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## ASIA-PACIFIC FORESTRY COMMISSION

### TWENTY-SEVENTH SESSION

Colombo, Sri Lanka, 23-27 October 2017

### GUIDELINES FOR USING FOREST CONCESSIONS TO MANAGE PUBLIC FORESTS

#### SECRETARIAT NOTE

#### Background

1. The importance of forests in global sustainable development has been largely acknowledged by the Sustainable Development Goals (SDGs) and the Paris Agreement. In order to ensure that forests deliver their socio-economic and environmental benefits, it is crucial to expand sustainable forest management (SFM) based on the best available practices. Although progress towards SFM has occurred, the global proportion of land area covered by forests is still in decline and many countries in Asia and the Pacific are still sustaining significant deforestation and forest degradation..

2. Public forests in the tropics of Africa, Latin America and Southeast Asia cover at least 1.022 billion hectares of land (FAO 2015), of which more than 226 million hectares are designated as production forests (FAO 2016). There are at least 122 million hectares of natural forest concessions in the tropics of Africa, Latin America and Southeast Asia, covering about 54 percent of public production forests. Consequently, concessions are an important instrument in forest utilization and management (Table 1).

**Table 1: Summary of forest and concession areas (000' ha) in 24 forest-rich tropical countries (by subregion). Source: FAO<sup>1</sup>**

| Region                  | Total forest area | Public forest area | Public production forest area | % of forests in public lands | % of public lands for production | Industrial concessions' area | % of public lands under concessions |
|-------------------------|-------------------|--------------------|-------------------------------|------------------------------|----------------------------------|------------------------------|-------------------------------------|
| Latin America           | 718 820           | 425 368            | 43 582                        | 59                           | 10                               | 18 597                       | 4                                   |
| West and Central Africa | 262 365           | 260 227            | 68 173                        | 99                           | 26                               | 56 114                       | 22                                  |
| Southeast Asia          | 222 694           | 180 909            | 114 920                       | 81                           | 52                               | 48 122                       | 27                                  |
| Total                   | 1 203 879         | 866 503            | 226 675                       | 72                           | 19                               | 122 833                      | 14                                  |

3. Forest concessions are the most typical form of allocating harvesting rights in public forests to private entrepreneurs and large scale forest businesses. Allocating concessions has been an alternative to privatization of public forests, retaining the ultimate management responsibility with governments. Concessions in the context of the proposed guidelines refer to contractual arrangements that temporarily transfer both utilization and management responsibilities from the government (national or subnational according to national legal framework) to a third party. They co-exist with other types of allocation of harvesting rights to private or community entities, such as harvesting permits, as well as with other types of public forest allocation, such as forests destined to communities and indigenous peoples. Although often involving contracts between the State and a private entity, there are cases of communities holding concession contracts, for instance in Guatemala.

4. Forest concessions have mostly been formulated as an economic instrument for commercial exploitation of forests and are not always associated with sustainability. It is not much over ten years since forest policies have shifted focus to all dimensions of sustainability rather than exclusive economic, social or environmental objectives. Not surprisingly, many concessions established under the old paradigm left a trail of deforestation, degradation and social conflicts. The above mentioned regional reports revealed, however, that in countries where concessions were adopted as instruments to implement private commercial forest production under an effective sustainable forest management framework, very positive results were achieved, such as more diversified value chains, generation of jobs and provision of social benefits, and a trained and more highly skilled workforce.

5. In order to build on lessons learned and contribute to improvement of forest concessions for delivery of increased socio-economic and environmental benefits, FAO and the World Bank-administered Program on Forests (PROFOR), in collaboration with the European Forest Institute (EFI), are developing 'Voluntary Guidelines for the Sustainable Management of Public Production Natural Forests in Tropical Countries through Forest Concessions in the Context of the 2030 Agenda'. This work is under the overall guidance of the Forest Concessions Initiative (FCI), an initiative led by FAO and launched in 2015 in collaboration with the Center for International Forestry Research (CIFOR), The French Agricultural Research Centre for International Development (CIRAD), the International Tropical Timber Organization (ITTO), PROFOR and the Brazilian Forest Service (SFB). The guidelines are being produced building on

<sup>1</sup> Forest concessions regional reports West and Central Africa, Latin America and Southeast Asia (FAO 2016).

findings from three regional reports, a synthesis report and an expert meeting held at FAO HQ in 2015, as well as results from a global workshop in Brazil in 2016. This work revealed that forest concessions have been an important instrument not only in forest policy but also in land allocation and, therefore, if well implemented, can be instrumental for the achievement of sustainable landscapes.

### **Forest concessions in the Asia-Pacific Region**

6. Within the Asia-Pacific region, Southeast Asian countries and Papua New Guinea (PNG) have been leading producers of tropical logs for several decades. Southeast Asia has by far the highest share of public lands used for production in the global tropics and also the highest share of public lands under concessions (see Table 1). The FCI regional report focused on six countries (Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar and PNG) has revealed that there is a wide variety of forest concessions in these countries: concession size spans from small areas to areas larger than 100 000 hectares, with concessions allocated for periods ranging from 1 to 100 years. In some cases the land under forest concession is allocated for conversion to oil-palm, rice, rubber, coffee and other crops. Some concessions over forest lands are given for mining operations or the development of hydropower.

7. Among the challenges for sustainability of forest production in the region, the report highlights challenges relating to unstable legal frameworks and overall capacities for managing concessions, besides a general perception of insufficient transparency. The risk of potential interruption of forest concession contracts has often led to overharvesting in the immediate period after the concession is granted and is an obstacle to long-term investment.

8. These challenges are reflected in indicators on forest cover. Between 2010 and 2015, the region lost forests at an increasing rate compared to the period 2005-2010 and biomass stocks also decreased. These trends might change in the near future as forest area legally protected and forest area under sustainable management plans have increased in recent times. The area of forest under independent certification (PEFC and FSC) is, however, still very low: only 3.5% of total forest area in 2014, despite 54% allocated to production. Some countries in the region are making efforts to reduce illegal logging and its associated trade, which should support more positive indicators on deforestation and forest degradation. For instance, Malaysia and Indonesia have already established timber legality assurance systems.

### **Forest concessions in the context of the 2030 Agenda for Sustainable Development**

9. The challenge of improving forest conservation and expansion of SFM, as stated in the 2030 Agenda for Sustainable Development, demands due consideration be given to forest production. Although often associated with deforestation and forest degradation, partially as a consequence of unsustainable harvesting under forest concessions' regimes, forest production, if based on SFM practices, can yield a positive effect on biomass stocks besides generating revenues that can increase the value of standing forests, eventually contributing to reduced deforestation. Furthermore, products generated from sustainable harvesting contribute to increasing local and national incomes and increased employment, while harvested wood products that store carbon provide a vehicle to reduce humans' carbon footprints. In sum, sustainable forest production can contribute to enhanced rural livelihoods, rural development and low-carbon economies.

10. Considering the wide adoption of forest concessions in tropical regions and, in particular, in Southeast Asia, reviewing forest concessions' regimes to frame them as proper forest policy instruments to deliver SFM can turn them into effective vehicles to address the SDGs as well as the Nationally Determined Contributions (NDCs) under the Paris Agreement. The multidimensional nature of SFM provides for a holistic contribution to the SDGs through the interlinkages with other sectors and intrinsically multistakeholder processes and partnerships.

Sustainable forest concessions can directly contribute to achieving, SDGs 1, 5, 7, 8, 12, 13 and 15 (Table 2 presents the potential contributions of a sustainable forest concessions to specific SDGs.)

**Table 2: SDGs and targets to which sustainable forest concessions can contribute directly**

| <b>Targets</b>  | <b>Forest concessions can contribute to</b>  |
|---|--|
| <b>SDG 1: End poverty in all its forms everywhere</b>   |  |
| <b>1.4 By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance.</b> | Deliver basic social services to people in remote, forested areas.<br>Secure tenure rights to local communities.<br>Empower local communities to efficiently engage in consultation and transparent forest management decisions. |
| <b>SDG 5: Achieve gender equality and empower all women and girls</b>   |  |
| <b>5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision making in political, economic and public life.</b>  | Provide for gender-sensitive planning, contract awarding, allocation, implementation and monitoring processes, as well as ensuring women's inclusion in capacity and skills' development.  |
| <b>5.a Undertake reforms to give women equal rights to economic resources, as well as access to ownership and control over land and other forms of property, financial services, inheritance and natural resources, in accordance with national laws.</b>   | Provide for gender-sensitive contract awarding processes and community consultations   |
| <b>SDG 7: Ensure access to affordable, reliable, sustainable and modern energy for all</b>  |  |
| <b>7.2 By 2030, increase substantially the share of renewable energy in the global energy mix.</b>  | Provide for sustainable management of forests and access to wood-based energy<br>Use wood residues for wood energy generation  |
| <b>SDG 8: Promote inclusive and sustainable economic growth, employment and decent work for all</b>   |  |
| <b>8.2 Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors.</b>  | Strengthen economic development by value adding to forestry through vertical integration, integrating local enterprises in the value chain of the products and services from the concession.                                     |
| <b>SDG 12: Ensure sustainable consumption and production patterns</b>   |  |
| <b>12.6 Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.</b>   | Adopt sustainable practices throughout forest value chains and publishing of sustainability reports.   |
| <b>SDG 13: Take urgent action to combat climate change and its impacts</b>  |  |
| <b>13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.</b>  | Enhance resilience and adaptive capacity to climate change through forest management, ecosystem restoration, reduced impact harvesting techniques and silvicultural practices (e.g. tending, thinning).                          |
| <b>SDG 15: Sustainably manage forests, combat desertification, halt and reverse land degradation, halt biodiversity loss</b>  |  |
| <b>15.2 By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally.</b>  | Mainstream SFM in vast tracts of forest by increasing the share of forest area under a forest management plan, including share of forest area certified under an independent forest certification scheme.                        |
| <b>15.7 Take urgent action to end poaching and trafficking of protected species of flora and fauna and</b>  | Contribute to combating the trafficking of wildlife and protected tree species, including by   |

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| address both demand and supply of illegal wildlife products. | strengthening monitoring and enforcement measures. |
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## **The voluntary guidelines for sustainable forest management of public production natural forests through forest concessions**

### *Methodology*

11. Forest concessions are not used uniformly across regions, not even across all tropical regions. In some countries, forest concessions overlap with land concessions and are used as land allocation or land management instruments with other objectives than SFM. For this reason, limiting the scope of this work is fundamental. The proposed guidelines focus on promotion of SFM in concessions of public natural production forests in tropical regions. They build on the ITTO Voluntary Principles and Guidelines for the Sustainable Management of Natural Tropical Forests, as well as other relevant guidance for good forest governance and SFM, to provide practical guidance to new forest concession regimes or review and revision of existing ones. The concession guidelines are voluntary and stem from lessons learned in Africa, Southeast Asia and Latin America. In combination with criteria and indicators processes, these guidelines provide a framework for implementation and monitoring of concessions to deliver true SFM.

12. Based on a literature review, an on-line survey, semistructured interviews and direct consultations, the methodology for producing this document sought to ensure that the key challenges faced by forest concessions and implementation of SFM would be addressed. The conclusions from the workshop in Brazil were the starting point to define the four main areas of focus to deliver the guidelines: (i) governance (policy and institutional arrangements, including means of implementation), (ii) socio-economic aspects (including economic feasibility, markets and socio-economic benefits), (iii) forest management practices (including monitoring) and (iv) relationship with forest communities. An extensive literature review supported the development of an analytical framework that provides a typology of forest concessions, including necessarily, but not only, policy objectives, legal aspects and contractual arrangements, scope of forest management (objectives and activities), the main stakeholders, and monitoring and evaluation. The proposed concessions' management cycle stems from this analytical framework, which underpins the formulation of principles, guidelines and recommendations. A self-assessment tool for evaluation of initial conditions or circumstances surrounding forest concessions' regimes has also been formulated, primarily intended to support policy-makers in establishing and managing forest concessions, but also to be used by concessionaires, communities and other stakeholders.

13. The process to build the guidelines was participatory and country-driven. The work was motivated by direct country demand, started by Brazil's request to FAO to assess the status of forest concessions in tropical countries and discuss measures to address the challenges to advance sustainable forest production from concessions. The regional consultations took place in 2017 on 27-28 June in Libreville, Gabon; 6-7 July in Maputo, Mozambique; 12-13 July in Jakarta, Indonesia; and 19-20 July in Lima, Peru. Organized in close collaboration with the hosting countries, the consultations provided opportunities for reviewing the content and language of principles, guidelines and recommendations in line with priorities regarding concessions elicited by the participants. More than 120 representatives of country and provincial governments, the private sector, forest communities, national and international development and civil society organizations, and the scientific community participated in the consultations. In Latin America, the following countries were represented: Bolivia, Brazil, Guatemala, Guyana, Honduras, Mexico, Peru, Suriname and Venezuela. Representatives of the hosting countries were invited to provide advice on the inclusion of the results in the final document through participation in the Forest Concessions Initiative Steering Committee.

### *Results from the regional consultations*

14. In each region participants were requested to express their priorities regarding forest concessions. Results across regions converged around the following topics: land-use planning and zoning of forest land; monitoring and control; relationship with communities and tenure rights; production and economic aspects; multiple use of forests; capacity development; credibility and stability of regulatory frameworks; and effective application of harvesting and postharvesting management and silvicultural practices.

15. In all regions, issues related to communities were given attention in relation to clear rights and responsibilities, but also covering participation and active engagement. A strong demand for transformation of the relationship between communities and concessionaires emerged in all consultation workshops. Poverty in forest regions was mentioned as a challenge to concession regimes. Many participants called for models that establish clear roles and responsibilities for private concessionaires, surrounding communities and governments, as well as enhanced capacity for community forest management. The guidelines and recommendations capture the need for effective engagement with communities, promoting collaboration and synergies to strengthen a fair and equitable local forest economy. The needs for a business model for concessions that takes into consideration realistic market assumptions and a regulatory framework that reduces transaction costs were ranked high as a priority. Enabling conditions for strengthening the value chain through production of higher value-added products were also highlighted, in particular in Mozambique and Peru. The guidelines point to a need to give attention to concessionaires' capacities to carry out forest management plans while assessing transaction costs against the effectiveness of regulatory frameworks.

16. As a direct result from the consultations, and following a suggestion from Southeast Asia participants, a specific principle on capacity development was introduced. Weak capacities at public, private and community levels, for formulating, approving and implementing forest management plans were reported as a strong constraint to advancing sustainable forest production. The lack of structures to develop capacities systematically was noted, along with a need to update the curricula of technical and university courses as well to create training centres.

### *The guidelines*

17. The voluntary guidelines were developed around four dimensions of concession management: improved governance, economic feasibility, social inclusion and environmental integrity. They were structured under eight principles that call for: (1) coherence with forest and forest-related policies for sustainable landscapes; (2) clear, credible and efficient legal and institutional frameworks; (3) transparent and accountable planning, allocation, implementation and monitoring of forest concessions; (4) technical capacity for management and operation of concession regimes at all levels; (5) long-term economic and financial feasibility; (6) clarity and security of tenure rights; (7) community participation and benefits; and (8) environmental integrity in forest concessions. For each principle, guidelines and recommendations were formulated according to good practices identified by relevant stakeholders and cleared by the Forest Concessions Initiative Steering Committee. The self-assessment tool contains questions reflecting the guidelines and provides a hands-on instrument for deciding on adjustments of the concession regime. A summary of the guidelines is presented in Table 3.

**Table 3: Framework of principles and guidelines**

| Principles  | Guidelines  |
|---|---|
| Principle 1: Coherence with forest and forest-related policies for sustainable landscapes | Guideline 1.1 Define and implement long-term vision and policy objectives for public production forests in coherence with other landscape policies and developmental objectives |

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|   | Guideline 1.2 Enhance forest concessions' response to developmental goals through the adoption of a cross-sectoral approach  |
|   | Guideline 1.3 Strengthen political commitment at national and subnational levels   |
| Principle 2: Clear, credible and effective legal and institutional frameworks   | Guideline 2.1 Ensure clear and transparent legal and institutional frameworks  |
|   | Guideline 2.2 Promote consistency of forest and non-forest legal and institutional frameworks  |
|   | Guideline 2.3 Adapt the legal framework to international commitments relevant for the management of public production forests  |
|   | Guideline 2.4 Ensure credible and accountable institutions to plan, monitor and enforce forest concessions   |
|   | Guideline 2.5 Ensure measures to curb bribery and corruption   |
| Principle 3: Transparent, inclusive and accountable planning, allocation, implementation and monitoring of forest concessions | Guideline 3.1 Plan and allocate forest concessions in accordance with established policy objectives  |
|   | Guideline 3.2 Ensure competitive, transparent and inclusive awarding of concession contracts   |
|   | Guideline 3.3 Encourage independent and voluntary forest certification of SFM as well as industrial processes  |
|   | Guideline 3.4 Ensure effective monitoring and enforcement of concession contracts  |
|   | Guideline 3.5 Ensure transparent and independent mid-term and end-of-cycle evaluations and response measures   |
|   | Guideline 3.6 Design and implement timely measures to manage concession areas postcontract   |
| Principle 4: Technical and human capacity for the management and operation of concession regimes at all levels                | Guideline 4.1 Develop and retain appropriately qualified personnel in government agencies related to policy and legal framework, development, implementation, monitoring and enforcement of forest concessions |
|   | Guideline 4.2 Ensure continuous technical and operational training on SFM is available for all relevant stakeholders at all levels   |
|   | Guideline 4.3 Promote capacity and skills' development, and employment of women, indigenous peoples and other minority groups  |
|   | Guideline 4.4 Respect workers' rights, abide by national and international regulations and guarantee healthy and safe working conditions   |
| Principle 5: Long-term economic and financial sustainability  | Guideline 5.1 Ensure forest characteristics and length of the contract are consistent with sustainable harvesting potential  |
|   | Guideline 5.2 Ensure reliable economic information is available and taken into consideration in the design of forest concessions   |
|   | Guideline 5.3 Ensure financial and technical capacity of candidate concessionaires for operating activities and necessary investments  |
|   | Guideline 5.4 Use financial and fiscal instruments for achieving expected outcomes of forest concessions   |
|   | Guideline 5.5 Ensure concessionaires have adequate access to finance   |
|   | Guideline 5.6 Contribute to strengthening local economies through financially and technically viable forest concessions  |
|   | Guideline 5.7 Establish and apply mechanisms for effective and transparent revenue collection, re-investment and benefit sharing   |
|   | Guideline 5.8 Protect the market from competition with products from illegal activities  |

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|--|---|
| Principle 6: Clarity and security of tenure rights                           | Guideline 6.1 Clarify and respect customary tenure rights in and close to concessions   |
|  | Guideline 6.2 Develop and implement cooperation between the private sector and community production   |
|  | Guideline 6.3 Design and implement community concessions to recognize customary tenure rights, where appropriate  |
|  | Guideline 6.4 Enable communities with access to concessions' management   |
|  | Guideline 6.5 Involve local communities and indigenous peoples in the design and implementation of forest concessions   |
|  | Guideline 6.6 Develop and implement conflict resolution and compensation mechanisms   |
| Principle 7: Community participation and social benefits for all             | Guideline 7.1 Engage local communities and indigenous peoples residing in or close to concessions in the implementation and management of forest concessions                |
|  | Guideline 7.2 Contribute to improved social welfare and local livelihoods   |
|  | Guideline 7.3 Develop, implement and monitor transparent, equitable and gender-balanced benefit-sharing mechanisms that take into account the interests of all stakeholders |
| Principle 8: Environmental integrity and sustainable use of forest resources | Guideline 8.1 Develop and effectively implement plans for maintaining and improving environmental integrity and ensuring sustainable use of forest resources                |
|  | Guideline 8.2 Maintain and/or improve environmental integrity and ensure sustainable use of forest resources at the operational stage                                       |
|  | Guideline 8.3 Develop, implement and monitor restoration /conservation concessions for sustainable landscapes   |
|  | Guideline 8.4 Assess and monitor implementation performance and achievements of expected outcomes   |

18. The aforesaid principles and guidelines are not dissociable from the 11 principles of ITTO's 'Principles and Guidelines for the Sustainable Management of Natural Tropical Forests'. They should be seen as an additional contribution to respond to the specific needs of forest concessions, therefore addressing issues that should be observed to make concessions an effective instrument of forest policy. By illustrating the guidelines and recommendations with concrete experiences, the document also creates an opportunity for knowledge exchange.

19. The voluntary guidelines are part of FAO's work to support sustainable forest production and unlock contributions to the SDGs and climate change. Recognizing the need to raise awareness to potential uses and applications of sustainable forest products, as well as the overall benefits from sustainable forestry, a global conference on sustainable wood products 'Sustainable Wood for a Sustainable World' organized by FAO, in collaboration with ITTO and the World Bank, will take place in Rome from 31 October to 1 November, 2017. It is expected that by connecting policy-makers with producers, consumers and the financial sector, while also making available practical tools for enhanced governance for sustainable production, the transformational change needed to ensure SFM can be effectively implemented.

### Points for consideration

20. The Commission may wish to encourage countries to:

- Endorse the "Voluntary Guidelines for the Sustainable Management of Public Production Natural Forests in Tropical Countries through Forest Concessions in the context of Agenda 2030";



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- Observe the voluntary guidelines when implementing or reviewing forest policy and forest concession regimes;
  - Promote the voluntary guidelines to all relevant stakeholders; and
  - Encourage the participation of forest-related industry and experts in the global conference ‘Sustainable Wood for a Sustainable World’.
21. The Commission may wish to request FAO to:
- Support countries in their efforts to enhance their forest concessions’ regimes and governance for production in public natural production forests; and
  - Develop further work on sustainable forest value chains.