



GEF Roundtable ON FORESTS

MARCH 2002
NEW YORK, USA



GLOBAL
ENVIRONMENT
FACILITY

GEF ROUNDTABLE ON FORESTS

EXPERTS FROM AROUND THE WORLD PARTICIPATED IN THE GLOBAL ENVIRONMENT FACILITY (GEF) ROUNDTABLE ON FORESTS ON MARCH 11, 2002.

CHAired BY JEFF SAYER, A LEADING AUTHORITY ON FOREST ISSUES, THE ROUNDTABLE OFFERED A VISION AND SET OF ACTIONS TO ADVANCE THE CONSERVATION OF NATURAL FORESTS. REPRESENTING COUNTRY GOVERNMENTS, MULTI-LATERAL AGENCIES, PRIVATE BUSINESS, NON-GOVERNMENTAL ORGANIZATIONS, AND ACADEMIA, THE PANELISTS HIGHLIGHTED WAYS TO ADVANCE THE CONSERVATION OF NATURAL FORESTS AND SUSTAINABLE DEVELOPMENT FOR THE NEXT DECADE.¹

THE ROUNDTABLE DISCUSSION WAS HELD IN NEW YORK IN CONJUNCTION WITH THE SECOND UNITED NATIONS FORUM ON FORESTS (UNFF). IT WAS ONE OF FOUR ROUNDTABLES SPONSORED BY GEF TO ADDRESS CRITICAL ENVIRONMENTAL AND SUSTAINABLE DEVELOPMENT ISSUES AS A CONTRIBUTION TO THE WORLD SUMMIT ON SUSTAINABLE DEVELOPMENT (WSSD) IN JOHANNESBURG. THE ROUNDTABLE CONCLUSIONS WERE PRESENTED AT THE THIRD WSSD PREPARATORY COMMITTEE MEETING AND AT A SPECIAL BRIEFING FOR APPROXIMATELY 50 UNFF DELEGATES REPRESENTING SOME 25 COUNTRIES AND INTERNATIONAL ORGANIZATIONS.

GEF HAS ALREADY COMMITTED \$1.4 BILLION IN GRANTS AND ATTRACTED \$2.8 BILLION IN COFINANCING TO ASSIST DEVELOPING COUNTRIES WITH CONSERVATION OF CRITICAL BIODIVERSITY IN NATURAL SYSTEMS, INCLUDING FORESTS. FOR MORE INFORMATION, VISIT WWW.GEFWEB.ORG.

GEF WISHES TO ACKNOWLEDGE THE GOVERNMENT OF FINLAND'S GENEROUS FINANCIAL SUPPORT.

FOREST CONSERVATION FOR SUSTAINABLE DEVELOPMENT

Summary of the GEF Roundtable on Forests
Jeffrey Sayer, *Chair*

As the health of a forest deteriorates, all of the functions and services it provides are threatened—from protecting watersheds, to providing habitats for biodiversity, to storing carbon. The Food and Agriculture Organization of the United Nations (FAO) currently estimates that approximately 15.2 million hectares of forests are lost every year, largely in the tropics. The structural integrity of much of the remaining forest cover has also deteriorated.

Since the 1992 Rio Earth Summit, the global community has learned that dealing with issues of forest degradation can be much more complex than expected. Forest conversion and degradation are driven by much deeper institutional and market problems than was previously recognized. Despite the bold rhetoric and ambitious goals set forth 10 years ago, most international public investments in forest conservation and forestry since Rio have not succeeded in reconciling the needs of conservation with the imperative of improving the livelihoods of people in developing countries. There has been an excessive focus on establishing new protected areas and not enough effort to achieve viable and sustainable forest systems. Too little effort has gone into the integrated management of the entire forest system to yield better environmental outcomes and improve the flow of forest products.

The value of the subsistence goods, food, energy, and local environmental services that forests provide are now more widely recognized. The role of forests as a safety net for the poor is now better appreciated.

There have been changes in the forest sector. Increased community control of forests, new sources of capital, and expanded markets for environmental services offer new opportunities to achieve the goals

¹ The term *conservation* includes both protection and sustainable use and management.

of Rio. As the goals of forest conservation and social and economic development converge with those of local and indigenous communities, integrated models of forest conservation and sustainable development appear possible. Reform of forest policies to benefit low-income producers, strengthening of land tenure policies, and creation of opportunities to link sustainable forestry to the objectives of the Rio Earth Summit conventions have the potential to yield social, environmental, and economic benefits. Similarly, shifting conservation strategies from an excessive focus on protected areas to an emphasis on managing for a balance of all forests' values is emerging as the right thing to do.

WHAT HAS CHANGED SINCE THE 1992 EARTH SUMMIT

The roundtable participants began by noting that many things have changed in the 10 years that have elapsed since the 1992 Earth Summit in Rio. Notably:

- Threats such as climate change, the globalization of markets, and greatly increased risks posed by invasive alien species are more widely recognized. In addition, perceptions of other threats have changed. Today the leading cause of deforestation is attributed to state-sponsored, planned agricultural conversion, not unplanned shifts in land use for agriculture.
- Countries now assert their rights to sovereignty over their forests more forcefully.
- The decline in official development assistance has been accompanied by a substantial increase in private capital flows in most tropical regions (except Africa).
- Greater understanding of the importance of biodiversity to environmental goods and services has not been matched by sufficient action on the ground.
- The demand for environmental services is now more forcefully asserted, and mechanisms to pay forest owners for the costs of maintaining healthy forests have been tested. However, payments for environmental services have not yet become a major factor in achieving forest conservation.
- New and interesting approaches to forest conservation are being developed, but most remain at the experimental or pilot stage; few get widely disseminated and scaled up to address the full dimensions of the problems of forest loss.
- Transparency, accountability, and international standards are gaining acceptance as indicators of good resource management.
- Many countries are passing control of forest resources to the private sector, local communities, municipalities, and other parties.
- Domestic demand for forest products is growing in relation to export demand. Although public attention has focused on international timber trade, the vast majority of timber is consumed locally.
- The growing number of tree plantations could relieve some of the pressure to log natural forests. But the resulting reduction in forest product prices limits the profitability of investments in managing natural forests.
- With poverty alleviation now the overriding objective of all official development assistance, the importance of forests to the livelihoods of the poor is better understood and is being addressed in forest management strategies.
- The rapid growth of global communications has helped educate the public about major environmental issues such as forest fires in the tropics. The advent of the Internet, e-mail, and other digital technologies have enabled widespread information sharing on forests—but a significant proportion of the people dependent on forests remain isolated by the “digital divide.”

The Forest Principles adopted in Rio and the Conventions on Biodiversity, Climate Change, and Desertification have brought about significant benefits for forests. The Biodiversity Convention, for example, resulted in the development and adoption of “ecosystem management” methods for forests and other natural systems. In addition, the GEF has provided more than \$500 million in grants for forest programs and has adopted a program on Integrated Ecosystem Approaches that deals with forest conservation issues. Valuable lessons have been learned from these and other innovative approaches to forest management:

- Understanding of issues relating to the devolution of the rights and management of forests to local communities has greatly increased.
- More criteria and indicators for assessing the sustainability of forest management have been developed, making explicit the demands of different stakeholders.
- Approaches to integrating conservation and development at the local level are now better understood, although actual outcomes remain disappointing.
- Understanding of the underlying causes of forest degradation and loss has increased.
- Payment mechanisms for environmental services are being developed through a variety of approaches.
- The need to manage forest systems within a large-scale integrated framework is now widely recognized. Multi-functional forest management, now considered a desirable objective, may be achieved by either spatial integration or segregation at the landscape level. The preferred option will depend on local conditions.

As international activity involving forests increases, efforts have been made to improve coordination among organizations:

- Interagency collaboration on forest issues has improved. A good example is the Collaborative Partnership on Forests (CPF), which has 12 members from international organizations, including the United Nations, GEF, and the World Bank.
- The three convention secretariats that emerged from the 1992 Earth Summit are cooperating and are developing joint work programs for forest conservation.
- The U.N. Forum on Forests, with broad participation from national governments, international organizations, and civil society, has forged consensus on many contentious forest issues.
- National forest programs, national biodiversity action plans, and poverty alleviation strategy papers are helping to integrate the objectives of the major environmental agreements and conventions at the national level.

RECOMMENDATIONS FOR THE NEXT DECADE

Despite many positive developments, the world’s forests and forest lands continue to deteriorate. The damage is only marginally offset by the expansion of forests in developed countries and the establishment of about 1 million hectares of tree plantations each year worldwide. Recent estimates indicate that as much as 850 million hectares of forests in the tropics are degraded or are secondary (developed after the original forest was cleared). As the population increases, more forestland is cleared for urbanization and agriculture. Many roundtable participants felt that additional, significant losses of natural forests were inevitable over the coming decade.

Solutions to these problems are not simple. For many people in developing countries, the conservation of natural forests is simply not a priority. This reality will not change until effective ways are found to compensate those who bear the costs of conserving forests. Balanced economic development is needed in poor countries to improve governance, market

mechanisms, institutional capacity, and finance.² A transition from overlapping and insecure property rights to clear and secure property rights is also needed. None of these requirements are likely to be met quickly. In the meantime, the risk is that most project-level interventions will tackle the symptoms rather than the underlying causes of forest degradation and loss.

Notwithstanding the sober assessment of the situation, the roundtable participants did find several grounds for guarded optimism. In particular, they noted the need for more pragmatism and realism in dealing with forest issues. They specified four areas that are critical for enhanced forest conservation:

1. A NEW GENERATION OF INSTITUTIONS WITH THE CAPACITY TO DEAL WITH THE COMPLEXITY AND UNPREDICTABILITY OF FOREST SYSTEMS

Most formal institutions deal with forests in highly sectoral ways. We must develop a new generation of institutions that can “manage across jurisdictions,” from the sub-national level to the international level, and deal with forest problems in an integrative, holistic way. A key objective must be to balance the allocations of land for different types of forest and non-forest uses. The creation of more complex “integrative institutions,” which have often proven to be bureaucratic and lacking in accountability, is not necessary.

Principles underpinning institutional options include:

- Inter-institutional coordination should be informal and not based on heavy administrative structures. Mechanisms such as the Collaborative Partnership on Forests, for instance, are viewed as appropriate responses at the international level.
- Greater integration of resource management should be sought at decentralized levels, in keeping with the principle of subsidiarity. Decisions regarding resource management should not take place at higher hierarchical levels than necessary.

² Economic development normally leads to agricultural intensification and expansion of off-farm employment, which normally lessens the pressure on forests. However, technological innovation in agriculture in developing countries has often led to rapid expansion into previously forested areas.

- The present trend toward devolving control of forest management to local communities is positive; however, forest owners may not find it attractive or appropriate to invest in maintaining the environmental values of forests if they do not share in the benefits.
- Institutions need the capacity to deal with forests as complex multi-faceted landscapes. Exactly how this capacity will be achieved will vary among localities.
- Institutions need to be strengthened to deal with resource management issues that cross national borders and operate at the sub-national level—for instance, in large catchments.
- Regional collaboration is especially important in areas such as the Congo and Amazon basins and in parts of Southeast Asia.
- Capacity building at all institutional levels, which continues to be a high priority, should be pragmatic. For example, in-service professional development and empowerment should be emphasized more than formal education and technical training.

2. KNOWLEDGE GENERATION AND ASSESSMENT

A large body of information now exists on forest ecology, management, and use. Much of this information is not available in forms that are accessible to managers and decision-makers. In addition, additional research is needed to better anticipate future multiple stresses on forest systems. Specifically, more work is needed to:

- Identify the impacts and potential responses to forest fragmentation, invasive species, and climate change.
- Integrate biophysical research with work on institutions (broadly defined to include organizations, laws and norms, and tenure issues), economic policies, and policies in other sectors.
- Investigate potential markets for ecological services.

- Broaden and deepen research beyond specific sectors.
- Disseminate information on new approaches to forest conservation so that innovations can be replicated and scaled up.
- Gather more information on factors that influence the flow of goods and services from forests to supplement FAO's work. The Millennium Ecosystem Assessment, the most extensive study of the world's ecosystems and their contributions to economic development, has the potential to make major contributions in this area.
- Expand knowledge sharing among field practitioners by arranging exchange visits to sites of innovative projects and by expanding efforts to break down the "digital divide."

3. EFFECTIVE FINANCIAL ARRANGEMENTS

Since 1992, communities, governments, NGOs, bilateral and multilateral organizations, the private sector, and others have experimented with new mechanisms for financing forest conservation. Resources have been channelled within developing countries and from developed to developing countries; however, the long-term sustainability of project-type interventions continues to be a problem.

The GEF and other multilateral institutions can play an important role in working with governments to develop new financial mechanisms by:

- Providing grant funding to encourage experimentation and innovation and to protect against risks in the early development phases of new approaches.
- Experimenting with cross-subsidization policies such as levying of fees on timber extraction to generate funds for forest conservation.
- Disseminating lessons on what works, what does not work, and why.

Because forests serve multiple functions, improving forest management at the landscape level is likely to involve a variety of financial flows. For instance, different patches in a mosaic may receive funding from different sources. In some cases, public/private or private/community approaches may be required. However, because 70 percent of forestland is currently owned by the state in developing countries, governments will continue to play a large role.

Consortia involving the private sector, conservation organizations, and local communities are a possibility to address shared priorities for forest conservation and management. Some experiences with these sorts of arrangements in the Congo Basin were noted. A single focal point might serve a coordinating function—for example, integration of plantations and natural forests in Brazil by Klabin and other large pulp producers.

Funds from any arrangements negotiated to sequester carbon as a climate change mitigation measure must be used in ways that do not further increase the pressures on natural forests. Various arrangements to capture co-benefits should be further explored.

Perceived high risks, in particular risks created by weak or insecure property rights, have discouraged private-sector investment in forest conservation in developing countries. Measures are needed to:

- Provide guarantee funds to buy down the risk.
- Use official development assistance to catalyze private financial flows.
- Compensate developing nations for the "existence" value of forests, as in Costa Rica.

Economic development policies relating to agriculture and industrialization are likely to have a greater impact on forest conservation than direct funding for conservation programs.

4. GREATER INVOLVEMENT OF THE PRIVATE SECTOR IN SOLUTIONS

The private sector, especially forest industries, has often been perceived to be a major part of the problem of forest mismanagement. Roundtable participants agreed that enlisting the private sector as part of the solution is essential and feasible. The full potential of many future international mechanisms, such as those being developed within the climate change convention to finance the global benefits of environmental services, will only be realized with the full participation of the private sector.

Two measures could help:

- Use of independent certification of forest products as a tool to encourage sustainable forest management. However, some certification schemes have limitations and weaknesses or do not apply in some important markets.
- Eliminating unfair competition—for example, international initiatives to curb trade in timber from illegal logging operations.

CONCLUSION

The overall conclusion of the roundtable was that much has been learned since the 1992 Earth Summit. We now know the reasons for forest loss, and we know that such loss will continue unless significantly increased resources are put into payments for environmental services and direct conservation measures. Leaders and participants at the WSSD are urged to recognize the severity of this problem and to commit the resources required to act on, and scale-up, all the valuable lessons of the past 10 years.³

JEFFREY SAYER, SENIOR ASSOCIATE AT THE WORLD WIDE FUND FOR NATURE, IS FORMER DIRECTOR-GENERAL OF THE CENTER FOR INTERNATIONAL FORESTRY RESEARCH IN INDONESIA.

³ Four background papers and one main discussion paper contributed to the work of the roundtable:

1. *Alien Species: A Global Threat to Forest Ecosystems* by Ian A.W. MacDonald and Brian van Wilgen on behalf of the Global Invasive Species Program.
2. *Forest Ecosystem Services: Can They Pay Our Way Out of Deforestation?* by Robert Nasi, Swen Wunder, and Jose Campos.
3. *Forest Certification and Biodiversity: Opposites or Complements?* by the Secretariat of the International Tropical Timber Organization.
4. *Applying CDM to Biological Restoration in Developing Nations: Key Issues for Policy Makers and Project Managers* by Thomas Black-Arbelez.
5. *To Johannesburg and Beyond: Strategic Options to Advance the Conservation of Natural Forests* by Andy White, Augusta Molnar, Alejandra Martin, and Arnoldo Contreras-Hermosilla of Forest Trends. (This main discussion paper synthesized key points from the background papers, reflected them in a broader forest context, and provided a forward-looking perspective.)

PANELISTS

GEF Roundtable on Forests, March 11, 2002

Jeffrey Sayer, Senior Associate, World Wide Fund for Nature (WWF), *Chair*

Jeffrey Burnam, Deputy Assistant Secretary of State for Environment, USA

Henrique-Brandão Cavalcanti, President, Intergovernmental Forum on Chemical Safety (IFCS)

Mohamed T. El-Ashry, CEO & Chairman, Global Environment Facility (GEF)

Hosny El-Lakany, Assistant Director-General, Head, Forestry Department, Food and Agriculture Organization (FAO)

Manoel Sobral Filho, Executive Director, International Tropical Timber Organization (ITTO)

Habiba Gitay, Senior Lecturer, Environment Management & Development, Australia National University

Dan Janzen, Professor of Conservation Biology, University of Pennsylvania

Jean Jacques Landrot, Secretary General, Inter-African Forest Industries Association

Thomas E. Lovejoy, Chief Biodiversity Advisor, The World Bank

Jag Maini, Head, United Nations Forum on Forests (UNFF)

Jo Mulongoy, Principal Officer, Convention on Biological Diversity (CBD)

Maria Norrfalk, Director General, National Board of Forestry, Sweden

Giuseppe Raaphorst, Director, Nature Conservation, Ministry of Agriculture, Nature Management and Fisheries, Netherlands

Jeffrey Vincent, Professor of Environmental Economics, University of California

Robert Watson, Chief Scientist and Director, The World Bank

Tensie Whelan, Executive Director, Rainforest Alliance

Andy White, Director, Forest Trends

THE WORLD SUMMIT ON SUSTAINABLE DEVELOPMENT AND THE GEF

THE WORLD SUMMIT ON SUSTAINABLE DEVELOPMENT (WSSD) WILL FOCUS WORLD ATTENTION ON GLOBAL PROGRESS TOWARD SUSTAINABLE DEVELOPMENT AND PROVIDE STRATEGIC DIRECTION FOR THE 21ST CENTURY. TENS OF THOUSANDS OF HEADS OF STATE, GOVERNMENT OFFICIALS, LEADERS OF THE NGO AND BUSINESS COMMUNITIES, AND REPRESENTATIVES OF CIVIL SOCIETY GROUPS ARE EXPECTED TO ATTEND THE SUMMIT IN JOHANNESBURG, SOUTH AFRICA, AUGUST 26 TO SEPTEMBER 4, 2002.

BY FORMAL RESOLUTION, THE U.N. GENERAL ASSEMBLY HAS INVITED THE GEF TO PARTICIPATE FULLY IN THE SUMMIT, INCLUDING THE REVIEW OF AGENDA 21, THE GLOBAL ACTION PLAN FOR SUSTAINABLE DEVELOPMENT THAT WAS ADOPTED AT THE 1992 EARTH SUMMIT.

THE GENERAL ASSEMBLY'S REQUEST THAT THE GEF BE INVOLVED IN THE WSSD REFLECTS WELL ON THE GEF'S POTENTIAL TO BRING ABOUT POSITIVE CHANGE. IN THE 10 YEARS SINCE IT WAS CREATED, THE GEF HAS ALLOCATED \$4.2 BILLION IN GRANTS AND LEVERAGED AN ADDITIONAL \$11 BILLION IN COFINANCING. GEF SUPPORTS MORE THAN 1,000 PROJECTS IN 160 DEVELOPING NATIONS AND COUNTRIES WITH ECONOMIES IN TRANSITION. A RECENT ASSESSMENT BY AN INDEPENDENT PANEL OF EXPERTS FINDS THAT THE GEF HAS BEEN A "CATALYST FOR INNOVATIVE PROGRAMS" AND HAS PRODUCED "SIGNIFICANT RESULTS" TO IMPROVE THE GLOBAL ENVIRONMENT.



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