

Out on a limb



The TFU's former editor takes aim at financing SFM

by
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THE AUSTRALIAN GOVERNMENT recently announced a us\$7.8 billion, ten-point plan to fix Australia's river systems. Poor management has been degrading these rivers for more than a century; erosion, salinity, the invasion of exotic species, eutrophication and general over-use and abuse have all taken their toll. Nevertheless, most water scientists and managers seem to think that us\$7.8 billion, well spent, will go a fair way towards restoring the balance.

What has this to do with tropical forests? Not much, except that it proves that (reasonably) large amounts of money can be spared for the environment, even in a country with a smallish economy, like Australia.

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Why is it, then, that tropical forests still attract only paltry sums? Many people think that their continued loss and degradation is a disaster (although see Alf Leslie's view in *TFU* 16/3) ... so why don't we throw money at the problem and try to fix it?

One reason is that most tropical countries have even smaller economies than Australia and much lower levels of income per capita. Some are investing impressive amounts of money into natural forest management. But most can't afford to stop deforestation, even when it is seriously affecting the environment and human well-being.

Another reason is that there is too much forest. It is our nature to respond to problems only when they start affecting us directly. Australia is sweating out a serious drought that is jeopardizing the water supply to irrigators and, among other things, a state capital. Suddenly, water is an election issue and politicians are responding accordingly. The problem with tropical forests is that their loss isn't having a measurable negative effect on most people's daily lives, particularly outside the tropics where, coincidentally, the bulk of the money resides. A lot of people are concerned, but insufficiently so to bother their politicians about it.

It is a bit more complicated closer to the forests. The citizens of some

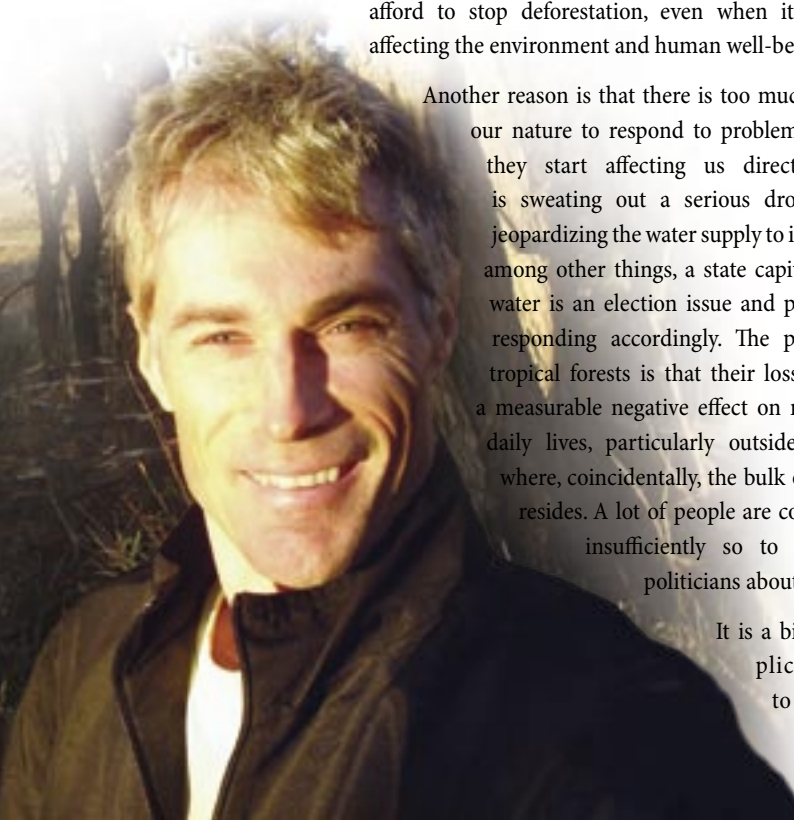
tropical countries blame deforestation for local disasters such as declining soil fertility, changed weather patterns, landslides and floods, but generally their voices are heard only faintly. Others are not so concerned: deforestation and the agriculture that follows are important—if often wasteful—economic activities and many people want to expand them, not stop them.

In the meantime, international organizations with a mission to worry about tropical forests are encouraging sustainable forest management (SFM) as a way of minimizing the risk of disasters, promoting development and combating deforestation and forest degradation. Apply SFM to the permanent forest estate (PFE), say many advocates, including ITTO, because it can give us the lot: development, conservation, employment and profit.

At the moment, though, it is being applied to very little of the tropical PFE. According to ITTO's recent report on the status of forest management in ITTO producer countries, the area of production forest under SFM increased from less than 1 million hectares in 1988 to about 25 million hectares in 2005. That's a rate of increase of less than 2 million hectares a year. If maintained, less than a quarter of the tropical PFE in ITTO member countries will be under SFM by the end of the century. The spread of SFM needs to speed up—massively.

It won't happen spontaneously because SFM has a major deficiency: its economics. It is more expensive than a smash-and-grab approach and few consumers seem willing to pay extra for it. It requires technical know-how and clever marketing. It is undermined by cheap substitutes. And it needs, but rarely gets, conducive policy settings at a national and international level. As a result, SFM is habitually out-competed by other land-uses for which biodiversity conservation is not required, subsidies are more readily available, product lines may be changed more quickly and markets are more transparent.

The United Nations Forum on Forests, a body formed by the UN in 2000, agrees that SFM must be encouraged. It recently announced four 'Global Objectives on Forests', which were formalized in a resolution of the



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UN Economic and Social Council (ECOSOC). One of these is to “reverse the loss of forest cover worldwide through sustainable forest management ...”.

This is asking a lot of SFM, which is currently being applied to less than 10% of the tropical production PFE. Expanding it to the entire PFE would be an extraordinary and meritorious achievement. But its deployment to the extent needed to reverse deforestation *outside* the PFE seems very remote indeed.

The ECOSOC resolution recognized that more international assistance is required if the objective of reversing forest loss is to be achieved. Another of the four objectives is to “reverse the decline in official development assistance for sustainable forest management and mobilize significantly increased new and additional financial resources from all sources ...”.

How would this be done? ECOSOC “urges countries to make concerted efforts to secure sustained high-level political commitment to strengthen the means of implementation ...” by, among other things, “reversing the decline in official development assistance for sustainable forest management”.

Similar language to this has been used before in international forest-related negotiations. It does not inspire confidence that “significantly increased new and additional financial resources” will be seen anytime soon. Nor is it reassuring that one of the stated ways of achieving an objective is an almost exact repetition of the objective itself.

The ECOSOC resolution suggests the review and assessment of “the possibility of setting up a voluntary global funding mechanism”. If the pace at which the international forests debate has proceeded so far is any gauge, such a mechanism is a long way off. And, given that it would be voluntary if it ever came into being, there’s no reason to think it would attract any more money than similar funds already in existence.

Alf Leslie (pers. comm.) commented recently that SFM “runs the risk of being little more than pious camouflage for closely studied inaction”. He is right. Few people expect much extra official development assistance to flow towards SFM in the near future. The international community’s call to reverse the loss of forest cover worldwide through SFM therefore sounds as hollow as a rotten log.

Are there alternative sources of funds? I can think of three.

One is the non-government environmental community, which is already investing significant sums in community-based biodiversity conservation projects. These sums could get bigger in the future—it only takes a billionaire to sign a check or two. But money raised by the environmental community is most likely to be deployed towards improving the management of protected areas. Spent well, it could help improve local conservation outcomes and provide economic

opportunities for forest-dependent communities, but it will do little to reduce deforestation or degradation outside the protected area network—where most of the forest and therefore most of the problem lies.

The industrial sector might also start to invest more in sustainable natural forest management. These days, though, most private capital is being shovelled towards forest plantations, which are simpler to manage, more uniform in quality and offer less risk. It is difficult to see this changing.

A third and, in my view, most hopeful alternative is the carbon market. By some estimates, tropical deforestation and degradation accounted for 10–25% of global greenhouse gas emissions in the 1990s. The contribution could even accelerate in the future as fragmentation, fire and climate change itself increase the rate of forest degradation and loss. Offering incentives to tropical forest owners to reduce deforestation and improve forest management could make a substantial impact on greenhouse gas emissions and bring much-needed investment to the natural tropical forest sector.

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This isn’t a new idea; climate-change negotiators have been arguing about it for more than a decade. But perhaps the political tide is turning—or, more accurately, the climate is changing. Even most sceptics seem to accept that human-induced climate change is real; the recent report by the Intergovernmental Panel on Climate Change leaves little space for doubters. In Australia, most people now believe that climate change is responsible for the current water shortage and, like water, the issue has stormed into the political consciousness. Climate-related disasters—such as recent hurricanes in the United States and heat waves in Europe—are affecting people in other rich countries as well. People can see it and feel it. Thus, the likelihood of a substantial response is increasing.

In fact, the world may be on the verge of a collective moment of clarity on climate change. If such a moment arrives, tropical forest policy lobbyists must seize it by strongly arguing the case for SFM in natural forests. If they are successful and money starts to flow, SFM could yet triumph in the tropical PFE.