Letter dated 4 March 2013 from the Permanent Representatives of Viet Nam and the Netherlands to the United Nations addressed to the Secretary-General

The Permanent Missions of Viet Nam and the Netherlands to the United Nations have the honour to submit herewith the report of the meeting held in Hanoi from 10 to 13 January 2013 entitled "A Pathway to a Green Economy in the Context of Sustainable Development - Focus on the Role of Markets and the Promotion of Sustainable Forest Management" (see Annex).

The meeting, hosted by the Government of Viet Nam, was a country-led Initiative in support of the United Nations Forum on Forests, co-organized by
the Governments of Viet Nam and the Netherlands and co-sponsored by the Government of Finland, and supported by the UNFF Secretariat. More than 130 representatives from governments, international and regional organizations, and major groups of civil society from over 45 countries participated in the CLI.

The Permanent Missions of Viet Nam and the Netherlands to the United Nations request that the Secretary-General include the report among the documentation for the tenth session of the United Nations Forum on Forests, to be held from 8 April to 19 April 2013.

Yours sincerely,

(Signed) Le Hoai Trung
Permanent Representative of Viet Nam

(Signed) Herman Schaper
Permanent Representative of the Netherlands
Annex to the letter dated 4 March 2013 from the Permanent Representatives of Viet Nam and the Netherlands to the United Nations addressed to the Secretary-General

Country-led Initiative: “A Pathway to a Green Economy in the Context of Sustainable Development – Focus on the Role of Markets and the Promotion of Sustainable Forest Management”

10-13 January, 2012

Hanoi, Viet Nam

Co-Chairs’ Summary

1 Introduction

The Country-led Initiative (CLI) “A Pathway to a Green Economy in the Context of Sustainable Development – Focus on the Role of Markets and the Promotion of Sustainable Forest Management”, in support of the United Nations Forum on Forests (UNFF), was held on 10-13 January 2012 in Hanoi, Vietnam. The CLI was co-organized by Vietnam and the Netherlands and co-sponsored by Finland and the UNFF Secretariat. More than 130 representatives from governments, international
and regional organizations, and major groups of civil society from over 45 countries participated in the CLI.

The Vietnam CLI was co-chaired by Dr. Cao Duc Phat, Minister of Agriculture and Rural Development (MARD) of Vietnam and Dr. Hans Hoogeveen, Director General of the Ministry of Economic Affairs, Agriculture and Innovation of the Netherlands. Furthermore the CLI was supported by the Government of Finland and attended by Mrs. Jan McAlpine, Director of the United Nations Forum on Forests.

Forests are critical for human well-being and poverty reduction and play a key role in transitioning towards countries green economies. This provides an opportunity for development of policy frameworks and market instruments that effectively curb deforestation and forest degradation and that unleash the full potential of forests to contribute to long-term sustainable development. The value of natural assets and ecosystems, including forests, to economies, people’s livelihoods and society in general is routinely under-valued in development decision-making.

The key objective of the Vietnam CLI was to focus on the role of market-based instruments, especially in promoting international trade and legally produced timber, as well as private and government procurement policies in the context of combating deforestation and the role of forests in contributing to a green economy.

The themes of the discussion in the CLI were:
1. Exchanging of best-practices and lessons learned on cross-sectoral forest governance and forest law enforcement practices to support the implementation of the Non-Legally Binding Instrument on All Types of Forests (NLBI), as adopted by UNFF-7 in 2007;

2. Sharing of strategies and experiences on how to create an enabling environment at the national, regional and international level to facilitate the enhancement of international trade in legally produced timber;

3. Stocktaking of existing and emerging initiatives, including from the private sector, to enhance trade and legally produced timber products with regard to producers, processing industries and consumers;

4. Identifying gaps and duplications in order to enhance coherence, coordination and collaboration between the various forest-related initiatives;

5. Identifying lessons learned from local and national capacity building to increase benefits from the legal and sustainable production of timber and forest products;

6. Analyzing the role of forest land tenure and community involvement in sustainable forest management and legal trade in timber and forest products;
7. Identifying possibilities for cooperation among governments, regional organizations, timber trade federations, and the private sector in combating international trade in illegally harvest timber and forest products.

The Vietnam CLI used these themes to better understand the inter-linkages between sustainable forest management, energy and food security, discuss enabling conditions needed to facilitate the transition to countries greener economies and identify the coordinated policy environment and incentives to trigger actions towards achieving the desired change.

The Vietnam CLI, being scheduled in the framework of the UN International Year of the Forests, was intended to provide input to various processes, including the Rio+20 Summit (June, 2012) and the tenth session of UNFF in Istanbul, Turkey (April, 2013).

2 Opening Session

Dr. Cao Duc Phat, Minister of Agriculture and Rural Development of Vietnam, indicated that the emergence of a green economy provides an opportunity for development of policy frameworks and market instruments that effectively curb deforestation and forest degradation and that unleash the full potential of forests to contribute to long-term sustainable development. Many governments and institutions have been creating the enabling conditions for increased investments in a transition to a green economy. In order to achieve the overall goals of the green
economy we have to mobilize all resources to promote and put into the indispensable areas such as natural capital, energy and resource efficiency, and supporting the transition to a global green economy. All these areas must be appropriately and sufficiently invested.

Over the past many years, the Vietnam forestry sector has obtained important remarkable achievements thanks to reformed policies and investment by the government and substantial support from the international community. Its forest coverage is rapidly expanding and re-greening bare lands and denuded hills. Besides these achievements, the Vietnam forest sector is also faced with challenges and obstacles, such as deforestation and illegal timber trade. A number of issues need to be addressed such as how to effectively protect forests, especially in the context of the international economic integration.

Dr. Hans Hoogeveen, Director General of the Ministry of Economic Affairs, Agriculture and Innovation in the Netherlands, stressed that the world today faces one of the biggest challenges of the 21st century: how to feed 9 billion people in 2050 in a way that is not detrimental to planet Earth, under a changing climate and in the context of growing competition for land and natural resources. This can only be done if we link food security, agriculture and sustainable forest management. To address these challenges, the global economy will have to make a major transition from the business-as-usual approach. A paradigm shift is needed. We have to bring this together in a broad landscape approach. Foresters have to go out of the woods.
Global forest governance is a complex problem because it is driven by multiple linkages with other forest related issues, including food security. As such, trade and timber traders have a special responsibility in legal and sustainable forest management. In the past most of the efforts were focused on supporting timber producing countries in the management of forests. Nowadays increasing attention is being paid to the role that demand-side measures can play. It is for this reason that the role of government agencies as ‘consumers’ of timber products are gaining increasing prominence in the development of public procurement policies worldwide. A growing number of timber traders, retailers and end-users are seeking assurances with regard to the way in which forest products are produced.

There is a strong need to bring all these important issues and involved stakeholders together. Therefore the governments of Vietnam and the Netherlands have taken the initiative to launch a Roundtable on Sustainable Produced Timber with a view to promote synergies and action amongst the various actors, including private sector, consumers, civil society and governments, on sustainable produced timber and forest products while addressing the need for food security.

Ms. Jan McAlpine, Director of UNFF Secretariat, addressed the effects of trade on forest-dependent communities and underscored the need for a cross-sectoral approach. An example of the cross-sectoral approach is landscape restoration - it brings together forest-dependent communities, private sector and local governments to identify and put in place land-use systems that will
help restore the various forest functions across a whole landscape. It is intended to shift the emphasis away from simply maximizing only the economic or environmental benefits to optimizing the social, economic and environmental benefits of forests within the broader landscape. Ms. McAlpine emphasized that forests are the cornerstone of the entire landscape, which includes wetlands, agriculture, mountains, drylands, rivers, biodiversity and people. Landscape restoration and sustainable forest management can only be achieved when all stakeholders, including governments, private institutions and local communities, work together using a cross-sectoral, cross-institutional strategy at a landscape level. The challenge is to explore institutional arrangements that are better suited to each country’s dynamic conditions, as there is no one-size-fits-all solution.

In order to achieve Sustainable Forest Management (SFM) we have to move past our narrow silvicultural-only approach to forest management. In many countries, the private sector is at the forefront of providing forest products to the end customers - their actions directly influence consumer behavior. Positive support from consumers of forest products from sustainably managed forests can improve the sustainable management of those forests and help restore the forest landscape. By the same token, public institutions are in a position to put in place incentive mechanisms for the private sector to support changes required to meet the needs of forest-dependent communities while complying with international trade rules and regulations. This will entail
utilizing market incentives through measures such as voluntary codes of conduct for industry, certification and labeling of sustainably sourced forest products, and payment for ecosystem services

3 Main Themes

Setting the scene

Professor Rene Boot, Director of Tropenbos International, provided an overview of the overarching thematic areas. He highlighted that forests provide a host of goods and environmental services. The Millennium Ecosystem Assessment grouped these ecosystem services in four categories: supporting, provisioning, regulating and cultural services. Recent studies on the value of these services demonstrated that timber and water services are currently the ones most valued. Their actual value, however, is relatively small in comparison to their potential.

Forests further play a role in some of today’s global challenges such as climate change, biodiversity loss, poverty reduction, food and water security, energy and conflicts.

Despite the importance of forests for local, national and international well-being, and their role in global challenges, deforestation and forest degradation continues unabated, especially in South America, Africa and South East Asia. Europe and East Asia have made a transition in the past decade from having a net loss to a net gain of forests.
To preserve the benefits derived from forests for society it is important to make the sustainable use of forests a more competitive land use in comparison to other land uses. For that it is important to increase the benefits of sustainable forest management for those who own or manage these forests and by reducing the risks of investing in forests and forestry.

In the past fifteen years a host of innovative market-based instruments have been developed for the environmental services that healthy ecosystems provide. In general these instruments aim to change the behavior of consumers and producers by sending price signals to them. These instruments can be grouped in three categories: certification schemes, payment for environmental services and taxes and subsidies.

Current markets for ecosystem services fall into two categories: voluntary markets and government-mediated or compliance markets. Voluntary markets are often innovative and flexible with ample room for experimenting with what works and what doesn’t. Most of these voluntary markets, however, appear to be small and paid for by funds for corporate social responsibility. In contrast, compliance markets are less flexible but have potentially a larger impact. Their impact however depends on regulation and control, weak in most countries. These differences between voluntary and compliance markets indirectly point to the roles of governments, regional economic organizations as well as multilateral environmental organisations. Their role is to facilitate the creation and development of market-based instruments
and markets, regulate them and enforce the underlying laws, regulations and policies.

The main themes were introduced by leading experts and illustrated during a fieldtrip to Woodsland Company (based close to Hanoi).

**Market Instruments**

This theme was introduced by Mr. Tran Huu Nghi from Vietnam. Over the last years market based instruments have gained prominence in the debate on the production of timber and timber products from sustainably managed forests. Timber producing countries, but also local communities and small scale industries have to prepare for these new market realities. Mr. Tran Huu Nghi presented how Vietnam is preparing to meet these new requirements for the furniture export market. Vietnam has an expanding timber industry and is very much aware that these developments offer opportunities, but also challenges. Progress has been made by the government and timber industries to meet the requirements.

**Removing obstacles for sustainable trade**

This theme was introduced by Mr. Subhash Chandra, from India. He gave in his presentation on Sustainable forest management in India and sustainable trade of timber/timber products an overview of the importance of sustainable trade to meet the growing need for fuel wood and timber in India, but also of the importance of non timber forest products. India has recently developed several initiatives to
respond to this growing need and to promote sustainable forest management. Some of these initiatives are launching of a National Mission for Green India in 2011, based on a landscape approach for both qualitative and quantitative enhancement of forest cover, addressing issues of land degradation, empowering forest dependent communities through joint forest management and increasing livelihood opportunities of local communities. India supports that timber and forest products for trade should be sustainable and come from sustainably managed forests. There should be greater emphasis on better management on non-timber forest products. There is also a process of forest certification being discussed based on a chain of custody. India’s National Afforestation Programme supports afforestation through public participation by empowering local communities.

Lessons Learned in Forest Law Enforcement

This theme was introduced by Ms. Xiao Wangxin and Mr. Lu Shilei from China.

China shared their experiences on China's forest resources management and forest products trade policies. The emphasis of the presentation was on enforcement related issues.

Both in forest area, forest stock volume and forest cover the overall trend is upwards. China's forest resources management is based on clear administration. On the basis of this, monitoring and assessment takes place to adjust the management to changing circumstances.
The basis of enforcement is laid down in several laws at the national and local level. Forest law enforcement combines administrative protection with judicial protection, routine enforcement with special crackdown campaigns. Furthermore, and to complement this, efforts have been made to raise the legal awareness and ecological morals of the public on forest resources protection.

In the second part of the presentation China informed the participants on the need to develop non-timber forest economy in order to protect forest resources. The basis of this policy is to enhance the productivity of forest land, to address the farmer's requirement to increase income and fulfill the state's need to improve eco-environment and promote legal timber trade. Key to achieving these various aims is a reform of the forest tenure system based on the interests of the community forest rights. Successful experiences are as diverse as combining forest and fruit, forest and husbandry, forest and bee-keeping and forest and eco-tourism.

*Sustainable forest management and food security*

This theme was introduced by Mr Nelson Maina of the Ministry of Forestry and Wildlife, Kenya. Based on the Kenya case study, Mr Maina highlighted the importance of the articulation of the linkage between sustainable forest management and food security as a pathway to a green economy. As such he articulated the linkage through a set of policy recommendations aimed at meeting the needs of the bottom billion, facilitating the transition to a greener economy and identifying the enabling conditions and incentives to trigger the desired changes. At its heart is the
recognition that although important, resource scarcity is not the limiting factor, but rather it is the lack of commitment and capacity to manage scarcity. This is a particular challenge in today’s economic climate, yet the consequences of inaction would become increasingly severe on people’s welfare, economic growth, jobs, and the environment.

Setting the framework for an informed and interlinked approach cross-sectoral to optimize resource use, balance allocation between competing uses and stimulate economic growth starts by reaffirming a set of well-established objectives. This agenda should aim to contribute to eradicating poverty; ensuring water, energy and food security for all; achieving sustainable and equitable development; maintaining productive and resilient ecosystems, including through sustainable forest management; and reducing vulnerability to climate variability and change.

4 Results Working Groups

After each introduction the CLI split up for a more in depth-discussion of important issues in three parallel breakout groups, which reported back to the plenary. In four sessions focusing on the main themes the breakout groups discussed challenges and solutions concerning the use of market-instruments; removing obstacles to trade in sustainably produced timber and forest products; lessons learned in law enforcement and the relation between sustainable forest management and food security. CLI-participants were asked to identify actors to take up the implementation of the proposed solutions. This is reflected in this summary by mentioning the actors after
each identified action between brackets. In this co-chair’s summary we will focus on the main points1.

4A Market Instruments

• Facilitate the creation and development of market-based instruments and markets through policy and regulation (Government; Private Sector)

• Assist farmers/small producers in getting market access amongst other through establishing cooperatives (Government; Private Sector)

• Develop clear land use policies, in particular regarding land tenure and delineation of forest borders (Government)

• Internalize the cost of sustainable forest management (including certification) in timber prices (Government; Private Sector)

• Promote technical assistance on ecosystem services valuation in order to encourage coherent payment schemes for ecosystem services (international Institutions; Government; Research Institutes and Civil Society)

• Create market awareness of sustainable forest management on the supply side as well on the demand side (Government; Private Sector)

1 The introductory presentations and the feed-back reports of the breakout group sessions have been posted on the website (http://www.isgmard.org.vn/clivietnam2012/)
• Encourage partnerships between governments, private sector and civil society in order to provide technical and financial assistance to implement sustainable forest management at local level (Government; Private Sector; Civil Society)

• Enhance cooperation within the sector and the value chain with a view to strengthening sustainable forest management (Government; Private Sector)

• Encourage cooperation between all involved stakeholders in providing sound statistical market information and tools for establishing valuation of sustainable produced timber and forest products (International Governmental Organisations, Government; Private Sector; Research Institutions)

4B Removing obstacles to trade in sustainably produced timber and forest products

• Promote and facilitate investments by the private sector in sustainable forest management (Government; Private Sector)

• Raise awareness at all levels in producing and consuming countries of the need for sustainably produced timber and forest products (Government; Private Sector; Civil Society)

• Stimulate market intervention by consuming countries through (public) procurement policies (Government; Private Sector; Civil Society)
- Develop an approach towards the setting on a governmental level of an international standard for trade in sustainably produced timber products, broadly supported by all relevant stakeholders, and companies committing themselves to use this standard (International Organizations; Government; Private Sector; Civil Society; Research Institutions)

- Develop a step by step approach towards sustainable forest management, starting with legal timber as a first step (Government; Private Sector);

- Promote the benefits of sustainable forest management and the renewability of timber as a raw material (Government, Civil Society)

- Promote close cooperation between all the links in the value chain on a global, national and local level and stimulate the establishment of business associations in the sector (Government; Private Sector)

- Facilitate market access for producers from small, island states and for producers through technical assistance and capacity-building (International Organizations; Government; Private Sector; Civil Society)

4C Lessons learned in law enforcement

- Establish a proper legal frameworks which are regularly updated and created with the participation with all the relevant stakeholders (Government)
• Involve and create partnerships with local communities in the enforcement of legislation related to sustainable forest management (Government; Civil Society)

• Use, where appropriate and possible, indigenous laws in order to ensure an effective law enforcement at the local level (Government; Civil Society);

• Establish capacity-building and training programmes for law enforcers in order to enhance the effectiveness of law enforcement (International Institutions; Government);

• Reform and/or strengthen institutional arrangements for law enforcement (Government)

• Provide adequate capacity (staff, budget) to enforce legislation in the area of sustainable forest management at the national and local level (Government)

• Develop and/or strengthen monitoring and reporting on law enforcement at the national level on a national basis (Government)

• Create at the international level a network, using information-technology, to ensure a continuous exchange of information, best practices and lessons learned in law enforcement, while recognizing different circumstances and customs in different countries (International Organizations; Government; Civil Society)
4D Sustainable forest management and food security

- Promote the landscape approach as a framework for discussing the linkages between agriculture, food security and sustainable forest management (International Institutions; Government; Civil Society)

- Strengthen institutional arrangements to apply a coherent and a participative landscape approach (international Institutions; Government; Civil Society)

- Promote general consensus on the understanding of the links between agriculture, food security and sustainable forest management (International Institutions; Government; Civil Society);

- Recognizing the value of and re-using the traditional knowledge between agriculture and (agro-) forestry.

5 Key Messages of the CLI

Nearly one quarter of the world’s population depend on forests for their survival. Local people, including women, and forest dependent communities are critical to achieving sustainable forest management. There is a need to create enabling conditions for sustainably manage forests, including through strengthening cooperation in the areas of finance, trade in sustainably produced forest products, transfer of environmentally sound technologies, capacity-building and governance,
as well as by promoting secure land tenure, participatory decision-making and benefit-sharing.

**The role of the private sector in driving the green growth agenda needs to be emphasized.** Sound public policies and investments in the forest sector are central but are not enough. The private sector is the engine for innovative solutions and the main channel for transformational change. On the demand side, societal and personal choices on lifestyle and behavior are critical. Globalization has demonstrated the influence that consumers can have on manufacturers, suppliers as well as on governments to take a more proactive approach to sustainable production and consumption of timber products. To facilitate this paradigm shift, the governments of Vietnam and the Netherlands have taken the initiative to launch a Roundtable on Sustainable Produced Timber with a view to promote synergies and action amongst the various actors, including private sector, consumers, civil society, governments, and multilateral organizations, on sustainable produced timber and forest products while addressing the need for food security.

**Achieving sustainable forest management is a critical cornerstone for a green growth strategy in the context of sustainable development.** Failing to recognize the consequences of one sector on another can lead to failures of the governance system. Weak governance systems, limited awareness, ineffective market mechanisms, distortions from subsidies and unsustainable investment can exacerbate a set of
unintended consequences from decisions made in one sector and affecting another. The result is sub-optimal management of resources resulting in a failure to achieve sustainable forest management. For example, we need to encourage the promotion of synergy between agriculture, food security and sustainable forest management, underscoring that sustainable forest management encompasses a comprehensive approach to forests as a cornerstone of a broader landscape.

**We must recognize the linkages between agriculture, food security and sustainable forest management within a broader landscape approach.** Forests are critical for human well-being and poverty reduction across landscapes and economic sectors. Achieving sustainable forest management and food security leads to reducing hunger and eradicating poverty which is a requirement for a green growth strategy and can be achieved under difficult and challenging global economic conditions.

**We must mainstream sustainable forest management in UN institutions and International Financial Institutions as well as at the national level.** Mainstreaming overcomes fragmentation of sectors and institutions dealing with and impacting on forests. Forests within a green economy cut across all sectors. Taking a more interlinked and cross-sectoral approach can be achieved within existing organizational structures to a large degree, although changes to procedures and processes are necessary. In summary what is needed is ‘policy coherence for sectoral implementation and management’. This requires active leadership supported
by the requisite enabling frameworks and incentives. Benefits will be received from food security, poverty reduction, and more sustainable growth.

6 The Way Forward

The emergence of a green economy provides an opportunity for the development of effective policy frameworks and for market instruments that effectively curb deforestation and forest degradation, unleashing the full potential of forests to contribute to long-term sustainable development.

The world is reaching, and in some cases has already exceeded, the sustainable limit of resource availability and therefore there is a critical need to build on more innovative solutions. This realization is at the heart of the green economy that aims to bring a broader perspective into decision-making. The objectives of greater inter-linkage in policy development, planning and monitoring processes can be achieved by targeted cooperation, cross-sectoral relations, improved procedures and regulatory measures while concentrating on the fundamental need to improve sector performance and cooperation. This applies at the national level through strategic planning and functional linkages to coordinate sectoral ministries and other stakeholders including civil society, at the local level in ensuring access to basic services at the international level through more effective coordination in implementing existing multilateral environment agreements and the emerging green economy.
The challenge of working through an integrated approach is central to the green economy and themes of Rio+20 and the related consideration of sustainability development goals.

The outcomes from the Vietnam CLI will be taken forward as input through the preparatory process for Rio+20. The CLI’s report to UNFF10 will inform the decision to be taken on economic development and forest finance and is critical to the consideration of the international arrangement on forest to be taken up at UNFF11. Relevance of the policy recommendations will be further elaborated at the second Global Conference on Agriculture, Food Security and Climate Change in mid-March 2012 hosted by the government of Vietnam.