

# Making forest concessions work to sustain forests, economies and livelihoods in tropical timber producing countries

*A FAO - ITTO initiative in collaboration with SFB, CIFOR and Cirad*

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## Background

Forest concessions are an important tool for sustainable forest management (SFM), especially considering that the majority of forests in tropical countries are public.

Concessions can be seen as a delegation to the private sector for fulfilling certain missions of public service (SFM) against the right to get financial benefits from the logging activities. Concessions holders can be private entrepreneurs but also communities not legally owning the land.

Forest concessions for timber production have been the primary means of allocating harvesting rights for tropical forests in developing countries, as well as in several developed countries with temperate and boreal forests.

There are many concerns about industrial forest concessions, which appear to have a bad track record, particularly in a number of tropical/developing countries. Forest concessions are indeed becoming less and less popular around the world, largely because they have failed to deliver their expected benefits. Critics of forest concessions cite issues such as over-complicated (management) rules and expectations, continuing changes in the ‘rules of the game’, lack of transparency, poor performance, inadequate benefit sharing, infringement and lack of respect/recognition of local people’s rights, inadequate recognition of customary rights, lack of monitoring and enforcement of regulations governing concessions, etc.

However, good examples of forest concessions do exist, often as individual initiatives of forest companies or communities rather than for whole countries. We have much to learn from these examples. Simplicity, stability and transparency from government authorities, and independent certification of the concession area are probably fundamental factors for success. Density of population in the area, cost of accessing markets and local governance patterns inherited from the past are to be factored in for considering the pertinence of the concession regime and the consideration of possible alternatives.

Some past failures of forest concessions can be overcome through critical modifications in the design of the concession system. This means introducing and strengthening economic and procedural incentives such as: changes in the terms and conditions, changes in the way in which the concessions are allocated, introduction of competitive allocation, changes in forest management requirements, introduction of performance incentives and improved arrangements for monitoring and enforcement of the performance conditions. These and other objective and context-specific

A **forest concession** is "a contract between a forest owner and another party permitting the harvesting (forest utilization contracts) and/or managing (forest management services contracts) of specified resources from a given forest area" (Gray 2002). Forest concessions can involve both types of contract, granting concessionaires harvesting or use rights, while requiring them to undertake forest management activities, reforestation and/or environmental protection (FAO 2011, 2001).



changes can be incorporated into new and different forest management agreements. However, it seems that changes justified in theory might have serious drawbacks effects when implemented in certain governance contexts and pragmatic views informed by lessons learned in the past are highly recommended. Good mixes of instruments are required and must be tailored to the various contexts to harness the capacity of forest concessions to deliver more public and collective goods.

Well-managed public forest concessions have the potential to sustainably deliver both direct and indirect environmental and social benefits to neighbouring populations as well as to society as a whole. Besides helping to maintain forest coverage and providing services such as water storage, relatively high level of biological diversity and climate regulation, forest concessions can play an important role in structuring and managing the conservation units/forest landscapes where the concession process takes place, through reinforcement of governmental presence in those areas and legalization of property rights in the region. Better, more equitable and transparent forest concession systems in public forests can contribute to creating and strengthening forest-based economies capable of generating benefits at the local and regional levels – i.e. an inclusive, sustainable forest-based economy.

## The Initiative

It is time for a change of course in the way forest concessions are designed, managed and administered, particularly in tropical countries. In this regard in the last quarter of 2014 the Food and Agriculture Organization of the United Nations (FAO), the International Tropical Timber Organization (ITTO), the Brazilian Forest Service (SFB), the Center for International Forestry Research (CIFOR) and the *Centre de Coopération Internationale en Recherche Agronomique pour le Développement* (CIRAD) are joining forces to improve forest concession policies and practices, particularly for tropical production forests. The initiative ***Making forest concessions work to sustain forests, economies and livelihoods*** aims to positively influence political dialogue at the international and regional levels on the role of forest concessions, and to provide practical guidance to countries in the design, implementation and evaluation of forest concession systems that better respond to their economic, social, institutional and environmental goals.

This initiative is also relevant and timely for a number of ongoing international, regional and national processes (e.g. for its potential to contribute to strategies and action plans to reduce deforestation and forest degradation), and represents a good opportunity to increase the attractiveness of SFM (vis-à-vis other competitive land uses) for private investments. It would also be the opportunity to take stock of the potential of private and public policy instruments (certification, fiscal instruments, competitive bidding, independent watching, specifications, payment for environmental services - PES... ) to orient and improve the forest concession regime. The possible coexistence



and coordination of multiple use/property rights (notably customary rights) in existing large concessions seems to be a promising avenue for a more inclusive sustainable forest-based economy.

The main outputs from this initiative will consist of:

- a) three regional background reports;
- b) a synthesis report with options and proposals for improving forest concession systems
- c) a policy brief;
- d) a list of research priorities to be addressed with respect to the forest concession regime in the 21<sup>st</sup> Century; and
- e) a draft proposal for policy dialogues in different international and regional fora.



The regional reports will be made available by the end of 2015 while the other outputs are expected to be available by the end of 2016.

As part of the process leading up to the delivery of the above outputs, an **international workshop** is being planned<sup>1</sup>. Targeted towards experts and practitioners from governments, the private sector, civil-society organizations, donors and international organizations, this event is foreseen to take place in mid-2016 in Porto

Velho, Brazilian Amazon. The workshop is seen as an opportunity for stakeholders to share experiences with forest concessions around the world, examine the background document (a draft of the synthesis report) with regards to key issues and problems encountered in tropical forest concessions, innovative ways to overcome them, success factors and lessons learned. Based on these experiences and insights, workshop participants will propose priority research topics regarding the potential of policy instruments for improving the capacity of forest concessions to deliver more public and collective goods, as well as initial guidance and recommendations for improving the concession system, its transparency and its benefits in tropical countries. A workshop report with a synthesis of all presentations and contributing documents, the main conclusions, recommendations and action points will be produced.

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<sup>1</sup> The workshop was originally proposed by the Brazilian delegation at the 28th session of the Latin American and Caribbean Forestry Commission (COFLAC) held in Georgetown, Guyana.