

IGES

**The Peer Review of
the Fourth Phase Research conducted by
the Forest Conservation and Payment for Ecosystem Services
Teams**

Prepared for IGES

by

**Prof. Noriyuki Kobayashi
Nihon University Law School
and**

**Dr. Hwan Ok Ma
International Tropical Timber Organization (ITTO)**

I INTRODUCTION

Key objectives of the Institute for Global Environmental Strategies (IGES) include the promotion of sustainable development in the Asia-Pacific region through international cooperation and practical and innovative research. IGES has been a key think tank towards sustainable low-carbon development in the region.

In pursuit of the IGES objectives, a peer review for its 4th Phase Strategic Research conducted by the Forest Conservation Project and Payment for Ecosystem Services Teams was decided and took place on 14 October 2010 IGES Headquarters in Hayama, Japan.

The peer review team included Prof. Noriyuki Kobayashi at the Nihon University Law School, Japan and Dr. Hwan Ok Ma at the International Tropical Timber Organization (ITTO), Japan. Following a review of project documents and research papers and discussions with research team of FC and PES, the peer review team produced this review report.

II PEER REVIEW SCOPE, FOCUS AND APPROCH

The peer review system of IGES has been established to guide all factors relevant for the efficient and successful implementation of researches in accordance with the mandates and principles of IGES.

The purpose of this peer review was to provide a concise review of the researches undertaken by FC and PES so as to point out the successful and unsuccessful outcomes and make recommendations for the future research and activities. These include: to review research conducted by the Forest Conservation Project in its Fourth Phase; to provide suggestions for research and activities in the Fifth Phase based on the review of the Fourth Phase research; and to provide an experts' view on the proposed research directions of forest conservation and PES research within the field of NRM at IGES and other possibilities for a research agenda in the Fifth Phase and beyond.

The terms of reference for the peer review called for the peer review team to assess the following:

- i. Objectives of the studies and activities examined in the context of IGES missions and priorities;
- ii. Quantity and quality of the products concerned;
- iii. Impacts generated in the major policy processes concerned, through the products developed and activities conducted including information outreach, multi-stakeholder dialogues and capacity building initiatives; and
- iv. Financial as well as human resources management of IGES regarding the studies and activities concerned.

In keeping with these terms of reference, the peer review team made a critical review to outputs such as research papers and policy briefs resulted from the research and a one-day intensive discussion with the two research teams in presence of Prof. Hironori HAMANAKA, Chair, IGES Board of Directors and Dr. Hideyuki Mori, President, IGES.

III RESEARCH FACTS

In the Third Phase of IGES Forest Conservation Team, there were a number of valuable studies on timber certification in particular to communities and smallholders, effective engagement of

local communities in plantations and illegal timber imports into Japan. The overall objective of this Fourth Phase of the research remains the development and dissemination of policy instruments to promote the conservation, livelihoods and rights in sustainable forest management. The goal and expected outputs set forth in the Integrative Strategic Research Programme of IGES for the Fourth Phase entitled Forest Conservation, Livelihoods and Rights included the following:

The main goal of the research was to contribute to the development and dissemination of policy instruments that promote the appropriate inclusion of conservation, livelihoods and rights in forest management regimes, effective forest law enforcement, and markets for legal and sustainable forest products.

In order to achieve the goal of the research, 6 research components were identified as follows:

- Component 1 (24 person months): Critical review of forest regulatory frameworks and their implementation in selected Asia-Pacific countries
- Component 2 (14 person months): Alternative livelihood creation in localities where poor people have resorted to illegal and/or destructive forest activities
- Component 3 (30 person months): Innovative models to promote forest certification for small forest enterprises as a livelihood and conservation strategy
- Component 4 (18 person months): Promoting trade of certified/ verified legal tropical wood
- Component 5 (24 person months): Options for introducing and strengthening timber procurement policies
- Component 6 (34 person months); Assessing and strengthening the role of Customs in curbing the trade in illegal wood

The expected outputs of the research included the following:

- Regional review and assessment of forest regulatory frameworks and their implementation from the perspective of conservation, livelihoods and rights
- Report on models for alternative livelihoods in localities where communities have resorted to illegal and destructive logging
- Publication on innovative certification models for small forest enterprises
- Regional review of trends in forest certification
- Report evaluating the robustness of Japan's public procurement policy and options for other Asia-Pacific importer countries
- Review of regional efforts to curb the trade in illegal wood
- Report describing and assessing the achievements of the Fairwood Centre during its first three years of operation
- Final report collating the results of research elements on assessing and strengthening the role of Customs in curbing the trade in illegal wood

During the conduct of the Fourth Phase research, the FC team included REDD+ as one of the major components of the research to address the emerging issue of establishing national strategies on REDD+ in the region. This initiative took the form of capacity building workshops on measurable, reportable and verifiable systems of forest carbon stocks and development of a database for REDD+ demonstration projects.

Although the peer review tried to cover many subjects undertaken by the FC in line with the order of each of the research component,

IV. ASSESSMENT OF KEY RESEARCH OUTPUTS OF THE FC AND PES

In the assessment of the FC and PES research, the focus of the peer review team included the topics which were presented at the peer review meeting held on 14 October 2010. These include: Public timber procurement policies; Customs and the timber trade; Forest certification; Chain-of-Custody guidelines; Forest law reform; REDD-plus (REDD demonstration activities, REDD Database, National REDD); and Payment for Environmental Services (PES).

(i) Public timber procurement policies

The presentation of the research output provided an overview of public time procurement policies through a review of the codes of conduct approach in Japan and Netherlands and the government certification approach in UK.

However, it appears that the presentation provided to the peer review team did not include a review of the recently established the EU Due Diligence Regulation, the US Lacey Act, and the Voluntary Partnership Agreements under FLEGT although FC review to these developments has already been included in the FC Chapter in the 3rd IGES White Paper.

It was view of the peer review team that those recent development are important not only for public time procurement policies in developed countries but also for timber supply policies in tropical timber producing countries. In particular, the current negotiations by Malaysia and Indonesia with EU to conclude a Voluntary Partnership Agreement would be an important way to enable continued market access into EU to ensure the export of their legal timber and timber products. In addition, the enforcement of the US Lacey Act would be an effective means of reducing illegal timber trade as it requires importers of timber products to declare the country of harvest, the genus and species of the timber as well as the product's volume and value. In addition to the two apaches analyzed by the research, an additional approach probably called "declaration requirement" would have been introduced in the report.

Regarding the recommendations for Japan's policy, more attention was referred to the implementation of the existing guidelines/efforts in the region. For instance, perhaps it might be not a high priority for Japan's policy to develop generic legality standards as there are several country-level and even ASEAN level initiatives although the latter is still in the process of being finalized. Identifying recommendations to link with the current initiatives being undertaking in Malaysia and Indonesia is desirable so as to contribute to reducing illegal logging and associated trade in the region.

(ii) Customs and the timber trade

The peer review team noted that this research is a difficult topic, particularly that encouraging Customs and Forestry officials to work together is difficult because of their different priorities. The IGES work has presented some interesting recommendations but IGES must now consider how to use its work to encourage concrete actions. In the presentation of the recommendations, capacity building of Customs on wood species/trade documents was not well appreciated by the peer review team as it is not well focused and the impact of such capacity building might be minimum. It was recognized that Customs should focus on their important roles in the enforcement of trade of timbers listed in CITES. In addition to a study on trade data discrepancy between imports and exports, there is a need to analyze the effective implementation of CITES in timber trade.

(iii) Forest certification

The peer review team noted that the research focused on the identification of lessons from forest certification initiatives for small forest enterprises in PNG and Indonesia and that provided various important information and useful lessons to increase the accessibility and effectiveness of such forest certification initiatives.

However, the peer review team pointed out that the research did not include sufficiently an analysis of the cost-benefit of timber certification for small-scale operations although promoting timber certification has been hindered in many countries in the tropics due to high costs for complying international certification standards. The prevailing conditions for the certification of forests managed by small forest enterprises as presented in the research report should be linked with market-based review. Analyzing cost implications related to the adoption of certification by small forest enterprises has been important as from such a cost analysis, the constraints faced by small forest enterprises in coping with the idea of a compensated price at markets could have been identified. Although there is high demand for certified timber from small forest enterprises, the level of price offered for such timber should exceed all costs plus a price incentive compared to a conventional market price level. At the same time, cost minimization is a challenge for small forest enterprises to compete their products in the market places.

There is also a risk of raising the expectations of the local communities to be engaged in timber certification because such collective and innovative efforts have yet delivered or may not deliver the financial benefits they expect. There has been a similar experience due to high transactional costs occurred from certification and verification processes when small-scale Afforestation and Reforestation activities under the Clean Development Mechanism have been promoted.

(iv) Chain-of-Custody guidelines

FC contract work with ASEAN focused on one of six elements of the ASEAN Timber Legality Definition – implementation of a system that allows for the tacking of logs to the forest of origin. For a synthetic analysis of the CoC procedures, the FC analysis could have included the FSC chain of custody standards in the development of ASEAN CoC guidelines to ensure their common but different focus. Another issue that IGES could research is how to overcome the problem of having many different national standards; in some cases companies are asking for more than one certification and there is no way for them to know what certification they should support. The issues of harmonization and mutual recognition/endorsement need research.

(v) Forest law reform

The peer review team recognized that the research focused on analyzing selected forest-related law reforms from a prospective of rights for forest dependant people and that produced a comprehensive report entitled “Critical review of selected forest-related regulation and initiatives: Applying a right-based prospective”.

However, it felt that this research design was too broad as it did not consolidate many lessons from several participating countries in the emphasized prospective. Perhaps an analysis of benefits sharing mechanisms in forest-related laws in the selected four countries could have brought more important outcomes which will contribute to the efficient and effective implementation of community based forest management essentially creating equity in participation. In India, rights allow for local community to collect, store, barter and sell non-nationalized NTFPs free of royalty. There are benefit-sharing arrangements between the State and community in respect of timber. Such arrangements have facilitated the effective implementation of joint forest management systems in many states in India.

In case of the finding from the case study of Thailand, it was not clear in the presentation as it simply referred that from a right-based perspective, the focus on community forestry may be misguided and efforts should be directed towards broader rights associated with citizenship and land titling. Perhaps this sub-study did not cover the reason why the Community Forestry Bill has not been passed by the parliament in the country. Illegal immigrants in the protected areas has increased to secure their land titles. There was some concern that the Community Forestry Bill may be used as a means to giving land out to individuals which could possibly be later on privatized or would be converted to other uses. Since passing this Bill depends on political will, the research can benefit from a deep analysis of benefit-sharing mechanisms in forest-related regulations and initiatives.

(vi) REDD-plus (REDD demonstration activities, REDD Database, National REDD)

Considering a leading role of IGES in addressing various issues of climate change, the peer review team welcomed FC's new research on REDD+ and noted that the FC has carried out many activities including capacity building workshops in Cambodia, Vietnam, PNG and Indonesia, review of REDD+ demonstration activities. A REDD+ database was officially launched at IASP 2010 and uploaded 14 project profiles.

In the development of REDD+ database, the peer review team commented that IGES needs to consider what it can provide through the REDD-plus database that is original and add value to compiling existing information and data. In this regard, the FC can learn a lot from how IGES has developed its CDM Database and the products it has delivered on the CDM. More idea on a long-term development plan would be necessary to increase the value of the material that the database is producing. In terms of updating the negotiations on REDD+ in UNFCCC, the database could be used to provide updates major negotiations developments after the major international meetings related to REDD+. IGES was encouraged to contact the REDD-plus Partnership to list the database under the REDD+ partnership work area.

(vii) Payment for Environmental Services (PES)

The peer review team welcomed the initiative to conduct its review together with PES research work to increase synergies between the FC and PES research. Reducing deforestation and forest degradation can be addressed effectively if the values of ecosystem or environmental services rendered by forests are fully materialized in payment systems. In this regard, a recent study, *The Economics of Ecosystems and Biodiversity* (TEEB) provided an innovative method for the valuation and a very interesting values of ecosystem services in tropical forests with the amount of US\$6,120 per ha per year – 2007 values.

In line with the valuation methods of TEEB classified into three categories such as regulation, provision, and cultural services, the peer review team questioned what kinds of categories were taken into account for the methodology development in the current research and pointed out that its research methods and categorization in forests will be consistent with those of TEEB as appropriate. Linking the investigated forest tax and water resource tax systems into TEEB study practices would be important in the economic analysis on biodiversity and ecosystem services at the regional and global level.

V. ASSESSMENT OF EFFECTIVENESS AND ACCOMPLISHMENTS

The IGES, in keeping with its objectives, has already invested a great deal of efforts in the

promotion of forest conservation in the region through its continued research programmes and various activities.

It appears that there has been a big improvement in the design and approval of the Fourth Phase Proposal of the FC Project compared to its Third Phase. In addition, there has been an interesting development with external funds in conducting research of the FC. This is an impressive movement of the FC to carry out some research with outside funds to ensure cooperation with key stakeholders not only its efforts towards enhancing technical collaboration but also increasing the funding base of research.

In the work of the peer review, there was a general issue in the evaluation method in connection to the FC research as there are no measurable indicators for the expected outputs on completion of the Fourth Phase. Perhaps IGES may consider improvising designing of a proposal with the inclusion of measurable indicators as much as possible. For instance, policy briefs on completion of each research component would be interesting to be included as one of the major outputs. Such indicators would be useful for evaluation to be conducted not only by externally like a peer review but also by internally by a project team or another unit of IGES.

All planned research components in the Fourth Phase Proposal of the FC Project have been completed with various outputs by realizing the goal of the FC. In addition to the research specified in the Fourth Phase, the FC has made an impressive research work on REDD+ has been conducted. Outputs produced by the FC have been realized impressively in various forms including papers to international/regional/national forums and scientific journals and/or project occasional papers.

In research on innovative models to promote forest certification for small forest enterprises as a livelihood and conservation strategy, the FC produced five publications in which two were presented in Project Occasional Papers. Significant contributions have been recognized in relevant stakeholders. In particular, the peer review team commended the FC's work on *Chain-of-custody guidelines: Pan-ASEAN Timber Certification Initiative*, among others. In line with this work, it was also recommended to monitor or conduct another research on the implementation of these guidelines, as appropriate.

Regarding the research on options for introducing and strengthening timber procurement policies, three publications have been produced and one policy brief has been published on *Public procurement policies for legal and sustainable timber: How to strengthen Japan's policy*. This research has made contributions to strengthening the Japanese timber procurement policies.

Two publications have been provided by the research on assessing and strengthening the role of customs in curbing the trade in illegal wood. One of the two included a joint publication of IGES/TNC on *Enhancing customs collaboration to combat the trade in illegal timber*. For the Analysis of REDD+ projects and national REDD+ systems, seven publications have been produced. Many are very informative papers to address the issue of co-benefits and engagement of local community of REDD+ and some of them were produced as IGES Working Paper or White Paper.

Taken as a whole, the FC Fourth Phase has made significant contributions to the attainment of its objective through the conduct of several strategic researches for combating illegal logging and associated trade, the development of timber certifications and the reform of the forest law in the region. Timely conduct of REDD+ research has been an important achievement of the FC. These researches were found to have been mutually supportive to reducing deforestation and forest degradation.

The information and analyses generated by the Fourth Phase would be considerably useful in assisting policy makers in the formulation of relevant future policies. They will be served as an important reference in similar researches at various levels in the region. With regard to the impacts of the Fourth Phase, it is view of the peer review that it has contributed in a number ways towards reducing illegal logging and trade and a better understanding of REDD+ in the region.

V. RECOMMENDATIONS

Given the considerable experience of IGES in promoting climate change and the importance of the recent negotiations on REDD+ under UNFCCC and forest biodiversity conservation under CBD COP10 in Nagoya, the following recommendations are presented to the Fifth Phase Research of the FC and the PES for consideration:

- The FC has significant experience in analyzing timber trade policies to reduce illegal logging and associated trade in the region. It has build up from concrete filed studies to policy guide such as ASEAN CoC guidelines. In view of the importance of the recent developments in timber trade policies, due attention should be continuously given to **an assessment of the public timber procurement or timber trade policies in connection with the implementation of the EU Due Diligence Regulation, the US Lacey Act, and the Voluntary Partnership Agreements under FLEGT**. Since the EU Due Diligence Regulation is expected to enter into force by the end of 2012, a research for analyzing the impact of such new regulations/initiatives in the region will be worthwhile to conduct with an emphasis to Malaysia and Indonesia (or including PNG) where the FC has carried out a long-term relationship with many stakeholders. A careful review to the inclusion of China and Vietnam in the proposed research would be necessary to ensure the overall effectiveness of the Fifth Phase research of the FC.
- Research on **how to promote national timber certification schemes** is needed. In particular, local capacity for auditing needs to be researched and strengthened as national timber certification initiatives will be further facilitated when credible local independent auditors are working well. Experiences of the Malaysian Timber Council (MTCC) and the Indonesian Ecolabelling Institute (LEI) in securing recognition of its certification are highly relevant to the establishment of a regional timber certification scheme under ASEAN. In addition, PNG could be included to this research to figure out its national strategies from the experience of the two leading countries. One of the research components should clearly focus on the assessment of costs and benefits in timber certification. Social safeguards in timber certification schemes would be interesting to be included as one of the research components. Research could also include the certification of plantations and provide standards for planted forests.
- REDD+ has been an important agenda for a post-2012 climate change agreement. There are still many questions on the scope of activities, methodological and governance issues and funding mechanisms. In this regard, the FC must identify what it can offer that is unique and what will attract international attention, taking into account its comparative advantages. The FC must identify what its intellectual property on REDD-plus will be. REDD-plus is a broad topic and the FC must focus on areas where it holds expertise. **It is believed that the FC can contribute significantly to, *inter alia*, the establishment of social safeguards guidelines of REDD+ activities in the region.** In order to achieve this challenge, research components could include: carbon certification (important linkages can be made between FMU certification and certification for REDD-plus); local community participation in REDD+ (e.g. community participation in monitoring); capacity building of local communities; and benefit-sharing

mechanisms. In addition, a separate research on **principles, criteria and indicators of governance of REDD+** would be certainly an interesting subject for FC research in its Fifth Phase as the strengthening governance will be an important enabling condition for REDD+ implementation. It is expected that measuring the governance of REDD+ at the government and local level with the identification of relevant indicators and verifiers would be an interesting initiative of IGES in REDD+ planning and implementation.

- **Including the Japan- Verified Emission Reduction (J-VER) amongst the FC research topics is recommended** to promote the engagement of the Japanese private sector in carbon offset activities. Developing countries have expressed much interest in this system with the expectation of developing carbon offset activities. Further research on the scope of the J-VER and selected demonstration activities should be undertaken but is not described in the 5th phase research plan.
- **In the selection of new pilot local communities for REDD+ capacity building or similar activities, a careful review should be made** as there might be a risk of expanding the expectation of local communities without tangible outcomes. The capacity building activities on communities could lead to the same risks of the A/R CDM where communities were engaged in the design of Project Document but the outputs they expected were not delivered. Since the capacity building is a long-term process, this activity could focus on the existing pilot local communities, as appropriate, where the FC has conducted research or capacity building activities.
- A better evaluation of what forests are worth has been an interesting subject of the TEEB report. **The PES research team could include a review to the methodology of the TEEB in assessing the values of forests.** In analyzing the Japanese PES, there is a need to clarify how it will move forwards based upon the collected case studies in the context of TEEB method and reporting to allow for a better understating of important linkages between the Japanese PES and TEEB.
- In general, **IGES may need to consider introducing measurable indicators for evaluating its research activities in the design of research proposals**, e.g. the types of indicators that are found in a logical framework approach. They could include outputs such as policy briefs, etc. With measurable indicators for each research activity, the effectiveness of a peer review will be enhanced. At the same time, this will be useful for the internal monitoring of IGES to ensure the quality of the outcomes. In presentation of the final report of the Fourth Phase of the FC, its presentation structure needs to follow the structure of the research proposal for the phase. This would make it much easier to track what parts of the original proposal were implemented, what additional work was taken on, and the reasons for changes.

Acknowledgement

The peer review team Noriyuki Kobayashi and Hwan Ok Ma, wish to express their sincere thanks to Prof Hironori Hamanaka, Chair of the Board of Director, IGES and Dr. Hideyuki Mori, President, IGES for the opportunity to undertake the assessment.

The team also wishes to express its gratitude to the FC project team members – Henry Scheyvens, Kimihiko Hyakumura, Federico Lopez-Casero, Enrique Ibarra Gene, Miho Sagara and Yumi Nishimura as well as the PES project team - Hiroshi Nishimiya, Akira Ogihara and others - for their valuable assistance and support extended to the work of the peer review.

* * *