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COMMITTEE ON FORESTRY

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EMERGING OPPORTUNITIES AND CHALLENGES IN FOREST FINANCE AND FOREST GOVERNANCE

Forest Governance

A CHANGING VIEW ON THE ELEMENTS OF FOREST GOVERNANCE

1. Forest governance has been high on the agenda of the international forestry community for the past ten years. Initially the need to enhance forest governance was highlighted mainly in the context of international efforts to combat illegal logging and trade. The Forest Law Enforcement, Governance and Trade (FLEGT) Action Plan of the European Union adopted in 2003 aims, *inter alia*, to support countries in improving governance in the forest sector. The World Bank has supported ministerial forest law enforcement and governance initiatives at the regional level in order to create the political “space” to address the complex and politically sensitive issues related to illegal logging and governance and to foster political commitment.

2. Currently, forest governance is recognized as important in efforts to reduce deforestation and forest degradation and the associated losses of biodiversity and the emissions of greenhouse gases. In the context of climate change mitigation, there is a growing awareness that broad-based programmes targeting reductions in emissions from deforestation and forest degradation (REDD-plus)¹ depend on clear and enforceable tenure systems for land as well as governance structures that are based on the principles of transparency, inclusiveness, accountability and enforcement. At the United Nations Climate Change Conference, Copenhagen, 7-19 December 2009, a broad

¹ Since 2005, United Nations Framework Convention on Climate Change (UNFCCC) has been considering the establishment of an instrument to provide financial incentives to developing countries for reducing greenhouse gas emissions from deforestation and forest degradation (REDD). Currently, the proposed scope for such a mechanism encompasses reducing emissions from deforestation and forest degradation, sustainable management of forest, conservation of forest carbon stocks; and enhancement of forest carbon stocks, which together are called “REDD-plus” actions

consensus was reached among negotiators that seven safeguards should be promoted and supported by parties when undertaking REDD-plus activities to contribute to mitigation actions in the forest sector. One of these safeguards explicitly refers to transparent and effective national forest governance structures, while the others are either directly or indirectly delivered by effective governance.

3. As a result of these initiatives it is now broadly understood that good governance in the forest sector is vital for achieving sustainable forest management. Furthermore, realizing the full potential of forests to contribute to reducing poverty can only be achieved if the forest sector is governed in such a way that it ensures poor people's access to and benefits from forest resources. However, forest governance means different things to different people and there is no internationally agreed definition. Originally, the term was understood as being almost synonymous with government or the way the government was ruling. With the changing vision of the role and responsibilities of governments, a broader vision of governance has evolved, which takes into consideration the new roles of civil society and the private sector. It involves multiple actors and multiple levels (local, national and international) and acknowledges that different stakeholders have different views, values and interests. Improving forest governance to move forward towards sustainable forest management therefore is a complex endeavour involving the active participation of a range of stakeholders, not just forestry administrations.

THE ISSUES

4. Ineffective forest sector governance² may result in a high level of illegal activities and have important social, economic and environmental consequences:
- i. *Social*: Forests play an important cultural and social role in many countries: forests are home to an estimated fifty million indigenous people and about 1.5 billion people depend, to a varying degree, on them for their livelihoods. Unclear and insecure tenure, non-compliance with laws and excessive discretionary authority threaten the livelihoods of forest-dependent people, eliminating important income-generating options from forests and the safety-net functions forests provide for subsistence in times of hardship. In the context of REDD-plus there are also concerns that it may lead to a "recentralization of forest governance", meaning that progress achieved in the past years with regards to the active involvement of civil society and the private sector in forest policy processes and devolution of forest management rights to communities and other local stakeholders may be lost as governments seize the opportunity to affirm control over forest resources and REDD-plus funding.
 - ii. *Economic*: Allegations of widespread illegal logging and poor governance have given the forest sector a negative image which affects the investment climate as it provides a disincentive for long-term investment. Illegal activities distort forest economies and trade

² According to the "Corruption Perception Index" of Transparency International, almost half of the world's forest area is in countries exhibiting a high level of corruption. This is often coupled with a lack of transparency and accountability of the public and private sectors, weak forestry institutions that lack motivation and enforcement capacity and unclear regulations or conflicting laws, especially as they relate to the tenure of land and forest resources. Furthermore, poor governance is in most cases not limited to the forest sector but is a country-wide issue and therefore difficult to solve at sector level. It requires collaboration across sectors, which in many cases is also weak.

in forest products due to unfair competition from illegal, often underpriced forest products.³ Producers of legitimate forest products are unfairly disadvantaged.

- iii. *Environmental*: According to the Convention on Biological Diversity (CBD), forests are home to the vast majority of the world's terrestrial biodiversity. Poor governance may promote deforestation, forest degradation and the loss of ecosystem services of forests such as the protection of biodiversity, protection of water supplies and carbon sequestration.

THE BENEFITS OF GOOD GOVERNANCE

5. The potential of forests to mitigate the effects of climate change (in particular through REDD-plus) has renewed interests in arresting deforestation and improving the management of trees and vegetative carbon across the landscape. The promise of REDD-plus funding can provide a strong incentive for countries to improve the governance of their forest sector. The possibility of accessing or maintaining international markets for forest products has also encouraged a number of timber-exporting countries to seek improvements of forest governance through FLEGT processes, including the development of voluntary partnership agreements (VPAs) with the European Union. FAO is directly supporting FLEGT processes in the countries of Africa, the Caribbean and the Pacific (ACP countries) through funding provided by the EU. Finally, with the "Rio+20 Earth Summit"⁴ approaching, there is a renewed interest at the international level in improving forest governance in order to fully realize the environmental, social and economic benefits of forests in the context of sustainable development.

OVERCOMING DOUBTS ABOUT FOREST SECTOR GOVERNANCE

6. Countries interested in reforming the governance of their forest sector will require an analytical framework for assessing the current situation, identifying weaknesses and establishing priorities for improving forest governance. They would benefit from a set of indicators for good governance that fits their needs and allows them to monitor progress. This will be particularly important for those countries embarking on "REDD readiness", in order to comply with governance safeguards for REDD-plus adopted by parties in Copenhagen. A number of organizations, including FAO, have joined forces, in collaboration with country partners, to develop such an analytical framework and indicator set. They have identified three elements that are crucial for good forest governance:

- clear and coherent policy, legal, institutional and regulatory frameworks;
- effective implementation, enforcement and compliance; and
- transparent and accountable decision-making and institutions.

7. For each of these areas, key indicators to be assessed by countries can be identified, which should be tailored to the situation and needs of the individual countries. In collaboration with partners and countries, FAO is developing an approach to monitoring forest governance as part of existing forest-related monitoring systems at country level. This will include assisting

³ According to the World Bank the volume of illegal logging is about US\$ 10 billion per year. In addition, approximately US\$ 5 billion per year is lost to governments because of evasion of royalty and tax payments.

⁴ United Nations Conference on Sustainable Development, Brazil, 2012

interested countries, on a pilot basis, to develop practical approaches for monitoring forest governance in accordance with their needs and priorities. It is also proposed to develop a mechanism at the global level that allows the international community to monitor and communicate progress and build confidence in forestry's contribution to sustainable development and the mitigation of climate change.

8. While many countries have developed or updated national forest policies and forestry legislation in the past decade, these need to be harmonized with policies and legislation of other relevant sectors to avoid land use conflicts that may result in deforestation and forest degradation. Establishing clear and secure tenure arrangements for land and forest resources is an important component of this. FAO has developed a practical guide on forest tenure reform and will offer assistance to interested countries in developing their own approach to improving forest tenure systems based on the principles and processes proposed in the guide. The organization has also embarked on a consultative process with countries to develop voluntary guidelines for the governance of land tenure, including forests.

9. Improving governance in line with the three elements above requires strengthening forestry institutions, especially in the public sector, in order for them to become more effective, transparent and accountable. It also involves encouraging stakeholder participation and establishing mechanisms for monitoring, reporting and verification as well as for conflict resolution. National forest programmes, which are the main platform for forest policy development and implementation in many countries, are the ideal vehicle for achieving governance reform in the forest sector. They are participatory in nature and one of their main principles is coordination across sectors, which is of the utmost importance to ensure sustainable improvements in governance. FAO continues to support countries in strengthening their national forest programmes, with emphasis on developing sound policy processes, enhanced stakeholder participation and better linkages with other sectors.

POINTS FOR CONSIDERATION

10. The Committee may wish to invite countries to strengthen their efforts to address the challenges of forest governance in order to reduce deforestation and forest degradation, curtail illegal activities in the forest sector and provide land and resource tenure security.

11. The Committee may wish to recommend that FAO support countries to achieve their goals in strengthening forest governance especially in relation to:

- assessment and monitoring of the governance situation in forestry;
- improving transparency and accountability in decision making on forests;
- reinforcing institutional capacity for forest policy development and implementation, including forest law enforcement;
- strengthening national forest programmes as a platform for improving forest governance.

12. The Committee may further wish to recommend that the preparatory meeting for the development of the next Global Forest Resources Assessment (FRA) consider parameters for monitoring forest governance.

