

# MEGAforestais

2006 Grey Towers

## Forest Governance in Transition

*Synopsis of Meeting of MegaFlorestais at Grey Towers Historical Site, Pennsylvania,  
October 17-19, 2006*

*Co-Chaired by  
Sally Collins, Associate Chief, US Forest Service and  
Tasso Azevedo, Director General, Brazilian Forest Service*

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# ***MegaFlorestais, Grey Towers, 2006 Forest Governance in Transition***

## ***1. Background***

MegaFlorestais<sup>1</sup> is an informal group of public forest agency leaders dedicated to advancing international dialogue and exchange on transitions in forest governance, forest industry, and the roles of public forest agencies. The idea to create the group originated in a meeting in Beijing in September 2005 when the Rights and Resources Group co-organized a conference with the Chinese Center for Agriculture Policy in Beijing. The purpose of that meeting was to share international experiences on public forest reform with the Chinese State Forest Administration and other decision-makers. Leaders from Brazil, China, the USA, and Mexico participated in this session and agreed to continue the collaboration by creating MegaFlorestais.

Meetings of MegaFlorestais are coordinated by the Rights and Resources Group, the secretariat of the Rights and Resources Initiative (RRI), a new global coalition of organizations committed to encouraging forest tenure and policy reforms.

The purpose of MegaFlorestais is to provide public forest agency leaders from large forested countries the opportunity to share experiences in an informal, frank and technical manner. The process aims to foster stronger relationships between forest agencies, collectively strengthening their abilities to play leading roles in advancing sustainable forestry and forestry's contribution to global social and economic development.

## ***2. Introduction to the Meeting: MegaFlorestais at Grey Towers***

The first meeting of MegaFlorestais was held from October 17-19, 2006 at the Grey Towers National Historic Site in Milford, Pennsylvania. The site is the ancestral home of Gifford Pinchot, the first chief of the US Forest Service and twice Governor of Pennsylvania. At the turn of the 20th century, the United States faced many of the same issues faced by developing countries today – illegal logging, corruption, contested property rights, extreme rural poverty, contentious political arguments between preservationists and those favoring sustainable use, and a limited capacity of public agencies to effectively manage public lands.

It was at Grey Towers that James Pinchot, disturbed by these issues, encouraged his eldest son, Gifford Pinchot, to consider a career in forestry. Gifford Pinchot is not only recognized today as the “father” of professional forestry in the US, but as the leading critic of large forest industry's abuses of the public domain and a staunch social progressive, advocating that the public lands should be managed in a manner that prioritized social and economic benefits for local people and the common man. Gifford Pinchot was trained in forestry in France and was inspired by professional forestry already underway in Europe, India and Russia. He very much understood his role as one of introducing to the US the lessons and potential of sustainable forestry from Europe.

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<sup>1</sup> MegaFlorestais – a Portuguese phrase that translates to “those with mega forests” in English.

The meeting was hosted by USFS, who manage the National Historical Site and was co-chaired by Sally Collins, Associate Chief, USFS and Tasso Azevedo, Director General, Brazilian Forest Service. The UK Department for International Development provided financial support to RRG to cover the costs of international travel, lodging and meeting preparation. Public forest agency leaders from seven countries participated in the meeting which was supported by a number of resource persons.

Leaders of public forest agencies who participated included:

<b>Name</b>	<b>Title</b>	<b>Country</b>
Mikhail Giryayev	Deputy Head Federal Forestry Agency	Russia
Doug Konkin	Vice Minister British Columbia Forest Service	Canada
Petrus Gunarso	Coordinator, Malinau Ministry of Forests	Indonesia
Veena Upadhyaya	Joint Secretary, Conservation and Forestation Ministry of Forests and Environment	India
Denis Koulagna	Director of Cooperation Ministry of Forest and Wildlife	Cameroon
Tasso Azevedo	Director General Servico Florestal Brasileiro	Brazil
Sally Collins	Associate Chief United States Forest Service	USA

Persons who were invited but could not attend included: Mr. Pak Boen Secretary General, Ministry of Forestry, Indonesia; and Mr. Li Jiafu, Vice Administrator, State Forest Administration, People's Republic of China.

Resource persons who participated included:

<b>Name</b>	<b>Title</b>	<b>Country</b>
Don Roberts	Managing Director CIBC World Markets	Canada
Ann Bartuska	Deputy Chief, Research and Development United States Forest Service	USA
Victor Teplyakov	TBFP Coordinator World Conservation Union (IUCN)	Russia
Antonio Azuela	Professor National Autonomous University of Mexico (UNAM)	Mexico
Xu Jintao	Professor, Environmental Economics Peking University	China
Fred Norbury	Deputy Chief, National Forest System United States Forest Service	USA
Andy White	Coordinator Rights and Resources Initiative	USA
Augusta Molnar	Director, Communities and Markets Rights and Resources Group	USA
Arvind Khare	Director, Finance and Policy Rights and Resources Group	India

The focus of the meeting was on "Forest Governance in Transition." The agenda is attached as Annex 1. Main themes for deliberations included:

1. Transitions in forest tenure and administration;

2. The role of forest agencies in increasing forestry's contribution to poverty alleviation and community development;
3. Reforming regulations to contribute to national economic growth and enhance opportunities for small forest holders; and
4. The challenge faced by forest agencies to provide political leadership in times of transition.

The meeting was organized in a manner to encourage discussion between senior forestry leaders. Each session was co-chaired by two forest leaders and each discussion was preceded by a background presentation of the topic. Leaders from each country gave presentations on the issues and challenges faced by their country, and country leaders discussed how each issue was playing out in their country, and how their agencies were facing these issues. The group adopted the Chatham House Rule which states that "*When a meeting, or part thereof, is held under the Chatham House Rule, participants are free to use the information received, but neither the identity nor the affiliation of the speaker(s), nor that of any other participant, may be revealed.*"

Copies of PowerPoint presentations given at the meeting are available at [www.rightsandresources.org/projects/megaforestais](http://www.rightsandresources.org/projects/megaforestais)

### **3. Key Themes and Challenges Discussed**

Discussion during the meeting reaffirmed that in every country that participated in MegaFlorestais is undergoing major transitions: grappling with reforms of its public forestlands and administration, and confronting similar challenges of globalization, rural poverty, and climate change.

The meeting began with a background presentation by Don Roberts on global trends and shifts in supply and demand and trade and industry, and key drivers that are likely to shape the future of forestry and forest governance, such as exchange rates, energy costs, and water availability. He focused on large-scale industry, describing the increasing importance of Russia and China as suppliers and consumers of pulp and paper and wood products, negative price trends, low returns on investment across the industry, and the increased role of short-rotation plantation wood, wood composites and wood substitutes, and the emerging market for biofuels. He stressed the shifting of industry from "north" to "south" as plantations outcompete production from natural forests.

**The first key trend discussed was the transition underway in forest tenure—with some countries moving land out of the public domain towards community owned or administered forests, others, such as Brazil establishing new systems to organize public forests, and others, such as the US, witnessing dramatic shifts in the ownership of private forests.** These trends are driven either as a response to rights-based movements and claims, particularly of indigenous peoples dependent on forests, the recognition by some governments that they have neither the capacity to effectively administer their extensive public domains, the need to reform tenure in order to attract investment, or in the case of the USA, new tax laws that disfavor large, corporate ownership.

In sum, forest agencies are becoming increasingly engaged in reconsidering, and often, reallocating, forest tenure. In 2006 alone there were major new forest laws and/or land reallocations in Russia, Brazil, India and Indonesia. The new Forest Code in Russia, formally approved in December, allocates 100 million hectares to new concessions. The new Tribal

Rights bill in India, also passed in December, is a dramatic shift in Indian forest property rights – recognizing the land rights of indigenous tribal people across the country (with an impact on jurisdiction over a significant portion of the government forest estate in the forest-rich states). A new forest law approved in Brazil in early 2006 established that public forests must remain forest and in the public domain and except for the option of being designated as conservation units, public forests can be managed by local communities or be assigned as forest concession through a bidding process. It also created the Brazilian forest service, and a new decentralized regulatory framework for private forest use.

Similarly, in mid-2006 the Ministry of Forests in Indonesia announced that it would allocate 60% of its degraded forest lands (between 9 and 13 million hectares) to forest communities for reforestation. In the beginning of 2006 the Administrator of China's State Forest Administration announced his priority of strengthening local property rights of collective forests as his priority for 2006, and planned to prioritize the reform of public forest administration in 2007. Similarly, the Premier of British Columbia has prioritized settling disputes with the Provinces' First Nations, and the Ministry of Forestry is adopting revenue sharing arrangements with First Nations. Cameroon is piloting community forestry – providing important experience and lessons for the rest of Central Africa. The USFS too is advancing pilots to increase the role of forest-fringe communities in administering public forest lands. In sum, it seems that there have been few occasions in history when such rapid transformation of tenure of the global forest estate has taken place.

A key discussion point was that though important, these legal shifts are often not met with regulatory and institutional reforms (in forest sector and other sectors) that allow forest owners to use and benefit from their forests, or increase the chances that these reforms will lead to improved social and environmental outcomes. Much of the discussion focused on fact that new laws, while essential, are not nearly sufficient and that perhaps an even greater challenge lies in ensuring adequate implementation and building public and civil society capacity to help steer and monitor implementation. This issue reappeared in subsequent discussions throughout the meeting.

**The second theme discussed during the meeting is the role of forestry in contributing to poverty alleviation and the role of small and medium industry.** Recent studies document a striking overlap between the concentration of rural poor and forested areas, and the large number of violent conflicts that emerge in forest areas where resource rights are contentious and ethnic groups remain disenfranchised.

The relationship between forests and poverty is complex—in many cases forests are critical contribution to local employment and livelihoods, and it often has high potential to make stronger contributions, particularly where land and forest property rights tenure is recognized and regulations do not discourage local, small-scale production and investment. Unfortunately, the systems and methods to measure poverty or well-being are simply not appropriate to establish the real value and contribution of forests in the well being of people (e.g. providing access to clean water in the Amazon). The meeting discussed the challenge of accurately communicating the relationship between poverty and forests – particularly to other sectors in government.

The meeting discussed the large and often dominant role, of small scale, non-timber, and often informal enterprises in their forest sectors and the critical role these enterprises play in local livelihoods – and the key role of deregulation and expanding access to public forests in increasing incomes and expanding enterprises. The non-timber markets are growing in many

countries as economies develop and as tourism and other ecosystem services expand. Because of the way that these activities are classified and the inadequacy of official statistics, there is a very poor information base on these economic activities and their impacts, their multiple values to contribute to diversified income streams, their contribution to employment, government revenues or to forest and landscape conservation efforts.

The discussion revealed that some forest agencies are undertaking some efforts specifically focused on reducing poverty and strengthening local community development, particularly those in the more developed countries. Discussions included the experience of the United States in promoting rural development through community and small-scale forestry and devolving management and benefits to rural populations. The meeting reviewed the experience of Mexico – which has seen a dramatic expansion of community forest enterprises in Mexico (and major contributions to poverty reduction) following the recognition of community property rights. The presentation from China described the dramatic increases in household income, as well as harvesting and planting, that have followed the recent strengthening of local property rights. The provincial government of British Columbia has a growing program to involve indigenous First Nations in forestry both through allocation of forest lands for productive and sustainable use and involvement of first nations in production and service provision. Indonesia's recent tenure reforms are driven by the government insistence on delivering on poverty alleviation goals, and in India, these concerns have led to the tribal bill.

In general though, government forest agency intervention in this area tends to be constrained by limited interest and experience with broader rural development and poverty issues, limited agency mandates and conflicts with other agencies, and limited budgetary resources, all in addition to the legal and institutional frameworks in many countries that discourage local benefit. In Brazil, though, the new forest law gives clear priority to the local community when defining the areas for sustainable production.

**The third theme discussed by the meeting was the need to rethink and rationalize regulations in the forestry and related sectors – both in “developing” and in “developed” countries.** There was a general sense that that regulatory frameworks that rely on command and control are untenable as they do not provide incentives for management and governments do not have the staff or organizational capacity to enforce, creating widespread illegality and corruption and often penalizing the small-scale producers who can least afford the added costs. In many forest-rich developing countries, the illegal cut exceeds the legal one. Tax and trade regulations are evaded systematically. Wood is smuggled. Labor, financial accounting regulations also are flaunted. And all this despite the plethora of permit systems, criminal laws, management plan requirements, and transit controls.

Growing recognition of the failure, ineffectiveness, or extreme costs, of conventional regulatory approaches have led some governments to begin to rethink and redesign their regulatory schemes (e.g. USA, China, and Brazil). These regulatory shifts are often happening concomitantly with the decentralization of authority to local levels of governance and an increased role of communities and indigenous in the management of forested territories. In some countries governments are also focusing their efforts to combat illegal activity on the most endangered resources and on the most criminal elements involved in the exploitation of these resources. Policies designed to backstop the conservation efforts of local governments and local resources owners are also being put in place. In Brazil substantial progress on reversing the rate of deforestation and expanding the practice of sustainable

forestry began by gaining the agreement of the President and leaders of 14 other Ministries to prioritize forestry within the national development agenda.

**The fourth theme discussed during the meeting was the changing role of government forest agencies.** Rather than devolution and deregulation eliminating the importance and role of the government forest agencies, these trends have created new responsibilities and in many ways broadened the challenges for forest agencies. Central agencies have had to shift mandates from establishing and implementing their own programs to acting more as catalysts, monitors and service providers - regulating and providing appropriate and timely support to local levels of governance and the new holders of forest rights.

Agencies face the challenge of encouraging a growing set of new values—beyond timber to non-timber forest products, ecosystem services, and managing the different interests of rural people and the growing urban population, as well as international investors. Forest agencies need to develop new skills sets to their staff—around ecosystem service market structures and payments, around influencing policy dialogues and the allocation of funds from other sectors of the government, and around fostering and implementing incentives for engagement by the private sector and best practices of new, community resource administrators.

All of the transitions listed above, among many others, have led to an active rethinking of the roles of public forest agencies in advancing forest conservation in their countries. For example, the USFS has shifted from timber production to ecosystem management and is increasingly concerned with local development. Brazil is shifting the mandate of the federal environment and forest agency to be a catalyst and supporter of state forest regulation, setting up new public forest system in the more remote, less accessible parts of the Amazon, and identifying more areas for administration by communities and small, private landowners. China is shifting attention to collective forests, strengthening local rights and deregulation to as an effort to increase local production and incomes. The Chinese forest agency is also decentralizing public forest administration and privatizing processing enterprises. The meeting discussed these transitions in public agencies underway in each country, their continuing challenges and new directions.

#### **4. Issues Raised as New Priorities**

In addition to discussions described above, three major issues emerged as new priorities for forest agencies in all countries:

1. Understanding the rapid transformation of forest markets and the implications of these shifts for forest industry and forest-dependent communities. The “northern” countries represented, Russia, Canada and the US have all lost industrial capacity and investment in recent years to the more productive and cost competitive “southern” countries of S. America and China. In addition to these shifts in the traditional timber market the new technologies to transform cellulose and biofuels are poised to transform markets even further. The implications of all of these shifts for public forests, public forest agencies and all of their constituencies are unclear. What is clear is that forest agency leaders recognize the need to keep some industry alive in their forests to both sustain communities and to sustain investment in forest management. All sensed a need to better understand these shifts so that they can better respond.

2. Encouraging greater action to reduce emissions and mitigate the effects of climate change, and assessing the new roles and implications for forest agencies in this growing issue. The meeting made obvious the dramatic effects of climate change already underway in world's forests. For example, the Brazilian Amazon experienced the worst drought in its history in 2005, the USA had its worst fire season since 1960 in 2006, and the bark beetle infestation in British Columbia continues to destroy vast forested areas. There was active discussion of the status of global discussions on climate change and the interest of forest agencies to be more engaged in these discussions, advancing both the urgent need to reduce emissions and the need to include avoided deforestation in the upcoming climate regimes at national and international levels.
3. Understanding the existing and potential scale and scope of local, community level enterprises (timber and non-timber). The dramatic shifts in large-scale timber industry and the location of persistently poor communities in forest areas have raised the level of interest in the scope and viability of small-scale forest industry. The lack of adequate data in all countries impedes an understanding of both the existing situation (in terms of numbers, types, contributions to production, employment, government revenues, etc., and the market viability of these enterprises and the scope for expansion. There was a general sense of the value of countries to better understand the small-scale sector in their countries and what governments can do to better enable them to remain viable.

## **5. Recommendations for Next Steps**

There was agreement that the design of the meeting worked very well, including: the use of the Chatham House Rules; inviting a small set of leaders on a personal, rather than institutional, basis; sitting the leaders together in a round table, facilitating face-to-face discussions; and including a small set of key resource people in a second ring.

Mikhail Giryayev offered to host the next meeting of MegaFlorestais in St. Petersburg in October 2007, with the collaboration of Victor Teplyakov and IUCN. Participants gratefully accepted the offer and requested that RRG work with Russian representatives to organize the next meeting.

The group discussed ideas regarding next steps. These ideas fell into three categories: (1) steps to improve the productivity of the meetings; (2) fostering additional opportunities to exchange opinions and experiences between agencies; and (3) conduct new analytical work that would help public agencies better understand critical issues.

- **Improving the productivity of the meeting:**
  - Invite at least one “next generation” leader from each country to accompany forest agency leaders in order to build capacity and expand the learning.
  - Prepare and disseminate brief synopses of key background information from each country prior to the meeting – allowing all participants to more quickly come up to speed on the issues and challenges faced by each country. This background information would be prepared to describe how each issue is manifested in each country, how the agency is dealing with it and what steps they are considering regarding future directions;
  - Others recommended that we consider engaging a facilitator to manage the meeting, freeing up country representatives and resource people to participate.

- **Exploring additional opportunities to dialogue and exchange lessons on critical topics:**
  - Facilitate exchanges of staff and lessons between agencies as opportunities arise.
  - Explore the opportunities for organizing additional, thematically-specific MegaFlorestais meetings, e.g. roles of forest agencies in climate change; lessons learned regarding reforming concessions and tenure.
- **Proposing new analytical work of global relevance to forest agencies:**
  - Conduct, and collaborate on new analytical studies on the “new” topics identified above as possible. Though the meeting did not have time to flesh out plans, there was a sense that the market studies were priority – those aiming to understand the global market trends for the large-scale industry and those aiming to understand the scope and potential of the small-scale timber and non-timber enterprises.

All participants expressed gratitude to the USFS for hosting, to RRG for organizing and to DFID for providing funding. Participants agreed on the value of MegaFlorestais in facilitating and encouraging the free exchange of ideas and experiences between forest agency professionals and as a possible source of a new, shared vision of the roles of forest agencies in the future. And, all looked forward to the opportunity to meet again in Russia.

## ***Annex I: Agenda***

### **Monday, October 16** – Travel Day, and Opening Reception

- 12:00 – 03:00pm      Guests arrive, check-in at hotel
- 03:00 – 05:00pm      Optional tour of Grey Towers
- 05:00 – 07:00pm      Evening reception and Dinner – Hotel Fauchere
- 07:00 – 07:30pm      Welcoming comments: Sally, Tasso, and Andy

### **Tuesday, October 17** – Day 1

*Morning Theme: Introduction and overview of conference. Chairs: Tasso and Sally*

- 08:30 – 09:00am      Opening, introductions and review of key objectives by Sally & Tasso
- 09:00 – 09:30am      Presentation on themes for the meeting: key global transitions with focus on forest governance - Andy White
- 09:30 – 09:45am      Discussion of conference agenda and objectives
- 09:45 – 10:00am      Morning Break
- 10:00 – 11:00am      Presentation: markets and trade in transition, implications for public agencies – Don Roberts
- 11:00 – 12:00am      Discussion of key themes for conference
- 12:00 – 01:00pm      Lunch (catered)

*Afternoon Theme: Forest governance, ownership and administration in transition. Chairs: Doug Konkin and Petrus Gunarso*

- 01:00 – 01:30pm      Presentation on forest tenure in transition: global trends and issues put in a historical context - Arvind Khare
- 01:30 – 02:00          Discussion
- 02:00 – 02:30          Presentation on US Ownership and Administration of Public Forests in Transition (Sally Collins)
- 02:30 – 03:30pm      Presentations on public forest ownership and administration in transition: current issues, and future directions by Mexico and Cameroon
- 3:30 – 3:45              Coffee break

- 03:45 – 05:00pm Panel Discussion on theme of the session: Issues, challenges, and new directions for forest governance, ownership and administration
- 05:30 – 07:30pm Dinner & Presentation: Establishment of USFS, political leadership of Gifford Pinchot, challenges of convincing other sectors to promote forestry - Dick Patterson

## Wednesday, October 18 – Day 2

*Morning Theme: Forestry's contribution to poverty alleviation and economic development: Chairs: Mikhail Giryayev and Jintao Xu*

- 08:30 – 09:00am Introduction to Theme & reflections on Day 1
- 09:00 – 09:30am Presentation on forestry contributions to poverty alleviation and community development: scope and constraints to greater contributions - Augusta Molnar
- 09:30 – 09:45am Morning Break
- 9:45 – 10:15 Forests, Economic Development and Poverty in the US by Ann Bartuska
- 10:15 – 11:45 am Presentations on Forestry's contribution to poverty alleviation and economic development: changes underway by India and Indonesia
- 11:45 – 12:30 Panel discussion on theme of the session: Issues and challenges for poverty alleviation and economic development
- 12:30 – 01:30pm Lunch

*Afternoon Theme: Rethinking Forest Regulations; Chairs: Ms. Veena Upadhyaya and Antonio Azuela*

- 01:00 - 01:30pm Presentation: Rethinking regulations: issues and ideas to reform regulations to encourage best practice and compliance – Andy White
- 01:30 – 02:00pm Forest planning and regulations in public and private lands in the US. Fred Norbury.
- 02:30 – 02:45pm Break.
- 02:45 – 03:45pm Presentations on forest regulations by Canada and China
- 3:45 – 4:30 pm Panel discussion on theme of the session: Reforming Regulations
- 04:30 – 05:00pm Presentation on Political leadership: how to convince other sectors to support forestry - Tasso Azevedo

05:30 – 07:30pm Dinner

### **Thursday, October 19 - Day 3**

*Morning Theme: Public agencies in transition: refocusing, decentralization: Chairs: Denis Koulagna and Antonio Azuela*

08:30 – 09:30am Introductory presentation: Public forest agencies in transition, changing roles and relationships – Andy White

09:30 – 9:45am Coffee Break

9:45 – 10:45 am Presentation on transitions underway by Russia and Brazil

10:45 – 12:00pm Discussion on theme of the session: lessons learned regarding managing organizational transitions, political leadership

12:00 – 01:00pm Lunch

*Afternoon Theme: Looking to the future Chairs: Sally and Tasso*

01:00 – 03:00pm Discussion on needs or opportunities to move agenda forward at national and international levels

03:00 – 05:00pm Assessment of this meeting, discussion of possible next steps for the “forest governance in transition group”

05:30 – 07:30pm Closing Dinner

### **Friday October, 20 - Travel Day or Fieldtrips**

09:00 – 12:00pm Jim Grace, PA State Forester: federal, state, & local government relationships – Presentation at Grey Towers followed by fieldtrip