

DRAFT REMARKS
US DEPARTMENT OF STATE DEPUTY ASSISTANT SECRETARY FOR
ENVIRONMENT
DANIEL A REIFSNYDER

**INTERNATIONAL TROPICAL FOREST INVESTMENT FORUM:
ISSUES AND OPPORTUNITIES FOR INVESTMENT IN NATURAL TROPICAL FORESTS
APRIL 26 2006, CANCUN, MEXICO**

- Director General Manuel Reed Segovia, Minister Felipe Adrián Vazquez Galvez, Governor Félix Gonzalez Canto, Executive Director Manoel Sobral, President Michael Jenkins, Honored Guests, Ladies and Gentlemen, it is an honor to attend this important conference on International Tropical Forest Investment on behalf of the U.S. Department of State. Thank you very much for the invitation.
- Attracting and effectively utilizing investment that supports sustainable forest management (SFM) from donors, the private sector and local communities alike, requires an environment that permits and encourages good governance and the rule of law.. This may sound obvious, but, very often, this critical underlying factor is ignored.
- In 2001 the United States funded -- supported by the United Kingdom and through the good services of the World Bank -- the first ever-regional Forest Law Enforcement and Governance Ministerial in Bali in 2001. The focus of that conference was on illegal logging, associated trade and corruption, but an underlying premise was that by addressing critical governance issues, we would be taking a major step towards building a viable foundation for sustainability and, following from that, for investment.
- In 2003, President Bush announced a new international initiative – the President’s Initiative Against Illegal Logging, or PIAIL -- intended to help developing countries develop the means and capacities to combat illegal logging.. When the PIAIL was launched on behalf of President Bush by then-Secretary of State Colin Powell, Secretary Powell observed “...blatant disregard for the law weakens governments, encourages corruption, undermines democracy, and that, in turn, saps the faith of the people in the democratic system. It wreaks havoc on the fragile environment, destroying watersheds, devastating wildlife, and demolishing livelihoods.”
- One of the countries where the United States has made a priority of addressing the explicit relationship between forests, governance and investment is Liberia. When the United States led a reconstruction initiative following Taylor’s expulsion from the country, we identified forests as a critical issue requiring a comprehensive approach.

-- But before I tell you about our efforts in Liberia to address this issue, let me start out by describing the key elements of such an enabling legal and governance environment, focusing on the following five areas:

Clear and enforceable property rights – whether private, public, or held in common by local communities – clear and enforceable property rights are a prerequisite for investments in SFM which are, by virtue of the fact that trees grow slowly and have long life cycles, relatively long-term investments. Absent a reasonable expectation of stable property rights in forest lands and resources – and the legal rights and actual capacities, backed by the state, to exclude interlopers – neither businesses nor communities will invest in SFM.

However, the term “property right” is not necessarily synonymous with “private, individual ownership right.” There are many kinds and degrees of property right (e.g. long-term leases, rental, etc.), and many modes in which these rights can be held (e.g. local and indigenous communities’ communal rights, land trusts, public lands, etc.) The right mixture of property right modes and types will necessarily vary among countries, and between different areas of any one country. I understand, Ing. Segovia, that in Mexico -- in contrast to many other countries -- a majority of the forest area is comprised of community owned forests. I am sure that Mexico’s historical experience in this area has strongly affected the way Mexico’s present conception of property rights and community interests has evolved. It will be interesting to hear more about Mexico’s positive experiences in this area, as your experience can undoubtedly provide valuable insights for many other countries where an expanded role for community forestry is under consideration.

Effective rights to and mechanisms for public participation in the making and implementation of forest laws, policies and investments, by affected local communities, is another essential component of law and governance related to SFM. Where decisions and investments are made without such participation, local resistance (e.g. through encroachment, timber cutting, etc.) will reduce the value of SFM investments, and discourage future investment. Disputes are more likely to grow into outright conflict; further dampening prospects for attracting investment – and for realizing a return on investments.

Impartial and non-corrupt law enforcement is essential as well; to both discourage violations of law and policy (e.g. illegal logging), and to provide communities and investors with a guarantee of security for their investments.

Clear and non-contradictory government laws and regulations, administered without favoritism or corruption by **efficient public institutions**, are particularly essential for attracting private sector investment in SFM. They are also essential for ensuring, along with law enforcement, that investors actually meet the standards of sustainability (hopefully) set out in national law and policy and minimizing negative environmental impacts.

Finally, a **well-functioning and accessible legal system**, free of corruption, is necessary for the resolution of disputes, meting out of judgments and penalties for forest-related crimes, and the general facilitation of contracts and other commercial transactions essential to boosting investment in SFM (or in any other sector, for that matter).

There is also a “new generation” of policy and governance instruments that can be invaluable in attracting and maintaining investments in forest services other than timber, i.e. ecosystem services. I have heard about e some good current examples of such instruments, including some initiated in Mexico. I understand that our host, Director General of CONAFOR Manoel Reed Segovia, is responsible for having initiated a number of these, including the concept of promoting and protecting forest conservation through resources derived from water services. I look forward to hearing more about these ideas. There are other examples I know of as well, for example from Costa Rica and Brazil. Dr. Manoel Sobral, Executive Director of the ITTO, made a challenging and forward looking speech about the need for a new generation of policy and governance improvements at the United Nations Forum on Forests (UNFF) in 2003; no doubt we will hear more along these lines from him at this conference, and I look forward to that opportunity.

However, innovative financing mechanisms can only thrive in a supportive and enabling policy and governance environment.

Liberia: A pilot reform of the forest sector

- After a fourteen-year armed conflict in Liberia, the international community recognized that warlords -- in particular former President Charles Taylor – had exchanged timber concessions for revenues to purchase arms. In May 2003 the United Nations Security Council took action to address the timber-conflict connection by imposing the first sanctions on the import by member states of timber from Liberia. This was the first and only time the UN has imposed sanctions on timber trade.
- Conflict in the forested regions, fueled by the activities of corrupt politicians, warlords, and loggers, destroyed the capacity of average Liberians to derive appropriate development-related benefits from their country’s forest sector. Thanks to an international outcry and the actions of the UN, the exile of Charles Taylor and accompanying peace agreement are now history.
- International and Liberian observers expressed their concern over the manner in which corruption; poor governance and a lack of transparency had allowed the timber sector to be tapped as a fuel and resource for violence and instability. The international community and the National Transitional Government of Liberia

- (NTGL) that was established in the wake of Taylor's departure agreed that the Liberian forest sector required substantive reforms.
- While some actors focused solely on what actions were needed to get UN sanctions lifted, the U.S. Government and many other donors and stakeholders within the international community and in Liberia felt that reforms of the forest sector had to be integrated into a broader reform effort targeting governance, financial management and equitable use of national resources in Liberia.
 - The Liberia Forest Initiative became a partnership of Liberia, the US, the EC, the World Bank, IUCN, and NGOs -- including Conservation International and Flora and Fauna International -- and industry. It required this partnership and a comprehensive approach, short and long-term, to accomplish the objective of restoring transparency and legality to the forest sector.
 - A critical factor in this initiative is that the reforms in the forest sector are being enacted in tandem with reforms in the entire Liberian government and in other natural resource and operational sectors (mining, shipping, etc). The free and fair recent election of President Ellen Johnson Sirleaf, a candidate whose campaign promised -- and has already delivered -- deep and wide reforms, including reforms in the forest sector, has proved to be an essential step towards full recovery of the forest sector's health. One of President Sirleaf's first executive actions was to cancel all existing forest concessions at the recommendation of the Liberia Forest Initiative.
 - This comprehensive approach to good forest governance, including attention to appropriate enforcement of the rule of law, effective judicial and legal reform, and transparency of information on forest policy, management and money flows reaches far beyond the forest sector alone. Historically, these areas have generally fallen outside of the reach of forestry ministries and forest policy. The international community's effort to support massive and radical cross-sectoral reforms in Liberia has had the positive effect of sweeping up the forest sector in its train and providing a positive and self-reinforcing context for reform.
 - Will it work? We are putting our support and action behind Liberia and its reforms in the firm belief that it will.
 - This Forest Investment Conference will be focusing on many aspects of attracting investment to the natural tropical forest. Good governance is fundamental to attracting successful investment. Equally important is the partnership between civil society, industry, NGOs and the international community.
 - Taken together, improvements in these areas of law and governance, along with progressive forest management and conservation policies aimed at truly making the utilization of forest resources more sustainable, are an essential prerequisite for countries which wish to attract increased investment in sustainable forest

management that can both yield a profit and maintain forest resources for future generations. So is a true partnership between the private sector, governments and civil society.

-- Thank you.