

**BUILDING LIVELIHOODS AND ASSETS FOR
PEOPLE AND FORESTS**



**PEKKA PATOSAARI
Director**



**Forest Leadership Conference
1 March 2005
Toronto, CANADA**

Hon Minister, Excellencies, Ladies and Gentlemen,

It is a great pleasure for me to be here with you in beautiful Ontario for this Conference. I would like to thank the organizers, particularly Dr. Kiekens, for inviting me and for making this high-level expert meeting possible.

The United Nations Forum on Forests works to ensure that the importance of forests and the millions of people who depend on it are not overlooked in international policy discussions related to the broader sustainable development agenda. UNFF is a high-level body under the Economic and Social Council, with a mandate to address forest-related issues, it has the ability to pull together the various forest-related international and regional processes, institutions and instruments and integrate all of these pieces into a unified, global vision for action for forests and for people.

Ladies and Gentlemen,

The title of my presentation is: “Building livelihoods and assets for people and forest.” Let me start by using a rather worn-out expression that forest policy is in

transition. How extensive this transition period really is depends on a broader understanding and acceptance of the fundamental drivers of deforestation and forest degradation. Equally it depends on our ability to appreciate the clear paradigm shift of recent policy thinking with regard to the priorities for implementation of sustainable forest management; meaning management, conservation and sustainable development of all types of forests (Rio Forest Principles).

Let me first talk about the pressing need to change the way of doing business. Though there is much discussion of the relentless pace of deforestation and abuse of natural resources in the press, there have been a number of inspirational success-stories of efforts to restore the world's forests in recent years. When considered closely, it quickly becomes clear that there is a common thread that ties these efforts together: they are all based on the recognition of the needs and action of local peoples, the importance of ownership and access rights and the ancient knowledge of indigenous tribes and communities. The international discussion is shifting from an emphasis on purely scientific methods of conservation and management to a broader recognition of the interplay between livelihoods, social needs and economic demands. While forestry and forest policy has traditionally been - and still is to a large extent- about answering the question: "How do we make forests more productive and protective", our failure to stop deforestation forces us to reshape the question so that it reads instead: "How do we make forest-dependent people owners of forestry and how do we protect them against outside threats"?

This change of focus is equally as important as the recognition that environmental sustainability is and should be an essential and operational element of sustainable forest management was ten to fifteen years ago. With that shift in thinking, biodiversity became one of the fundamentals of modern forest policy thinking. While implementation still lags in many parts of the world, we know now what the shortcomings are and how to tackle them. Today, forest are not disappearing because of a lack of knowledge regarding how best to manage and conserve them, but because we have not been able to establish national or international regimes or support mechanisms which would directly support

people's ownership and motivation to use the forest patrimony for the benefit of themselves and the rest of the society.

We know that forests are important, but how important? I would like to take this opportunity to share with you just a few observations about how the personal involvement, or even a feeling of being part of something bigger than themselves gives people an enormous amount of energy and trust for their future.

The fact is that people in rural areas, particularly the poorest, are often very reliant on forests and trees to provide for their basic human needs and to keep them from sinking deeper into poverty. According to the new paradigm shift, our policies should address these poverty issues in such a way that the potential of forests as a source of livelihood would be fully utilized. So, the question “Are we managing our forests to their fullest potential?” should be asked by every developing country prime-minister and minister responsible for finance or social development. Though usually thought of as a technical management issue, forestry should be considered by all ministries in the context of the enormous possibilities that growing trees, tending the forests and growing crops with argo-forestry schemes could provide the rural poor. I said could, because it is our joint responsibility now to strengthen, through political commitment at national and international levels, this new focus on peoples' needs.

We need to work with not only foresters but with all decision makers to ensure the recognition of the beneficial properties of forests and trees in stemming the soil erosion, soil degradation, water supply problems and lowered agricultural productivity that can feed the vicious cycle of desertification and deepened poverty. The people who are themselves dependent on these benefits of forests and trees are fully aware of these linkages but lack the capacity or financial means to address the issue in an effective manner.

Before presenting a few facts to support the need for a new paradigm shift, let me recognize the importance of the decision to award the Nobel Peace Prize to Professor **Wangari Muta Maathai**. This is an honor to all women and local communities at the grass-root level world-wide for their efforts in greening the world by planting trees,

protecting forests against desertification and promoting peace and good living conditions in Africa and elsewhere. When recently attending the meeting of the Heads of State of Central African countries, I witnessed her great influence and the exemplary role she played when a political commitment on conservation and sustainable management of Central African forest ecosystems was made at the highest level. This recognition of the power of local efforts to change a global vision is a promising step toward the shift in thinking of which I speak.

Ladies and Gentlemen,

The net loss of the world's forest during the 1990s was 94 million hectares. Deforestation continues at an alarming level, particularly in many tropical countries. But at the same time there is an increasing trend of regeneration and plantations of forests around the world. All together, forest ecosystems contain more than half of all terrestrial carbon, and account for about 80% of the exchange of carbon between terrestrial ecosystems and the atmosphere.

These figures are impressive, but remind us that we are not working in isolation. Sustainable forest management contributes to society in a wide range of ways, and poverty reduction is at the heart of the challenges facing sustainable forest management. Finding solutions to alleviate poverty will be crucial for both achieving the Millennium Development Goals and slowing deforestation, and we need a sound understanding of the benefits that forests can offer to current and future generations.

A quarter of the world's poor and *90 percent of the poorest of these poor depend substantially on forests for their livelihoods*. We do not know how precise these numbers are, but it is generally accepted that the magnitude is about right. It is also estimated that at least *400 million people live in or near forests* and they rely greatly on forests for every-day subsistence and some income. The *60 million indigenous people who almost entirely depend on forests* belong to this group. Altogether, *1.2 billion people depend to*

some extent on trees and forests as part of their farming system, and even far more people enjoy forest and trees as their natural environment.

Forest industries employ some 60 million people worldwide. Jobs in most of the developing countries are in the informal sector, which normally means low levels of productivity, wages, stability and social protection. However, forests and forest industries in developing countries have significant potential to enhance employment and income generation in rural areas. Wood and non-wood raw material extraction, which is quite labour intensive, have a great deal of potential for generating income and employment, particularly in rural areas without other economic infrastructure. An enabling environment can be achieved by assisting small and medium sized enterprises meet their capital needs (perhaps through targeted credit programs) and improved access to markets. This would also promote more equal distribution of the benefits of growth within communities and families - this is particularly true in the case of women.

A typical land-use pattern among the poorest is shifting cultivation systems. Most gather wild plants, hunt and use any suitable plants in forests for grazing or browsing livestock. Yet even at this basic level of subsistence they are constantly threatened. The main threat is the insecurity of their rights and entitlements.

Governments world-wide are also beginning to recognize ancestral domain claims and the legitimate rights of forest-dependent people. In many countries legal reforms have strengthened community forest tenure or created new opportunities for adaptive community management; the recognition and establishment legislation to protect rights of indigenous people and communities will dramatically improve the livelihoods of millions of forest inhabitants.

This is also where the new paradigm shift finds the best feeding ground. When forest laws deny or limit the right to use wood and non-timber forest products or when rights of access and residence are denied, how can these people find a solution by themselves? The international forest community must join the movement of some active civil society groups which are now helping politically marginalized groups to build partnerships and employ the existing ones, for the benefit of the poor. While forest

products may help them cope with poverty, they do not necessarily help them to escape from poverty without an initial safety net, and more permanently, by creating new opportunities for the future that sustainable managed forests can provide.

60-80 per cent of farmers and small holders in the developing world are women Ensuring a continuous fuel wood supply burdens particularly women and girls, who are forced to walk further and further to cut down and collect it. The question is: “How to help the rural dwellers to benefit from growing trees to produce wood, for fuel, building or furniture, medicinal products or food, such as fruit, nuts, or fodder, and to provide shade or conserve and fertilize the soil?” We have a wealth of information and experience, both in the north and south, on well developed systems for using trees to help improve soil fertility, rehabilitate degraded land and conserve water, but we have to be able to transfer it.

More than 3 million deaths are attributed to polluted water and poor sanitation annually, mainly in rural poor areas. Deforestation and unsustainable management practices have also led to increased water pollution, flooding and droughts, creating vulnerability to disease and health risks. Despite the close linkages between land use, forestry, fresh water and health, these sectors are rarely managed in a holistic manner. Part of the new paradigm requires that the long term need for clean water supply for people should be a priority for all forest management. We know that favorable watershed conditions can be maintained and water management improved if forests are sustainably managed with hydrological objectives in mind. Using forests with vulnerable communities in mind would further the implementation of this type of management.

Two-thirds of the species from which medicinal products are derived are trees, mainly found in natural forests. In Africa, more than 80 per cent of the population depends on medicinal plants for their medical needs, since modern processed drugs are expensive and not easily accessible to a large proportion of the population living in rural areas. At the same time, there is a growing interest in natural medicines in the developed world, creating new or expanding markets for these products.

However, there is a danger that this demand could cause over-exploitation of medicinal tree species and put further extraction pressure on forests. Hence, forestry and agro-forestry need to focus on cultivating, rather than only harvesting, medicinal plants in order to respond to these growing demands. We know that increased scientific research and use of traditional forest-related knowledge of medicinal plants have great potential in alleviating human health conditions in many parts of the world and we need to continue and strengthen our efforts to take advantage of these benefits in a fair and sustainable manner.

Each country has primary responsibility for its own economic and social development and the role of national policies and development strategies cannot be overemphasized. Domestic investments are a critical resource for economic growth and sustainable development. Furthermore, an environment that enables the mobilization of domestic resources, encourages productive investments, increases productivity and helps attracting international financial flows is critical for ensuring efficiency of both public and private investments.

Sustainable forest management can be self-financing where income from the sale of goods and services cover costs. However, external funding is still needed when the financial income cannot meet the cost of managing forests to deliver public goods. Forests provide a number of recognized non-market benefits, such as environmental services, at the global, regional, national and local levels.

A central part of the new forest policy is to identify forest related activities as a priority in Poverty Reduction Strategy processes. To achieve this, the national forest programmes, or similar frameworks, must include clear statements on the costs and benefits of the forest sector, explaining why forest-related activities are a priority and why external funding is justified. In addition to seeking contributions from national budgets and ODA, there is a need to take full advantage of other sources of funding. Capturing the full value of forests is one important means of financing development targets. Inadequate rent capture decreases government revenues, poses as a disguised subsidy and increases inefficiency.

To put this into perspective, forests are considered more of a liability than an asset to some Governments because of the failure to collect taxes and royalties from legal operations, which add to an estimated foregone revenue of US\$ 5 billion a year. This loss is more than three times the ODA targeted to the forest sector, and is largely due to corruption and inadequate government capacity to collect, enforce and monitor revenue collection. The contribution that efficient forest fiscal systems could make to poverty reduction is more than considerable.

Also the private sector can play a major role in forest-based development. In this respect, private-public partnerships are potentially very important. They can take different forms, but generally combine the deployment of private sector capital and expertise in a way which generates public benefits with supportive public funding. These can be particularly effective in providing incentives for private companies to bring services to traditionally marginalized communities.

The world's forests have the capacity to meet global demand for forest products, but the demand is not evenly distributed. There are local and regional scarcities which put a lot of pressure on natural forests. Demand for wood continues to grow and we can expect it to do so as long as we can predict the future. Thus, it is obvious that forest policy must address also the issue of how to guarantee that the capacity of the world's forests would meet this growing demand for forest products. Among the consumers of the world's renewable wood material are those over 1 billion people, who worldwide rely on fuel wood for cooking and heat. There is a clear need to build a sustainable linkage between the energy needs of many of the poorest people in the world, and the opportunities for developing renewable energy sources.

Illegal logging and related trade, which has been facilitated by transnational organized crime, has sustained some of the most persistent conflicts. Corruption and money-laundering are interrelated and erode democracy and state institutions, degrade the environment and deny the society of finance that could contribute to sustained economic growth. On the other hand, sustainable forest management has significant potential to foster sustained economic growth and tackle horizontal inequalities, thus

contributing to the foundations for peace. This role is particularly pronounced in societies emerging from war at risk of conflict. International support in the sustainable management of natural resources is a critical component to reconstruction and peace-building.

It has been estimated that illegal logging on public lands world-wide causes annual losses in revenues and assets in excess of \$10 billion. Better governance, law enforcement capacity and curbing corruption at local and regional levels would require stronger cooperation in establishing new legislative frameworks, improved efficiency and professionally run institutions, and new monitoring as well as control and verification techniques. Tackling the problem requires actions both in producer and consumer countries as well as at the intergovernmental level.

A very good way of raising international awareness on illegal logging has been the High-level regional conferences on Forest Law Enforcement and Governance (FLEG) in Africa, Asia and Europe, which have explored ways for governments, non-governmental organizations and private sector to combat illegal logging together. FLEG processes have been exchanging best practices on national and sub-regional levels to combat illegal logging and illegal trade in the forest sector.

Right supportive policies and enabling environments would help to create much needed forest markets and revenue from forest products and services, especially in developing countries. Important underlying factors for healthy local and national economies include the strengthening of institutional capacity for good practices and governance as well as the provision of better opportunities for education and training. Forest policy objectives should also be supported by efficient and effective land tenure systems and access to forest resources. These are crucial for local and indigenous communities and would provide an economic incentive for sustainable forest management. But none of these pieces can come together without good governance and law enforcement.

Ladies and Gentlemen,

To conclude, I want to come back to what I said in the beginning about the new paradigm shift. In this respect, two issues are critical for achieving sustainable forest management when building better livelihoods:

First, efficient and effective land tenure systems and access to forest resources are crucial for local and indigenous communities and provide an economic incentive for sustainable forest management. Good management of property, common or private, and clear principles of social responsibility in the use of forest resources are pre-requisites for sustainable forest management. When people have control and ownership of forests, then they also have better opportunities to capitalize on forest assets, and even greater incentive to sustain the resources.

Second: Good governance, rule of law and fair and equitable sharing of the benefits. Why can't public policies provide more economic incentives to promote management and conservation of all types of forests? This should be a starting point of any national forest strategy. At the same time, perverse incentives that put pressure on forests and environmental sustainability need to be curbed. We know by experience that a lack of economic opportunities combined with weak law enforcement has led to widespread illegal logging and trade in forest products.

But it is also important to define and understand the dynamics of landscape-level governance needs. Lack of clear incentives and appropriate institutional capacity disables and distorts natural local markets and the absence of high-end markets leaves the local population no choice other than accepting the only available job opportunities, even if it is in support of a criminal chain of custody. In the long run the consequences of illegal activities are devastating to ecosystems and deprive the local forest-dependent community of the possibility of a sustainable livelihood. It can also further push forest-dependent people into extreme poverty. Strengthening institutional capacity for governance and providing extensive opportunities for education, especially for girls, will be important factors in maintaining a healthy local and national economy and the sustainable management of forests and other natural resources.

Ladies and Gentlemen,

There is still a need for more holistic thinking on the interaction and linkages between people and our precious natural resources. Forests are deeply entwined with many sectors of society and their management requires coordinated efforts and inter-sectoral approaches. There is a need for a broader and meaningful interaction between various stakeholder groups and between those sectors that influence forests and the forest-dependent poor.

As you know, the United Nations Forum on Forests (UNFF) was established in October 2000 to facilitate progress toward sustainable forest management and to strengthen political commitment to this end. Its substantive scope covers the management, conservation and sustainable development of all types of forests. Its geographic scope is global. UNFF promotes both policy development and action on the ground. As its name implies, the UNFF also provides a forum for international forest policy deliberations. Its framework for action is embodied in the 270 plus proposals for action agreed upon by the predecessors of UNFF, the Intergovernmental Panel on Forests - IPF and the Intergovernmental Forum on Forests – IFF, and one of the most important political features of UNFF is, as I mentioned before, its universal membership.

As you can see, UNFF is not an implementing body or a financing mechanism to support national level implementation. Implementation is primarily the responsibility of countries, facilitated by international and regional organizations and instruments and various stakeholder groups. This is where the Collaborative Partnership on Forests - CPF comes in. In support of the UNFF, the CPF contributes actively to the implementation of the IPF/IFF proposals for action, including through their technical and financial resources.

The Fifth Session of UNFF will take place from the 16th to the 27th of May 2005, at the United Nations Headquarters, in New York, and will decide on important issues, in particular the future of the international arrangement on forests. In this session there will

be a ministerial segment, which will be held on May 25th and 26th. Many of the issues I mentioned here today will be discussed in depth during the High-Level Segment of UNFF5, which will have the active and direct participation of major group representatives. I am sure that when deciding on the future institutional framework of the UNFF, Ministers will put a lot of emphasis on poverty reduction strategies and on strengthening the institutional framework to fully respond to the challenges of the new paradigm. As a high-level, open-ended body under the Economic and Social Council, UNFF has the ability to pull together various forest-related international and regional processes, institutions and instruments and integrate all of these pieces into a unified, global vision with achievable targets and into appropriate international guidance for action.

It is very important for UNFF to receive the inputs from both Governments and major groups. I count on the presence and active participation of all of you leading up to and during the meeting, since your points of view will certainly enrich the discussions and contribute to reaching an agreement on the future of the international arrangement on forests. In an effort to assist civil society organizations to organize their substantive contribution, the UNFF Secretariat will be holding a Major Groups Forum in advance of the UNFF session on 12-13 May in New York. I encourage all of you to participate in all pre-session events and activities and look forward to seeing you in New York.

I thank you for your attention