber Council
ITTO	International Tropical Timber Organization
IUCN	World Conservation Union
IUFRO	International Union of Forest Research Organizations
JI	Joint Implementation
JPN	Japan Paper Association
kg	kilogram
KP	Kyoto Protocol
LULUCF	land use, land-use change and forestry
m	metre
MR	mutual recognition
NEPAD	New Partnership for Africa's Development
NGO	non-governmental organization
PCF	Prototype Carbon Fund
PEFC	Pan European Forest Certification
PTPG	Plantation Timber Products Group
PTPH	Plantation Timber Products Holding Limited
RIL	Reduced Impact Logging
SBSTA	Subsidiary Body for Scientific and Technological Advice
SCTIP	Sichuan Changjiang Timber Industry Corporation
SFM	sustainable forest management
TAG	trade advisory group (ITTO)
TFD	Forest Dialogue
UNEP	United Nations Environment Programme
UNFCCC	United Nations Framework Convention on Climate Change
UNFF	United Nations Forum on Forests
WBCSD	World Business Council on Sustainable Development
WFC	World Forestry Conference
WTO	World Trade Organization

REPORT OF THE 45TH SESSION OF THE ADVISORY COMMITTEE ON PAPER AND WOOD PRODUCTS

Report

1. The FAO Advisory Committee on Paper and Wood Products held its Forty-fifth Session in Canberra, Australia on 17and 18 April 2004. Mr James Griffiths chaired the session, which was attended by 38 participants from 18 countries, including 15 members (Annex 1). This report summarizes the main results of discussions.

Item 1. Opening of the Session and welcome addresses by representatives of the Government of Australia and FAO

2. Mr James Griffiths, Chairman of the Committee, opened the Session and Ms Belinda Robinson, Chief Executive Officer of the Australian Plantation Products and Paper Industry Council (A3P), welcomed the participants. Ms Robinson noted that the meeting coincided with the celebration of the creation of A3P, which is the merger of the plantations sector with the paper manufacturing industry in Australia. In this context, she mentioned that a number activities had been organized to follow immediately after the ACWP meeting, including paper industry's technical conferences and a two day international investment symposium. She thanked all the participants for having travelled from so far afield to take part in the meetings.

3. Mr Wulf Killmann, Director, Forest Products and Economics Division, FAO, welcomed all participants on behalf of Dr Jacques Diouf, Director-General of FAO. He expressed the Organization's appreciation for the hospitality offered by the host government and the Australian Plantation Products and Paper Industry Council. He stressed the importance FAO attaches to the advice received from the industry sector through this Committee, as well as its contribution to the Forestry Department's work programme. Furthermore, he recalled the role of the Committee as a forum for discussion and as a neutral facilitator. Mr Killmann then welcomed new Committee member, Mr Rafael Gaviola, President of the Argentinean Pulp and Paper Producers Association.

4. Mr Daryl Quinlivan, Executive Manager, Fisheries and Forestry, Department of Agriculture, Fisheries and Forestry, welcomed the participants to Canberra. With regards to UNFF 5, he mentioned the need to demonstrate tangible progress in sustainable forest management – which continues to be a burning issue in Australia. He recognized the important role that FAO plays, as Chair of the Collaborative Partnership on Forests (CPF) in facilitating cooperation and the effective use of limited resources to help ensure positive progress in forestry. Mr Quinlivan informed the participants about the various activities Australia is carrying out in the Asia Pacific region in support of forestry development through bilateral and multilateral approaches, as well as through participation in the international forestry dialogue.

Item 2. Adoption of the provisional agenda

5. The Agenda was adopted (Annex 2), with the proposal to move item 11 and 12 immediately after item 7.

Item 3. Review of actions taken by FAO on the recommendations made at the 44th Session of the Committee

6. Mr Wulf Killmann reviewed the activities undertaken by FAO, and their relevance to the recommendations made by the Committee at its previous Session. The recommendations addressed the following issues:

i) ***Illegal Logging):*** FAO, jointly with ITTO, is conducting a project to analyse experiences and derive lessons that could be of benefit for future actions aimed at improving governance in the sector. A set of guidelines is under development to help governments organize their control of illegal activities in forestry. An expert meeting will take place at the end of 2004 to discuss the guidelines. The Committee and ICFPA were encouraged to nominate an expert to participate in the discussions. In addition, a data base is under preparation on assessment of extent and design of corrective measures against illegal acts in forestry in various countries. The Committee was also advised that discussions were expected to take place on 16 and 17 September in Geneva about illegal logging in the UNECE region, including Europe, CIS countries, Canada and USA. The meeting would focus on Eastern Europe.

ii) ***Global Forestry Convention:*** CEPI presented an excellent paper on the potential of a legally binding instrument addressing the most important issues. Next year, UNFF will come to an end and will report to ECOSOC on its accomplishments. The possible options on what could happen after UNFF were presented, noting that FAO does not take a position on this issue but provides technical support to member countries.

iii) ***Certification:*** *In June 2003,* FAO convened a closed meeting for the Chief Executive Officers of eight different certification schemes around the world. The meeting was successful in that it increased mutual respect and understanding amongst the CEOs. The need for a second meeting later on this year was discussed.
A major study had been undertaken on "Trade and sustainable forest management – impacts and interactions". It was due for publication in June 2004.

iv) ***Communication:*** FAO, together with IUFRO and other international bodies, has attempted to strengthen its information system and to develop FORIS (Forest Resources Information System) as an umbrella information system. An electronic communication tool was under preparation with a view to keeping Committee members advised about current forestry developments relevant to the industry.
In this context, it was proposed to discuss how the private sector could participate in the forthcoming meeting of the Committee on Forestry (COFO) and take the opportunity to organize a side event.

v) ***Sustainable forests products:*** FAO continues to promote the use of sustainably produced forest products. A new study is planned to further analyse the environmental benefits of the use of forest products.

vi) ***Climate Change: FAO*** supported the UNFCCC Secretariat in its work on harvested wood products as carbon sinks and contributed to a document on reporting and accounting of carbon in harvested wood products. Furthermore, FAO was one of the lead authors for the "good practice guidance" prepared by the Intergovernmental Panel on Climate Change, which was approved at the Ninth Conference of the Parties, held in Milan in December 2003. FAO continued its work on capacity building on the interface between forestry and climate change for foresters and climate change negotiators in Latin America, Africa and Asia.

vi) ***World Forestry Congress:*** FAO actively participated in the side event organized by ICFPA and a presentation was made on forest products production and trade.

Comments from the Committee regarding FAO's activities

7. The Committee expressed its appreciation for the progress made in implementing the recommendations made at the last session.

8. Regarding private sector participation in COFO, the Committee agreed to consider its participation either through the organization of a side event and/or through the respective government delegations. Last COFO (2003) was characterized by a number of side events, which were appreciated and well-attended by delegates, since these provided further opportunities for discussions. ICFPA, as a registered NGO in FAO could also consider the organization of a side event, after evaluation of the various international events scheduled for the next 12 months.

9. Committee members confirmed their interest in participating in the Expert Meeting on Guidelines for Ensuring Forest Law Compliance, and agreed to propose a participant to FAO. Expertise is available within the companies or their associations.

10. The Committee appreciated FAO's work on the topic of "Trade and sustainable forest management – impacts and interactions", and recommended that the main findings be presented during the European Paper Week organized by CEPI in November 2004.

11. As concerns forest certification, the Committee stressed the importance of linking FAO's efforts on mutual recognition with the forest dialogue. FAO took note of this proposal.

12. The Committee confirmed its interest in the study on the socio-economic and environmental effects of forest based products substitution which FAO is planning to undertake, and offered to collaborate with FAO in developing the study outline and providing follow up to its development.

Item 4. The role of ACPWP and ICFPA

13. Mr Avrim Lazar made a presentation on the opportunities for building on synergies between FAO and ICFPA. He pointed out that, over time, ICFPA has been building up the role of a global representation of the private forest industries sector. Between ICFPA and the ACPWP, there is an overlap both as regards membership and, to a certain extent, functions. The distinction between the two, however, remains clear: ICFPA is the voice of the private sector on international matters related to forest and paper products, taking positions and actions as required. The ACPWP is a neutral partner and serves as a bridge between the private and the intergovernmental sector. The agenda items discussed in ICFPA and ACPWP meetings are very similar if not identical, but the functions are different. In order to avoid duplication, and to streamline and build on synergies, it was recommended that the conclusions from the ICFPA meeting should form the basis of to the ACPWP. The Committee stressed the importance of promoting strengthened interaction between the two bodies. It noted that, even where different views exist about issues of common interest, there are many opportunities for collaboration. The Committee also discussed the specific role of the ACPWP in relation to private sector initiatives. For instance, the private sector could issue press releases mentioning FAO's position on specific issues of interest to the sector, or FAO could act as a neutral and credible interpreter to other stakeholders (NGO's, press, the public at large) supporting those arguments with shared views.

Item 5. Recommendations of the Committee to FAO for 2004 – 2005

14. Mr Henson Moore, Chair of ICFPA summarized the proposed recommendations to the Committee:

- **Illegal logging**: FAO to work with industry experts in a working group to develop definitions on illegal logging and to assist and gather data on the extent of illegal logging;
- **Plantations**: FAO to communicate positive aspects of forests plantations to the public, governments and other stakeholders;
- **Communication**: FAO to enhance communication and cooperation with the private industry sector, in particular on climate change issues.

15. Considering the reduced human and financial resources of FAO in general and the Forestry Department in particular, the need to prioritize the Committee's recommendations was recognized. The Committee therefore agreed on the following recommendations to FAO for the activities of the next 12 months:

- To facilitate the process of harmonization of illegal logging related definitions. An expert consultation should be organized with the participation of forest industries and NGOs;
- To develop a framework for best practices for Corporate Social Responsibilities (CSR) with emphasis on social aspects, including poverty alleviation;
- To develop, in close collaboration with ICFPA, a draft code of best practices for plantation forestry;
- To continue efforts to improve interaction between ACPWP and ICFPA, recognizing the different functions of each forum and strengthening the work of existing working groups in both bodies.

16. It was further recommended that the exchange of information between ACPWP and the private sector be enhanced.

Item 6. Illegal acts in forestry: definitions process

17. Latest developments on the illegal logging debate were presented by Olman Serrano, as was the FAO response to the recommendations made by the Committee at its 44th Session, to facilitate dialogue and discussion in this area. Options for future activities related to the definitions process were presented for consideration by the Committee, taking into account the recommendation already presented by the Committee and listed under paragraph 16.

18. While fully supporting the process of harmonizing illegal logging related definitions, the difficulty involved in developing a common definition was recognized. It was therefore recommended to try to keep the definition as simple as necessary, in line with that used by the EU and supported by CEPI[1], and clearly describe its complexity, including issues related to illegal trade, transportation, corruption, as well as the need to improve rule of law or governance.

19. The committee further recommended involving major stakeholders in the process, recognizing the need to keep the number of experts to a maximum of approximately 40 people. The deliverables would be the submission of a draft framework which would be shared with selected groups of experts, including private sector representatives, nominated by ACPWP

[1] CEPI supports the definition of illegal logging as "when timber is harvested in violation of national laws."

members. A second version of the draft would be produced based on comments received and this would be the background material for an expert consultation with major stakeholders.

Item 7. Role of forest industry in poverty alleviation

20. At the preparatory meetings held in Rome and Brussels in 2003, Committee members recommended that FAO elaborate further on the role of the forest industry sector in poverty alleviation, as a follow up of the 44th session's discussions in Oaxaca on the subject. The 2003 presentation and discussion focused on various options that the forestry sector could consider in order to contribute to improving the world's food security. Gary Bull, professor at the University of British Columbia, this year presented global picture of concrete actions taken by the forest products industry to contribute to poverty alleviation, followed by examples from the forestry sector in Brazil, presented by Mario Leonel, Executive Director of BRACELPA. Options were presented for consideration by the Committee of ways to design a common set of principles consistent with themes identified by the members, industry associations and the UN.

21. The Committee recognized the industry's need to improve communication with the public and the international community regarding efforts made not only to alleviate, but also to avoid poverty. People's wellbeing resulting from industry's activities is not recognized. The Global Reporting Initiative (GRI) and the Global Compact Initiative were discussed, and it was agreed that the forest and paper industries would required a set of credible principles so as better to measure their efforts in social aspects.

22. Therefore, the Committee recommended that FAO, in close collaboration with the private sector, develop a framework for best practices for Corporate Social Responsibilities (CSR) with emphasis on social aspects, including poverty alleviation.

23. The Committee emphasized the need recognise that any activities undertaken by the industry related to poverty alleviation in particular, or people's wellbeing in general, is an interaction between business and society. It is based upon a conducive business climate that leads to investment. This business climate should include proper governance, sound financial structure and institutions, a taxation structure that allows a return to investors, efficient environmental regulations, a trading system without barriers. These are, in fact, the greatest contributors to poverty alleviation. FAO, as an independent broker, could analyse national policies impacting industry's ability to alleviate or avoid poverty.

24. The importance of effective capacity building programmes was emphasized by the Committee as being one of the most critical elements relating to poverty alleviation.

Item 8. Forestry and Climate Change: emerging carbon markets

25. Carbon sinks remain a topic of interest to the private forest and paper products sector. At its 44th Session, the Committee explored means of collaboration between FAO and ICFPA on the subject. Committee members also recommended that FAO assist the private sector in playing an active role as a link between the industry and the United Nations Framework Convention on Climate Change (UNFCCC) Secretariat, and present opportunities to the sector for its participation in the carbon market. Robert Tippmann, an expert on forestry and climate change from EcoSecurities, London, presented some of the challenges and opportunities for the forest and paper products industry to participate in clean development mechanism (CDM) activities and other opportunities in the emerging carbon markets. Ms Teresa Presas, Managing Director of CEPI, moderated a panel discussion amongst Luis Costa Leal, Director General of the Portuguese Pulp and Paper Association, Henson Moore, President and CEO of the American

Forest and Paper Association, Richard Stanton, Policy Manager, Australian Plantation Products and Paper Industry Council (A3P), and Robert Tippmann.

26. The panel discussed the following questions:

a) *CDM or other carbon sequestration projects are very complex and very costly. Is there any way to simplify them so that the complexity does not deter potential investors?*

The panel explained that methodologies for CDM projects are still being developed and that once methodologies have been approved by the CDM Executive Board, these can be used for other projects and adapted to specific project characteristics. It was emphasized that one of the main aspects of concern to the private sector is its enormous suspicious about the way the negotiations related to forest projects are taking place. There is no trust between negotiators, foresters or the private sector and as a result, modalities and definitions become very complicated. Lack of trust is the basic cause of all these complexities. There are a number of uncertainties in investments because of the numerous steps in the process. Baseline and additionality are very difficult to establish and define. There is lack of clarity about how CDM projects are going to work. For an investor, it is still very unclear. Considering these shortfalls, the true cost of carbon credits for the user would be very high. The example of Australia was mentioned, being a country which is not a signatory of the Kyoto Protocol. It was explained that the vast majority of forest and forest products companies are not actively involved in the carbon market. In addition to the uncertainty, there is also the complexity factor. It was reported that some companies might be keen to get involved in carbon sinks projects, but they still have many reservations. Another reason for such reservations is the lack of consistency between the different schemes. There is a wide range of schemes or programmes that have been developed and implemented, including the New South Wales Green House Gas Bench Marks Scheme, which gives the opportunity for sink credits. Every one of these schemes lists the same issues: bench marks, leakage, boundaries, etc., but every scheme has different rules making it complex for investors. The panel stressed the need to harmonize the schemes.

b) *Given the limitation of the 1% of base year emissions, what are the possibilities for forest companies to enter those "Certified Emissions Reductions" (CERs) markets?*

The panel commented that if the system is to operate the way it is meant to, the idea should be to use a market based mechanism to find the least cost means of abatement or reducing emissions. If the least cost means is to grow trees, then why is there any cap of what forests sinks can do? A similar cap has been imposed also in the New South Wales scheme, perhaps because of the lack of certainty, lack of confidence or lack of credibility associated with these forests sinks. Unless something can be done to address that communication or reputation angle, then it really won't matter what the threshold is. In addition, the panel mentioned that, at the end of the project, the company that bought the emission reduction credits will have to pay them back again. Forestry in this respect does not solve the problem. It only saves time for the companies to reduce their emissions. The panel recognized this as one of the reasons for having a certain cap, in that it gives the impression that a company's cannot do whatever they like by just growing trees all over and pretend that the emission problem is solved. The issue instead is to reduce emissions and this is not done by planting trees. It is a temporary tool for companies to set up investments in time. The debate on forestry and climate change has not been presented in a transparent way, in an attempt to convey the impression that forestry could solve all problems. The application of the Kyoto Protocol and climate change policies are most inevitably the results of a great deal of complex bureaucracy and an obvious consequence of using bureaucrats as negotiators. The private sector should contribute to project design in a more effective way.

The panel commented that the interest of companies in this has to be considered in the long term. In the long run, industry is required to reduce emissions in different ways. Using offsets, such as sinks in CDM, delays retooling that is necessary. If first commitment period requirements are met through CDM or other schemes, when it comes to the second commitment period, companies would be at the same stage as at the beginning, and emissions efficiency would not be improved. From industry's perspective, where reductions are necessary, meeting the first commitment period reductions through retooling is far more desirable than meeting them through planting trees. The panel emphasized the fact that there is a different perspective from non Annex 1 countries, having no requirement for reductions and for whom marginally economic afforestation or reforestation projects could become economic, if they can find a market for their carbon credits (a market in an Annex 1 country). The Committee expressed concern about long term market distortion as a result of the Kyoto Protocol. For example, a developing country investing in technology to reduce emissions, could sell the credits to an Annex 1 country. This is considered a transfer of costs. The developing country producer could produce more economically than the developed country. The issue about how to rebalance this in the long term without a non-tariff barrier between developing and developed countries was mentioned, as otherwise there is a risk of paper companies migrating to developing countries. The ACPWP Secretariat recalled the fact that CDM projects try to combine two different goals. The first one is emissions offset and the second is support to sustainable development. Over 25% of the greenhouse gas emissions are a result of land use and forestry. It is therefore a serious issue in the forestry sector.

c) *The performance of projects is central to demonstrating that CDM activities can contribute to climate change mitigation and provide positive development objectives. How much experience has there been of such projects achieving those objectives? And what are the chances that such projects can succeed under CDM?*

The panel recalled that experience in forestry sink projects started in early '90s. The latest assessment made by the World Resources Institute in 2003 reports some 71 carbon sequestration projects worldwide in different development stages, CDM and non CDM, as well as experience with activities implemented jointly before Kyoto. A number of positive experiences with private sector involvement were mentioned, for example, in conservation projects in Latin America, but there were also negative examples with large scale monocultures and problems with local populations.

d) *Is there a market for other forestry activities in addition to afforestation and reforestation under CDM, such as reduced impact logging, forest management, forest conservation?*

The panel noted that there are opportunities for additional markets, but the main issue is whether CDM is more valuable than others. The question was raised about why individual companies should be interested in participating in these mechanisms, and why they should go abroad instead of implementing activities locally, considering that the gain will be the same. It should be considered how far special projects can be accounted nationally. These projects can increase the total carbon kept in the forest ecosystems in the country, so that the country could benefit from it. The panel illustrated this with the case of Portugal, where the authorities are not in favour of carbon sinks ownership. The pulp and paper industry in Portugal has 200,000 ha. of land. An assessment has been made of how much the carbon stock could be increased by improved management, but that increase in stock cannot be used for the benefit of companies. The government lacks the will to set mechanisms that allow additional benefits. It was pointed out that the European Community rules do not allow this either. Examples were mentioned, such as increasing rotation periods, use of protection areas, etc. The panel mentioned the need for a political process supporting such additional carbon sink opportunities.

e) *What can be the role of FAO ino promoting strategic partnerships and CDM project development? How can FAO facilitate the identification and promotion of possible projects for the private sector?*

The panel recommended that FAO contribute by providing information on processes that are underway, such as the ISO process in setting standards, which could affect the accounting of carbon in forestry sinks. In other words, by advising theses processes on the technical and scientific side and supporting the simplification or harmonization of information related to on-going activities. The ACPWP Secretariat confirmed that FAO will continue its involvement in capacity building in non-Annex 1 countries as well as its support to member countries through the National Forest Programmes Facility. It recalled that CDM involves also bio-energy and not only forestry. When it comes to forestry projects, CDM projects should be part of national planning.

On the technical side, FAO has been supporting Central American countries with capacity building in the development of CDM forestry small scale projects. In addition, FAO is starting collaboration with the World Bank through the implementation of the Bio-carbon Fund. The panel concluded that carbon markets are still emerging and more work needs to be done for a better understanding of CDM projects.

Item 9: The international dialogue on forest certification

27. The Committee recommended at its 45th Session that FAO continue its work on the process of mutual recognition and other forms of cooperation between the different forest certification schemes. Wulf Killmann briefly presented the current status of forest certification and proposed for the Committee's consideration concrete actions that FAO could take to facilitate the process. The following questions were considered for discussion:

- Could Criteria and Indicator processes become bridging tools between trade and sustainable forest management (SFM)?
- Are the assessment approaches of schemes helpful?
- Where should Mutual Recognition go?

28. On the second question, the Committee recognized the risk of having a proliferation of assessments schemes. It noted that the CEPI matrix approach is very successful, and is also a good information tool. The FERN and the WB/WWF assessment were described as single sector processes. It was reported that, according to a recent Forest Dialogue meeting, there is an agreement by various stakeholders to commission a peer review study that would contrast the different assessment approaches. The Committee commented about some governments carrying out their own assessment for their procurement guidance and regulations, or NGO's developing assessments to advise private companies about the use a specific system. It was agreed that this is not necessarily a technical issue, but a political one.

29. The Committee commented on the risks and opportunities if criteria and indicators become a bridging tool between trade and SFM. It argued that there would be a risk that when this option is introduced into a trade policy environment and that there could be non-tariff barriers created by exclusive reliance on one scheme or assessment criteria, but there would also be an opportunity for recognition of the whole concept of SFM. The Committee noted that, on one hand, an understanding of what constitutes a credible certification scheme to high standards has not been developed, and, on the other hand, it goes to the heart of WTO and the whole provision of non-discrimination of production processes and methods. It was concluded therefore that criteria and indicator processes could become bridging tools, but it is not yet the right time. It was mentioned that there is a risk in introducing a number of trade distortions into the market place, without the appropriate involvement of the industry, as the discussion should not be limited only to environmental organizations and governments. The Committee recommended that FAO make additional efforts to assist in understanding the nexus between criteria and indicator processes and trade and SFM.

Item 10. Discussion on pertinent issues raised during presentations and recommendations

30. The Committee agreed on the following recommendations to FAO:

- Illegal logging – definitions process;
- Best practices for CSR, under the consideration of social aspects, since environmental aspects are already well covered;
- Draft code of best practices for plantation forestry.

Item 11. Date and place of the next session

31. The Committee proposed to meet next in 2005 in Vancouver, in conjunction with the “Summit 2005: Future of the Forest Products Industries”. The date proposed was the week starting 8 May, subject to confirmation by FAO and members.[2]

Item 12. Nomination of new Chairperson and Vice-Chairperson

32. The Committee nominated Mr Boris Tabacof, President of the Brazilian Pulp and Paper Association, as the new ACPWP Chairperson and Mr Yoshihiko Saeki, President of the Japan Paper Association, as Vice-Chairperson for the period 2004 – 2006.

Item 13. Any other Business

33. Dr Gary Bacon, Chairman of the 22nd IUFRO World Congress Organizing Committee provided an overview of the IUFRO Congress, to be held in Brisbane, Queensland, in August 2005.

34. James Griffiths thanked the Advisory Committee for its support during his years as Committee member (since 1997) and particularly during the last two years as Committee Chairman.

[2] Following later discussions, it was agreed to hold the 46th ACPWP Session on 31 May 2005 in Vancouver, with a preparatory meeting on 29 May. The Summit will be held from 1 to 3 June 2005.

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Annex 2 - Agenda

1. Opening of the Session and welcome addresses by representatives from the Government of Australia and FAO
2. Adoption of the provisional agenda
3. Review of actions taken by FAO on the recommendations made at the 44th Session of the Committee
4. The role of ACPWP and ICFPA
5. Recommendations of the Committee to FAO for 2004-2005
6. Illegal acts in forestry: definitions process
7. Role of the forest industry in poverty alleviation
8. Forestry and climate change: emerging carbon markets
9. The international dialogue on forest certification
10. Discussion on pertinent issues raised during presentations and recommendations
11. Date and place of next session
12. Nomination of new Chairperson and Vice-Chairperson
13. Any other business
14. Closing remarks

PAPERS PRESENTED

ITEM 3: Review of Actions taken by FAO on the Recommendations made at the 44th Session of the Committee

At its 44th Session, the Committee made a number of recommendations to FAO, which are listed below.

1. Illegal Logging

Assist in facilitating a dialogue between governments, industry, international organizations and non-governmental organizations (NGOs) on ways to address this issue at the national and international levels.

Implementation:

- FAO and ITTO joined forces in a project to analyze experiences and derive lessons that could be of benefit for future actions aimed at improving governance in the sector. The FAO/ITTO project will, by the end of the year, have developed Guidelines, based on the best practices identified to date, to help governments organize their control of illegal activities. An expert consultation to scrutinize the soundness of these guidelines is planned for the second half of 2004. It is also planned that this expert consultation will address definition issues;
- We are developing a legal database for various countries on assessment of extent and design of corrective measures against illegal acts in forestry;
- FAO and UNECE have scheduled a workshop on illegal logging in the UNECE region - causes and extent - for 16 and 17 September 2004 in Geneva.

2. Global Forestry Convention

Study the different positions on the desirability of a global forestry convention versus dealing with forest sustainability issues in other ways.

Implementation:

- The CEPI position on the issue of the potential of a legally binding instrument, such as a global forest convention (to be distributed during the meeting), touches upon all major issues of mutual concern;

- In 2005, at the end of its current mandate, UNFF will report back to ECOSOC on its accomplishments. Should ECOSOC members decide to pursue an agreement on forests, they would need to make a request to the UN General Assembly to establish an International Negotiating Committee (INC);

- Applying the approach: “Form follows function”, there are only few options.

These could include:

- an extension of UNFF in its present form;
- a longer-term political obligation of UN member states than that of UNFF, which was not designed as "UN commission";
- a UN commission like the CSD, based on a clearer institutional mandate in the UN;
- a stand-alone framework convention;
- a protocol to an existing convention like the CBD; or
- the expansion of an existing international agreement such as ITTA.

The choice of the "form", however, is entirely up to the international community of UN member states. Countries may take the position of being in favour, against, or undecided on the issue of an agreement on forests.

FAO does not take any position in this issue, but is neutral on the subject. The organization focuses on serving the technical needs of its member countries.

3. Mutual Recognition (MR)

Continue its work, through its internal system, to get governments involved in supporting MR; report on a regular basis on activities within the FAO system that promote MR; and facilitate the dialogue with NGOs.

Implementation:

- In June 2003 in Borgo Spante, Italy, FAO convened a closed meeting for the CEOs of eight certification schemes from Asia, Africa, Latin America, North America and Europe to discuss the way ahead. "Mutual recognition", however, was not the call of the day, with some certification schemes opposing such an objective. Rather, certification schemes should increase their "mutual understanding" with regard to standard setting, accreditation and certification procedures and practices. The meeting of CEOs was successful in this regard. A second meeting of this kind is planned for the second half of 2004;

- Upcoming issues on forest certification, such as the interactions between C&I processes, national policy making and standard setting in forest certification, have been analysed in the context of a major analytical FAO study entitled: "Trade and SFM – Impacts and Interactions" which will be published in June 2004. Furthermore, the mutual understanding of major initiatives like the Forest Law Enforcement, Governance and Trade (FLEGT) and its relationship with forest certification, in particular legality aspects, needs to be enhanced. The aforementioned preparations by FAO with regard to definitions of terminology on "illegal logging and trade in forest products" should lead to practical solutions for positioning forest certification in the context of national forest policy making and implementation in order to avoid the risk of having forest certification held hostage to the necessary compliance with international and national law .

4. Communication

Provide information on a regular basis on international meetings/conferences that deal with sustainable forestry issues, update meetings calendar, and inform the industry of the agendas of such events; regularly inform industry about FAO's new publications, reports and meetings. ICFPA offered to help FAO identify industry experts to participate in expert meetings and seminars organized by FAO.

Implementation:

- The offer of ICFPA to help identify industry experts to participate in meetings is gratefully acknowledged and will be made use of;

- Efforts are being made to create an electronic communication tool to keep ACPWP members informed about current developments in the international forestry agenda, including expert meetings, conferences, new publications and other issues of interest to the forest and the pulp and paper industries. This will be incorporated into the FAO Forestry Department's Forest Information System (FORIS), which is under development. FORIS is an umbrella information system which aids the production, management and publication of data, information and knowledge. This goal is supported by a number of web-enabled, independent, yet fully integrated sub-modules, such as web-development, web-view, networking, statistics, species and Geo (manages geographical units);

- The system hosts, in all, 157 sites, as well as FAO Forestry Department, the Collaborative Partnership of Forests, The National Forestry Program Facility, United Nations Forum on Forests, and various collaborative efforts between FAO Forestry Department and its partners (IUFRO and CABI). Sites are offered in English, French, Spanish and Chinese. The total number of pages offered through the system is estimated to be around 15-20,000;

- Information on the XXII World Forestry Congress, which will take place in August 2005 in Brisbane, and on FAO's Regional Forestry Commission meetings in 2004 will be shared at this meeting.

5. Sustainable Forest Products

Continue its efforts in presenting the advantages of wood versus other competing raw materials and promoting the positive aspects of paper and wood products in the various meetings that FAO attends.

Implementation:

- FAO promotes the concept of increasing the use of sustainably produced forest products wherever possible. A proposal for a new study is under preparation, aiming to analyze the socio-economic and environmental dimensions of wood products' substitution, with the emphasis on tropical woods. It is planned to work on two different case studies in developing countries, applying well known assessment methods, such as ecological balance or analysis of material flows.

6. Climate Change

Industry will take up the issue of forest products as carbon sinks. FAO is requested to collaborate with the ICFPA Climate Change Working Group on Forest Products on this issue.

Implementation:

- FAO supported the UNFCCC Secretariat in the preparation of a paper on the estimation, reporting and accounting of carbon in harvested wood products. The paper was presented at COP 9 in Milan;

- FAO, jointly with IUCN and UNEP, led a process to inform climate change negotiators from Latin America, Africa and Asia on forestry issues and the impacts of their decisions;

- FAO is presently working on a submission to SBSTA on small scale forestry projects.

7. World Forestry Congress

ICFPA is planning to host a side event at the WFC in Quebec City, Canada, in September 2003. It will consist of a seminar to discuss the efforts of the forest industry in sustainable forest management. The Director of FAO's Forest Products and Economics Division will be invited to participate in the side event.

Implementation:

- FAO actively participated in the side event and made a presentation on forest products production and trade.

The following proposals were also raised:

Develop more regular contact with industry beyond the annual sessions in order to improve communication and actualize activities reporting;

Implementation:

- Two intersessional meetings took place, in October 2003 in Rome and November 2003 in Brussels;

Identify how the Committee could play a more active role in COFO (e.g. address the COFO plenary).

Implementation

The 17th Session of the FAO's Committee on Forestry will take place in Rome from 15-19 March 2005.
The Committee could

- Forward their inputs through their national delegations
- Hold a side meeting

Attachment

FAO Regional Forestry Commission Meetings in 2004

African Forestry and Wildlife Commission (AFWC)	16-21 February	Morocco
Asia - Pacific Forestry Commission (APFC)	19-23 April 19	Fiji
Near East Forestry Commission (NEFC)	24-27 May	Lebanon
European Forestry Commission (EFC) jointly with **European Timber Committee (ETC)**	27 September - 1 October	Switzerland
Latin American and Caribbean Forestry Commission (COFLAC)	18-22 October	Costa Rica
North American Forestry Comission (NAFC)	25-28 October	Mexico

ITEM 9: The International Dialogue on Forest Certification

Current Issues in Forest Certification

Forest certification is a market-based tool for third party auditing of sustainable management practices in production forests. In June 2003, the world had 160 million hectares of certified forests, equivalent to 3.5 % of the world's forests. Labels for forest products deriving from certified forests constitute a "single-issue label" which is based on voluntary certification. As far as possible, compatibility with WTO Rules with regard to market access, non-discrimination, technical barriers to trade and other WTO provisions is indicated.

Currently, several issues of political, strategic and operational concern are the main issues under review:

- The interface between standard setting for forest certification and national/regional Criteria and Indicator processes (C&I);
- Assessment of certification schemes;
- Cooperation between international certification schemes, like FSC and PEFC, and regional/national certification initiatives with regard to standard setting and procedures;
- Mutual recognition, mutual understanding and forms of cooperation amongst certification schemes.

1. C&I processes

The broad objectives of certification and C&I are identical: to promote good, sustainable management of forests. However, there are also important differences between these two concepts, especially regarding scale, purpose and participating actors. An appropriate relationship between C&I and certification can result in greater commitment to SFM by different actors and interest groups. For example, ITTO's C&I training and field testing showed that a major motivator for many countries/forest managers in collecting data for indicators was the desire to eventually seek certification of their timber products.

In many countries and in many certification schemes, regional or national C&I have been used as the basis or starting point for certification, when developing performance standards. Many C&I based certification schemes have also taken note of the FSC or PEFC principles, criteria and indicators and made efforts to ensure a degree of compatibility and to use C&I as a useful reference. C&I based certification is driven by many forest owners, industry and government representatives, whereas many environmental NGOs representatives continue to maintain a more independent approach, such as that of the FSC.

2. C&I processes – Conclusions

SFM policies and trade policies are still separate from each other. Except in the case of ITTO, C&I for forest management, trade and trade-related aspects are not sufficiently linked in governmental deliberations at regional and/or international levels. However, there are opportunities to bring them closer to achieve increased coherence of policies and strategies. C&I could be used as a bridging tool between trade and SFM, as a neutral, scientifically sound and politically accepted framework for promoting SFM and monitoring progress. By using C&I as a tool to strengthen the trade-SFM nexus, forest certification would benefit and market access would be increased.

3. Assessment of certification schemes

A recently launched paper by FERN, Brussels, assesses the standards of all major forest certification schemes and concludes that only FSC constitutes a truly credible forest certification system. The paper identifies difficulties in independent standard setting based on broad participation, lack of transparency in reporting, weak consideration of social issues, including land and forest user rights, as well as a general devaluing of forest certification, allowing for "business-as-usual practices".

In late 2003, the World Bank/WWF Alliance for Forest Conservation and Sustainable Use published a questionnaire entitled "Questionnaire for Assessing the Comprehensiveness of Certification Schemes/Systems (QACC)" outlining the criteria for evaluating forest certification schemes and their application in assessment processes. The document indicates that the questionnaire could possibly be used for forest sector lending by the World Bank, based on the new WB Forest Strategy and Operational Policy (OP).

The Forests Dialogue (TFD), initiated and coordinated by the World Business Council for Sustainable Development (WBCSD), has launched a "Legitimacy Thresholds Model" to accommodate the diversity of forest certification systems. This aims at an agreed methodology to assess the credibility of forest certification systems against defined credibility or legitimacy thresholds. A meeting of TFD on the issue of assessments of forest certification schemes was held in London in March with participation of selected representatives from governments, forest industry, forest owners and major international NGOs, as well as the World Bank. Representatives of Forest Certification Schemes were not invited. The meeting's objective was to draw up an "independent assessment framework" and plan its development.

4. Assessment of certification schemes – Conclusion

The current discussion on independent assessments of international and national forest certification schemes will not necessarily lead to improved mutual understanding between the schemes and their stakeholders, and may even hamper the development of national forest certification schemes. A more transparent, participatory process is needed.

5. Cooperation between international and national certification schemes

In the International Tropical Timber Committee (ITTC) at its 33rd Session, the so-called "phased approach" to forest certification was discussed. The concept carries the potential to bring national-level work on forest certification closer to those forest enterprises which face considerable difficulties in complying with principles, criteria and indicators for sustainable forest management on a short-term basis. By adopting such an approach, more forest enterprises, particularly in the tropical region, could be reached in order to improve the impact of forest certification on the sustainability of forest management.

The international forest certification schemes, namely PEFC and FSC, are currently cooperating with emerging national certification schemes, in particular in standard setting. This positive development should be supported by all stakeholders and their constituencies. Civil society groupings and the private sector, in particular forest owners/operators, forest industry associations and also processing industries, should become increasingly involved in these processes in order to increase their mutual understanding of various concerns and the design of a phased approach to national certification. This means that this process of cooperation between national and international forest certification schemes should go beyond standard setting and the institutionalization of the respective scheme.

With the ever-increasing number of certification schemes, the role of governments in certification is also growing; they must set the broad rules of the game and follow up possible political implications of certification implementation. It is certainly the role of governments to identify complementary measures to create an enabling environment for forest certification. This trend may also contribute to the increasing role of C&I in forest certification. However, forest certification should not lose its characteristic of being a market-based instrument. Thus, the interface between policy processes such as C&I implementation and national forest programmes needs to be better determined, in order to increase synergies and avoid counterproductive interventions. However, the role of national governments and ODA support, as well as that of international organizations like FAO and World Bank, should lead to effective partnerships during the initial phase of establishment of the schemes.

All certification schemes have one problem in common: Only a rather small percentage of consumers (varying, however, greatly between markets) care at all about forest certification and product labels. Many wish only to know that the forest product comes from a well managed forest and the proliferation of product labels is of little help in this regard. For better market access, the key seems therefore to be reliable, credible information.

6. Cooperation between international and national certification schemes – Conclusions

Existing forest certification schemes should concentrate their efforts on the consolidation of the existing system and identify useful cooperation without losing their competitiveness in the market place.

7. Mutual recognition, mutual understanding and new forms of cooperation

The proliferation of certification schemes seems to have exacerbated the need for an international framework for their mutual recognition and a set of internationally agreed C&I as reference for a credible forest certification. The aforementioned initiative on an independent assessment of forest certification schemes is meant to be useful in this regard. Difficulties in understanding the “thresholds model”, viewed by some constituencies as the lowest common denominator and thus decreasing the standards of SFM, certainly do not clarify the way ahead or increase the mutual recognition approach.

As the current mainstream, it can be stated that the approach of “mutual recognition” between the schemes is not the order of the day. The debate between different certification schemes, however, continues and a common understanding among the schemes is gradually emerging. Since constituencies and their objectives vary greatly between the schemes, in particular the international schemes, many drawbacks are encountered in arriving at mutual understanding.

To advance such mutual understanding between different certification schemes, FAO facilitated a meeting of CEOs of national and international forest certification schemes in June 2003 in Borgo Spante, Italy. This was done in close cooperation with ITTO and the African Timber Organization (ATO). Although participants’ views on priorities and emerging issues varied widely, the call for collectively promoting information exchange was unchallenged and it was emphasized that the dialogue between international and national forest certification schemes should continue.

8. FAO's potential contribution

FAO stands ready to facilitate further discussions between national and international certification schemes and interested parties. FAO is prepared to organize a meeting in the second part of 2004 in Rome/Italy with the aim of addressing some of the aforementioned issues, namely:

- Cooperation between international and national certification schemes in terms of standard setting, institutionalization and operations;
- Provision of more information on the role of certified products in the market place;
- Increasing mutual understanding between the schemes and assisting in the identification of a useful interface between the schemes without damaging the competitive nature of the various schemes in the market place.

Over and above the aforementioned meeting, FAO's mandate in capacity building would enable the organization to support developing countries in phased approaches to SFM and forest certification.

ITEM 7a: Role of the forest industry in poverty alleviation

Forest Based Industries and Poverty Alleviation
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Prepared by Rubens Mazon, Ph.D.

Introduction

This paper presents a brief overview of some of the efforts made by the Brazilian pulp and paper industry and the Brazilian Association for Pulp and Paper – BRACELPA in contributing to poverty alleviation. Forestry activities are of high importance in Brazil and thus, the pulp and paper industry understands its important and responsible role in the national efforts to alleviate poverty. The paper is organized as follows:

- presents an overview of the industry in Brazil, and its understanding of the United Nations initiatives towards poverty alleviation;
- presents and analyzes how many Brazilian companies are applying the sustainability framework to poverty alleviation to their operations, in particular *Fomento*;
- describes examples of poverty alleviation projects whose implementing procedures were not successful.
- makes a general conclusion and recommendation for action

According to World Bank, over 90% of the 1.2 billion people living in extreme poverty depend on forests for some part of their livelihoods; of those people, at least 200 million are considered indigenous. To reduce poverty, the UN has worked with over 160 world leaders to agree on a framework of goals referred to as the UN Millennium Development Goals. Their main purpose is to reduce by half the portion of people living in extreme poverty by 2015.

In Brazil, poverty is greater in rural areas compared to urban centers, and the most vulnerable populations such as indigenous people, women and marginal communities are strongly dependant on natural resources. The Brazilian pulp and paper industry has made a strong commitment to poverty alleviation directly related to production and environmental goals. The Brazilian industry also recognizes the need of developing long range sustainable programs to assist in implementing the Millennium Goals.

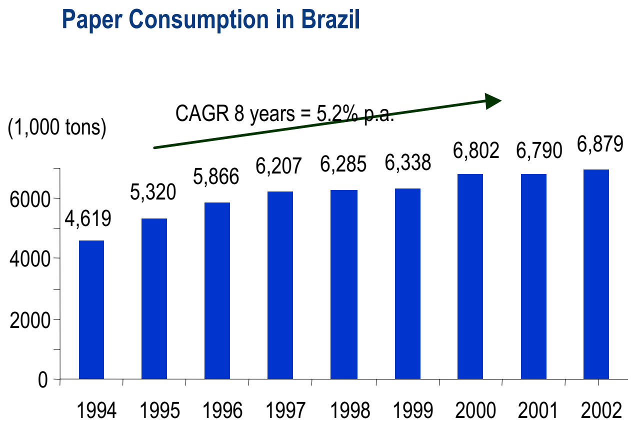
Forestry and the pulp and paper industry

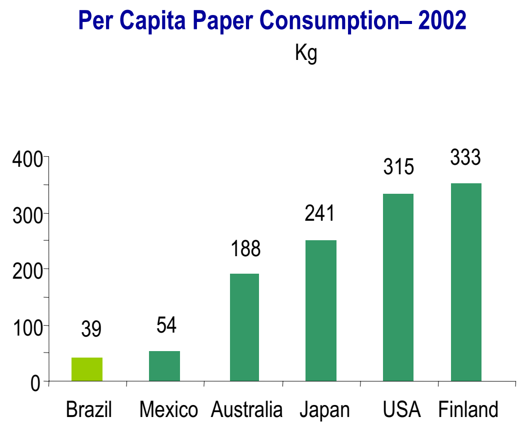
In 2002 the Brazilian pulp and paper industry contributed US$ 608 million in taxes, offered 100 thousand direct as well as indirect and induced jobs around Brazil, and paid industrial salaries and related taxes duties in the amount of US$ 513 million. At the same time, the industry is also concerned with the preservation and re-establishment of native forests, although the fibre comes exclusively from planted eucalyptus and pinus species, which are renewable resources (Zogbi, O.E. in "Bracelpa, Social Report", 2002).

Some important characteristics of the Brazilian forest based ndustry

The paper market in Brazil offers great opportunity for production, and the current consumption level shows space for long term growth (see Figure 1). There is an apparent paradox if we compare the paper consumption in countries like Finland and Brazil who are both paper producers.

Figure 1- Evolution of Paper Consumption in Brazil and the 2002 Per Capita Consumption





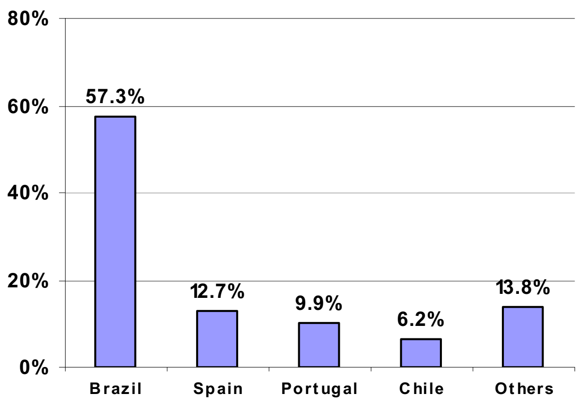
(Source: PPI, RISI, CNPL, BRACELPA)

The financial stability of a given industry is a necessary precondition to enable it to engage in sustainable poverty alleviation programs. Indicators of stability are market share and international trade of the Brazilian pulp and paper industry:

- Market Share of 4.5 % in International Pulp Trade
- Market Share of 28,8 % in Harwood International Pulp Trade

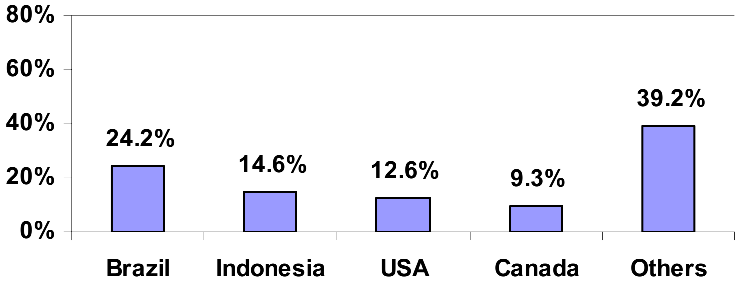
Figures 2 and 3 shows the position of the Brazilian production of hardwood pulp relative to some other pulp producer countries:

Figure 2 - Hardwood Pulp Production from Eucalyptus



(Source: PPI, RISI, CNPL, BRACELPA)

Figure 3 - Hardwood Pulp Production from All Species



(Source: PPI, RISI, CNPL, BRACELPA)

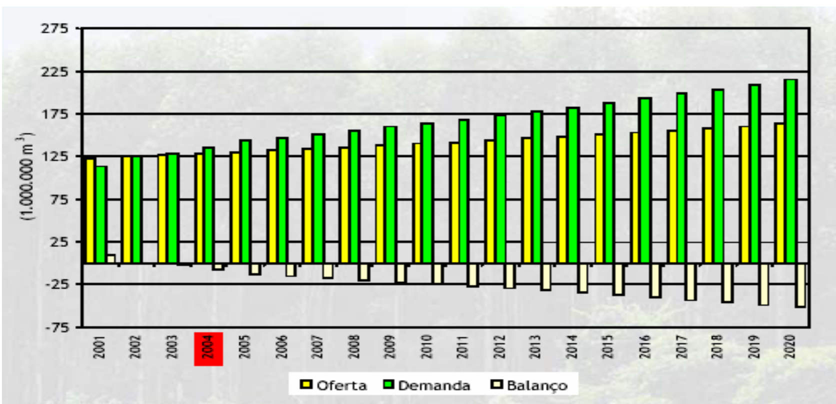
The pulp and paper production process is an energy and natural resources intensive activity that has historically been associated with environmental impacts. However, over the last three decades, the Brazilian pulp and paper industry has presented considerable improvement in its environmental performance, and most importantly, has a better understanding of the links between natural habitats transformation and social issues. Recognizing this link has generated both discussion and the development of programs to address poverty alleviation through forest based activities.

Poverty alleviation programs

There is a general consensus among specialists that the Brazilian pulp and paper industry has an important role to play in poverty alleviation. The intensive use of rural labor and land of low quality offers great opportunities for impoverished communities and one important program to address poverty is the **Fomento**.

Fomento (Brazilian Sustainable Poverty Alleviation Example) can be defined as the activities or practices realized by the Brazilian pulp and paper industry promoting rural extension, and technical and financial assistance for small farmers. It not only addresses rural poverty issues but it also provides benefits to the industry by addressing the forecasted wood shortage issue which will become critical from 2005 onward (see Figure 4).

Figure 4 – Total Planted Wood Demand and Supply for All Brazilian Industry



Source: PPI, RISI, CNPL, BRACELPA)

The “Fomento” program offers, economic, social and environmental advantages. In summary they are as follows:

1. Economic advantages to industry:

   - Reduce wood shortage
   - Guarantee fibre supply
   - Provide logistical advantage, since “Fomento” is done with neighbour farmers

2. Economic advantages to farmer and local communities.

   - Guarantee of new source of income generation to small farmers
     - Buyer’s agreement at market prices
   - Make financial resources available
   - Provide technical assistance
   - Supply of plants and seeds
   - Provide stimulus for regional development of forestry related activities
   - New sources of financing under analysis by governmental agencies.

3. Social improvements

   - Provide education and training for sustainable forestry practices
   - Create procedures for forest certification to be extended to the “fomented” properties
     - Industry provides technical assistance to enable small farmers for the certification process

   - Guarantee more stable prices with buyers contract
     - Small farmer must have protection from the asymmetric relationship with industry due to their size and limited economic power.

4. Environmental benefits

   - Use degraded areas no longer available for traditional agricultural practices
   - Respect legal reserves and other protected areas according to the Brazilian environmental laws
   - Recuperate biodiversity by mixing homogeneous and native forests.

As we can see in Table 1, at least six Brazilian states have “Fomento” projects in place and they cover approximately 114 000 ha benefiting over 6 000 property owners.

Table 1 – Current “Fomento” Activities in Brazil

Recipient State	Planted Area (ha)	Benefited Properties
Bahia - Espírito Santo Minas Gerais - Paraná Santa Catarina - São Paulo	114,300	6,115

Other poverty alleviation initiatives

There are several other initiatives in brazil which attempt to address poverty. they include a wide range of measures such as:

- train and build capacity of forest dwellers and rural communities through scholarships and specialized courses in land use related activities.
- develop agro-forestry projects with indigenous communities.
- develop health programs for children and aids patients
- create employment through the development of programs such as used paper collection and recycling where many workers' cooperatives play important roles.
- improve health and safety conditions for small scale business partners which were not addressed under brazilian labor laws.

There are also several poverty alleviation initiatives being discussed. They are:

- maintain the policies aiming to support a certified production chain which, protecting local habitats which directly benefit poor people in the community. in brazil many pulp and paper companies are adopting some certification scheme, either the cerfor or fsc label. it may be possible for the industry to it could be very interesting if brazilian forest based industry extend their certification standards to their wood suppliers (out growers inserted or not in the fomento system) with the objective to qualify them with the same socio environmental criteria.
- extend to small producers and local communities the potential revenues originated from any environmental services markets schemes such as carbon sequestration or watershed markets.
- tailor more programs to income generation and basic education and training.

Learning from experiences:

To address poverty alleviation issues is not always easy and in Brazil some companies have faced tremendous challenges. Below are examples from two such companies.

Aracruz

After a long dispute with indigenous communities in the Espírito Santo State, Aracruz reached an agreement to repay for the use of reservation land.
What Aracruz has learnt is that it is imperative to be engage with local community from the outset. The current programs in place are mainly directed to income generation and partnerships for eucalyptus plantation by indigenous people in reserved areas.

Celulose e Papel Bahia Sul

A plant was constructed by the Suzano Group in the state of Bahia and this was initially met with severe distrust by the local communities. Although the region was extremely poor, there was widespread fear that the project would bring serious environmental impacts, endangering their livelihood. Bahia Sul decided, in order to better understand the communities perspective, to commission a research work to the University of Bahia. With the obtained results, it became evident that any programme should first be evaluated jointly with the local communities.

Conclusions and recommendations

This paper highlights just a few examples of what the Brazilian pulp and paper industry is doing but there are many other company lead initiatives. Experiences have shown that for sustaining or improving the livelihoods of poor people it is important to involve the communities and other key stakeholders from the beginning and that any initiative should contain the cornerstones of sustainability –economic, social and environment. Having the industry engaged will ensure that the economic dimension to sustainability will be sufficiently addressed.

Currently there are poorly defined dimensions to industry's attempt to distinguish between philanthropic activities, social work and sustainable programs. Although they are all seemingly positive and necessary, there is a huge difference between them.

It is recommended that FAO of the UN develop the means to analyze, organize and communicate the efforts of the forest products industry and associations who (including paper, solid wood, panel and pulp, furniture) have been contributing to poverty alleviation. It would also be helpful to develop specific principles that are consistent with the various UN poverty alleviation initiatives and the performance measures to indicate meeting the targets of the principles.

ITEM 7b: Role of the forest industry in poverty alleviation

Forest Industries and Poverty Alleviation

Prepared by Gary Bull

1. Introduction

The purpose of this report is to provide background and a framework to continue the dialogue started last year on the role of the forest industries in alleviating poverty. To tackle the complex issues on the role of the forest industry this report:

- summarizes key major initiatives of the United Nations that directly link to poverty and the role of industry;
- presents and analyzes a selection of successful forest products company efforts in Africa, North America, Asia and Europe[3];
- develops a framework for discussing key questions to be considered by the ACPWP to address poverty.
- proposes some questions to be tackled in order for the industry to address poverty;

2. UN Initiatives and Poverty

In essence, the UN Initiatives[4] are multifaceted, but there are three main points of reference: UN Millennium Development Goals, UN Conference on Financing for Development in 2002 and the UN Global Compact Initiative 2004. These are briefly summarized below but first it is worth restating the definition of poverty as presented at the ACPWP 44th Session (Item 6c). This definition allows us to consider forest industry initiatives in developed as well as developing countries.

Poverty is:

> *'the pronounced deprivation of well-being related to lack of material income or consumption, low levels of education and health, vulnerability and exposure to risk, voicelessness and powerlessness'.*
>
> Source: Item 6c, ACPWP, Oaxaca, Mexico 8 and 9 May, 2003.

It is also useful to restate the UN Millennium Development Goals (see Table 1) agreed to by over 160 world leaders who made a commitment to work towards reducing by half the portion of people living in extreme poverty by 2015[5]. Examining these goals we can start to see some

[3] South America will be prepared and presented by BRACELPA

[4] In addition to UN initiatives, there was a World Bank sponsored Forest Investment Forum, October 22-23, 2003, held in Washington, DC. The convening of the Forum was a step toward implementing the World Bank's October 2002 Forest Strategy, where one of the three key goals was poverty reduction.

[5] One of the pillars of the World Bank's new forest strategy, which will be implemented through partnerships with civil society organizations, governments, and the **private sector**, is harnessing the potential of forests to reduce poverty.

of the challenges forest industries will continue to face in addressing the issue of poverty. Industry cannot be expected to address all of these goals, but they can expect to be a partner in the effort. It is pleasantly surprising to see that a number of forest industry companies from various regions of the world are already tackling some of these goals in their operations, activities more fully described in Section 3 of this report.

Table 1 – UN Millennium Development Goals

Goal 1. Eradicate extreme poverty and hunger.	Goal 2. Achieve universal primary education
Goal 3. Promote gender equality and empower women	Goal 4. Reduce child mortality
Goal 5. Improve maternal health	Goal 6. Combat HIV/Aids, malaria and other diseases
Goal 7. Ensure environmental sustainability	Goal 8. Develop a global partnership for development

These eight goals are useful to consider since they identify the critical issues the world community has identified that must be addressed in order to achieve significant improvements in people's lives: they establish a common framework for measuring progress. They also help explain the context in which forest industries have taken the initiative to develop more specific objectives to address these goals in their operations.

Second, it is also important to consider some of the important sections from the Monterrey Consensus, developed at the UN Conference on Financing for Development in Monterrey Mexico, 18-22 March 2002, where the participants grappled in a more pragmatic way with some of these Millennium goals. Following are some key excerpts that relate to the theme of this paper:

6. *…domestic economies are now interwoven with the global economic system and inter alia, the effective use of **trade and investment** opportunities can help countries to fight poverty.*

13. *…fighting corruption at all levels is a priority. **Corruption** is a serious barrier to effective resource mobilization and allocation, and diverts resources away from activities that are vital for poverty eradication…*

20. *…**Foreign direct investment** ….is especially important for its potential to transfer knowledge and technology, create jobs, boost overall productivity, enhance competitiveness and entrepreneurship and ultimately eradicate poverty.*

24. *We will support new **public/private sector** financing mechanisms, both debt and equity…..*

26. *…we reaffirm our commitment to **trade liberalization** and to ensure that trade plays its full part in promoting economic growth, employment and development.*

Amongst the poorest groups in society are indigenous peoples. They have historically been the most disadvantaged and marginalized populations in many parts of the world. There are over 200 million indigenous peoples worldwide, living in more than seventy countries (Source: The World Bank & Indigenous Peoples. 2002. Fact Sheet.)

Source: [Financing for Development MonterreyConsensus 2002]

The themes of trade, investment, corruption, public/private partnerships were central to the Consensus indeed these themes are directly relevant to forest industries.

Third, and very recently, in the newly published United Nations report: *Unleashing Entrepreneurships: Making Business Work for the Poor* (March 1, 2004) the following general principles were recommended:

Partnering and innovating

- Help develop broader **financing options** for entrepreneurs
- Assist in building leadership and **business skills and training**
- Participate in brokering **public-private partnerships** for basic services
-

Mobilizing capabilities and resources

- Identify capabilities and then **support entrepreneurs** and firms
- Build **'business ecosystems'**[6] and linkages
- Pursue **bottom-of the– pyramid** (the poorest people) **business**

Source: [UN Global Compact Initiative 2004]

The focus of the third initiative is on entrepreneurs, skills and training, public-private partnerships and relations with the poorest of the poor. Taken all three initiatives together we now have a governmental perspective on how the private sector ought to address the issue of poverty.

In addition to government effort, many individual forest industry companies and industry associations have started to develop means of coming to terms to the issue of poverty. Sections 3 and 4 provide a brief review of what selected firms and associations are doing.

3. Case Studies – Forest Industry Companies

This section of the report reviews the experience of forest industry companies in different regions: more specifically Africa, Asia, North America and Europe. By examining what individual companies are doing we can see patterns in the responses of individual forest industry companies, or those closely associated with them. Such patterns will help support the development of an appropriate framework for discussion on the role of forest industries in addressing poverty alleviation.

It should be noted that most of the evidence points towards success, while few companies willingly discuss their failures in addressing poverty. Since few companies have developed a 'warts and all' approach in corporate reporting, and few companies have long experience of directly addressing the issue of poverty in a public way, there is a noticeable lack of documentation on failure.

[6] Business ecosystems bypass weak regulatory environments by creating private capacity for regulation and enforcement within the network.

Africa

Congo - tt Timber Group

Theme: Indigenous[7] people

Who are they?

The tt Timber Group is an independent group of companies operating worldwide with subsidiaries in fourteen countries. The Group is involved in forest management and the processing and trading of forest products. The tt Timber Group has subsidiary companies in 14 countries, including the Republic of Congo, Cameroon, Côte d'Ivoire and Gabon.

What are they doing to address poverty alleviation issues?

In the consumer countries they play a major part in promoting timber usage through transparency, information distribution, and active dialogue with all stakeholders. As a result they have collaboration agreements with at least two large NGOs. Their philosophy is: sustainable solutions depend on constructive dialogue with all serious stakeholders.

They state: 'We at the tt Timber Group believe working for forests and trading in timber go hand in hand since the future of forests and timber depend on sustainable forest management'.

They attempt to address poverty by protecting ecosystems which they say provide:

- Food, fuel and fibre
- Clean water and air
- Shelter and building materials
- Timber
- Fodder
- Non wood products such as medicinal plants
- A home to traditional forest people
- A home to thousands of animals, plants, insects and birds

The following example in the Congo illustrates their approach. To address poverty they have made serious attempts to improve the livelihood of the local pygmies living in its concessions. They claim that various social development projects undertaken by the company, wildlife management projects and long term sustainable forestry management plans ensure that the local pygmy population will be able to continue to live in the forest that is their traditional home. The government has recognized that the company has made specific efforts for the pygmies in its concessions, which stretch beyond pygmies' rights as citizens of the Congo as enshrined by Congolese law.

Source: tt Timber Group

South Africa - Global Forest Products Company

- Themes: health, training, access to resources

Who are they?

Global Forest Products consists of 64 000 hectares of plantation forests and three sawmills, located in Sabie, Graskop and Jessievale, a plywood plant in Sabie, a re-manufacturing plant in

[7] Indigenous people are also referred to as aboriginal and First Nations people in other parts of world. For the sake of consistency they are referred to as indigenous people in this document.

Graskop and a specialty products plant also located in Graskop. They employ a total of 1,891 people and are driven by the need to ensure that the demographics of its workforce reflect those of the country and, accordingly, are a socially conscious and equal opportunity employer. They are a significant employer in Mpumalanga Province and as such contribute heavily to the economies of the towns in which it operates.

What are they doing to address poverty alleviation issues?
Recognizing the value of people, a holistic approach to employees is followed. Global Forest Products sponsors medical clinics to serve its employees as well as the local community. Global Forest Products has a dedicated team of nurses who educate the community about current health issues, in particular, how to effectively combat the spread of AIDS.

Staff development is also an integral part of Global Forest Products as it believes a company is only as good as its people. Ongoing "on the job" training coupled with structured technical programmes provide the necessary blend of practice and theory that ensures each individual continually grows and develops. In addition, staff has access to a number of life skill programmes such as literacy classes, English lessons and money management, aimed at personal development.

They also strive to create additional employment opportunities and improve the living standards for the local community. Global Forest Products allows the locals to harvest thatching grass, mushrooms and firewood and provides grazing for the cattle of local farmers. They also sponsor the development of outdoor recreation activities, environmental education initiatives, and make donations to primary schools.

Source: *http://www.globalforestproducts.net/*

Asia

China – Plantation Timber Products Group Ltd.

Theme: public/private partnership, outgrowers

Who are they?
Plantation Timber Products Group (PTPG) Limited is jointly owned by Plantation Timber Products Holdings Limited (PTPH 75%) and Sichuan Changjiang Timber Industry Corporation (SCTIC 25%). The PTPH has already developed one MDF factory in Leshan Sichuan, for which debt financing has been provided through International Finance Corporation and it intends to proceed shortly with a second similar project in Hubei province. The PTPH is a private company, whose Chairman and largest shareholder has a well-established furniture manufacturing track record in China.

SCTIC is a state-owned enterprise. PTPG expects to produce approximately 450,000 medium to high quality doors per year based on 3 shifts working over 300 days. The doors will be made from 3mm thick medium density fiberboard; (MDF) which it is intended will be sourced from PTP's new MDF factory in Leshan, which plans to commence production in mid February 2004.

What are they doing to address poverty alleviation issues?
The company has developed a private/public partnership, which is so essential in China given how the property rights are currently assigned, and they have also promoted the development of large outgrower scheme for their fibre supply.

North America

Weyerhaeuser Canada

Theme: Partnerships with indigenous people

Who are they?
Weyerhaeuser Company is an international forest industry company with annual sales of $19.9 billion. The company was founded in 1900 and currently employs about 57,000 people in 18 countries. They've been ranked in the Fortune 200 since 1956 and are number one in their industry in social responsibility in Fortune magazine's annual corporate reputation survey for seven years.

Weyerhaeuser made its first investment in Canada in 1964. Today, Weyerhaeuser Canada holds renewable, long-term licenses on 13.2 million hectares of forestlands in five provinces.

What are they doing to address poverty alleviation issues?
In Canada, one of the poorest groups in their society is the indigenous people. To address the poverty issue, Weyerhaeuser Canada has been actively developing partnerships with them. Not only have they developed policies and principles for this business relationship, they have also developed a procedure for measuring progress towards their objective of building relationships.

In 2003, Weyerhaeuser Canada developed: "*A policy for building relationships: Canada's indigenous*[8] *people and Weyerhaeuser*". The purpose of the policy is:

- To define general principles to guide relationship building with indigenous peoples in order to achieve consistency across the company.
- To identify people and operations within the company already working with indigenous peoples in order to ensure that we share and build on our experience and knowledge.
- To suggest education and training opportunities that will support relationship building, both for indigenous peoples and for other employees.
- To create a procedure to measure our progress toward the goal of strengthened relationships with indigenous peoples.

Perhaps the two most important relevant components to the discussion by the ACPWP are the set of principles and the procedure developed to measure progress. The principles which Weyerhaeuser Canada committed to in relationship building are:

- Recognize and respect indigenous rights and culture
- Recognize the unique status of indigenous peoples of Canada
- Acknowledge that indigenous traditions and culture impose duties and responsibilities
- Assist where possible the outcome of treaty settlement negotiations between indigenous people and government
- Develop trust and mutual respect through open and honest communication
- Generate realistic expectations
- Recognize the rights of existing shareholders
- Strive for business relationships that are fair and equitable
- Enhance the value of resources through mutually beneficial relationships
- Respect cultural and environmental resources.

[8] In the company text they are referred to as Aboriginals.

To maintain a focus on the company's progress toward these long-term objectives, the Weyerhaeuser Canadian Corporate Leadership Team periodically reviews trends and progress using key performance measures as seen in Table 2.

Ted Kimoto, General Manager of Weyerhaeuser's indigenous protocol with the Nuu-chah-nulth on Vancouver Island, is actively negotiating with at least 50 indigenous groups. He describes the situation as follows:

As a "responsible steward of the land," Weyerhaeuser is working towards building mutual business relationships with indigenous groups, including employment opportunities, business alliances, education, training, skill development, and community involvement. He said that industry's role is to provide leadership and that industry has a responsibility to earn the respect of other stakeholders, to value quality over quantity, and to show respect for stakeholders, the environment, and social values. Source: Presentation-Ted Kimoto

Table 2. Key-performance measures.

Focus Area	Key Measure	Other Measures
Employment – Direct	New hires – total # and # indigenous workforce - %	Application # indigenous Company demographics - % indigenous salaried non-exempt - % indigenous hourly - %
Employment - Indirect	# of indigenous businesses providing goods and services	Community demographics
Business Alliances	# of formal alliances with indigenous communities	% indigenous involved in providing good and services
Education and Training External	# scholarships, bursaries and grants to indigenous peoples	# of education support events involved in.
Education and Training Internal	% employees received culture and awareness training and education	% employees received diversity training.
Community Involvement	$ and other contributions to indigenous communities	indigenous leaders on invitation lists for community participation

Source: WeyerhaeuserCanadaPolicy2003

Mead Westvaco

Theme: community relations

Who are they?

Mead Westvaco was created in January 2002, a powerful combination of two established companies each with a rich history. As Mead Westvaco, they have created new products, expanded their markets and continue to strengthen their customer relationships. From strategic locations in 29 countries, they serve customers in nearly 100 countries in industries such as forest products, automotive, beverage, consumer products, healthcare, media and entertainment, and publishing.

What are they doing with respect to poverty alleviation issues?

Mead Westvaco has established Community Advisory Panels (CAPs) in many locations to foster open dialogue with the community. CAPs provide a forum where community members can learn more about Mead Westvaco and where they can learn about the important goals of the community. They believe that their responsibilities as a company include support of the communities in which they operate and support for organizations, programmes and projects that meet important needs of society consistent with the company's business goals and objectives.

Mead Westvaco has established the Foundation to support its long-term commitment to invest in community involvement and encourage employee volunteerism. The Foundation's primary focus is to address important community needs and improve the quality of life in communities where Mead Westvaco operates. Specific areas of emphasis include health, human services, education, stewardship and arts and culture.

Source: meadwestvaco.com. policy on community

Hispano Mexicana de Puertas y Molduras

Theme: Business Partnerships

Who are they?

In the year 2000, a Mexican ejido decided to establish an agreement with Spanish entrepreneurs and created a company, Hispano Mexicana de Puertas y Molduras S.A. de C.V., to produce wooden doors. The company is about to start producing some 125,000 units per year. The second phase of the project will be furniture manufacturing.

What are they doing with respect to poverty alleviation issues?

The business agreement has the potential to help the local ejido. Already there are these benefits:

1. a company with clear objectives;
2. clear partnership structure and manufacturing utilization rules;
3. guaranteed market access
4. viable alternative to illegal logging in northern Mexico;
5. improved livelihood for the ejido.

Source: Villanueva, 2002 cited in Forest Trends draft report 2004.

Europe

Stora Enso

Theme: human rights, development of CSR principles

Who are they?

Stora Enso is an integrated paper, packaging and forest industry company producing publication and fine papers, packaging boards and wood products, areas in which the Group is a global market leader. Stora Enso sales totalled EUR 12.2 billion in 2003. The Group has some 43,000 employees in more than 40 countries on five continents and an annual production capacity of 15.7 million tonnes of paper and board and 7.4 million cubic metres of sawn wood products, including 2.8 million cubic metres of value-added products.

What do they do with respect to poverty alleviation issues?

Stora Enso's principles for Corporate Social Responsibility address concrete questions related to human rights, business practices, communications and community involvement. Equality, safety, working conditions and child labour are examples of topics covered by the principles. The principles focus on the social and socio-economic aspects of sustainability, because the Group already has a strong record on financial performance and environmental management systems, the other two elements of sustainability.

The principles are based on internationally accepted statements, such as the United Nations Universal Declaration of Human Rights and the core ILO conventions. (Stora Enso has also decided to support the United Nation's Global Compact and its initiatives).

The main principles identified are outlined below:

- Business Practice
- Communication
- Community Involvement
- Reduction in Workforce
- Principles regarding Human Rights
    - Working conditions
    - Diversity
    - Freedom of association
    - Free choice of employment
    - Child labour
    - Remuneration
    - Working hours
- Integrating the Corporate Social Responsibility Principles
- Stakeholders

Source: http://www.storaenso.com/CDAvgn/main/0,,1_-4302-2420-,00.html

4. Case Studies - Industry Associations

This section attempts to show how industry associations have been tackling the issue of poverty, at least indirectly. While it is clear that their policies are still in the early stages of development, it does indicate that consensus among their membership can be reached on important social issues.

Forest Products Association of Canada

The Forest Products Association of Canada has already developed a set of guiding principles for forest land management in Canada. Table 3 summarizes a selection of the relevant principles.

As described in Section 6, all goods - forest products - are produced by combining three principal factors of production: land, labour and capital. In Table 3 we have matched the guiding principle with the factors of production and it is fairly obvious that, thus far, the factors addressed are land and labour, not capital (see Table 4, Section 6 for more details). So one immediate challenge for the industry associations is: Can they develop additional principles to address the capital issues using lessons learned in other industrial sectors principles? The short answer is: yes.

Table 3: Selected guiding principles for the Forest Products Association of Canada

Principles	Framework (see Table 4)
▪ Cooperate with **indigenous communities to engage** their participation in forest management activities.	Land, labour
▪ Provide for constructive public input into the forest management planning process, and **respect public and community concerns** and suggestions in the development of operations plans.	Land, labour
▪ Ensure that management plans are implemented by competent employees who have undergone appropriate **education and training** for carrying out their duties in a professional and responsible manner.	Labour
▪ **Improve public knowledge** and awareness of forest management and practices through information programmes.	Labour
▪ Ensure that the **health and safety of employees** and the public are not compromised by any forest practice or operation	Labour

Source: Forest Products Association of Canada
FPAC_guiding_principles_for_forest_land_management_in_canada.pdf

For example, the British Columbia and Yukon mining sector in January, 2004 has just developed principles to address the issue of capital (finance and business) with respect to the poorest segment of the Canadian society - indigenous people. In the set of 10 principles they have developed, three relate to capital (BC and Yukon Chamber of Mines 2004):

- Acknowledge there's a shortage of **capital** to involve indigenous and other people[9] in co-operative ventures.

- Encourage the enhancement of indigenous and other peoples capacity to develop **training, employment and business opportunities** in the resource sector.

- Support indigenous and other peoples' aspirations in securing **economic development**.

In point of fact, these principles evolved largely from the main author's experience in the British Columbian forest industry and its attempts to find a meaningful business relationship with indigenous people.

International Council of Forest and Paper Associations

The International Council of Forest and Paper Associations have adopted the following statements with respect to their social pillar:

- In many parts of the world, the forest and paper industry makes an important contribution to alleviating and eradicating poverty.

- The forest and paper industry has been closely linked to the development of local communities through the creation of thousands of small and large companies and millions of jobs, primarily in rural areas.

[9] As mentioned, the term in the original text was 'First Nations' but this has been replaced with indigenous and other peoples to make it relevant to an international audience.

- Private companies often contribute to the maintenance of hospitals, sanitation structures, roads, schools and training networks, health care, etc.

- Several companies have developed principles and policies for Corporate Social Responsibility.

According to the World Bank, one billion of the world's poorest people depend on forest resources for their livelihoods. Sustainable management of the forest can perpetuate a way of life and maintain local economies in thousands of communities around the world. Furthermore, forest and paper companies are often located in rural a community, which contributes to reducing migration to urban areas by providing jobs locally. Essentially, it means that forest and paper products are at the heart of rural living and contribute to employment, financial support, training and education, commitment to health and safety, ongoing investments in operations, and stakeholder involvement. Their specific contributions are outlined below.

Employment
The forest and paper industry provides employment for tradespeople and professionals – in the forest, in the mills, and in the marketplace – as well as for those working in businesses that sell goods and services to the industry and in converting operations.

Financial Support
Private companies play a major role in economic and social development, especially in rural areas where manufacturing facilities require high investments in infrastructure and social welfare. In addition to paying salaries and benefits to employees, companies pay taxes and fees to governments.

Especially in developing countries, private companies often contribute to the maintenance of hospitals, schools and training networks, sanitation structures, roads for use by the industry and the community, and sometimes even airport and port facilities. They also contribute to health care initiatives including drug and alcohol counselling, childcare, disability services, and health education and promotion. Other counseling initiatives have included legal, family, housing, employment and career, homework support, and financial counselling.

Training and Education
Individual companies support local communities in endless ways, from sponsoring sports teams and youth clubs, to building and supporting local schools as well as other community social services. Workshops have been offered on personal development and job skills, parenting, and employment training. Many companies around the world support literacy programmes for children.

Commitment to Health and Safety
The industry is working to preserve the physical, mental and social well-being of its employees and their families and is determined to eliminate accidents and risks in the workplace.

Corporate Social Responsibility
In a time of intensified globalisation, growth must develop alongside responsible business conduct. Several companies located in industrialised countries have developed principles and policies for Corporate Social Responsibility as well as the necessary monitoring systems. The UN's Global Compact Initiative and its nine principles of corporate social responsibility launched in 2000 aims to create global awareness on the issue.

Ongoing Investment in Sustainable Operations
Over the last decade significant investments have been made to improve forest management and the manufacturing processes in forest products mills. This will allow the industry to continue it's financial, and therefore, social and environmental, support of communities in the long term.

Dialogue with Stakeholders
The international forest and paper industry promotes an open dialogue with the public. It seeks opinions on environmental priorities, especially from local communities and from its employees. It is publicly stating its own environmental objectives, activities and performance. In some countries the industry works with the indigenous communities on projects such as training and education, joint business ventures and contracting to indigenous businesses.
Source: International Council of Forest and Paper Associations

These contributions of forest industry provide some critical guidance on what should be considered in forest industry's role in dealing with poverty.

International Council on Mining and Metals

The members of International Council on Mining & Metals (ICMM), or as companies that have otherwise agreed to take on the same performance obligations as ICMM members, have agreed on the following principles:

- Implement and maintain ethical business practices and sound systems of corporate governance.
- Integrate sustainable development considerations within the corporate decision-making process.
- **Uphold[10] fundamental human rights and respect cultures, customs and values in dealings with employees and others who are affected by our activities**.
    - Ensure fair remuneration and work conditions for all employees and do not use forced, compulsory or child labour.
- Implement risk management strategies based on valid data and sound science.
- Seek continual improvement of our health and safety performance.
- Seek continual improvement of our environmental performance.
- Contribute to conservation of biodiversity and integrated approaches to land use planning.
- Facilitate and encourage responsible product design, use, re-use, recycling and disposal of our products.
- **Contribute to the social, economic and institutional development of the communities in which we operate.**
    - Enhance social and economic development by seeking opportunities to address poverty.
- Implement effective and transparent engagement, communication and independently verified reporting arrangements with our stakeholders.

ICMM corporate membership includes a commitment to measure corporate performance against these principles.
Source: http://www.icmm.com/html/icmm_principles.php

[10] The principles in bolded text and the subsections linked directly poverty issues

Other key principles the mining sector mentions related to poverty were:

- ensure appropriate environmental and social safeguards
- ensure better adherence to human rights
- promote greater public participation
- promote transparency.

They stated: 'We believe such moves [author's note: adopting principles] would enhance the potential of mining to alleviate global poverty.'

Source: http://www.icmm.com/html/icmm_principles.php

The following Section now attempts to provide a synthesis of the main ideas extracted from the UN initiatives, the individual forest industry companies and the industry associations.

5. Analysis

The forest products industry largely produces goods from the forest and these goods are produced with an array of inputs. The industry must pay close attention to introductory economics which explains that commodity production is largely a function of land, labour and capital and that to increase efficiency it is essential to constantly improve on the uses of these input factors of production to produce a more efficient output – forest products. The industry should then be able to appreciate that to deal with aspects of poverty it must identify ways to change how it uses the factors of production; for example, industry in more recent times has worked to include education and community concerns in dealing with 'labour' since health communities and a well trained workforce often leads to greater efficiencies in production.

Table 4 illustrates how industry has addressed land, labour and capital components of production in the past and the present. The ideas presented are based primarily on three sources: a) the three United Nations initiatives described in section 2, b) the randomly selected policy, principles and programmes developed by individual forest industry processing companies and c) policy, principles and programmes of the forest products, or related, associations described in sections 3 and 4.

Perhaps of greatest significance in Table 4 are the impediments related to capital (finance). While the experience of several forest products companies and associations demonstrate a clear change in direction with respect to land and labour, it seems the forest industry has still more to consider with respect to capital if it wants to be an effective agent of change. One could argue that quite often the poor have little or no access to capital or are undercapitalized. These are serious constraints if there is a desire to follow the principles laid down in the UN Global Compact Initiative 2004 report '*Unleashing Entrepreneurship: Making Business Work for the Poor*.'

In summary, Table 4 provides a framework to examine the following key questions:

- **Capital**: Does the forest industry need to consider how it can facilitate making more capital available to the poor?
- **Land, Labour**: Has the forest industry response been sufficient with respect to land and labour dimensions of poverty, and if not, what else can it do?
- **Principles**: Should the forest industry associations develop a set of common principles consistent the themes identified by their individual members, industry associations and the United Nations?

- **Objective and Targets**: If principles are developed, should the industry develop the appropriate tools to measure their objectives and targets with respect to poverty alleviation?

Table 4 – Framework for examining industry's role in poverty alleviation

.Factors of Production	Classic industrial view for operations and management	New industrial views (i.e. practical means of including poverty alleviation highlighted in this report)
❑ Land	▪ Own land or very exclusive rights	▪ Outgrower schemes ▪ Shared ownership (co-management) ▪ Increased access to resources for business/entrepreneurial opportunities ▪ Ensure sustainable forest management
❑ Labour	▪ Labour distant from management ▪ Labour under direct management control in all phases of logging. ▪ Aggregate labour productivity; less emphasis on the individual worker productivity; education, training and health a government issue. ▪ Community development a government issue	▪ Labour can be active participants and/or shareholders ▪ Labour outsourcing ▪ More emphasis on the education, training and health to improve individual labour productivity ▪ Public/private partnership ▪ Business partnerships ▪ Community relations officers
❑ Capital (finance)	▪ Capital markets or private capital	▪ Acknowledge the shortage of capital for marginalized groups (including indigenous people) ▪ Partnerships can allow increased access to capital for poor people ▪ Access to capital is now a global issue; requires global investment criteria and reduction in trade barriers

6. Conclusions

Clearly there are a number of initiatives in the United Nations, individual forest industry companies and industry associations that relate the forest industry to poverty alleviation.

The industry has to decide if it wants a set of common principle directly related to poverty, and to make them more meaningful, it has to decide if it wants to design measurable objectives and targets for indicating performance.

ITEM 6: Illegal acts in forestry: definitions process

Clarifying the Definition of Illegal Logging

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With the contributions of
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1. Introduction

This discussion paper for the FAO Advisory Committee on Paper and Wood Products looks at the issue of defining "illegal logging". Illegal logging has become a matter of widespread concern, yet people use the term in different ways, without consensus on its meaning. At last year's meeting the Advisory Committee discussed illegal logging and encouraged FAO to look at how to clarify the definition. This paper reviews some developments in the field since the Advisory Committee's last meeting, explores issues that arise in clarifying the definition, and considers how FAO might encourage the development of more specific definitions to advance action against illegal logging.

2 The Issue

Stakeholders throughout the forest sector have raised concerns about illegal activity. The alarm has rung most notably and loudly about the problem in developing countries (see, e.g, Curran et al. 2004; Tacconi et al. 2003, p. 7, Table 3) and in countries in economic transition such as those in Central and Eastern Europe (see, e.g., Bouriaud & Niskanen 2003; WWF Latvia 2003). However, even developed countries such as the United States may have significant environmental and monetary losses from illegal logging (see Government Accountability Project 2002), and consumer nations contribute to the problem by buying forest products regardless of legality, by financing illegal activities, and by unintentionally offering opportunities for laundering of products and profits through illegal trade (see the discussion in Commission of the European Communities 2003, pp. 9–21).

The issue resonates across the entire forest stakeholder community: industry groups, environmental groups, academics, international aid organizations, producer nations, and consumer nations all are speaking out. The concern is broad because illegal logging affects the forest sector in many ways:

- **Environment:** Illegal logging could affect the quality of forests and the goods and services they provide: sustainable fuel and fiber supplies, wildlife habitat, water supplies, and other environmental values. (For a current example, see Curran et al. (2004), a report on the impact of illegal logging on protected areas in Indonesian Borneo);
- **Commerce:** Orderly conduct of business depends on enforcement of property rights, honouring of contracts, and the even-handed application of the law;
- **Social welfare:** On the one hand, illegal logging can be a symptom of laws out of step with local needs; on the other hand, illegal logging can deprive people of access to their own

forest resources, expose them to dangers in their work, and turn stable communities into boom-and-bust, unstable communities. In the hands of rebels, criminals, or corrupt officials, income from illegal logging can support violence and repression;

- **Governance:** Illegal logging is a symptom of the failure to administer justice effectively, and it feeds corruption and organized crime;
- **Revenues:** Illegal logging has cost governments billions of dollars in lost taxes and forest owners billions of dollars of lost stumpage. Because illegal logging is often unsustainable, it robs communities of future income.

3 Recent Developments

Last year's background paper for the Advisory Committee reported developments on several fronts against illegal logging. They ranged from spontaneous direct actions by villagers to high-level meetings of producer and consumer nations.

Since the last session of the Advisory Committee, actions have continued at an accelerating pace. The most prominent events and actions are noted briefly here. For a more comprehensive reference, consult www.illegal-logging.info, the Sustainable Development Program of the Royal Institute of International Affairs website tracking developments related to illegal logging.

In May 2003, the European Commission released its draft Action Plan for **Forest Law Enforcement, Governance and Trade** (FLEGT). The plan addresses the problem of illegal logging and related trade, and some regions or countries were targeted: Central Africa, Russia, Tropical South and Southeast Asia. Among the actions proposed in the draft plan, those having the most direct influence on timber trade are :

- The EU will work with timber producing countries in the form of cooperation to implement effective systems that could distinguish legal from illegal production and track timber from the point of origin to final markets;
- In the short term, it is proposed to help countries set up a voluntary licensing scheme to ensure that only legal timber is imported from those countries. Under this scheme, exporting countries would become Forest Law Enforcement, Governance and Trade (FLEGT) Partner Countries and the exported timber would be accompanied by an export permit;
- Timber originating in a FLEGT Partner Country and arriving at an EU point of import would not be released for free circulation in the EU without such a permit;
- In the case of a refusal by a country to develop a FLEGT Partnership, the feasibility of legislation to control imports of illegally harvested timber into the EU could be undertaken. (Commission of the European Communities, 2003).

The **African Forest Law Enforcement and Governance (FLEG) ministerial conference** took place in October 2003 in Yaoundé, Cameroon, under the umbrella of the New Partnership for Africa's Development (NEPAD). Representatives from 39 nations (including consumer nations and the EU) along with international organizations and NGOs met to discuss technical and political aspects of illegal logging in Africa. The Ministers issued a Declaration that contained various pledges to fight violations to forest law by not only strengthening national initiatives but also bilateral, regional and multilateral collaboration. The Declaration outlined 38 specific actions countries should undertake to support better law enforcement in the region. A follow-up meeting has been planned for this spring. (A summary of the meeting can be found in International Institute for Sustainable Development (2003)).

The African FLEG followed a similar effort in Southeast Asia in 2001. Future FLEG conferences, focusing on Latin America and Russia, are in the planning stages.

The **Asia Forest Partnership** is an effort by Japan, Indonesia, the Nature Conservancy, and the Center for International Forestry Research to further sustainable forest use. It was created at the 2002 World Summit on Sustainable Development in Johannesburg. In November 2003 it held its third meeting, and illegal logging was a major topic of discussion. Among the points discussed was a proposal to establish minimum standards of legality. A set of links to proposals and presentations related to illegal logging from the third meeting is posted on the web at http://www.asiaforests.org/scripts/events.asp?ref=/events/events.htm&bm=2.

A similar outgrowth of the Johannesburg Summit, the **Congo Basin Forest Partnership**, brings together 29 national governments, international organizations, and NGOs with an interest in Congo Basin forests. Its first meeting was in Paris in early 2003 and it plans to meet again in Brazzaville this spring.

The **International Tropical Timber Organization** continued its interest in reducing illegal logging. In a November 2003 press release from the 35th meeting of the International Tropical Timber Council, the Council urged the private sector to become more involved in combating illegal activities. The release is available at http://www.itto.or.jp/live/Live_Server/207/news20031108e1.doc.

4 Working towards better definitions

The lack of a common understanding on a core set of definitions related to illegal logging has actually helped to advance general discussions of forest sector problems. It has allowed people of different backgrounds and interests to find common ground in their respect for the rule of law and opposition to illegal activities.

However, the lack of harmonized terms and definitions makes acting on the problem more difficult. For example, a study in the Baltic region found that people interviewed there did not share a consistent definition of illegal logging and so had significant differences in their understanding of the problem (WWF Latvia 2003). A recent study for the European Commission identified the lack of a clear working definition of legality as a hurdle to verification of timber imports (ERM 2003). In trying to develop procurement standards for legally felled timber, the UK government found sustainable and legal timber to be complex and difficult to define (UK DEFRA 2003). To move from discussion to action, it is necessary to identify specific standards and issues of concern. This means clarifying exactly what “illegal logging” means.

5 What would clarifying the definitions entail?

An effort to clarify the definition could move in two distinct directions. The first approach is give up on the general term “illegal logging” at the outset. The argument here is that the term is too vague. It means everything and nothing. The solution is to adopt a more precise set of new terms that would allow certainty in discussions, policy papers, and perhaps legislation.

The eventual result would be a family of overlapping, related terms, such as:

- *Timber theft*: harvest of trees without lawfully obtained permission from the owner;
- *Forest injury*: unlawful destruction of forest property or resources, including acts such as arson, illegal hunting, or destruction of survey and boundary marks;

- *Forest revenue crimes*: evasion of forest-related taxes, tariffs, and fees, including stumpage fees owed to the government;
- *Illegal forest use*: trespass, illegal occupation of forestland, unauthorized harvest or land development, and other actions that displace lawful forest uses;
- *Unlawful forest commerce*: fraud, embezzlement, wrongful possession and use of property, failure to honour contractual obligations, money laundering, transfer pricing, and other illegal acts involving commercial transactions;
- *Forest environmental violations*: violations of management or harvest laws intended to protect the forest resource or the environment generally;
- *Illegal forest transport*: violation of forest product transport controls;
- *Illegal processing*: violation of environmental, commercial or other laws in the processing of forest products;
- *Illegal forest trade*: trade in forest products in violation of national laws or international agreements.

The second distinct approach is to develop multiple, variable definitions of "illegal logging" depending on the different contexts/people involved in forestry activities. This approach assumes that there is no need for a single, universally applicable meaning for each of these people, depending on factors such as:

- Geographic scope of the action developed by a person;
- Scope of authority the person;
- Powers or capacity of detection available;
- Practical objectives pursued.
-

Here are some examples of the factors as applied to specific contexts.

The **government forest administration in a rural district** is limited firstly by geographic scope. Naturally, it focuses on activities within the district. Depending on geography, it may not be directly concerned with issues of processing. It is unlikely to be dealing directly with issues of international trade, unless the district is a haven for smuggling.

The scope of its authority is going to colour its working definition as well. Its authority may be restricted to timber-related matters, with no authority to arrest people hunting without a license or capturing protected species. Its authority may be strictly limited to government lands, with no authority to stop a log truck on a public road or inspect a mill, or no authority to arrest a trespasser in a private forest.

As a practical matter, limits to detection will colour the working definition. It will probably be interested in timber theft, no matter how difficult to detect. However, depending on the structure of local government, it may be in poor position to detect that a private owner has bribed a clerk in the land department to get the necessary proof of land ownership to cut, or that the owner is under-reporting his harvest income to the revenue department to evade taxes.

Finally, its working definition will be coloured by it own objectives as a forest agency. For example, it may be in a good position to detect violations of labour laws by the harvester, but it may see its role as limited to issues that affect the productivity of the forest. It may be ready to cite a logging operation for failure to have fire control equipment on hand, but not for failing to have a first aid kit. It may consider that labour and employee safety issues are beyond the scope of illegal logging.

Appendix I is a chart that shows roughly how these kinds of contextual definitions might differ among the actors described above. On the basis of this, one can make a few general statements about the problem of defining illegal logging. First, there are some common features to all the contextual definitions, notably that they all include theft of trees. This squares with the common use of the term and the image that "illegal logging" probably brings to most people's minds. Second, the most comprehensive definitions may come from within industry itself. This is because industry can be geographically diverse and can have a high power of detection, in the sense of self-policing. Third, it is unlikely that any universal definition will emerge when contexts demand so much difference in focus. In fact, some the greatest definitional differences may be found within governments, where different departments such as forestry and revenue have different authorities, detection powers, and objectives.

6 What is FAO doing

The Food and Agriculture Organization of the United Nations, FAO, in partnership with the International Tropical Timber Organization, ITTO, initiated a global analysis of experiences in combating illegal logging and trade with the objective of identifying and designing best practices and guidelines for ensuring law compliance. These guidelines will help government decision-makers in designing and implementing policy, legislative and institutional approaches to ensure better adherence to the law. FAO also initiated a catalogue of forest laws in various countries, as well as a number of case studies to examine factors of the policy and legal framework that facilitate or compel actors to engage in illegal actions. Several country analyses by FAO and ITTO are under way. These studies are providing insights on causes of illegal acts and the possible remedial measures that country governments can undertake. The National Forest Programs Facility, hosted by FAO, continue to provide advice to countries on policy reforms and FAO is also studying ways in which private forest corporations could contribute to better law enforcement in the countries they operate by adopting corporate codes of conduct. FAO is also providing technical assistance to some member countries to increase their institutional capacity to improve and enforce forest laws and to develop appropriate related policies and strategies to combat and reduce illegal activities in forestry.

7 Options for further action by FAO

Considering the above discussion it is apparent that any attempt to clarify the definition is unlikely to result in a single, universally applicable meaning, in fact different motives for clarification would take the definition in different directions. This imply that perhaps efforts should not be invested in clarifying or defining a single term, but rather in harmonizing existing terms for a better understanding of illegal logging in the international debate.

Here are some possible roles for FAO. They are presented to stimulate discussion among the Advisory Committee members, without particular endorsement. FAO invites the members' suggestions and advice.

I. FAO to convene a panel of experts and stakeholders to identify and define specific classes of acts and main elements which could conform or lead to illegal logging.

II. FAO to convene a discussion of illegal logging among businesses (and perhaps NGOs, development banks, and governments) to promote consensus on illegal logging as part of a voluntary code of socially responsible behaviour? Recent years have seen the development of voluntary codes such as the Equator Principles for socially and environmentally responsible private investment (see http://www.equator-principles.com) and the Business Principles for Countering Bribery (see http://www.transparency.org/building_coalitions/private_sector/business_principles.html). A committee of the International Standards Organization is exploring the feasibility of an ISO standard for CSR management (see http://www.iso.ch/iso/en/comms-markets/industryforums/corporatesocialresp/index.html). Should there be a model code for avoiding complicity in illegal acts in forestry, or in natural resource management?

III. Are there other constructive roles for FAO beyond those suggested here?

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	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R
1																		Appendix
2	Table I: Context-Specific Definitions of Illegal Logging																	
3				**PERSON CONCERNED:**	District Forest Officer	Revenue official	Overseas "Green" Buyer	Certifier: Land Management	Certifier: With Chain of Custody	Associationn Membership Director	CSR Manager	Intl Donor: Community Forestry	Intl Donor: Forest Law & Gov.					
4		**ACTION**																
5		Theft of trees																
6			Small scale		X	X	X		X	X	X	X	X					
7			Stand- or forest-scale		X	X	X	X	X	X	X	X	X					
8		Theft of non-wood resources			X	X				X	X	X	X					
9		Illegal occupation of land			X	X	X	X	X	X	X	X	X					
10		Vandalism & arson			X					X	X	X	X					
11		False permission to harvest																
12			By fraud or extortion		X	X	X			X	X	X	X					
13			By mistake		X			X	X		X	X	X					
14		Unlawful traditional use			X			X	X	X		X	X					
15		Owner-logger contract broken								X	X	X						
16		Harvest rules broken																
17			Environmental		X		X	X	X	X	X	X	X					
18			Business or tax			X		X		X	X	X	X					
19		Forest management rules broken			X			X	X	X	X	X	X					
20		Illegal local transport			X				X	X	X	X	X					
21		Illegal sales																
22			Fraudulent			X			X	X	X	X	X					
23			Contrary to bans		X		X		X	X	X	X	X					
24			evading taxes			X			X	X	X	X	X					
25		Processing violations																
26			environmental				X		X	X	X							
27			Business or tax			X				X	X							
28		Sophisticated deceptions																
29			Money laundering			X					X							
30			Transfer pricing			X					X							
31		International trade																
32			Smuggling			X	X		X		X							
33			Evading tarriffs or taxes			X			X		X							
34			Evading CITES				X		X		X							
35			Evading phytosanitation controls				X		X		X							
36		Linked Crimes																
37			Receiving stolen property				X		X		X							
38			Evasion of taxes			X				X	X	X						
39			Bribery/extortion		X					X	X	X						

ITEM 4: The role of ACPWP AND ICFPA

Strengthening Synergies between FAO's ACPWP and ICFPA

Discussion Paper prepared by
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1 The Partners

The International Council of Forest and Paper Associations (ICFPA) is comprised of the vast majority of the world's private sector paper and wood industries. ICFPA pursues common interests and common positions on global matters related to forestry.

The FAO Advisory Committee on Paper and Wood Products (ACPWP) is a private sector advisory body chosen by FAO which provides advice and assistance on FAO projects and seeks FAO assistance for private sector concerns.

2 Current Situation

There is considerable overlap in the agendas and the memberships of the two organizations, but roles are distinct.

ICFPA includes a broader cross section of private sector organizations which are selected by industry and not by government.

The ACPWP's priorities and requests to FAO emerge for the most part from the largely overlapping membership of the ICFPA meeting immediately preceding the ACPWP meeting.

3 Proposals for streamlining

- Differentiate functions
  - By choosing which topics are dealt with in each forum.

- Complement each other on shared functions
  - By ensuring the ACPWP only looks at what the FAO wants advice on or the private sector wants assistance on.

- Rationalize the two organizations
  - By having ICFPA members meet "formally" as ACPWP for the purpose of advising FAO that would entail 24 ICFPA members participating in an official capacity and the others in a non-official capacity.

4 Questions for Discussion

- Are members happy with the way the ACPWP is now?
- What form of rationalization would be most useful?

ITEM 8: Forestry and climate change: emerging carbon industry

Opportunities and challenges for the timber industry to participate in CDM activities

Discussion paper
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The Kyoto Protocol of the United Nations Framework Convention on Climate Change (UNFCCC) defines three Flexible Mechanisms, that aim to help Annex I countries (most developed countries) to fulfill their commitments in reducing greenhouse gases (GHG). These mechanisms are Joint Implementation (JI), Emission Trading (ET) and the Clean Development Mechanism (CDM)[12].

Out of these three mechanisms, only the CDM allows participation of the non-Annex I countries (developing countries). CDM projects produce Certified Emission Reductions (CER), that can be accounted as reductions in Annex I countries or traded in Kyoto compliant trading systems, such as the EU emissions trading system, pending the inclusion of CERs from land use, land-use change, and forestry (LULUCF) projects, or other domestic trading systems (e.g., Canada, Japan). Prices of CERs currently range between $/€3-4 per ton CO_2e [13].

Several **types of projects** are potentially eligible under the CDM, both in the Energy Sector (ES) and LULUCF. For the time being, eligible LULUCF activities under the CDM are restricted to afforestation and reforestation until 2012. Activities in bio-energy are also eligible within the CDM until 2012.

This paper presents various opportunities that the CDM could offer to the private forestry sector in its efforts to contribute to poverty alleviation, to develop innovative ways to secure part of its raw material resources, by capitalizing non-timber values of forestry operations.

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[11] Swiss Federal Laboratory for Material Testing and Research (EMPA)

[12] *Joint Implementation (Art. 6)*: "Any Party included in Annex I may transfer to, or acquire from, any other such Party emission reduction units resulting from projects aimed at reducing anthropogenic emissions by sources or enhancing anthropogenic removals by sinks of greenhouse gases in any sector of the economy…"

Clean Development Mechanism (Art. 12): The purpose of the clean development mechanism shall be to assist Parties not included in Annex I in achieving sustainable development and in contributing to the ultimate objective of the Convention, and to assist Parties included in Annex I in achieving compliance with their quantified emission limitation and reduction commitments under Article 3.

Emission Trading (Art. 17): The Parties included in Annex B (Annex I of the UNFCCC) may participate in emissions trading for the purposes of fulfilling their commitments under Article 3. Any such trading shall be supplemental to domestic actions for the purpose of meeting quantified emission limitation and reduction commitments under that Article.

[13] 1 Ton C = 3.66 Tonne CO_2.

1. CDM-LULUCF projects

The CDM project cycle includes seven major steps: project design and development, validation, registration, monitoring, verification, certification and issuing of the CERs. It involves the interaction of a relatively wide range of actors: the project developers, the National CDM Authority, the Operational Entity and the CDM Executive Board of the UNFCCC.

The project cycle in the CDM is very challenging. Experience has shown that, due to their complexity, these projects can have higher transaction costs than other activities related to forest products or services.

1.1 Definitions:

In this document, reforestation, afforestation and forest are defined according to the decisions of the Conference of the Parties (COP) of the UNFCCC:

> "Forest" is a minimum area of land of 0.05-1.0 hectares with tree crown cover (or equivalent stocking level) of more than 10-30 per cent with trees with the potential to reach a minimum height of 2-5 meters at maturity *in situ*. A forest may consist either of closed forest formations where trees of various storeys and undergrowth cover a high proportion of the ground or open forest. Young natural stands and all plantations which have yet to reach a crown density of 10-30 per cent or tree height of 2-5 meters are included under forest, as are areas normally forming part of the forest area which are temporarily unstocked as a result of human intervention such as harvesting or natural causes but which are expected to revert to forest;
>
> "Afforestation" is the direct human-induced conversion of land that has not been forested for a period of at least 50 years to forested land through planting, seeding and/or the human-induced promotion of natural seed sources;
>
> "Reforestation" is the direct human-induced conversion of non-forested land to forested land through planting, seeding and/or the human-induced promotion of natural seed sources, on land that was forested but that has been converted to non-forested land. For the first commitment period, reforestation activities will be limited to reforestation occurring on those lands that did not contain forest on 31 December 1989.

1.2 Key issues for the design of CDM/LULUCF projects:

In order to be validated, project participants (i.e., the project developer) shall present a "Project Design Document"(PDD) which shall provide enough information on crucial issues that are immanent in CDM LULUCF project such as additionality, permanence, leakage, definition of the carbon potential, and environmental and socio-economic impacts. In addition to this information related to the operational procedures of the project is required.

- *Additionality* means that a CDM/LULUCF project has to be additional to any activity that would have taken place in the absence of the project. Additionality is the result of the carbon sinks created by the project (project scenario) minus those sinks that would exist in the project's absence (baseline). The additionality concept is of a threefold shaping: environmental, program or investment, and financial additionality;
- *Permanence* is related to the time that carbon can stay in the biosphere. Due to different risks, including fire and pests, carbon can be released to the atmosphere, reducing the

project's climate change mitigation effect. To solve this problem CDM-LULUCF projects have to choose between temporary CERs (tCER) or long-term CERs (lCER);

- *Leakage* is the increase in GHG emissions by sources which occur outside the boundary of an afforestation or reforestation project activity under the CDM, and which is measurable and attributable to the afforestation or reforestation project activity;
- *Definition of the carbon potential:* or "Net anthropogenic greenhouse gas removals by sinks" is the actual net greenhouse gas removals by sinks minus the baseline net greenhouse gas removals by sinks minus leakage;
- *Environmental and socio-economic impacts.* A CDM-LULUCF project has to provide information on potential environmental and socio-economic impacts. If negative impacts are considered significant by the project participants or the host Party, an environmental impact assessment has to be conducted and potential impacts have to be monitored during the project's implementation.

2. Potential impacts for the wood trade

The estimation, reporting and accounting of carbon stored in wood products under the UNFCCC and its Kyoto Protocol could potentially affect forest and wood products management practices, as they may influence the development of policies and measures that affect the quantity and possibly the quality of the national stock of wood products.

Impacts on the trade of wood depend on the approach to accounting for changes in carbon stocks and GHG emissions from forest harvesting products[14]. Differences between these approaches are based on the consideration of three factors:

a) What will be accounted: whether net changes in carbon are estimated only for forests or also for wood products;
b) Where the changes are attributed: production or consumption country; and
c) When emissions and removals of GHG occur.

The UNFCCC has prepared a detailed document on the estimation, reporting and accounting of harvested wood products within the convention. It includes an analysis of impacts and implications for the wood trade of each of the above mentioned approaches (FCCC/TP/2003/7) and analyses potential socio-economic and environmental impacts.

During the negotiations on LULUCF activities under the Kyoto Protocol, some consideration was given to forest harvesting and wood products. As a result, Parties have agreed on definitions, modalities, rules and guidelines for LULUCF activities under the CDM. *The wood product pool was excluded from accounting and, therefore, wood products are currently not included as a separate pool or activity for the first commitment period.* However, the Conference of the Parties (COP), also decided that any changes to the treatment of wood products shall be in accordance with future decisions of the COP.

For CDM projects, this means that, for the first commitment period (2008 – 2012), wood products cannot be included or accounted separately and have to be included in the reforestation and afforestation activities, until further decisions are made by the COP. The issue of wood products will be taken up again for further consideration at the 21st meetings of the Subsidiary Bodies to the COP, held in parallel to COP 10 in Buenos Aires in December 2004 (FCCC/SBSTA/2003/15).

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[14] The Intergovernmental Panel on Climate Change (IPCC) identified four approaches to accounting GHG emissions resulting from wood products: the IPCC default, the stock change, the production and the atmosferic-flow approach (FCCC/TP/2003/7).

3. Relation to poverty alleviation

An analysis by Niles *et al* (2002) shows that, over the next decade, 48 major tropical and subtropical developing countries will have the potential to reduce the atmospheric carbon burden by about 2.3 billion tonnes of carbon. Given a central price of $10 per tonne of carbon and a discount rate of 3%, this mitigation would generate a net present value of about $16.8 billion collectively for these countries. Achieving this potential would require a significant global effort, covering more than 50 million hectares of land, to implement carbon friendly practices in agriculture, forest and previously forested lands.

The analysis takes into account different activities in forestry and agriculture. Only two of these activities, reforestation and aforestation (see definitions above) are eligible under the CDM. Further, under the Marrakech Accords, the possibility of buying CERs from LULUCF activities was reduced to one per cent of base year emissions times five of the participating Annex I Party. This results in an amount of credits allowed from CDM-LULUCF activities equal to 33 Mt C (121 MtCO_2e) per year (Zammit Cutajar, 2001).

Currently, other carbon markets that include forest management activities are being developed. In particular, in the USA and Canada such schemes proactively promote the generation and purchase of further LULUCF activities, including forest management, conservation, reduced logging, revegetation or re-habilitation etc.. Existing bilateral negotiations between private investors and projects could be interesting for these other activities, apart from or in addition to reforestation and afforestation). However, this discussion paper focuses on the opportunities provided by the CDM.

As investments in CDM projects have to be additional to activities previously planned or financed, there is a potential opportunity to promote forestry projects that have so far been considered unfeasible. This consideration can be especially important for projects aimed at contributing to poverty reduction, because CERs payments could result in the establishment and management of activities that were not economically viable in the past.

To date, a number of projects have been designed with the objective of poverty reduction, including FAO projects in Central America, ITTO San Nicolás Project in Colombia, Scolel Té project in Chiapas, Mexico[15]. Experience from these projects demonstrates that well-designed CDM activities can represent new opportunities for local communities and for the private sector. The last thorough investigation or rather inventory of carbon sequestration projects, CDM and non CDM project activities, worldwide has been conducted by the World Resources Institute (2002). Of 71 projects identified, 10 were in Africa, 12 in Asia, 35 in Latin America and 15 in North America. Although the information has not been verified, it does provide an insight into some of the activities that have occurred to date. Although the numbers described above represent the results of quite thorough investigations, many projects may be underway or at least developing the relevant documentation and information, but have not registered officially. Also, a large number of projects have been developed with the objective of generating a wider range of environmental services, many of which have not been labelled as 'carbon projects' *per se*.

4. LULUCF activities

Reforestation or afforestation activities under the CDM that could be of interest to the private sector include:

[15] Both projects, San Nicolas and Scolel Té, comprise CDM eligible as well as non-CDM eligible project activities.

a) Improved reforestation practices; including:
   - planting more species than planned without the carbon incentive;
   - extended rotation periods
   - reducing thinning; and
   - bioenergy plantations and (see below for bioenergy);

b) Forest land restoration;
c) Agroforesty activities;

d) Silvopastoral activities;

Traditional large-scale monoculture plantations are not considered here, because of the difficulty of proving their additionality (that this plantation would not have been planted in the absence of carbon incentives or financing). However, if additionality can be proved these projects can certainly be developed as CDM projects.

CDM-LULUCF activities can have a range of positive socio-economic and environmental impacts on poor livelihoods (see Table 1).

The challenge for CDM-LULUCF activities is to promote positive impacts and avoiding or reducing risks of negative impacts during the design, implementation and monitoring processes.

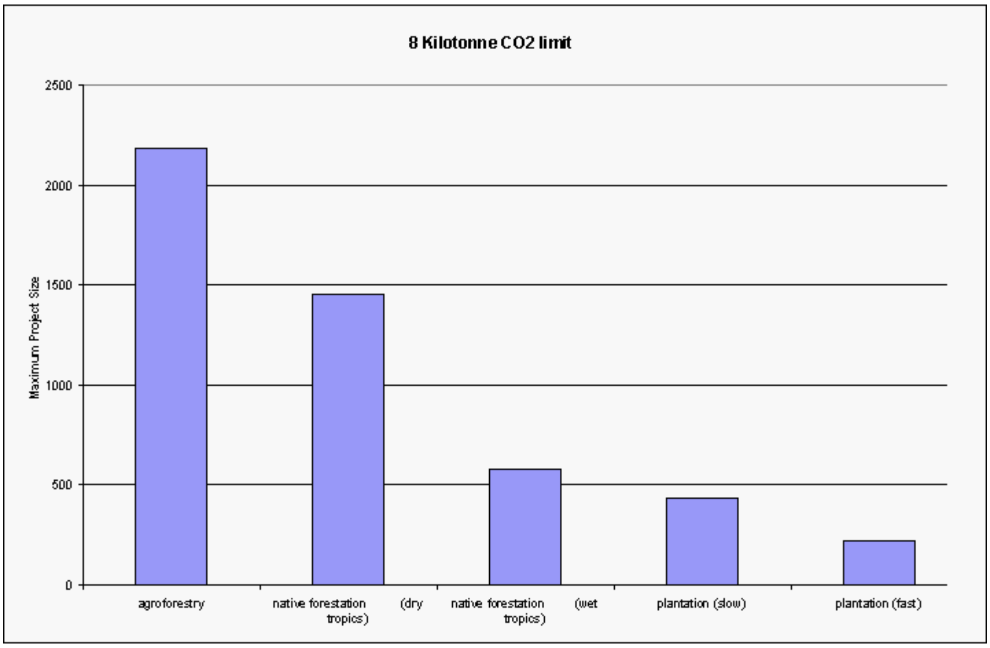
Table 1. Potential socio-economic and environmental impacts of CDM activities

	Socio-economic impacts	Environmental impacts
Positive	- Improvement of local income - Diversification of the production basis - Improvement of land tenure - Participation and empowerment of local groups (private and non private) in planing and decision making - Access to capacity building	- Biodiversity conservation - Improvement of biodiversity index - Improvement of watershed management - Reduction of erosion/soil degradation - Reduction of forest degradation (especially in projects aimed at provideing bioenergy that substitutes fuelwood)
Negative	- Induced migration of local groups - Aggravation of land-tenure issues - Initial income reduction (e.g. if agricultural activities are replaced without taking into account short-term loss of income)	- Lost of biodiversity niches - Promotion of forest land degradation (due to project leakages) - Negative impacts on watersheds - Uncontrolled dissemination of alien invasive species

4.1 Small-scale projects:

During the last COP in Milan, *small-scale afforestation and reforestation activities* were defined as “those that are expected to result in net anthropogenic greenhouse gas removals by sinks of less than 8 Kilotonnes of CO^2 per year and are developed or implemented by low-income communities and individuals as determined by the host Party. If a small-scale afforestation or reforestation project activity under the CDM results in net anthropogenic greenhouse gas removals by sinks greater than 8 Kilotonnes of CO^2 per year, the excess removals will not be eligible for the issuance of tCERs or lCERs".

Graph 1: Maximum size of small scale projects according to forestry activities



Source: Author calculations based on data provided by Niles, John O

Graph 1 provides an indication of the size that small scale projects could have, according to different activities and regions. This is to give a clearer picture about the size of projects that could be presented as small scale ones.

Small scale projects were defined to promote participation of small scale farmers and local communities in the CDM. Small scale projects shall aim at improving the socio-economic and environmental conditions of poor communities that are currently implementing unsustainable land use practices on degraded land due to lack of knowledge or opportunities.

Simplified modalities for small scale reforestation and afforestation activities under the CDM are in preparation and should be decided upon at COP-10, to be held in Buenos Aires, Argentina in December 2004.

4.2 Bioenergy

The principle behind bioenergy differs from reforestation and afforestation activities in that bioenergy activities are aimed at *substituting* fossil fuels. Thus, bioenergy projects are considered primarily under "*Modalities and procedures for a clean development mechanism as defined in Article 12 of the Kyoto Protocol*". In other words, for the purposes of the CDM, bioenergy projects are considered as "energy projects". In certain ways, these projects are easier because they do not deal with socio-economic impacts or with permanence.

What is the potential for bioenergy projects in forestry? To answer this question, three elements can be considered:

- Bio-energy projects are unique in that they can combine both the energy sector GHG savings with net carbon sequestration savings, depending on the project type and activities. The sequestration aspects, for example the establishment of new fuelwood plantations, are treated in the same way as any other land use project in terms of eligibility as a JI or CDM project and the markets for credits. However, bio-energy projects are also able to claim CERs for the emissions they are avoiding through the displacement of such fuels with renewable sources;

- Wood residues from harvesting processes and wood transformation has a high energetic potential. Wood residues contstitute up to between 50 – 70% of total forest-cut timber. Improving production processes could lead to a reduction in wood residue whilst increasing productivity for wood producers and could represent significant potential for emissions reduction. However, implementing such activities requires investment and awareness raising to ensure local communities' acceptance of new energy sources. The CDM could be a way to promote new business opportunities, overcoming these barriers;

- Many communities in tropical regions rely on fuelwood as their source of energy. Practices used in obtaining this wood are generally unsustainable and one of the major causes of forest degradation. That is especially relevant to poor communities. An improvement in local practices and transformation processes could reduce current emissions. For example, combining sustainable, emissions-neutral fuelwood plantations, as well as locally collected fuelwood with improved, energy-efficient fuel (e.g. wood pellets) and appropriate emission reducing combined cooking and heating stoves provided a considerable emission reduction potential on a low-cost basis.

Appropriate project design based on the above elements could contribute both to climate change mitigation and adaptation. The challenge now is to prepare pilot projects that are geared to a wider range of opportunities (i.e., multicomponent projects).

4. Opportunities to participate in CDM-LULUCF projects

Considering the markets promoted through the Kyoto Protocol, various opportunities arise for the private forestry sector to participate in CDM-LULUCF projects. These projects might not necessarily only be large scale plantations, due to the difficulties in demonstrating their additionality. Instead, other activities, including small scale forestry, agroforestry, or multicomponent projects, could be considered, whereby ***opportunities to create strategic partnerships between forest industry and local communities*** could result in a win-win partnership. The following examples illustrate some of these opportunities:

a) ***Multicomponent projects****:* For example, multicomponent projects (e.g., a combination of timber plantations, agroforestry, fuelwood plantations, as well as forest conservation) developed under a Forest Landscape Restoration (FLR) approach. FLR projects would focus on re-establishing functions and key ecosystem processes across a whole landscape rather than just planting or restoring individual sites. As such, FLR looks at a mosaic of land uses including agricultural lands and forest types ranging from plantations to natural forests. It might be used for example to help buffer a small and isolated protected area by re-establishing trees on surrounding land that, whilst having a range of social or commercial functions, could also help protect native biodiversity or deliver further environmental services.

b) ***Bioenergy****:* Bioenergy offers opportunities to increase the timber industry's productivity and to promote the development of new products that would not be attractive without the carbon payments. If projects propose to substitute fuelwood, which is traditionally considered a non-marketed forest product by local communities, project developers should design strategies to increase the communites' acceptance.

c) ***Diversification of local income:*** CERs payments are by definition an instrument to pay for an ecosystem service. Being a new instrument, CERs imply the diversification of traditional source of income. Moreover, past experience has shown that agroforestry and silvicultural activities are considered of special interest to local communities. These two activities are interesting because, if designed appropriately, they could deliver high value timber species.

d) ***Reduction of conflicts with local communities***: There are many well-documented conflicts between local communities and the timber industry. Given that CDM projects could be based on a *partnership* between local community (e.g. farmers, municipalities, indigenous peoples, etc) and the timber industry, the project could be considered as a strategy to increase local income and reduce social conflict. Thus, the projects could have environmental and social benefits. For some potential investors, such as the Community Development Carbon Fund and the BioCarbon Fund of the World Bank, these collateral effects are decisive for their involvement.

e) ***Contribution to food security:*** Activities related to agroforestry and sylvopastoralism on degraded land in particular, can deliver important nutritional complements to the food basis of local communities. In some cases, these activities can deliver high-value timber species to the industry.

f) ***Watersheds management:*** Watershed degradation is considered a major ecological problem. Consequences vary from reduced water availability and quality, to biodiversity loss and increased risk of landslide. Climatic changes can exacerbate these risks. Restoration and rehabilitation of degraded land require significant investments which local communities often cannot provide. The timber industry could participate in CDM projects aimed at restoring and rehabilitating degraded forestland and obtain benefits such as part of the CDM income, improvement of the water supply and access to selected species (harvested in the future according to RIL practices). By doing so, the timber industry would develop "high-quality"projects with synergy effects that support all three Rio Conventions (i.e., the UNFCCC, the Convention on Biological Diversity, and the United Nations Convention on Combatting Desertification). Such projects have the potential to generate additional, and potentially saleable, environmental services apart from carbon sequestration.

5. Major challenges

Some of the major challenges faced by project developers in CDM activities are encountered in the following four elements: country support, legal aspects, transaction costs, lack of capacity and credibility.

- ***Country support:*** CDM projects have to be approved by the Designated National Authorities (DNA), which has to confirm the project's contribution to sustainable development. To this end, each DNA has to define criteria and procedures. As of today, the level of development of DNAs varies from country to country;

- ***Legal aspects:*** There are some legal aspects that need to be clarified before a project can be validated and registered:
  - Land-tenure issues;
  - Property of the CERs; national legislation regarding carbon sequestration, which is an ecosystem service, is non-existent in many countries. In these cases, a potential conflict regarding the property of the CERs exists;

- Contracts and legal arrangements regarding project activities will be reviewed during the validation process;

- ***Transaction costs:*** The design and implementation costs of CDM-LULUCF activities, as well as of potential taxes and fees, can make these projects costly. Project developers have to be aware of the additional costs of developing a CDM project, i.e. its 'transaction costs'. Some of these costs are upfront costs, but others can be deferred until the project is operational and generating revenue, such as the verification costs. Transaction costs associated with the project cycle, such as documentation, validation and registration, are usually independent of scale. The extent to which these costs will affect the project depends mainly on two aspects:
  - The development of prices as the market grows; and
  - The availability to local capacities;

- ***Lack of capacity:*** concerns regarding the capacity to design, implement and monitor projects relate to the following:
  - Capacity to appropriately design projects, including use of methodologies to define baseline and additionality, to calculate carbon potential and to design the monitoring plan;
  - Capacity to appropriately implement the project and to monitor the project and carbon fluxes;
  - Capacity to establish clear and transparent legal agreements;
  - Capacity to interact in the validation, verification and certification processes;
  - Lack of entrepreneurial experience.

  Some of these concerns are well known to the timber industry. Previous experience by industry representatives can improve competitiveness of a CDM project.

- ***Credibility***: Negotiations on LULUCF activities within the CDM have been very difficult. This is partly the result of a general lack of credibility regarding some aspects of the potential CDM-LULUCF projects, relating to the:
  - Duration of sinks in the biosphere (permanence);
  - Credibility and appropriate communication between different project participants, such as the timber industry and farmers;
  - Quality of data for project design and monitoring;
  - Corruption in the sector.

  Market conditions for CDM-LULUCF projects can be harder due to a certain lack of confidence amongst the potential buyers. While transparency and high quality data can be a strategy to alleviate this mistrust, the performance of such projects will be central to demonstrating that CDM-LULUCF activities can not only contribute to mitigating climate change, but also to provide positive collateral socio-economic and environmental impacts. If these multiple positive effects are achieved, CDM/LULUCF projects will greatly contribute to sustainable development and could be favoured by the market.

6. Potential impacts of climate change on forest resources

As climate change can affect forest ecosystems, including natural forest and plantations, project developers should bear in mind the adaptation capacity of their ecological and social systems as they design a CDM-LULUCF project.

FAO is currently preparing documents on adaptation of forest ecosystems and forestry to climate change. These documents include an analysis of potential effects of climate change on forest ecosystems and the forestry sector, of financing opportunities for adaptation projects, and of institutional development. Furthermore, FAO is preparing guidance for the design of adaptation projects that consider forest ecosystems and forestry.

7. The market for CERs from CDM-LULUCF activities

The market for CERs from CDM-LULUCF activities becomes more apparent, since the final decisions about the rules and modalities for these projects have been made at COP 9 in December 2003. Up to date the emerging market for CERs in general (i.e., CERs from energy related projects and LULUCF activities) has been characterized by having relatively few buyers. This certainly has changed with the EU Emissions Trading System starting in 2005 and the related Linking Directive for CDM and JI.

8.1 International Funds and Multilateral Buyers

The vast majority of the publicly known capital for purchasing emission reductions comes from various funds and multilateral buyers. In 2004, the major institutional buyers include:

- The World Bank Prototype Carbon Fund $180M
- Carboncredits.nl, the Dutch ERUPT/CERUPT $250M
- The Netherlands Carbon Development Fund $175M
- IFC-Netherlands Carbon Facility $40M
- The Andean Development Bank $40M
- Community Development Carbon Fund $100M (target)
- World Bank Bio-Carbon Fund $100M (target)
- The European Development Bank (EBRD) $61M

8.2 Annex I buyers and non-Kyoto compliant markets

The major Annex I countries or rather Annex I governments interested in buying CERs from LULUCF activities will mainly be found in Japan, Canada, and within the EU. However, within the EU some countries strongly oppose the use of CERs from CDM-LULUCF activities, whereas others are very much in favour of using or buying such CERs to meet their binding emission reduction targets under the Kyoto Protocol[16]. Because the US and Australia have decided not to ratify the Kyoto Protocol, at least for the time being, it should be emphazised that other, non-Kyoto compliant markets for forestry and the CDM arise in these countries. However, in many cases the requirements of these other markets will be similar, if not identical to those being developed under the Kyoto Protocol, but not necessarily bound by the same limitations imposed by the Kyoto process (e.g., limits on the use of forestry, for instance). In the future, potential markets for environmental services, in addition or apart from carbon sequestration, should be taken into consideration.

8.3 Private sector initiatives

In the past a number of private sector companies have already been involved in carbon or even first CER transactions, based mainly on voluntary GHG emission reduction targets accepted by individual business entities or industry sectors or as first test grounds for future investments in CDM projects. Apart from BP's well-known voluntary emissions reduction program or Shell's activities, in particular Canadian (e.g., BC Hydro, Ontario Power Generation Limited, TransAlta) and Japanese companies (e.g., Tokyo Electric Power Company, Tohoku Electric,

[16] The EU has already committed itself to meet the binding emission reduction targets as set out by the Kyoto Protocol, even without the Kyoto Protocol coming into force in its current shape. At the moment, the Kyoto Protocol would still need to be ratified by Russia to coming into force. In view of this fact, the EU decided to go ahead alone leading the way in the utilization of market-based mechanism to mitigate climate change. Furthermore, a so-called "Kyoto light" version is discussed consisting of the EU Emissions Trading System linked with emissions trading systems in Japan and Canada.

Nissho Iwai Corp and Mitsubishi Heavy Industries Ltd., and Japanese coal exporters) got engaged in emission reductions or carbon sequestration projects.

There are examples of companies in non-Annex I countries with forestry operations that have started to develop CDM-LULUCF projects unilaterally. Also, multinaltional cooperations with forestry activities or traditional relations to the forestry sector are in the process of investigating the opportunity to invest in CDM-LULUCF projects to use the generated CERs to comply with emission reduction targets they are exposed to under the relevant emissions trading system.

8.4 Other funding opportunities

In addition to market-driven investment in projects and credits, there are a number of funding mechanisms under the UNFCCC and the Protocol that may be able to provide additional support to CDM projects (e.g., Climate Change Fund, Least Developed Country Fund, Adaptation Fund). Some of these UNFCCC and Kyoto Protocol funding sources could be used to fund elements of LULUCF projects, especially those relating to capacity building and adaptation. Funding for climate change related activities might also be available from a wide range of traditional project finance sources.

8.5 CER trading volumes and prices

Among the many emissions trading models the World Bank's Pelangi's Emission Trading Model (PET) is of particular interest, because this model has been revised in 2003 when it was used in the Indonesian National Strategy Study on LULUCF (Ministry of Environment, 2001 and 2003). In 2001 the size of the CDM is projected to reach 372 MtCO2/year (for 2010), where sinks would account for about 20% of total CERs generated. The estimated price of CERs and ERUs, is under U$ 4/tCO2. Total (cumulative) CDM revenue during the first Kyoto commitment period (2008-2012) is assessed to reach U$7.0 billion. In the revised PET model, the NSS team found that credit prices increased to US$ 0.25 and CDM volumes rose to 566 Mt CO_2. However, given the 1% cap on LULUCF, this increase is made up by the non-LULUCF sectors or through domestic abatement measures. The Kyoto Protocol limits the use of CDM-LULUCF credits to 1% of the importing Party's base year emissions for each year in the first commitment period (2008-2012). This results in an amount of credits allowed from CDM LULUCF activities equal to 33 Mt C (121 MtCO_2e) per year (Zammit Cutajar, 2001).

Other models estimate the prices for carbon credits covering a range from \$1.40/t CO_2 in the MIT-EPPA model (Babiker et al., 2002) to \$5.50t/CO_2 during the first commitment period of the Kyoto Protocol, using the FAIR model (Elzen and Moor, 2001). Experience in developing CDM projects demonstrate that CDM is feasible under such prices. Empirically recorded market prices in 2002-2003 stood, on average, between U\$1.15 and \$3.50/tCO_2. The Dutch CERUPT program issued a tender for 13 million CERs with an average price of US\$5/tCO_2 (Senter International, 2002), while the World Bank's PCF estimated CER price to stand at US\$3/tCO_2 during the same year. In general, it can be expected that the prices will increase over time due to increasing demand and market activity. Interestingly enough, EU allowances are expected to achieve up to €10-12/tCO_2, whereas CERs would be traded into the EU Emissions Trading System or changed into EU Allowances at a much lower price.

8.6 Bioenergy projects

However, bioenergy projects are also able to claim CERs for the emissions they are avoiding through the displacement of fuels with renewable sources. As a result of these emissions reductions being classified under the energy sector as opposed to the land use sectors, the potential market for emission reduction credits is both larger and more varied than for pure land use projects.

In summary, Table 4 provides a framework to examine the following key questions:

1. **Capital**: Does the forest industry need to consider how it can facilitate making more capital available to the poor?
2. **Land, Labour**: Has the forest industry response been sufficient with respect to land and labour dimensions of poverty, and if not, what else can it do?
3. **Principles**: Should the forest industry associations develop a set of common principles consistent the themes identified by their individual members, industry associations and the United Nations?
4. **Objective and Targets**: If principles are developed, should the industry develop the appropriate tools to measure their objectives and targets with respect to poverty alleviation?

Additional questions that may be of relevance in the context of the above discussion include:

- How can national and international processes be established that promote strategic partnerships between the forest industry and other social groups (tax discounts, improvement of legal framework, including property of ecosystem services, etc)?
- Is there a need to identify capacity gaps (regional, sectorial)?
- How can participative mechanisms be promoted that can facilitate project design and implementation?
- Which role should a multilateral institution like FAO play in order to support and promote strategic partnerships and CDM-LULUCF project development?
- Is there a need for a Facility promoting and assisting the development and implementation of small-scale CDM LULUCF projects through the provision of technical and financial assistance and how could this Facility be structured/financed (e.g., Public Private Partnership)?
- Are large-scale, commercial planations per se non-additional?
- What are the opportunties for the timber industry? Who and where are the buyers investors in the timber industry and how can larger corporations (e.g., trade within the group) and small or medium-sized companies benefit (e.g., direct investment in smaller projects marketing green, ethical and socially responsible investments)?
- What counts more when investing in CDM-LULUCF projects (i.e., sustainable development benefits vs. investment climate)?

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