Privatising sustainable forestry
A review of global experiences

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Overview

- Background
- Key findings of global review
- Innovative approaches emerging
  - Forest certification
  - Markets for forest environmental services
  - [Company-community partnerships]
- IIED work in China
1. Background

Rationale:

- Markets fail to account for social and environmental benefits of forests >> overexploitation and conversion
- Private sector increasingly dominant: from forest asset strippers to best practice enterprises
- Government capacity weak
- Civil society is a growing force
“Policy is what organisations do”

- Civil and private organisations too - not just government
- Processes of policy making and implementing - not just statements
Aim

• To identify effective market and regulatory instruments for ensuring that the private sector produces social and environmental benefits from forest management; and

• to promote these instruments
Main project components

- **Brief overview** of the issues (completed 1997)
- **Global review** of private sector participation in forestry (completed 1999)
- **Thematic studies**: certification, company-community partnerships, markets for forest environmental services
- **Country studies**: China, Brazil, PNG, India, South Africa
2. Key findings of global review

- Review conducted March-November 1998:
  - 142 responses from 76 countries
  - 23 countries selected for detailed investigation

- Private sector: large and small companies, community “enterprises”, households and individuals
Picture of widespread of reform

- All countries implementing reforms to increase PSP
  - forest management > use > ownership

- All countries introduced at least one market-based instrument
  - incentives > promotion of markets for non-timber benefits > certification

- Just under 70% of countries restructured forest authority
  - contracting out > privatisation > corporatisation
3. Innovative approaches

Forest certification

• From an idea to routine in 10 years

• FSC 18 M + ha – of which:
  • 84% in developed countries
  • 85% corporate/state industrial
  • 81% in natural forest

• PEFC c25+M ha soon – Europe

• National schemes in 12 + 12 being developed
Many questions exist

• Will it really tackle key forest problems?
• Who will be the winners and losers?
• IIED’s concerns: how can certification:
  • meet the needs of community forestry?
  • improve forest product supply chains and responsible business?
  • contribute to SFM policy processes?
Community forest enterprises

• **Emerging benefits:**
  - More scientifically rigorous forest management,
  - entry into international markets,
  - social institution building & improved links to policy processes

• **Key constraints:**
  - high costs & little increase in incomes,
  - lack of capacity,
  - inaccessible information/markets,
  - externally-driven & local land use systems not recognised

⇒ *a regressive MBI?*
Supply chain

• **Benefits**: improved transparency, maintained/expanded markets, higher prices in niches (e.g. hardwoods)

• **But...**

  ➢ Temperate softwood products dominate – ‘safer’ than tropical hardwoods?
  ➢ DIY retail sector dominates – construction timber/paper left out
  ➢ price premium temporary
  ➢ lack of broad based customer demand
Contribution to SFM policy

Uses being extended from market process to:

- Government market-based instrument: supporting government regulation
- Project certification – verifying project success
- Improving forest policy – stimulate discussion and awareness within policy-making community
**Forest Policy Pyramid**

**Sophisticated Elements for IFM and livelihoods...**

7. Monitoring/verification of IFM *undertaken***

6. Promotion of IFM *made to consumers/stakeholders***

5. Capacities for IFM implementation and control *in place*

4. IFM plans *in place*

3. Standards for IFM *agreed***

2. Stakeholder roles in IFM/control *agreed*

1. Forest, land and IFM policies *agreed*

**FOUNDATIONS *in place:***

Property rights, market conditions, constitutional guarantees, engagement with extra-sectoral influences, recognition of lead forest institutions (in government, civil society and private sector) *
Markets for environmental services

Definitions & scope:

• “markets” interpreted broadly as payments in exchange for services: a buyer & seller

• four “environmental services” - carbon sequestration, biodiversity conservation, watershed protection, landscape beauty

• “forests” range from semi-arid woodlands to moist evergreen formations
Attractions:
- cost-savings: costs transferred to private sector
- efficient: allocative and productive
- equitable: beneficiary pays

Feasibility:
- increased WTP with improved awareness of benefits
- Growing threats to supply
- Increased regulations that generate payments
- Improved capacity to measure supply
Key questions

- What form do markets take?
- How do markets evolve?
- What are the costs?
- What are the benefits?
- How are costs and benefits distributed?
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* Includes descriptions of multiple initiatives within one country, as well as some regional or international initiatives.

** Excludes feasibility studies and proposals, and global initiatives.
Emerging findings

**Form:**

- Participants varied: state, private, NGOs, CBOs
- Competition: hard to determine due to price discovery and immature nature of markets
- Payment mechanisms diverse: bilateral transactions, intermediary-based to OTC, retail-based and exchange based trades
- Geographical scope broad: local to global
• Nested nature: markets are always nested in broader social & political institutional frameworks

**Process:** iterative and gradual

**Costs & benefits:** potentially significant net benefits

⇒ BUT unequally distributed - some gain more than others and poor tend not to be the first to benefit
4. IIED’s work in China

Themes:

• forest resource tenure & evolving contract systems
• forestry charges and taxation
• company-community partnerships
• markets for environmental services
• certification

⇒ draft final report April 2001