



REDD AND ILLEGAL LOGGING

Statement of the Asia Forest Partnership Chair

ASIA FOREST PARTNERSHIP DIALOGUE: REDD AND COMBATING ILLEGAL LOGGING

The Asia Forest Partnership (AFP) is a voluntary, multistakeholder partnership that promotes sustainable forest management in the Asia and Pacific regions. AFP dialogues are open forums that provide an opportunity for a frank exchange of information, ideas and views on key issues of concern to the Partnership.

On 28 and 29 May 2009, more than 250 participants from national and subnational governments, intergovernmental bodies, the private sector, NGOs, academia and indigenous people's organisations gathered in Bali for the AFP Dialogue, 'REDD and Combating Illegal Logging'. The Dialogue was characterised by a number of recurring themes, which indicate that a broad cross-section of forest stakeholders share similar concerns about the links between REDD and illegal logging.

This Chair's statement distils information, concerns and ideas shared during the Dialogue. It represents a personal reflection on the discussion that took place. The Chair is grateful to the contributions of a number of people (listed below), and accepts full responsibility for any errors.

THE PROMISE OF REDD

Globally, deforestation and forest degradation are responsible for about 17 percent of carbon dioxide emissions from human activities. REDD is a new global scheme that stands for reducing emissions from deforestation and forest degradation in developing countries. REDD will promote the role of forests in mitigating climate change and is now gaining wider acceptance around the world. In December 2009, the UN Framework Convention on Climate Change 15th Conference of the Parties will convene in Copenhagen to consider a new global agreement on climate change to take effect after 2012. Two years ago, the 13th Conference of the Parties had agreed that policy approaches and positive incentives on issues relating to reducing deforestation and forest degradation (REDD) should be considered in this decision.

By channelling significant financial resources to developing countries, REDD offers the promise of changing the economic drivers that currently promote liquidation of forest assets. However, a recurring theme of the Dialogue was that reducing deforestation and forest degradation will require effective and sustainable strategies that deal with the underlying causes of deforestation, such as poverty and weak governance. This is not a simple task. Billions of dollars have already been invested in improving forest management, yet the impacts on slowing deforestation are unclear.

THE GLOBAL EFFORT TO MITIGATE CLIMATE CHANGE CANNOT IGNORE ILLEGAL LOGGING

A significant share of the forest clearance and wood removal in forest-rich developing countries is illegal: It takes place without approval from authorities or is conducted in a manner that violates national laws and forest regulations. Illegal logging paves the way for encroachment, land use change and consequently permanent deforestation. Although such deforestation often takes place to make land available for other uses, the timber produced is inevitably an important commercial by-product.

The exact scale of illegal logging is difficult to measure because of its illicit nature, but estimates suggest that the scale is immense and that illegal logging affects many parts of the Asia and Pacific regions. In some countries timber that is harvested illegally could account for greater volume than the legal timber.

Because of its immense scale, illegal logging is likely to be a significant contributor to greenhouse gas emissions. Scale, however, is but one concern. Illegal logging entrenches corruption and other practices associated with poor governance, making it extremely difficult to implement cost-effective and sustainable strategies to reduce deforestation and forest degradation. Illegal logging also reduces the amount of money that flows into the public purse from the forestry sector. The World Bank estimates that USD 15 billion in assets, revenue and government taxes and fees are lost annually because of illegal logging.

Dialogue notes: Illegal logging in Indonesia

Illegal logging poses a serious threat to sustainable forest management because it is carried out intensively and is widespread in almost every province in Indonesia. It often occurs in already logged-over forests that have not had the chance to recover, on steep slopes, in catchments areas or within protected areas. Illegal logging poses a threat to good forest governance because it undermines the law, results in social conflict and derails sustainable forest management initiatives. Other adverse effects include lost government revenue, distorted timber markets and a lack of incentives to produce legal timber.

Puspa Dewi Liman

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WHAT PRECISELY IS ILLEGAL LOGGING AND WHY IS IT DIFFICULT TO COMBAT?

There is no internationally agreed definition of the term illegal logging, though a fundamental element is that forest operations should comply with relevant national legislation, including ratified international treaties and conventions. The term is often used synonymously with illegal harvesting, which can include cutting outside of concession areas, cutting above quotas or established harvesting rates, felling trees that are not recognised as part of the concession agreement or cutting undersized trees. Some definitions of illegal logging extend beyond forestry operations to include the transportation, buying and selling of timber in violation or circumvention of national laws. Regardless of definitions, all forms of forest-related crime can undermine REDD strategies.

Illegal logging may be either greed-based or need-based. The Dialogue clarified why there is a need to distinguish between these two types of illegal logging. Greed-based illegal logging is organised crime that is difficult to combat because of the political influence and resources of the actors involved: military, police, and other law enforcement agencies; corrupt forestry officials; illegal timber brokers; licensed concession holders; wood

processing companies; shippers, exporters, customs officials; and financiers, in both the formal and informal sectors. Need-based illegal logging occurs when forest-dependent communities resort to illegal timber harvesting or forest clearance because they have no other livelihood options. Need-based illegal logging is easier to combat through law enforcement activities, but successful control is likely to force people into further poverty and to incite conflict. Police crackdowns often focus on the ‘little guy with the chainsaw’, not the ‘big guy with the bank account’. Prosecution of elite actors is rare, and convictions even more so.

Dialogue notes: Findings of Interpol’s Project Chainsaw

The work done to date on Project Chainsaw largely confirms the widely held belief that illegal logging and timber trafficking is, and continues to be, a significant global criminal problem, with links to other criminal problems, including use of violence, murder, corruption, money laundering and tax evasion. The project has also shown links to the financing of armed conflict. Illegal logging as a crime type is large and complicated, to the point where many agencies simply are not skilled or resourced sufficiently to deal with it. Dealing with those involved in this criminal activity, to date, has been patchy, uncoordinated and significantly under resourced.

Peter Younger
International Criminal Police Organisation (Interpol)

REDD AND FOREST GOVERNANCE: REASON FOR HOPE, REASON FOR CONCERN

Countries that experience high rates of deforestation are usually troubled by weak governance, which makes it difficult to formulate good forest laws and to enforce them. Reasons given during the Dialogue for why REDD might succeed in reducing forest destruction include:

- It promises extensive performance-based financing that could alter the economics that drive forest destruction
- It directs political attention to the issue
- It promises alignment of the interests of multiple constituencies.

However, a recurrent theme of the Dialogue was the serious risks of perverse outcomes if REDD financing does not adequately address governance issues. For example, a REDD mechanism designed solely to reward national governments’ progress in terms of emissions reductions could dispossess poor communities of their access to the forest resources on which they depend.

Important lessons on governance from various initiatives to tackle illegal logging were shared at the Dialogue. These apply to REDD design and implementation, and include the need for:

- Stakeholder consultation and participation, including local and indigenous communities, in designing standards and systems
- Policy coherence within the forestry sector and between sectors
- Coordination between related agencies, both vertically and horizontally
- Clear national laws regarding forestry and tenure rights
- Monitoring of performance through a verification system
- Developing accountability at both national and local levels.

Complete and reliable information concerning the specific governance challenges contributing to deforestation and poor forest management is now needed. Several recent initiatives discussed at the Dialogue focus on assessing forest governance. The Governance of Forests Initiative (www.wri.org) is developing a framework of

indicators to measure the governance of forests. Researchers at CIFOR are defining minimum governance conditions for REDD (www.cifor.cgiar.org). These and others could be used to inform the design of REDD strategies at national, sub-national and project levels.

RIGHTS, WELLBEING AND PARTICIPATION OF PEOPLE WHO DEPEND ON FORESTS: KEYS TO REDD

Another recurrent theme of the Dialogue was that the success of REDD strategies is highly dependent on the support of people who depend on forests, millions of whom live beside or within forests in the Asia and Pacific regions. Without significant institutional and regulatory reforms, REDD initiatives are unlikely to win this support. Forest-dependent people are for the most part poor. Their land and resource tenure is generally weak or nonexistent. Without clear and secure tenure, they have little incentive to invest in forest management. In this setting, REDD could encourage a return to fortress-style conservation that would deny local communities access to forests, forcing them to endure greater economic hardship and to resort to extralegal activities. An escalation of social conflict and distorted payment distribution that favours more powerful actors are other anticipated outcomes.

In addition to providing clear and secure tenure, a solid institutional and regulatory setting for REDD strategies would ensure that forest-dependent people have the right to free, prior and informed consent for decisions over resource allocation, to redress and to the rule of law. Involving indigenous people in the planning and implementation of REDD strategies is essential and would increase the social acceptance of those strategies. Indigenous people are wary of, and would oppose, programmes or projects that are imposed on them without their knowledge and consent or from which they do not benefit.

The discussion about REDD has focused mostly on high-tech solutions, but hybrid approaches that build capacity for community participation should be explored. The Kyoto: Think Global Act Local project, described at the Dialogue, has demonstrated that carbon accounting can be undertaken at the community level, even by people with just a few years of formal education. Community carbon accounting draws on local knowledge, builds local ownership of the data, facilitates revenue sharing, encourages transparent forest governance. Community involvement can increase the accuracy of estimates by providing extensive ground truthing and is cost-effective.

Dialogue notes: Promoting and rewarding community involvement in REDD

If we make sure that REDD mechanisms profit locals, they can be our police and partners and can contribute much to the protection of the resources. These people are in the forest every day and every night and can act as vigilant guards.

Hang Suntra
Head of Forest Industry and Trade Development Office
Cambodia

Two other key messages from the Dialogue are that opportunities for implementing REDD through community-based forest management should be explored, and that local and indigenous sustainable forest management practices should be analysed, documented, and recognised as strategies to reduce forest degradation.

SIGNALS FROM THE VOLUNTARY MARKET

Dialogue participants noted that uncertainties associated with REDD projects are high and that investors are shy of uncertainty. REDD project outcomes are likely to be uncertain whenever a lack of capacity and resources raises

doubts about the monitoring, reporting and verifying of emission reductions. Other uncertainties may stem from the absence or lack of development of carbon laws, and land tenure that is complicated by history, community or indigenous rights, and conflicting national laws. There is also uncertainty amongst buyers of the different types of credits—VCS, VER+, CCX, for example—and a lack of clarity within the UNFCCC process about REDD credits.

Despite these potential risks, information shared at the Dialogue showed that many carbon buyers in 2008 decided to buy forest offsets for the first time and investment in carbon sequestration in forests surged. Buyers appear to view properly designed and qualified forest projects as providing a form of offsets with unmatched environmental and biodiversity benefits at competitive prices. In purchasing carbon offsets, the most important factors appear to be the type of carbon standards, the experience and credibility of the project developers, the type of project, price and the potential for generating biodiversity benefits. Buyers also seem to strongly prefer offsets from specific projects, not credits that are created through changes in government policy, yet it is precisely changes in policy, regulations and institutions that are required to provide a solid national foundation for sustainable forest management. Dialogue participants also noted that uncertainty amongst potential investors can be reduced by governments providing clarity on the roles and responsibilities of different stakeholder groups.

BUILDING ON INITIATIVES TO COMBAT ILLEGAL LOGGING

Another key message of the Dialogue is that strategies to implement REDD should make full use of existing international, regional and national forest initiatives, including those to combat illegal logging and the resultant timber trade. Some initiatives are groundbreaking because of the political commitment they have secured. REDD strategies should also make full use of existing instruments and tools to guide and reward responsible forest management. Better understanding of which instruments and tools are likely to be efficient, effective and equitable, and which policies are needed for them to work, is required. Some of the initiatives discussed at the Dialogue are:

EU VOLUNTARY PARTNERSHIP AGREEMENTS

Voluntary Partnership Agreements (VPAs) are the key instrument of the EU Forest Law Enforcement, Governance and Trade process (FLEGT), launched in 2003, that aims to curb illegal logging and limit the amount of illegal timber that enters the EU. VPAs aim to do this through bilateral agreements between the European Union and timber producing countries. These agreements seek to eliminate the direct export of illegal timber from the producer country to the EU. Key components of the licensing scheme that form the core of each VPA include:

- a legal standard based on national laws and multistakeholder consultation
- qualified organisations assess whether forest management and the timber produced meet that standard
- mechanisms to control the movement of timber are put in place
- exports are licensed
- an independent institution monitors the whole system.

Once these systems are operational, only licensed timber from partner countries will be allowed into the EU, giving buyers a government-backed guarantee of legality for all timber products from those countries. The approach the EU has taken is thus ambitious but clearly has a number of strengths. The Dialogue noted that similarities and synergies between FLEGT and REDD are significant: both require improvements in forest governance, both have significant potential financial rewards and both depend on respect for the rule of law to succeed.

LEGISLATION IN CONSUMER COUNTRIES

Another initiative discussed during the Dialogue was using legislation in consumer countries to ban the import of timber harvested in contravention of the laws of the country of origin or that requires importers to exercise due diligence in checking the legality of their timber. In the United States, the Lacey Act makes it unlawful to import, export, transport, sell, receive, acquire or purchase fish and wildlife taken in violation of US and foreign laws. In 2008, the scope of that law was extended to a broader set of plants and plant products in an effort to combat the trade in illegal timber. In the EU, a due diligence regulation is now being discussed. A shortcoming of the VPA approach is that a producer can still 'launder' timber to the EU through a third, non-VPA country; the EU is therefore developing policies that will require all first-time timber sellers within the EU—both importers and domestic producers—to check that the products they sell have been legally harvested. A commonality between these initiatives and REDD is that both depend on effective law enforcement.

OTHER AVENUES FOR INTERNATIONAL ACTION

The Dialogue noted several other avenues for international action that would benefit REDD by supporting effective law enforcement: public procurement policies, bilateral frameworks for action on illegal logging, and the Asia Forest Law Enforcement and Governance process.

As major purchasers, governments can influence demand for legal timber products. Procurement policies that require verified legal timber and favour timber that is verified as sustainable have been introduced by France, Japan, the Netherlands, the United Kingdom and several other countries. These contribute to REDD by encouraging the procurement of certified sustainable timber.

Seven memorandums of understanding (MoUs) on illegal logging have been signed between producer and consumer countries in the Asia and Pacific regions. Some have been put to good use; others have hardly been used at all. The MoUs provide arrangements for bilateral collaboration on forest crime. This instrument could be further exploited.

Under the Asia Forest Law Enforcement and Governance (FLEG) process, participating countries have committed themselves to intensify national efforts and strengthen bilateral, regional and multilateral collaboration to address forest crime and violations of forest law. Asia FLEG could play an important role in promoting intergovernmental cooperation and technical collaboration to combat this trade. Excluding illegal timber from international trade would support REDD policies in producer countries.

'THINKING OUTSIDE THE BOX' TO COMBAT FOREST CRIME

A key message of the Dialogue is that we need more resources and capacity building for hard forms of law enforcement to combat greed-based illegal logging. Law enforcement in the forestry sector is still a dangerous business and conventional approaches to law enforcement alone will not catch the 'big fish' behind illegal logging operations. Prosecutions require physical evidence and it is difficult to tie the organisers to this evidence. Truck drivers are usually the ones caught transporting illegal logs and they receive light sentences.

The discussions during the Dialogue made it clear that 'thinking outside the box' is required to combat forest crime, including under REDD initiatives. Participants shared information on a number of concepts and initiatives including an integrated law enforcement approach, action that could be taken by the financial sector and laws to combat corruption and money laundering.

An integrated law enforcement approach (ILEA) for protecting forests and livelihoods would include internal control of forestry management, GIS-based environmental audit and investigation, prudential banking, financial

accountability, and laws to combat corruption and money laundering. ILEA, a CIFOR-led project in Indonesia is in the final stages of developing this ‘follow the money’ approach.

The financial sector is a key leverage point for forestry practices. It provides a huge range of financial services that apply to all actors in the supply chain, span all phases of a project cycle, and involve both private and public institutions. The screening of investment proposals from economic, social and environmental perspectives is a key intervention. The emergence of sustainable standards, such as the Equator Principles, the UN-sponsored Global Reporting Initiative, the UNEP Finance Initiative, and the UN-led/sponsored Global Reporting Initiative and Principles for Responsible Investment, can assist financial institutions in environmental and social risk assessment. Financing stepwise improvement, beginning with the client company having a timber harvesting permit and culminating in independent certification of its forest management, is another way in which financial institutions can encourage responsible forest management.

Laws that combat corruption and money laundering can contribute to more effective control of forest crime. In Indonesia, anticorruption measures have proved successful in jailing government officials guilty of corrupt forest-related activities. Indonesia’s anti-money laundering law can also be used against those organising illegal logging. This landmark legislation holds banks and other financial institutions responsible for transactions involving forestry and environmental crimes.

While these initiatives are not considered REDD initiatives, they increase the likelihood that REDD initiatives will succeed.

FOREST CERTIFICATION AND LEGALITY VERIFICATION

Forest certification was also discussed at the Dialogue as an instrument that would contribute to the success of REDD initiatives. Forest certification aims to provide assurance to buyers that the timber products they purchase are from well-managed forests and from authorised forest operations that comply with forest laws. Globally, the area of certified forests has steadily increased, though the certification of forests in the tropics, where REDD is most needed, has proved more challenging. NGOs and timber associations are involved in various initiatives to make certification more accessible to forest managers in the tropics. REDD strategies could use reputable forest certification schemes to guide and verify responsible forest management, or even as a basis for establishing REDD credits. Also, REDD designers could broaden standards by including forest certification criteria on legality, community and indigenous peoples, and so on. Forest certification processes could also provide useful guidance to REDD projects on public consultation, how complaints are handled and dispute resolution.

INITIATIVES TO IMPROVE FOREST GOVERNANCE, INFORMATION ACCESS AND THE QUALITY OF FOREST INFORMATION

Transparency International’s Forest Governance and Integrity Program (www.transparency.org), the USAID–The Nature Conservancy’s Responsible Asia Forestry and Trade Program (www.raftprogram.org), the Indonesia FLEGT Support Program (www.eu-flegt.org), CIFOR’s ‘follow the money’ approach (www.cifor.cgiar.org) and research on illegal timber markets are some of the initiatives we discussed during the Dialogue. They are not REDD specific, but they are helping to build the forest governance foundations we need if REDD is to succeed. Programmes to improve information access and the quality of forest information include the Indonesia Centre for Environmental Law’s Access Initiative (www.accessinitiative.org) and Forest Watch Indonesia’s support to the Ministry of Forestry for making relevant, reliable, accurate and up-to-date forest sector information available to decision makers and the general public. Discussion during the Dialogue stressed that building understanding of REDD at local, district, provincial, and national levels is critical, as is the need for early monitoring of the reception of REDD at different levels.

SUMMING UP

Illegal logging poses a serious threat to forests in the Asia and Pacific regions and continues to frustrate initiatives to improve forest management. Key messages that can be taken from the Asia Forest Partnership Dialogue “REDD and Combating Illegal Logging” include:

- Illegal logging occurs when governance is weak. REDD strategies must tackle the economic drivers of illegal logging and help improve forest governance at the same time. Initiatives to tackle illegal logging and the resultant trade show that we need broad reforms in policy, regulations and institutions to secure and enhance the environmental services forest provide.
- We need multistakeholder and integrated governmental approaches to deal with the drivers of forest destruction, since most of these drivers lie outside the forestry sector. These approaches can also ensure broad ownership of REDD and a fair distribution of benefits.
- If REDD is to achieve climate mitigation and sustainable development outcomes, people who directly depend on forests must be represented in processes to formulate national REDD strategies, and demonstration activities will need to test approaches for greater community participation in forest management.
- REDD discussions should pay greater attention to existing initiatives, instruments and tools to combat illegal logging and reward responsible forest management. We need to identify what works and to mobilise further resourcing of those initiatives that could make important contributions to REDD goals.
- Hard forms of law enforcement need better support and resources, but the content of laws also must ensure that all forest stakeholders have a fair stake in forest management.
- Nonconventional approaches to combating forest crime are needed, such as the application of anti-money laundering and anticorruption laws to the forestry sector, and the screening of loans for forest development by financial institutions.

Finally, as the strong interest in the Dialogue and the richness of the discussion that took place show, the Asia Forest Partnership has a unique role to play in bringing together a broad range of stakeholders to deliberate options for sustainable forest management to ensure the continuation and enhancement of ecosystems services and multiple benefits for local people, industry, government and other forest stakeholders.

Henry Scheyvens, Chair, Asia Forest Partnership (2007-2009)

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