

### 1. Summary

Forests in the Asia-Pacific region continue to disappear and be degraded at alarmingly high rates. The consequences of forest depletion include a loss of biodiversity and species extinction, the destabilisation of agricultural systems, social conflict, the degradation of waterways, unsustainable timber-based industries and increased anthropogenic carbon emissions that contribute to global warming. Despite efforts to strengthen national forest policies, many are found wanting with respect to their content and particularly their implementation. The proposed research takes as its basic assumption the understanding that to be effective in promoting the sustainable management of forests, forest policy must be informed by resource conservation values, livelihood needs and a fair negotiation of rights. Moreover, to be effective, forest policy must be fully implemented, which requires coordinated action at local, national and international levels.

The proposed research builds on work undertaken by the Forest Conservation Project in earlier phases and extends this to include emerging issues in sustainable forest management. The research is divided into six components. The first of these seeks to deepen our understanding of the shortcomings in existing forest regulatory frameworks and their implementation and the other components focus on specific mechanisms to assist in overcoming these shortcomings. To increase the potency of the proposed activities and heighten the profile of IGES in international forestry research, we have jointly developed some components with other research/development institutions as part of larger work programmes.

### 2. Background/Rationale

Governments in the Asia-Pacific region have put a great deal of effort into the development of national forest administrations, forest policies, management frameworks and training programmes to establish a cadre of professional foresters, all with the intention of maximising the contribution of their forest estates to national welfare. The early system of forest management that they embraced was broadly characterised by four features. First, forest management was centralised as it was believed that the state had to control the access of local people to forests. Second, states claimed ownership of forests, allowing them to manage the forests as they saw fit. Third, professional foresters were made responsible for managing state forests as it was believed that they held superior knowledge. Fourth, local people were excluded from forests by the establishment of protected areas and through the granting of concessions to private industries.

Centralised systems of forest governance proved unable to manage forests sustainably. Deforestation and forest degradation expanded at alarming rates, particularly from the 1950s onwards. Roughly six million hectares of the world's primary forests have been lost or degraded each year since 1990 and there is no indication of this rate slowing. FAO reported that the area of primary forest in Asia decreased at the rate of 1.5 million hectares per annum from 1990-2005.<sup>1</sup>

Two broad observations can be drawn from the failure of the conventional forest management model to conserve forests. First, the management task is beyond the means of central forest administrations. Second, technical solutions alone are not effective. As appreciation of the

limitations of the conventional forest management model grew, governance began to receive greater attention in forest dialogue. The concept of governance is particularly relevant for forests as they are often highly contested resources because of their economic value, their potential to influence political fortunes, their private and public benefits and because of contending stakeholder views of how they should be managed and who has the right to participate in decision-making. Governance reform, rather than a fine-tuning of existing practices, is now broadly acknowledged as critical for combating deforestation. In their work *Policy that Works for Forests and People* Mayers and Bass note that “almost every aspect of forestry is a political issue.”<sup>2</sup> Reform of forest governance is necessary to provide incentives and controls to encourage the responsible participation of stakeholders in forest management at the local level, while action is required at the regional/international levels because of the growing international trade in forest products. The difficulty of this task should not be underestimated. The World Bank points out that “there are strong asymmetries of information, power, and organisation between the beneficiaries of deforestation and those who bear its burdens. The diffuse interest groups favouring forest conservation find it hard to organise themselves to counterbalance the concentrated interests of forest degradation.”<sup>3</sup>

**Definition 1: Governance**

*Governance is the process whereby societies or organisations make important decisions, determine whom they involve and how they render account.*<sup>4</sup>

Within the governance discourse attention has increasingly focused on the issue of enforcement. During the 1990s an increasing number of studies pointed to illegal forest activities as a major cause of deforestation and forest degradation. Of the many types of illegal forest activities that exist, illegal logging<sup>5</sup> is a particularly pressing issue for forest conservation. Although its scale is difficult to gauge accurately because of its illicit nature, the suspected extent of illegal logging in the Asia-Pacific region is immense, as the following estimates indicate.<sup>6</sup>

**Table 1: Estimates of illegal logging**

<b>Country</b>	<b>Estimate of illegal logging</b>
PNG	One third of operations on logging concessions are fundamentally illegal. Illegalities could be found in all 32 logging concessions. <sup>7</sup>
Indonesia	The government was losing USD 600 million per year in public revenue because of “stolen timber” - more than double the public expenditure on subsidised food programmes for the poor in 2001. <sup>8</sup>
Russia	Between 20-50 per cent of logging in the Russian Federation is illegal. <sup>9</sup> About 6.4 million trees are harvested illegally each year resulting in a loss of government revenue of 72 billion rubles (USD 2.7 billion). <sup>10</sup>
Cambodia	By 1997, over half of all forest land in Cambodia was licensed to 30 companies. In the same year 4 million m <sup>3</sup> of timber was estimated to have been logged illegally – equivalent to eight times the total sustainable yield. <sup>11</sup> 94% of wood supplies in Cambodia are in some way illegal. <sup>12</sup>
Philippines	46% of domestically consumed wood is illegal (ibid.). <sup>13</sup>
Global	As much as 23 per cent of global plywood exports are “suspicious” and up to 17% per cent of roundwood on the international market could have been harvested illegally. <sup>14</sup>

The World Bank estimates that each year governments lose approximately USD 5 billion in revenues and producer countries lose about USD 10 billion from their economies because of illegal logging.<sup>15</sup> Consequently, the world prices of forest products could be 7-16% lower than their true value.<sup>16</sup> The loss of forest resources impacts negatively on about 90% of the people in developing countries who live in extreme poverty.<sup>17</sup> Illegal logging is also a frequent cause of local disputes and has funded armed conflicts.<sup>18</sup> At its worst, illegal logging and the consequent trade in illegal timber may be associated with money laundering, drug trafficking, corruption in the public sector and tax evasion.<sup>19</sup> Illegal logging also acts as a disincentive to sustainable forest management (SFM); illegal wood can be sold cheaply because of cost externalisation and the avoidance of royalty and tax payments, whereas the costs of production of wood harvested, transported and processed according to national codes of practice and forest regulations are much higher.

**Definition 2: Sustainable forest management**

*Stewardship and use of forests and forest lands in such a way, and at a rate, that maintains their productivity, regeneration capacity, vitality and their potential to fulfill now and in the future, relevant ecological, economic, and social functions, at local, national, and global levels, and that does not cause damage to other ecosystem.*<sup>20</sup>

Efforts to promote SFM through effective law enforcement and policy implementation are much needed. There is no point in developing ever more sophisticated forest management frameworks (criteria and indicator processes, national forest action plans, national forest policies etc.) if they cannot be implemented because of the poor enforcement of forest law and regulations.

This fact is recognised by many governments, environmental NGOs and international donors. However, they tend to adopt a narrow approach to legality and enforcement, which could have negative impacts on forest conservation, livelihoods and rights. Their approach assumes that if current legal frameworks are enforced forests will be managed sustainably and equitably. These assumptions do not always hold. Efforts are required to both strengthen enforcement and to reform forest law and subordinate regulations, where necessary. Reform of regulatory frameworks may be necessary because:

i. Many forest-related activities that forest-dependent communities undertake as part of their survival strategies are illegal under current forest regulations.<sup>21</sup> The World Bank finds that forest laws are often “not correct” from the perspective of poor and marginalised social groups whose voices are unable to shape the legal reform process.<sup>22</sup> Under these circumstances enhanced enforcement could deny the livelihoods of forest-dependent communities. Globally, the largest use of wood is for fuel, yet much fuelwood collection occurs outside of formal forest management and in many cases violates the law. Foresters and forest police often overlook the collection of fuelwood and other illegal practices because they are central to the livelihoods of forest-dependent communities.

ii. Laws to secure forest rights for communities may exist, but they sometimes contradict other laws (especially wildlife, conservation and forestry laws<sup>23</sup>) and tend to be disregarded in decisions over forest access and use. In some countries the legal system does provide room for indigenous communities to have their native customary rights regularised, but they lack the knowledge and resources to take advantage of this.

iii. Often, forests are managed under overlapping formal and informal frameworks. The former are derived from the sovereign right of the state to regulate the management of state forests and

the latter are locally-based management systems that may have developed over many generations. The outcome is contesting claims over forest tenure that can result in conflict and depletion of the forest resource. Andy White, Coordinator of the Rights and Resources Initiative, has pointed out that in the past 20 years 30 countries in the tropical regions have been affected by serious conflict in their forested areas, finding that this is often a product of limited human, civil and property rights.<sup>24</sup> Under these conditions, strict enforcement of forest law is likely to exacerbate conflict.

iv. David Kaimowitz argues that “Much illegal forest resource exploitation is actually carried out by, or with the connivance of, politicians and government agents. Measures such as law enforcement programmes that empower these officials and give them more resources could make it easier for them to act with impunity and further marginalise poor people.”<sup>25</sup>

v. Enforcement tends to target poor people. Enforcement drives in Indonesia, for example, have not been successful in prosecuting players high in the patronage networks because their contacts forewarn them of the upcoming security operations.<sup>26</sup> The same problems have been observed in Cambodia.<sup>27</sup>

vi. In some countries legal large-scale, extractive forestry activities may be more destructive than the small-scale illegal activities that communities engage in. Marcus Colchester has found that “laws tend to be selectively developed, and applied, in favour of large scale forestry.”<sup>28</sup> When large-scale forestry operations are inadequately regulated, not only can this result in unsustainable harvesting and undermining of the environmental functions of forests, but also a breakdown of the social fabric of local communities.<sup>29</sup>

These issues are of particular concern as forest-dependent communities are often on the lowest rung of the socio-economic ladder, yet the importance of forest-based activities to rural livelihoods is not always fully appreciated. Forests contribute to poor peoples’ livelihoods by: providing resources that can be used for income generation; providing resources that serve as the basis of subsistence livelihoods; providing a safety net to minimise vulnerability; providing an energy source (fuelwood), and contributing to stable landscapes and hydrological regimes that allow for sedentary agriculture.

From these observations it is clear that forest law enforcement must be approached critically. Currently, forest conservation in the Asia-Pacific region is troubled by both shortcomings of forest law and shortcomings of implementation. Taking the position that illegal logging must be halted without reflection on the processes which influence the shaping of forest law and the consequences of strict enforcement could be detrimental for forest governance and poor rural communities. Moreover, formulating effective and equitable responses to illegal forest activities requires differentiating between illegal activities driven by poverty and those driven by “outright greed and organised criminal activity.”<sup>30</sup>

The preceding observations indicate that to achieve resource conservation, forest laws and their implementation must accommodate livelihood security and a fair negotiation of rights. Under present forest law, contesting claims that arise from disagreements over rights combined with rural poverty are major drivers for deforestation.<sup>31</sup> Rights must also be linked with responsibilities. Merely transferring greater rights to forest-dependent communities without adequate incentives and regulation to promote good forest stewardship may be detrimental to the forest resource.<sup>32</sup> Their existing decision making processes may be undemocratic and could lead to undesirable outcomes for weaker social groups.<sup>33</sup> Moreover, they may not have sufficient checks and balances or knowledge to manage natural resources sustainably in a

context of rapid economic and social change associated with increased opportunities and pressures. That responsibilities are met requires the state to provide adequate incentives, support structures and regulation.

Many governments in the region have recognised shortcomings in their forest regulatory frameworks. They have implemented far-reaching policy and legal reform leading to a region-wide transformation in forest governance involving the devolution of authority to local governments and the creation of space for local people to participate in formal forest management regimes.<sup>34</sup> These have been difficult processes with sometimes unforeseen outcomes, but they reflect a growing appreciation that sustainable forest management requires periodic review of how rights are negotiated and recognised in forest law, and of the nexus between forests and rural livelihoods.

There is also growing appreciation that sustainable forest management requires action at the regional and international levels. International trade is increasingly shaping the way forests are managed in developing countries. The demand for wood and wood products from developed countries has been identified as a significant driver of illegal logging.

<p><b>Definition 3: Livelihoods and Rights</b></p> <p><b>Livelihoods</b> <i>A livelihood comprises the capabilities, assets (stores, resources, claims and access) and activities required for a means of living.<sup>35</sup></i></p> <p><b>Rights</b> <i>Human rights are fundamental moral and legal entitlements that pertain to basic wellbeing and dignity.<sup>36</sup></i></p>
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Based on the above observations, the basic premises of the proposed research are that to achieve sustainable forest management:

- forest policy must accommodate conservation values and livelihood needs and reflect a fair negotiation of rights;
- the reform of regulatory frameworks to this end must be accompanied by the creation of effective enforcement mechanisms and sustainable livelihood opportunities and
- that because subsistence livelihoods, commercial forestry and international trade all impact on forest conservation and use, this will require informed action at local, national and international levels.

Figure 1 presents the conceptual framework for the study as discussed above and Figure 2 outlines the institutional framework for formulating and implementing the proposed research.

Figure 1: Conceptual Diagram

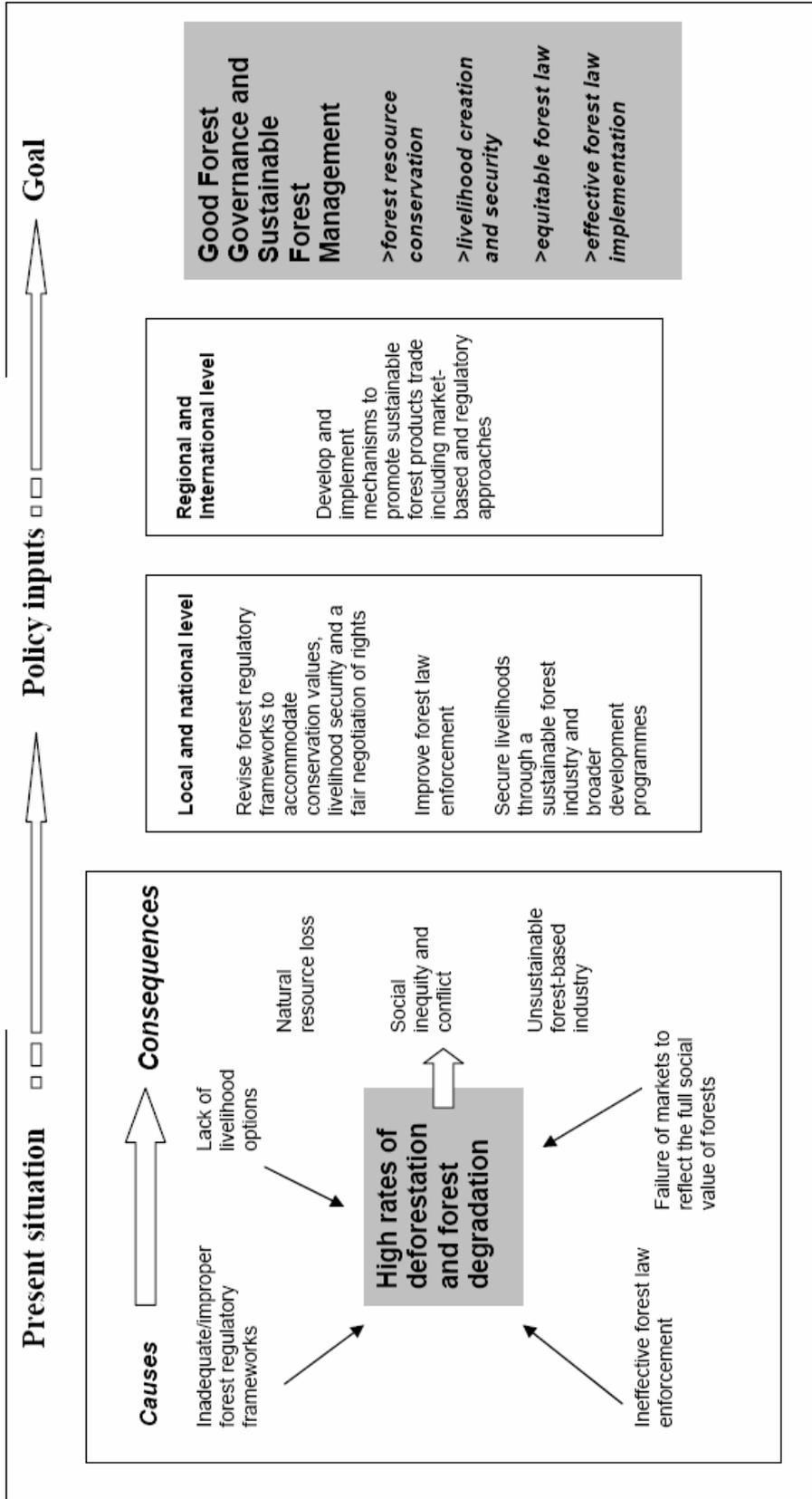
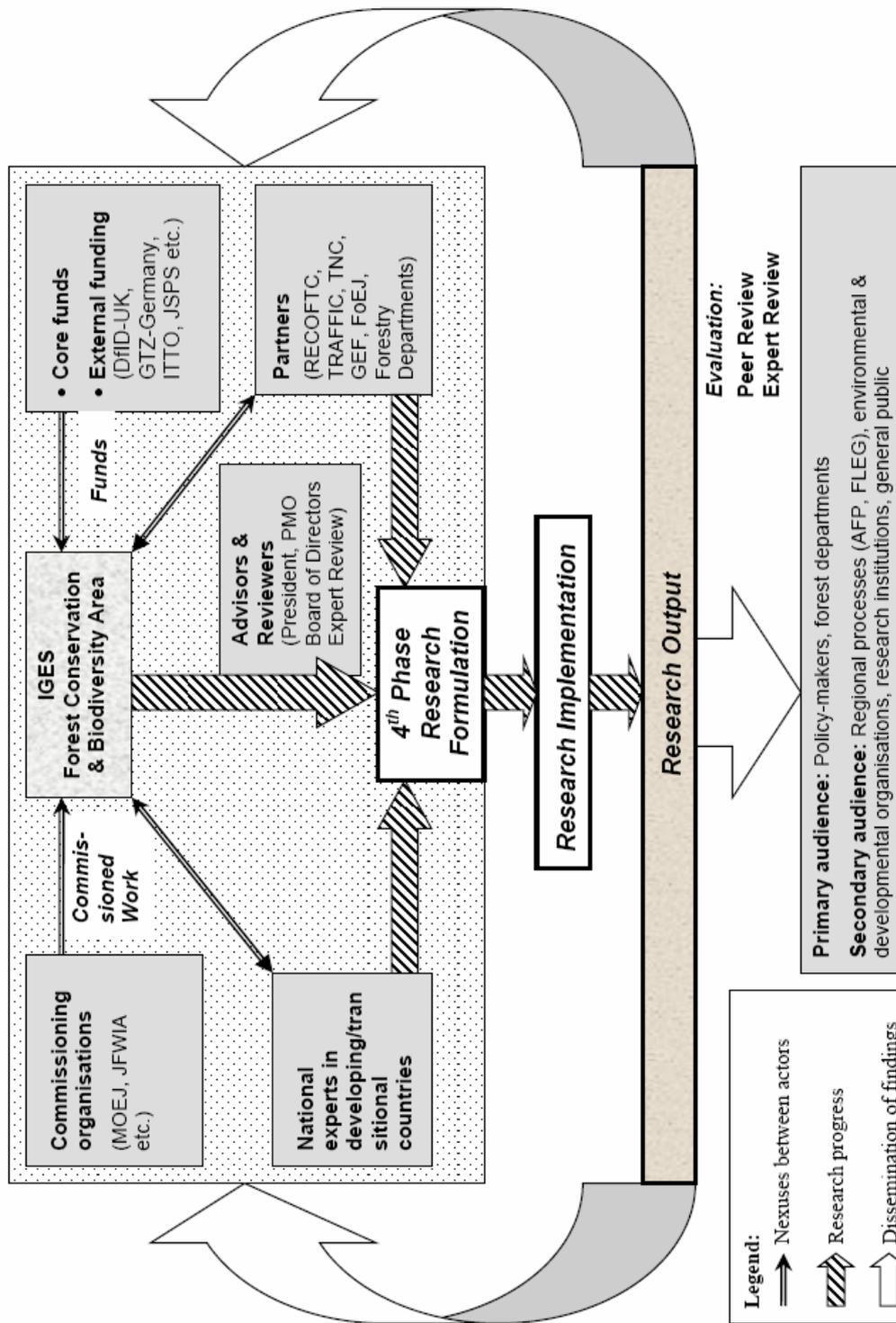


Figure 2: Institutional framework for research formulation & implementation



### **3. Goals and objectives**

#### **Project goal:**

Through strategic policy research 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.

#### **Objectives:**

1. Present an informed regional perspective, drawing on empirical studies, of the need to consider conservation, livelihoods and rights in forest regulatory frameworks and their implementation.
2. Identify lessons for the design and implementation of facilitation approaches intended to build alternative livelihoods that enable forest-fringe communities to withdraw from illegal forest activities.
3. Identify lessons to increase the accessibility and effectiveness of forest certification for small forest enterprises in developing countries.
4. Clarify the potential for national support services in importer countries to increase the market share of certified forest products, specify the types of services that might be useful and options for effective service delivery.
5. Identify the measures necessary for procurement policies to be robust and equitable and assess the prospects and options for major wood importing countries in the Asia-Pacific region to develop procurement policies.
6. Identify options for improving the governance of international tropical timber trade through strengthening the role of Customs and timber trade regulating agencies to prevent trade from being a driver of illegal logging.

### **4. Expected outputs**

- 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

### **5. Research questions/assumptions/hypotheses**

#### **Major research questions**

- How far have forest regulatory frameworks and their implementation moved towards adequately embracing conservation values, livelihood needs and a fair negotiation of

- rights, and what further steps could be taken?
- What interventions are likely to succeed at discouraging rural communities from participating in illegal logging without driving them into further poverty?
  - How can forest certification be made more accessible and effective for small forest enterprises in developing countries?
  - Are national support services in importer countries required to maximise the potential of forest certification to promote sustainable forest management and, if so, what services should they provide?
  - What elements does a public procurement policy require to constitute an effective strategy for promoting trade in sustainable and legal timber? What potential do countries in the region have to develop timber procurement policies and what lessons could they take from countries with advanced policies?
  - What are the tools and mechanisms required to promote effective information-sharing between Customs in order to prevent trade from being a driver of illegal logging? What are the capacity-building requirements for Customs to implement these tools and mechanisms? What are the options for developing a regional framework that ensures long-term institutional support for such collaboration?

### **Assumptions/hypotheses**

*Research on facilitation approaches to create alternative livelihoods in illegal logging affected areas (Component 2)*

Hypothesis: To conserve forests in localities where communities are engaged in destructive and illegal logging, forest management approaches will be more effective and equitable if they include alternative livelihood creation strategies.

*Research on certification for small forest enterprises (Component 3)*

Main assumption: If innovative means are identified to increase accessibility, forest certification for small enterprises in developing countries of the region will move beyond a small number of highly subsidised “showcase” projects, because of growing institutional support and emerging market opportunities.

Hypothesis 1: A formal phased approach for small forest enterprises will significantly improve the accessibility of forest certification over conventional approaches

Hypothesis 2: Government policy support for certification and collaboration with NGOs could significantly advance the prospects for the replication of certification models in developing countries.

Hypothesis 3: The economic rewards of forest certification can facilitate the strengthening of local institutions and the positive involvement of local people.

*Research on Fairwood Centre (Component 4)*

Hypothesis: If a national centre of expertise is established to provide awareness raising, successful demonstrations and appropriate support services, then it could contribute to significantly increasing the market share of certified wood, because the timber industry has not maximised the market potential of forest certification.

*Research on timber procurement policies (Component 5)*

Overall hypothesis:

If a public timber procurement policy is to have an assessable impact in terms of promoting legal and sustainable wood in producer countries, its design and implementation must be robust.

Secondary hypothesis:

If a timber procurement policy is to be robust it must include appropriate government criteria

for assessing wood legality and sustainability including verification systems, independent country-by-country assessment of forest management and the supply chain, and ongoing institutional support for and monitoring of procurement agents and their suppliers.

#### *Research on Customs (Component 6)*

Assumption: If a regional framework for Customs cooperation is developed and adopted, then it will contribute to reducing exports and imports of illegal wood, because it can facilitate the implementation of cost-effective prior notification and standardised, robust documentation systems.

## **6. Research Components**

### **Component 1 (24 person months)**

#### **Critical review of forest regulatory frameworks and their implementation in selected Asia-Pacific countries**

The overriding project assumption is that sustainable forest management cannot be achieved without the inclusion of conservation values, livelihood security and a fair negotiation of rights, in forest management regimes. We believe that there is a growing appreciation of the validity of this argument amongst governments in our region, which can be seen in major reviews of forest legislation and subordinate regulations that many countries have undertaken or are undertaking. The objective of this study component is to develop a set of refined hypotheses supported with empirical analysis at the regional level to develop a more sophisticated argument.

Activities:

- i.** Construct an analytical framework to assess legal frameworks for forest management and their implementation from the perspectives of forest conservation, livelihoods and rights.<sup>37</sup>
- ii.** Conduct scoping of forest law/regulation reform processes to identify countries suitable for the study.
- iii.** Commission country studies to: describe the legal, regulatory and institutional reforms that have taken place; identify the driving forces for, and opposition to, these reforms; evaluate achievements and shortcomings; identify the causal relationships between impacts and the legal treatment of conservation, livelihoods and rights.
- iv.** Undertake comparative analysis to develop a more precise theoretical argument and propose a refined set of hypotheses relevant to the region to be explored in future research.

### **Component 2 (14 person months)**

#### **Alternative livelihood creation in localities where poor people have resorted to illegal and/or destructive forest activities**

Poor rural communities may resort to unsustainable forest utilisation practices that contravene forest regulations in order to meet their livelihood needs. Their poverty may also make them vulnerable to external agents that organise illegal logging and they may be used by investors as cheap labour for illegal logging operations. Although the role of communities in illegal logging is often discussed in the international dialogue on sustainable forest management, national strategies to combat illegal logging may not include specific actions to engage with rural communities. Moreover, in existing conservation programmes livelihood creation is often limited to the intent of protecting a specific forested area that is believed to have high

conservation value. In contrast, this research exercise aims to develop a model of livelihood creation that can be replicated by national government as part of its strategy to combat illegal logging.

The proposed research stems from an initiative of the Indonesian Ministry of Forestry to seek interest from outside parties in this topic. It has been formulated as a joint exercise between IGES, the Indonesian Ministry of Forestry and the Regional Community Forestry Training Centre for Asia and the Pacific (RECOFTC). Although the action research will be restricted to Indonesia, the findings will be positioned within a broader regional review of government efforts to engage communities to combat illegal logging.

The study proposes employing action research in three localities in Indonesia, which will be selected according to the contrasts they offer of the structures through which rural communities participate in illegal logging to maximise the learning potential of this exercise. The role of IGES will be restricted to stakeholder, livelihoods and socio-economic assessments at the project sites, monitoring facilitation processes and undertaking a comparative analysis of project impacts. In addition to the action research, the Project will conduct a survey in selected countries of emerging strategies to tackle destructive forest exploitation through alternative livelihood creation.

Activities:

- i. Review existing conservation strategies in Indonesia that include livelihood creation components to identify achievements and barriers to replication of their approaches. Use this review to inform the action research.
- ii. Identify 3 locations in Indonesia where poor people have resorted to illegal and destructive forest practices because of their poverty and a lack of alternative livelihood options.
- iii. Assess the socio-economic setting of the study villages, the relationship between local people and forests, and why there is a failure in forest regulation enforcement.
- iv. Strengthen capacities of communities, institutions and other stakeholders in market analysis, product identification and enterprise establishment.
- v. Implement facilitation methodology leading to selection of products suitable for income generation and establishment of community-based enterprises.
- vi. Evaluate impacts of this strategy on livelihoods and forest conservation, including comparative analysis of the three project sites.

### **Component 3 (30 person months)**

#### **Innovative models to promote forest certification for small forest enterprises as a livelihood and conservation strategy**

This component builds on research conducted on this topic in the Third Phase, which indicated that forest certification has the potential to contribute to sustainable forestry and livelihood creation. Forest certification is attractive in that, if properly conducted, it provides the market with reasonable assurance that wood products are legal and sustainable (both socially and environmentally). However, while progress has been rapid in developed countries, developing countries, especially their small enterprises, have found forest certification difficult to achieve. They face particularly high barriers to achieving forest certification, thus limiting the potential of certification to encourage and reward sustainable forest management. In addition to the main research question described above, supplementary research questions include:

- Under what conditions can certification be a cost-effective instrument to promote sustainable forest management?
- Can certification be improved as an instrument of sustainable forest management?

- What measures can be taken to improve the ability of forest managers to retain certificates?

The progress of certification for small forest enterprises tends to be quite unpredictable; hence, Fourth Phase research will include updated studies of the Third Phase case studies, in addition to the study of two new models.

Activities:

- i. Conduct regional review of trends and developments in forest certification.
- ii. Present research findings from the Third Phase 3 with the participation (possibly poster presentations) of practitioners and support organisations at the Rights and Resources Initiative *Poverty Reduction and Forests: Tenure, Market and Policy Reform* conference.
- iii. Evaluate the FORCERT programme in PNG and FSC Group Certification in Sulawesi, Indonesia assessing prevailing conditions, implementation strategy and impacts.
- iv. Update three case studies conducted in the Third Phase.
- v. Combine all outputs into one final publication and organise a regional workshop on forest certification and rural communities.

#### **Component 4 (18 person months)**

##### **Promoting trade of certified/ verified legal tropical wood**

Under ITTO Project (PD 391/06) a centre of expertise to promote trade in certified/legal verified wood (the “Fairwood Centre”) will be established in Japan in 2007. During the two year project period the Executing Agency (Friends of the Earth Japan and Global Environmental Forum), supported by IGES, will undertake activities through the Fairwood Centre to a) raise awareness amongst the Japanese timber sector of the social and environmental risks associated with purchasing wood products from tropical countries, b) assist interested forest managers in Indonesia and Malaysia to develop action plans to implement phased approaches to certification/legal verification, and c) to act as an information bridge to link buyers in Japan with suppliers in the tropical countries.

This research component will monitor and assess performance of the Fairwood Centre during its first three years of operation with respect to its impact, or likely potential impact, on the market share of certified wood in Japan. One objective of the ITTO Project is to produce demonstrations of successful linkages between suppliers in tropical countries and buyers in Japan as a means to encourage other buyers to use the services of the Fairwood Centre to trade in certified wood. It is unlikely that a strong demonstration effect will be observed during the IGES Fourth Phase, but the potential for the Fairwood Centre to boost demand in Japan and supply in tropical countries, as well as the potential for such demonstrations to impact on the market, will be explored.

Activities:

- i. Conduct market assessment of the use of certified wood in Japan including suppliers and products
- ii. Provide assistance for, and monitoring of, activities conducted under the ITTO Project. In particular, review all outputs to ensure they are not affected by “NGO bias”
- iii. Isolate and assess the effectiveness (likely effectiveness) of the Fairwood Centre to boost

- supply in tropical countries and demand in Japan for certified wood
- iv. Compare findings with reviews of certification support services in other countries

#### **Component 5 (24 person months)**

##### **Options for introducing and strengthening timber procurement policies**

This component builds on research conducted in the Third Phase, which indicated that developing robust public timber procurement policies that effectively distinguish between legal/illegal and sustainable/unsustainable products is a long-term process. Even the EU countries with the most advanced policies have not completed the stages of defining legality and sustainability, establishing criteria for legality and sustainability assessment, and fully implementing the policies. The government of Japan has acknowledged that the timber procurement policy it enacted in April of 2006 requires further development and has created expert working groups – in which IGES is involved – to identify options for future policy revisions. The research proposed under this component is an independent assessment of Japan's timber procurement policy and an investigation of the prospects and options for timber procurement policies in other Asia-Pacific importer countries. It will be conducted in conjunction with the GLOBE Initiative.

Activities:

- i. Develop an evaluation framework and use this to provide an updated assessment of Japan's public procurement policy.
- ii. List public procurement contracts that have required the use of wood since Japan's procurement policy was introduced, focusing on supply from countries that can be considered high-risk from a legality perspective.
- iii. Select several contracts involving high-risk countries (e.g. Indonesia, PNG, Russia) for focused research.
- iv. Identify the documentation provided to assure legality in the supplier country.
- v. Undertake field assessments, including a study of the harvesting sites from where the timber was sourced, to determine its legality. Assess the impacts on livelihoods and forest conservation of the harvesting and transportation of the procured timber.
- vi. Assess awareness of procurement agents of the complexity of Japan's legality verification procedures and their expertise to implement these procedures.
- vii. If, based on the above assessment, deficiencies are found in the procedures that are prescribed under the official guidelines for verifying legality and their implementation, suggest ways in which Japan can develop a more robust and equitable procurement policy.
- viii. Analyse options for other major wood importing countries in the region to introduce procurement policies drawing on the experiences in Japan and progressive European countries.

#### **Component 6 (34 person months)**

##### **Assessing and strengthening the role of Customs in curbing the trade in illegal wood**

In the Asia-Pacific region, the bulk of trade in timber products from the main producing countries occurs within the region and there is evidence that a significant proportion of this either originates from illegal logging, or is traded in contravention of exporting or importing countries' laws. Customs agencies are normally in charge of final inspection for compliance with laws and regulations, and collection of taxes prior to release of wood products for export. They also form the first line of inspection for imports to ensure that all relevant duties and taxes, as well as regulatory and policy requirements are fulfilled before allowing a consignment

to enter a country. However, the ability of border control agencies to identify and intercept such trade is limited by a number of factors. These include inadequacies in documentation, gaps in importing countries' legal systems and lack of formal protocols to exchange information between countries.

In November 2005, the Asia Customs and Forestry Law Enforcement Workshop Promoting Cooperation among Customs and Forestry Authorities and other Relevant Agencies in East Asia to reduce the Trade of Illegal Wood Products was held in Cebu, Philippines, through the funding of the World Bank, World Bank Institute, GTZ, and DFID. This project takes up the Customs workshop recommendations and actions. It is based on a joint research proposal developed by IGES and TRAFFIC, and is being negotiated with three funders - TNC, DfID and GTZ.

The specific objectives are to:

- Develop a robust, efficient timber export and import documentation system.
- Develop options for effective prior notification systems for selected timber products.
- Identify and propose options for more cost effective, targeted, unified and robust statistical gathering.
- Promote the inclusion of trade in forest products in Customs Cooperation and Mutual Administrative Assistance Agreements (CMAAs) and the RILO-AP work plan.
- Develop institutional options to ensure long term political support for more comprehensive regional arrangements and the implementation of the actions, mechanisms and recommendations arising from ASIA-FLEG and related regional processes.
- Identify capacity building needs of key customs, trade and forest officials involved in issuing or handling timber export and import documentation.
- Develop options for targeted capacity building of key customs, trade and forest officials involved in issuing or handling timber export and import documentation.

IGES will lead the following research activities:

- i.** Assist at least one member country to write an official request to the Regional Intelligence Liaison Office to place timber trade on its priority list of actions.
- ii.** Develop a model Customs Co-operation and Mutual Administration Assistance Agreement covering trade in forest products.
- iii.** Identify the functions that a regional structure needs to serve to effectively support Customs.
- iv.** Analyse the extent to which existing regional structures (RILO, Asia FLEG, AFP, ASEAN, APEC) could effectively serve these functions.
- v.** Assess the need for a new independent structure, including informal cooperation and semi-formal enforcement networks (e.g. modelled on the North American Wildlife Enforcement Group).
- vi.** Develop options for financing, staffing etc. of a regional framework.
- vii.** Organise a stakeholder workshop to present the options, receive feedback and generate consensus.
- viii.** Present the report incorporating feedback from the workshop to the planned Asia FLEG Ministerial meeting, AFP and ASEAN for their consideration.
- ix.** Develop a strategy and action for follow-up steps.

## **7. Methodologies**

Overall, the suggested methodologies can be summarised as “mixed methods” in that both qualitative and quantitative methodologies will be used, but with a very heavy tilt towards the former. Qualitative research methodologies are suited to the research components because of their potential to capture the complexity associated with multidimensional, dynamic and context-specific subject matter.

Evaluation (the systematic acquisition and assessment of information to provide useful feedback about a subject) methodologies will be used to explore cause-effect relationships that are the product of interventions under study in components 3 and 5. These evaluations use before-after, rather than with-without, designs.

Action research will be employed in components 2 and 4. The broad steps in action research are (i) identification, evaluation and formulation of the problem, possibly as a testable hypothesis or guiding objective; (ii) selection of research and evaluation procedure; (iii) implementation of the project; (iv) interpretation of the data and inferences to be drawn, and (v) recommendations and dissemination of results to interested parties.

Comparative analysis is used in many of the components to clarify our understanding of causal relationships and to produce recommendations with broad applicability. Comparison is a theoretical approach seeking to make an inventory of similarities and differences between two or more situations. Comparison helps to reduce complexity by seeking out those qualities that the objects under study share and those they do not share. Moreover, comparison of objectives allows rival explanations to be ruled out and hypotheses derived from theoretical perspectives to be tested.

**Component 1:** Literature review: document analysis covering forest legislation, regulations and policy; commissioned studies; comparative analysis.

**Component 2:** Site specific action research in Indonesia including: analysis of secondary data and interviews to establish baselines; monitoring of facilitation process including capacity/institution building and marketing of products; process and impact evaluation through interviews and institutional, market and financial analysis; regional review using existing literature.

**Component 3:** A case study approach that employs evaluation of the individual case studies and comparative analysis. Evaluation methodologies include field observations, document analysis, individual and group interviews with timber producers, interviews with key industry, NGO and government informants and cost-benefit/cost-effectiveness analysis.

**Component 4:** Market survey and monitoring in Japan; document analysis and interviews with participating companies in Malaysia and Indonesia; survey of supply chain development of participating companies in Japan; comparative analysis of national certification services between countries.

**Component 5:** Two principal policy evaluation methods will be used - process evaluation, impact evaluation – as well as comparative analysis

In Japan: process evaluation based on document analysis and interviews with officials to update assessment of Japan’s public procurement policy; questionnaire delivered to public procurement agents. In selected high risk supplier countries: impact evaluation based on site observations and semi-structured interviews with officials, company representatives, NGOs and local communities; analysis of documentation systems as required by regulations and their

assessment against actual forest practices; semi-structured interviews with providers of verification services, where these exist. In other importer countries in the region that could development wood procurement policies: policy and institutional assessment including interviews with officials, document review and comparative analysis with policies and institutions in Japan; comparative analysis with more advanced policies of European countries.

**Component 6:** Functional analysis (for regional collaboration framework); structural analysis against function requirements (ASEAN, AFP etc.); model analysis (NAWEG); comparative analysis of framework options.

## 8. Four Criteria<sup>1</sup>

### 8a. Policy relevance

**Component 1:** The research is timely and policy relevant as many countries in the region have been reforming their legal frameworks for forest management to engage a wider range of stakeholders.

**Component 2:** Some governments have found themselves in a difficult position where they have sought to crack-down on illegal logging, but in doing so are being criticised for criminalising and undermining the livelihood activities of poor rural communities, while failing to prosecute the major players. In Indonesia, the Ministry of Forestry is seeking to devise an approach for building alternative livelihoods for rural communities that are prone to illegal logging, and to combine this with effective enforcement. Other countries in the region face similar challenges.

**Component 3:** Forest certification is receiving increasing attention from donors, NGOs, elements of the forest products industry and some governments. National schemes are evolving in the region and various approaches to make certification more accessible are being developed. Markets for certified wood are also expanding. The study of forest certification for small forest enterprises is particularly relevant, not only because of the hurdles they face, but because the structure of the forestry industry in many developing countries is unbalanced, with policy favouring large over small enterprises. Large enterprises have an important role to play in forestry, but their promotion has at times been at the expense of locally-based small and medium sized enterprises that may have more to offer rural development and sustainable forest management.

**Component 4:** The research on national certification services in importer countries is policy relevant because of the growing policy support in a number of countries for certification as assurance of legality/sustainability. The centre of expertise (Fairwood Centre) which will be established in Japan under an ITTO project is supported by the government of Japan and could assist in implementing its timber procurement policy.

**Component 5:** Japan's revision of its public procurement policy that became effective from 1 April 2006 is an important step by the government to reduce imports of illegal timber. The government has adopted a step-by-step approach to strengthening the policy. The proposed research will present an independent assessment of Japan's procurement policy. The government established the Committee to Promote a Comprehensive Response to Illegal

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<sup>1</sup> See pages 8-11 of "Integrative Strategic Research Program of IGES for the Fourth Phase" (IGES/Inf/FY2006/3)

Logging for this purpose: IGES-FC is a member of the small team of research consultants that the Committee established to advise on and support its work.

**Component 6:** From 28-30 November 2005 the “Customs Enforcement Workshop” was held in Cebu, the Philippines under the Asia Forest Law Enforcement and Governance (Asia FLEG) process. The proposed research draws and develops on the research needs that were identified by the Workshop and the research results will be directed towards the planned Asia 2<sup>nd</sup> FLEG Ministerial Meeting. IGES is the Japan civil society contact point for Asia FLEG.

### **8b. Added value**

**Component 1:** The appeal of this research exercise is a refined *regional* level perspective of the need to embrace conservation, livelihoods and rights in forest management regimes, including analysis of progress and obstacles.

**Component 2:** The Indonesian government has developed a National Strategy to Combat Illegal Logging, which it has summarised as a 10-point Action Programme. None of the ten points specifically target the engagement of rural communities in combating illegal logging. However, the Indonesian Ministry of Forestry recognises the importance of working with communities on this topic and suggested the action research proposed under this component.

**Component 3:** IGES is the only research institution in the region that we are aware of with a major regional research project on forest certification in developing countries. IGES is also developing a niche in research on forest certification for small, community-based enterprises.

**Component 4:** The literature on certification has little to say about the need for national support services in importer countries. The research has a very practical focus in seeking to establish a high quality centre of expertise for trade in certified/legally verified wood in Japan.

**Component 5:** IGES is the only research institution that we are aware of that is undertaking a comprehensive independent assessment of Japan’s public procurement policy, including tracing wood back to harvesting sites in high-risk countries, and assessing prospects for developing similar policies in other importer countries in the region.

**Component 6:** Research on Customs in relation to the illegal wood trade is extremely limited. Existing studies do not provide tools for enhancing their enforcement systems. The proposed research would be the first broad-ranging research programme to build tools for increased co-operation between Customs and to identify options for a regional Customs co-operation framework.

### **8c. External Funds**

**Component 1:** Application for Japan Society for Promotion of Science Grant in Aid for Scientific Research has been submitted.

**Component 2:** The proposal is being developed as a work plan under the Asia Forest Partnership and is conditional on receiving external funding. FAO is being approached.

**Component 3:** No application has been made for external funds, but other institutions have

expressed interest in contributing to the research.

**Component 4:** External funds have been secured through the ITTO for the establishment and operation of the Fairwood Centre.

**Component 5:** Based on discussions with the Japan Federation of Wood Industries Association (JFWIA), further funding is expected through the Committee to Promote a Comprehensive Response to Illegal Logging. (JFWIA acts as the Secretariat for the Committee.) Funding has also been pledged by the GLOBE Initiative.

**Component 6:** Funding has been pledged by DfID, TNC and GTZ.

#### **8d. Regional/international context**

**Component 1:** Governments throughout the region have undertaken significant reforms of their forest regulatory frameworks. These could all potentially be included in the study giving it a broad regional scope.

**Component 2:** The action research will be restricted to Indonesia, but it will be positioned within a review in selected countries of emerging strategies to tackle destructive forest exploitation through alternative livelihood creation.

**Component 3:** Work on the certification of community-based forest management conducted in Phase Three will be updated in the second half of the Fourth Phase and will involve research in Papua New Guinea, Lao PDR and Indonesia. The study will include monitoring and reporting on regional trends and developments.

**Component 4:** The evaluation of the Japan based Fairwood Centre has regional significance as other importer countries could benefit from a similar national level certification support provider.

**Component 5:** The study focuses initially on Japan as a producer country and high-risk exporter countries. Attention will later turn to the prospects and options for other major wood importer countries in Asia – the People’s Republic of China, Republic of Korea, Thailand, Malaysia – to develop procurement policies.

**Component 6:** The study focuses on countries that are heavily involved in the wood trade including China, Japan, Republic of Korea, Taiwan, Viet Nam, Malaysia, Indonesia, Singapore and Papua New Guinea.

## 9. Timeline of activities

Component	FY 2007	FY2008	FY2009
1 Critical review of forest regulatory frameworks	<ul style="list-style-type: none"> <li>&gt;construct framework for regional review</li> <li>&gt;identify authors for commissioned studies</li> </ul>	<ul style="list-style-type: none"> <li>&gt;complete commissioned studies</li> <li>&gt;undertake comparative analysis and publish results</li> </ul>	
2 Alternative livelihood creation	<ul style="list-style-type: none"> <li>&gt;conduct literature review for selected country assessment</li> <li>&gt;review existing livelihood models in Indonesia, identify study sites and undertake baseline studies</li> <li>&gt;begin capacity-building and facilitation processes</li> </ul>	<ul style="list-style-type: none"> <li>&gt;case study research in selected countries</li> <li>&gt;develop and monitor livelihood options as part of action research in Indonesia</li> </ul>	<ul style="list-style-type: none"> <li>&gt;complete final report of country reviews and case studies</li> <li>&gt;evaluate the livelihood creation process in Indonesia and write final report on action research</li> </ul>
3 Innovative models to promote forest certification	<ul style="list-style-type: none"> <li>&gt;complete research on FSC group certification in Sulawesi</li> <li>&gt;organise session on certification for community forestry at the RRI conference</li> </ul>	<ul style="list-style-type: none"> <li>&gt;complete research on FSC group certification, FORCERT, PNG</li> <li>&gt;update Third Phase research on forest certification models in Laos, PNG and Indonesia</li> </ul>	<ul style="list-style-type: none"> <li>&gt;write policy brief and final report</li> <li>&gt;organise regional workshop on forest certification for rural communities</li> </ul>
4 Promoting trade in certified tropical wood and verified legal tropical wood	<ul style="list-style-type: none"> <li>&gt;assess market share and features of certified forest products</li> <li>&gt;select and interview 10 companies in Indonesia and Malaysia (ITTO Project activity)</li> </ul>	<ul style="list-style-type: none"> <li>&gt;identify 3 suppliers in each country that have the potential to shift towards supplying C/VL wood (ITTO Project activity)</li> <li>&gt;assist interested suppliers in developing action plans to achieve forest certification/legal verification (ITTO Project activity)</li> </ul>	<ul style="list-style-type: none"> <li>&gt;assess the impacts and potential of the project to affect market share of certified products in Japan</li> <li>&gt;compare results with achievements of national certification services in other countries</li> <li>&gt;compile final report</li> </ul>
5 Options for introducing and strengthening timber	<ul style="list-style-type: none"> <li>&gt;list public procurement contracts that have required the use of wood since Japan's procurement policy was introduced</li> </ul>	<ul style="list-style-type: none"> <li>&gt;complete assessments in the supplier countries</li> <li>&gt;write final report and policy brief (on impact of Japan's public procurement</li> </ul>	<ul style="list-style-type: none"> <li>&gt;compile final report</li> </ul>

procurement policies	<ul style="list-style-type: none"> <li>&gt;select several contracts involving high-risk countries for the research</li> <li>&gt;begin assessments in the supplier countries</li> <li>&gt;deliver questionnaires to public procurement agents and analyse results</li> </ul>	<p>policy in supplier countries)</p> <ul style="list-style-type: none"> <li>&gt;assess prospects for public procurement policies in other major Asian importer countries, with reference to Japan's policy</li> </ul>	
6 Assessing and strengthening the role of Customs in curbing the trade in illegal wood	<ul style="list-style-type: none"> <li>&gt; assist at least one member country to write an official request to RILO</li> <li>&gt; develop a model CMAA covering trade in forest products.</li> <li>&gt; organise a stakeholder workshop to discuss the model CMAA</li> </ul>	<ul style="list-style-type: none"> <li>&gt; present report findings to the planned Asia FLEG Ministerial meeting, AFP and ASEAN for their consideration</li> <li>&gt; identify the functions that a regional structure needs to serve to effectively support customs agencies</li> <li>&gt; identify range of possible models that a regional structure could take</li> <li>&gt; develop options including modalities for financing and staffing</li> </ul>	<ul style="list-style-type: none"> <li>&gt;develop strategy and actions for follow-up steps</li> </ul>

- <sup>1</sup> FAO. 2006. *Global forests resources assessment, 2005*. Rome: FAO.
- <sup>2</sup> Mayers, J., and S. Bass. 2004. *Policy that works for forests and people: Real prospects for governance and livelihoods*. London: Earthscan.
- <sup>3</sup> Chomitz, K.M., P. Buys, G. de Luca, T.S. Thomas, and S. Wertz-Kanounnikoff. 2006. *At loggerheads? Agriculture expansion, poverty reduction and environment in the tropical forests*. Washington, DC: World Bank.
- <sup>4</sup> Institute on Governance (undated). What is governance?  
<http://www.iog.ca/page.asp?pageID=3&htmlarea=home> (10 December 2006).
- <sup>5</sup> There is no internationally accepted definition of illegal logging. Illegal logging is most often defined as taking place when timber is harvested, transported, bought or sold in violation of national laws.
- <sup>6</sup> These estimates are mostly based on investigations at logging sites, anecdotal evidence and discrepancies in trade statistics.
- <sup>7</sup> Contreras-Hermosilla, A. 2002. *Illegal forest production and trade: An overview*. Washington, DC: World Bank Institute.
- <sup>8</sup> Kishor, N.M., and K.L. Rosenbaum. 2003. Indicators to monitor progress of forest law enforcement and governance initiatives to control illegal practices in the forest sector. *International Forestry Review* 5:3.
- <sup>9</sup> Toyne, P., C. O'Brien, and R. Nelson. 2002. *The timber footprint of the G8 and China: Making the case for green procurement by government*. Gland, Switzerland: WWF- International.
- <sup>10</sup> Kommersant. 21 Aug. 2006. Russia in figures.
- <sup>11</sup> RECOFTC. 2006. Community Forestry E-News 2005. 09 Sept. 2006.
- <sup>12</sup> Contreras-Hermosilla, A. 2003. *Law compliance in the forestry sector: An overview*. World Bank Institute Working Paper. Washington, DC: World Bank Institute.
- <sup>13</sup> Ibid.
- <sup>14</sup> Seneca Creek Associates/Wood Resources International. 2004. *Illegal logging and global wood markets: The competitive impacts on the US wood products industry*. Prepared for the American Forest and Paper Association. Wa, US: Wood Resources International.
- <sup>15</sup> Cited in Toyne, P., O'Brien and Nelson. 2002.
- <sup>16</sup> Kaimowitz, D. 2005. Presentation at The Forest Dialogue multi-stakeholder dialogue on best practices for business and civil society, 7-10 March 2005, Hong Kong. Cited in Practical actions to combat illegal logging, TTFD Review No.2, 2005. 8.
- <sup>17</sup> Ibid.
- <sup>18</sup> FAO. 2006.
- <sup>19</sup> Ibid.
- <sup>20</sup> MCPFE (Ministerial Conference on the Protection of Forests in Europe). 1993. General guidelines for sustainable management of forests in Europe. Resolution H1.
- <sup>21</sup> Colchester, M. 2006a. *Justice in the forest: Rural livelihoods and forest law enforcement*. Bogor: CIFOR.
- <sup>22</sup> World Bank. 2006. *Strengthening forest law enforcement and governance*. Washington, DC: World Bank. 6.
- <sup>23</sup> Ibid. 22.
- <sup>24</sup> Presentation at Rights and Resources Initiative side event, ITTC 41<sup>st</sup> Session, 2006, Yokohama.
- <sup>25</sup> Kaimowitz, D. 2003. Forest law enforcement and rural livelihoods. *International Forestry Review* 5:3.
- <sup>26</sup> The Indonesian Civil Society's Position Paper for FLEGT (Forest Law Enforcement Governance and Trade) complains that "law is strictly enforced against the so-called 'illegal' local or traditional loggers, while the timber barons or large companies, whom these 'illegal' loggers provide wood to, are above the law."  
[http://www.illegal-logging.info/events/ICS\\_Position\\_Paper\\_for\\_FLEGT.doc](http://www.illegal-logging.info/events/ICS_Position_Paper_for_FLEGT.doc) (16 September 2006).
- <sup>27</sup> Colchester, M. 2006a. 58.
- <sup>28</sup> Colchester, M. 2006b. Reflections on the social dimensions of verification in FLEGT processes: Issues, risks and challenges. Verifor Experts Meeting, 27-28 April 2006, Palma de Mallorca.
- <sup>29</sup> According to Anatoly Lebedev, for many local communities in Siberia illegal logging has positive aspects: it is relatively small scale; it is selective and community-based; and it is essential to the financial security of many families. The local communities view their illegal activities as less destructive and more beneficial than state sanctioned logging: "all the profit that came to illegal loggers and traders from Chinese wholesalers, including all bribes, remained in the community, while official fees and taxes were taken away for the budget and never returned." (Lebedev, A. 2004. Russia. Top news on environment in Asia – 2004, Hayama, Japan: IGES).
- <sup>30</sup> World Bank. 2006. xi.
- <sup>31</sup> Rights and livelihoods themselves are inseparable, as is recognised in the World Bank's 2004 Forestry Strategy and Operational Policy, which seeks to "harness the potential of forests to reduce poverty" by "strengthening rights of people – especially marginalised groups – to forests."
- <sup>32</sup> For example, in Papua New Guinea 97% of forests are governed under undocumented customary systems of communal tenure and the state must consult with the indigenous resource owners before beginning forest development projects. Despite the security of customary rights being guaranteed by the Constitution and the forest law, neither current forest management nor the forest industry is sustainable.
- <sup>33</sup> For example, in Nepal it is widely recognised that women, the poor and lower castes are underrepresented in the decision-making and benefit sharing processes of the community forest user groups.

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<sup>34</sup> See Scheyvens, H. H. Hyakumura and Y. Seki, eds. Forthcoming. *Decentralisation and state-sponsored community forestry in Asia: Seven country studies of transitions in forest governance, contemporary forest management and the prospects for communities to contribute to and benefit from sustainable forest management*. Hayama, Japan: IGES.

<sup>35</sup> Chambers, R., and G. Conway. 1992. Sustainable rural livelihoods: Practical concepts for the 21st century. IDS Discussion Paper 296. Brighton: IDS.

<sup>36</sup> Ljungman, C.M. 2004. Applying a rights-based approach to development. Concepts and principles. Paper presented at The Winners and Losers from Rights-Based Approaches to Development Conference, 21-22 February 2005, IDPM, University of Manchester.

<sup>37</sup> One option is to use the conceptual constructs employed in *Strengthening forest law enforcement and governance* (World Bank 2006) for understanding the sources and drivers of crime (means, motives and opportunity) and the structure of forest law enforcement systems (prevention, detection and suppression). The framework will analyse: 1) the broader governance context in which illegal logging takes place - Who are the actors? What is their motivation? Which groups collude to log illegally? Who benefits and who loses? 2) the social and economic linkages that rural communities have with forests, 3) the relationship between illegal/legal forest activities and livelihoods, 4) the laws (forestry laws, tenure laws, conservation laws etc.) in the study countries that recognise or limit the rights of communities regarding forest tenure, access and use, 5) forest law enforcement and its impacts on livelihoods, rights and forest conservation, 6) the likely impacts of a more rigorous enforcement of current forest law, 7) options for reform of forest regulatory frameworks and effective enforcement to increase support for livelihoods, rights and forest conservation.