

FORUM BRIEFER 02-05

Updates on Review of ADB's Forestry Policy

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In 1980-2000, ADB invested a total of \$1 billion in the forestry sector, representing about 1.5% of total Bank lending; since 1988, Bank investments in the forestry sector has declined steadily. Most of the current ADB forest sector portfolio are projects to create plantations that according to ADB will “compensate for the loss of natural forests and the decline in potential production capacity”; the Bank forecasts, however, that the number of ADB projects that focus exclusively on plantations and afforestation will decline in the coming years. The Bank has rated its support for plantations as “successful in reducing the overall rate of forest loss.”

In 1999, the Asian Development Bank (ADB) approved a regional technical assistance project (RETA 5900) to review the Bank's existing Forest Sector Policy, approved in 1995. The ADB recognized that the forest sector's “potential role for improved and enhanced livelihood opportunities and poverty reduction (had) not been sufficiently harnessed”.ⁱ

As part of the review, ADB conducted an ADB portfolio analysis and an initial forestry policy assessment report at the end of 2000. In 2001, ADB conducted case studies in the Philippines, Bangladesh, Pakistan and Sri Lanka to assess the impact of ADB forestry projects.ⁱⁱ In February 2002, the Bank held a regional stakeholder workshop on the draft Forest Sector Strategic Framework; participants included government representatives from developing member countries (DMCs), international and southern NGOs, and private sector representatives.

Forestry policies are of particular concern to indigenous peoples, who often depend on forests for their habitats and livelihoods. Although they are traditional occupants of forest lands, governments tend not to recognize their land rights. At the February ADB workshop, an indigenous peoples representative expressed her concerns thus: “*Despite provisions supporting the informed participation of indigenous peoples have not been consulted, substantively, or at all, before and during the formulation and implementation of policies and programs in the forestry sector in many countries of Asia-Pacific region, and especially in areas that are categorized as forests*”.ⁱⁱⁱ

ADB's vision for Asia-Pacific forestry. ADB's draft policy paper (17 June 2002) entitled *Forests for All and Forever* envisions the region's forestry as having –

“*Participatory stewardship*”: forests, through the range of services it provides, have values to society as a whole and must be managed in a transparent and inclusive manner to provide essential goods and services for everybody.

“*Equitable distribution of benefits*”: forests can be seen as a means to create wealth, rather than just as inherited capital, providing an enormous range of products, both in their raw

state and processed, but benefits generated from forest resources should be distributed in a more equitable manner

“*Environmental security*”: well being of society in Asia-Pacific and the region's ecosystems will be enhanced if environmental services provided by forests like watershed protection, carbon sequestration, and biodiversity conservation are secured.

* The NGO FORUM ON ADB (FORUM) is a network of diverse non-governmental organizations (NGOs), peoples' organizations (POs), community-based organizations and other public interest groups with advocacy and campaigns relating to the Asian Development Bank (ADB). The Manila-based Secretariat can be reached at: Room 402, 107-A Kalayaan Avenue, Diliman, 1101 Quezon City, Philippines; Telefax: +632 9297987; E-mail: forum@pacific.net.ph.

Definition of 'forest sector' and 'forest management'. The proposed policy defines the forest sector as including "all aspects of the management and protection of natural and semi-natural forests, woodlands, and the plants and animals for which it is their habitat, as well as planted tree crops. Land that is classed as 'forest', but no longer carries forest cover, is considered within the forest sector if restoration of forest is economically justified or desirable for environmental purposes. The forest sector also covers other economic activities that are wholly or largely dependent on forests, including small and medium enterprises and industries that process and market wood and non-wood forest products. It also includes all aspects of trade in these products, which have a direct bearing on the resource, such as supply, demand and prices."

Management of forest resources are "interventions that seek to achieve the most appropriate balance between protection of habitat for the conservation of genetic and ecosystem diversity, wildlife, soil and water and the production and extraction of all potentially useful wood and non-wood products for human benefit. In natural and semi-natural forests ADB gives greater emphasis on the habitat and environmental functions of forests, but not necessarily to the exclusion of production. The reverse applies to plantations and cultivated trees. It also includes the management of forests and forestland in support of other economic sectors, particularly agriculture, water, tourism and recreation, the sequestration of carbon, and the development of forest-related infrastructure such as roads, bridges, and communication systems."

Major shift from 1995 policy. The proposed forestry policy says it is more 'directive' in stating that interventions should directly contribute to poverty reduction. The emphasis in the 1995 policy was on the forests and the need to manage them; the proposed policy supposedly emphasizes the role forests can play in improving livelihoods and human welfare, enhancing economic development, and reducing poverty. For instance, the current forest policy focuses on "protecting and maintaining the resource and ensuring that depleted resources would be replaced;" the proposed policy will put a stronger emphasis on how to increase the extent and productivity of the forest estate, and improve its condition and conservation potential. Along with community involvement, land and forest tenure security are identified as critical issues for securing the conservation and development objectives of the proposed policy.

Problematic issues. Among those identified in the draft paper are: monopolistic control of forest departments over forest land; land tenure in general, and access to resources by forest dependent communities; institutionalization of cost and benefit sharing arrangements; and the position and rights of indigenous people that is "still not adequately addressed by the existing regulatory frameworks."

The draft paper explains that a very large proportion of the forests in the region are *de jure* on "state land" - - regardless of *de facto* traditional use and occupation -- and that "state land" is often interpreted by governments as meaning "government ownership", rather than public ownership, administered by government. Conflicts arise when governments issue rights and licenses for forest exploitation to selected and often wealthy entrepreneurs, and do not recognize any right on the part of the traditional users or local communities.

Forests and forestland are also under-valued, since license fees for rights to exploit forests are usually awarded for nominal amounts that do not reflect the real rental value of the land, according to the paper. The Bank views this as a huge amount of potential capital tied up and unavailable for development. "If tradable leasehold titles were awarded to the occupants of 'forest land', it would enable government to retain mineral rights but would allow the occupants either to sell their leases to raise cash, use them as collateral for loans or negotiate rental income from enterprises interested in harvesting the forest."

Proposed policy directives. Excerpts from the proposed new forestry policy --

ADB will give priority to investments in the forest sector where (i) it can be demonstrated that arrangements have been institutionalized for stakeholder participation in the development and endorsement of policy and for the resolution of conflicts that will impede implementation, and (ii) where forest policy has been adopted which puts high

priority on poverty reduction, social development, and environmental protection.

ADB will give priority to investments that are developed on the basis of comprehensive and accurate data and other information on the state of the sector and its performance, or ones that include the

marshalling and dissemination of such data as part of the investment strategy.

ADB will promote the use of multiple-use forestry and landscape planning approaches in its forest sector projects. This approach integrates conservation and sustainable use while taking account of social, cultural, and economic considerations, and blending of indigenous and modern resource conservation and management knowledge and technologies will be promoted.

ADB will give priority to investments in the forest sector that incorporate a comprehensive evaluation of the fundamental principles on which the regulatory regime for the forest sector is based, the regime's internal consistency, the technical adequacy of its provisions, and the transparency and efficiency of the systems, including those for conflict resolution, required to implement it.

ADB will promote a broader scope of pre-investment evaluation of regulatory regimes at a strategic level; where required, regulatory reform may precede an investment package.

ADB will secure stakeholder and government agreement in principle on the scope of envisaged reforms prior to the start of project implementation.

ADB will give priority to investments that are supported by an analysis of the use of subsidies, price controls and fiscal regimes for the forest sector and other sectors that are in competition with forestry for resources; measures should have been introduced to remove distortions that result in under-pricing of forest-based goods and services relative to those from other sectors.

ADB will give priority to investments aimed at creating opportunities for the development of SMEs, where either the necessary infrastructure and credit facilities are available, or where complementary investments are taking place for the development of these facilities within the same territorial district.

ADB contacts. Should you have comments on this proposed policy, contact -- Judy Vermudo (jvermudo@adb.org); Regional Coordinator for Forest Policy; J. Warren Evans, Director, Environment/Social Safeguard Division, Regional Sustainable Development Department (jevans@adb.org); Akira Seki (aseki@adb.org), Director General, Regional Sustainable Development Department. The June 2002 working paper is currently being revised, to integrate comments from interested parties. As yet, there is no schedule for Board consideration and approval; most likely the new policy will be approved early next year.

ADB will use its contacts and influence with the private sector to promote the establishment of partnerships between private sector enterprises that are not traditionally associated with (e.g., tourism, pharmaceuticals, fragrances and flavors, energy technology, transportation, communications, water management, and agribusiness for fruit and other edible forest products) and small rural enterprises.

ADB will use its capacity as a convener to promote the participation of a wider range of private sector companies and civil society organizations in cosponsoring investment in the forest sector, especially in nontraditional fields like ecotourism and bio-prospecting.

ADB will promote regional consultations on carbon management, and will give priority to investing in projects where a positive contribution to carbon sequestration can be demonstrated.

ADB will strive to incorporate forestry related activities (including watershed and rangeland projects) in all its projects that include poor forest-dependent communities among its target groups.

ADB will promote appropriate employment conditions in its investment projects, and will give priority to investing in projects where they conform with national standards.

ADB will give priority to investment in wood-based rural energy projects where it can be shown that wood supply is sustainable and is from plantations, and they offer pro-poor benefits such as additional employment, more rapid access to convenient energy, and price competitiveness.

ADB activities in the forest sector will support international agreements – e.g., Convention on Biological Diversity, the World Heritage Convention, the Framework Convention on Climate Change, and the Convention on Wetlands of International Importance.

ⁱ <http://www.adb.org/Projects/ForestPolicy/default.asp>

ⁱⁱ for detailed results from the case studies please go to:

http://www.adb.org/Projects/ForestPolicy/case_studies.asp

ⁱⁱⁱ http://www.adb.org/Projects/ForestPolicy/reg_consult.asp