

## International Commission on Land Use Change and Ecosystems: Tropical Forests

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Tropical forests continue to be lost at a rapid pace, with the loss and degradation of tropical forests accounting for 18 to 25% of global greenhouse emissions <sup>(1)</sup>. The GLOBE International Commission on Land Use Change and Ecosystems is committed to developing legislative proposals to significantly slow the rate of deforestation. Tropical forests are of global importance, as they provide a range of valuable local, regional and global ecosystem services (including carbon sequestration and watershed protection), are the greatest repository of terrestrial biodiversity, and have important economic, social and cultural values, particularly for the estimated 1.6 billion people that are at least partially dependent on tropical forests for their livelihoods <sup>(2)</sup>.

The drivers of deforestation are multiple and complex, but they are underpinned by significant undervaluation of the economic value of forest ecosystem services. This market failure results in greater financial incentives to convert forests to other land uses, rather than conserve standing trees. Agricultural expansion is the most common immediate cause of tropical forest loss, with the deforestation agents increasingly being large commercial actors rather than smallholders. Timber extraction and construction of infrastructure also play a significant role <sup>(3)</sup>. There are also many underlying drivers, which can include economic factors, market distortions, inadequate governance, and demographic pressure <sup>(4)</sup>.

A new mechanism for reducing emissions from deforestation and forest degradation (REDD) as part of a post-2012 international climate treaty could provide strong economic incentives for forest conservation and sustainable management. If implemented in conjunction with stringent environmental and social safeguards, the prospect of sustained, long-term finance from a future REDD mechanism could be a catalyst for positive reform throughout the forestry sector. However, unless forest governance is dramatically improved, new financial flows could exaggerate existing conflict and corruption in the forest sector <sup>(5)</sup>. Without a coordinated international effort to change the policy landscape in favour of legal, sustainably sourced timber and agricultural commodities, illegal operations will simply move to less regulated markets <sup>(6)</sup>.

There is an urgent need for political action to slow the rate of deforestation. Following the structure of the Eliasch Review <sup>(7)</sup>, this paper has identified high-level policy recommendations within each of three sets of policy 'levers' that should be used in conjunction to address tropical deforestation:

- **Demand-side policies** to provide economic and legal incentives for sustainable forest management.
- **Supply-side policies** to address in-country causes of deforestation.
- **International policies** that create funding to pay forested nations for maintaining forest cover.

### Key recommendations

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- **Coordination of forest policy is required at the international, regional, and national level**, building on the successes and failures of existing and past initiatives, and supporting institutions that can translate policy into local action. There is a concurrent need for increased communication and coordination among national ministries responsible for forestry, agriculture, environment, trade, planning and infrastructure.
- **Governments must take the lead to ban trade in illegally sourced timber and wood products**, and increase demand for responsibly-sourced products.
- **Governments must continue to reform the forestry sector**, including ongoing efforts to improve forest governance and law enforcement, build capacity, develop secure land tenure, and support local involvement in the development of forest policy and implementation of forest management plans.
- **A REDD mechanism must be included in the post-2012 climate agreement**, which must be efficient, effective and equitable, and provide substantial, long-term finance for forest conservation. A flexible, 'phased' approach can accommodate the diverse capabilities of forested nations. Stringent social and environmental safeguards must be built into national REDD strategies.
- **Interim financing for a future REDD mechanism must be made available now**, given that many countries will need assistance with capacity building and the infrastructure required to formulate national REDD strategies that will lead to quantifiable reductions in greenhouse gas emissions from forests.
- **Tropical deforestation must be viewed within a broader context** that includes land use change, agriculture, non-forest ecosystems and changing patterns of consumption and population growth. Policies targeting deforestation will ultimately fail if the underlying drivers of land use change are not addressed.

## Addressing the role of demand for commodities in tropical deforestation

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Demand for agricultural commodities, timber, wood products, and biofuels is a significant economic driver of tropical deforestation and illegal logging. Illegal timber may represent up to 10% of the global trade in primary wood products, and one-fifth of timber imports to the EU<sup>(8,9)</sup>. Illegal logging and trade fundamentally undermines the levels of governance and rule of law that are necessary for credible reduction of deforestation. Meanwhile, concerns over food security and government targets for biofuels have been associated with recent large-scale land acquisition by foreign entities in the tropics<sup>(10)</sup>. Increasing affluence around the world has increased demand for land- and water-intensive production of meat and dairy products.

The EU's Forest Law Enforcement, Governance and Trade (FLEGT) Regulation is an important step to reduce deforestation associated with illegal logging and support long-term governance reform through multi-stakeholder processes and bilateral Voluntary Partnership Agreements. With the amendment of the Lacey Act in May 2008, the US became the first country to implement legislation banning importation, exportation or trade of illegally sourced timber and wood products. Preliminary reports indicate that the Lacey Act amendments are already leading to changes in practices among retailers, importers, manufacturers and logging companies<sup>(11)</sup>. Legislative action to tackle trade in illegal timber should be scaled up globally, and should include major processing and manufacturing nations to ensure internationally consistent demand-side laws and policies<sup>(6)</sup>.

Reduced demand for illegally sourced and environmentally destructive products must be accompanied by increased demand for responsibly sourced forest and agricultural commodities. Existing credible, consistent and independent sustainability criteria for such products should be supported (for example, Forest Stewardship Council criteria for timber, and the Roundtable on Sustainable Biofuels criteria). Greater demand for certified commodities that incorporate environmental and social standards can contribute to rural development<sup>(12)</sup>.

Nations that consume tropical forest products can help to slow the rate of forest loss and degradation by enacting legislation banning illegally sourced commodities, promoting green public procurement, supporting certification programmes, reforming subsidies, working in partnership with forested nations to improve governance, and providing funds and technology to increase agricultural productivity.

### Policy recommendations on demand-side measures

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#### **Enforce stringent regulations banning trade in illegally-sourced products.**

- Work towards a globally consistent ban on trade in illegal timber and wood products, and promote the expansion and improvement of Forest Law Enforcement, Governance and Trade initiatives.

#### **Promote the use of sustainability criteria for timber and agricultural commodities.**

- Create market incentives for products from well-managed forests by supporting effective green public procurement of timber and wood products, due diligence in the private sector, sustainable forest management, and certification.
- Promote uptake of existing sustainability criteria for biofuels in the public and private sector, and work towards developing and promoting sustainability criteria for agricultural produce.
- Encourage private sector entities from across the supply chain to demonstrate that their actions are environmentally and socially responsible, and to calculate the ecological footprint of commodities.

#### **Provide support to supplier nations to reform governance and improve productivity.**

- Provide funding and capacity-building assistance to improve governance at national and local levels, reform land tenure, provide economic incentives for sustainable forest management, and implement land use regulations.
- Evaluate and ensure the effectiveness of current bilateral and multilateral programmes operating in the forestry, agricultural, resource extraction and infrastructure sectors.
- Increase funding for research and action to improve agricultural productivity for smallholder farmers.

#### **Address the role of consumer nation subsidies in driving deforestation.**

- Evaluate and reform subsidies in consumer nations that are linked with increased demand for wood products and agricultural commodities which have proven links to tropical deforestation.

#### **Work towards large-scale, long-term reform of the global agricultural sector.**

- Support the G8 Global Partnership on Agriculture and Food, and look towards reform of the global agricultural sector to balance environmental goals with requirements for food, water and energy.

## Addressing the underlying causes of deforestation in forested nations

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Forests are a key natural resource for many developing countries. A combination of strong economic drivers and poor forest governance has resulted in deforestation in many of these nations, often with little to show in terms of economic growth and poverty reduction <sup>(5)</sup>. Agricultural expansion is the most common immediate cause of tropical forest loss <sup>(3)</sup>, with large commercial actors and subsistence farmers acting as the primary deforestation agent in different locations. There are also many underlying drivers, which can include policies in agricultural and infrastructure sectors that promote deforestation, insufficient recognition of property rights of many forest and rural communities and lack of alternative livelihoods <sup>(4)</sup>, weak institutional capacity and poor law enforcement <sup>(13)</sup>, as well as growing populations with higher consumption expectations <sup>(4)</sup>.

Policy responses that can help address these drivers are outlined below. An initial step that must be taken to address deforestation is to create price signals that monetise the non-market benefits of forests. The international climate negotiations are likely to include avoided deforestation as a mitigation activity, providing a strong, long-term economic incentive to slow forest loss, and improve legality in the forest sector <sup>(14)</sup>. However, without strong political will, enabling governance conditions and sustainable finance, it will be difficult to achieve significant, lasting reductions in emissions <sup>(15)</sup> and use carbon payments for economic growth. Effective community and private sector involvement is crucial to the design of policies aimed at slowing the rate of deforestation.

New economic incentives need to be supported by reform of policy, legislation and subsidies across several sectors in forested nations, including agriculture, infrastructure, forestry and trade. By providing forest conservation agencies with a greater source of revenue, these institutions will gain politically against powerful agencies that favour forest conversion over conservation. Improving the effectiveness of protected area networks could provide another pathway to reduce emissions from forest loss <sup>(16)</sup>. Governance improvements must be led by forested nations, but can be aided by long-term funding and capacity-building assistance from elsewhere.

### Policy recommendations on supply-side measures

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#### **Develop a clear, secure land tenure system.**

- Work towards rapid, transparent, inclusive and comprehensive reform of land tenure, which recognises forest, indigenous and rural communities' rights to land and forest commodities. The difficulties associated with tenure reform are significant, including strong vested interests and lack of political will.
- Community consultation should occur throughout the process of gazetting new protected areas, and in strategies aimed at tackling deforestation and agricultural encroachment within existing reserves.

#### **Support local involvement in forest management as part of rural development goals.**

- Facilitate involvement of forest, indigenous and rural communities in decision making and policy design, and promote forest certification, rewards for ecosystem services and other tools to foster sustainable forest management as economic incentives to maintain forests.
- Provide support for alternative livelihood schemes, improved agricultural productivity, better market access, education, family planning and poverty reduction strategies, to reduce the pressure to deforest.

#### **Integrate national forest policy frameworks with agriculture and development objectives.**

- Adopt an integrated approach to national land use planning through closer collaboration between the ministries responsible for forestry, agriculture, environment, trade, planning and infrastructure, to ensure that the development path does not drive or depend on deforestation. The application of environmental and social impact assessments should be encouraged.

#### **Work towards creating transparent, accountable and inclusive forest governance institutions.**

- Build on lessons learnt from existing national, bilateral and multilateral measures to improve forest law enforcement, governance and trade and address corruption and judicial impunity.
- Invest in institutional capacity at local and national levels, and clarify the roles and authority of relevant institutions by establishing clear communication and independent judicial systems.

#### **Build the capacity for effective forest law enforcement.**

- Promote understanding and implementation of forest, anti-corruption, anti-money laundering and customs laws among the legal establishment, customs authorities, and international trading partners.
- Support an engaged and empowered civil society that is actively involved in forest management.
- Establish national forest monitoring by a combination of remote sensing and ground-truthing.

## Addressing deforestation through an international forest carbon framework

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Reducing emissions from deforestation and forest degradation (REDD) will be critical in the transition to a low-carbon economy <sup>(7)</sup>. A REDD mechanism is likely to be included in a post-2012 international climate treaty under the UN Framework Convention on Climate Change (UNFCCC) <sup>(17, 18)</sup>. Such a mechanism represents an excellent opportunity to conserve forests by creating long-term finance for certified reductions in forest-related greenhouse gas (GHG) emissions. The barriers to the successful implementation of REDD are similar to those faced for decades by other forestry initiatives, which have been hampered by finite financial support, strong economic incentives for illegal behaviour <sup>(19)</sup> and by payments that were not linked to performance <sup>(17)</sup>.

Successful implementation of REDD will require a combination of immediate capacity-building assistance and funding from developed countries, and secure, long-term financial incentives to conserve forests. A flexible, 'phased approach' to implementation will accommodate the diverse capabilities of forested nations, and will allow for an eventual expansion of the scope of REDD to include conservation, sustainable management of forests, and forest carbon enhancement through reforestation and afforestation (i.e., 'REDD+') <sup>(17)</sup>. The phased approach gives countries time to move from demonstration activities, capacity building and the development of a national REDD strategy, towards nationally quantified and verified changes in GHG emissions from the forest sector, which can be traded on compliance markets <sup>(17)</sup>.

Concerns have been raised that implementation of REDD strategies may have unintended negative social, environmental and economic effects. Incorporating stringent social and environmental safeguards into REDD project design criteria is necessary to ensure that local peoples' rights are recognised and that biodiversity is conserved. REDD has previously been cited as a potential source of 'low-cost' mitigation credits <sup>(20)</sup>, leading to fears that REDD units will 'flood' the carbon market, driving down the price of carbon. Several solutions have been proposed to address this issue <sup>(17)</sup>. At least one economic model <sup>(21)</sup>, experience from the UNFCCC Clean Development Mechanism (CDM) and decades of forestry investment all suggest that flooding is unlikely to occur. Over the long-term, carbon credits from avoided deforestation should form part of a holistic mitigation approach to GHG emissions from all land uses, including agriculture <sup>(22)</sup>.

## Policy recommendations on international agreements

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### Support the development of an efficient, effective and equitable REDD mechanism.

- The UNFCCC 2009 Conference of the Parties in Copenhagen must include REDD in a post-2012 climate agreement and target long-term national level referencing with performance-based payments.
- Participating countries must meet a set of environmental and social safeguard criteria in their national REDD strategies, including monitoring, reporting and verification (MRV) and stakeholder participation requirements, in order to qualify for REDD payments.

### Support a flexible approach to REDD that includes all forested developing countries.

- The REDD mechanism must include countries at all stages of forest conversion, by providing financial incentives for avoided deforestation in nations with high deforestation rates, rewarding forest conservation in nations with low deforestation rates, and promoting afforestation and reforestation.
- The REDD mechanism should allow sub-national or demonstration activities to start as countries move towards implementation of national strategies, baselines and forest carbon accounting.

### Provide funding and assistance to reform governance and encourage private sector involvement.

- Interim finance should be provided immediately to support REDD 'readiness' activities.
- A REDD mechanism must create a predictable, long-term investment environment that encourages private sector participation, bearing in mind that perhaps US\$15-35 billion per year will be required for readiness and implementation costs <sup>(2)</sup>.
- The REDD mechanism should incentivise governance reform, and encourage communication and coordination of national REDD strategies across all relevant government departments.

### Integrate REDD within the broader context of global land use, agriculture and biodiversity loss.

- Over the medium term, the UNFCCC should aim for a comprehensive carbon accounting system across all land use sectors. Funding should be sourced to investigate the potential for mitigation activities in agriculture, wetlands and other non-forest landscapes.
- Ensure that the REDD mechanism does not encourage biodiversity loss or the degradation of non-carbon forest ecosystem services, at the expense of preserving carbon stocks <sup>(23)</sup>.

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