

MEGA*florestais* 2007 St. Petersburg

Forest Governance in Transition

Synopsis of Meeting of MegaFlorestais in St. Petersburg, Russia
October 16-18, 2007

Co-Chaired by

Valery Roshchupkin, Head, Russian Federal Forest Agency
Sally Collins, Associate Chief, US Forest Service
Tasso Azevedo, Director General, Brazilian Forest Service

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Table of Contents

1. Background.....1

2. Introduction to the Meeting.....1

3. Key Themes and Observations.....5

 The Role of the Forest Industry in a Changing Global Marketplace.....5

 Designing and Implementing Forest Tenure Reforms.....8

 Designing Rational and More Equitable Regulations.....10

 Identifying Initiatives to Tackle Climate Change.....12

4. Recommendations for Next Steps.....13

5. Annex One: Meeting Agenda.....14



Rights and Resources Group
1238 Wisconsin Ave, Suite 204
Washington, DC 20007
www.rightsandresources.org
Tel: +1.202.470.3900 Fax: +1.202.944.3315

1. Background

MegaFlorestais¹ 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.

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 forestry's contribution to social and economic development.

In 2006, the first formal meeting of MegaFlorestais was hosted by the US Forest Service, bringing together leaders from Brazil, Cameroon, Canada, China, India, Indonesia, Mexico, Russia and the United States (a synopsis of that meeting is available at: <http://www.rightsandresources.org/programs.php?id=82>

MegaFlorestais 2007 was hosted by Russian Federal Forest Agency in St. Petersburg from October 16, to October 18. Building on lessons learned from the previous MegaFlorestais meetings and the generous facilitation assistance provided by BC Ministry of Forests and Range, the meeting was designed to maximize discussions amongst participants. MegaFlorestais meetings encourage free and open conversation following the Chatham House Rule which states, "*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.*"

2. Introduction to the Meeting: MegaFlorestais in St. Petersburg

Andy White, Coordinator, Rights and Resources Initiative, introduced the key themes of the meeting by highlighting the current status of the global forest sector. His remarks stressed that although the forest sector is increasingly being challenged by dramatic shifts and transitions affecting forest landscapes, there is potential for change and opportunities lie ahead:

- The current status of the global forest sector is characterized by a high concentration of government ownership, massive illegal logging and its associated trade, and low economic growth in some of the world's most forested countries;
- Dramatic shifts in the geopolitical climate and impending ecological crises compound the challenges of public forest agencies by placing greater demands on resources (biofuels and plantations), commodities (water, agriculture) and global market trends (growth of the BRIC countries). More importantly, these global challenges often converge in the forested areas of the world and thus demand greater commitments from the international community;

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

- Transitions in tenure reform are nascent but demonstrate potential over the long-term. China is prioritizing collective forest reform, Brazil has introduced a new forest law, Indonesia enacted a new policy on community plantation areas and India has recently ratified the forest rights bill;
- In dealing with these transitions the public forest agencies must rethink regulations and strive for innovative approaches to global challenges. Forest agencies have a mandate to respond to current demands and expectations by adjusting and building organizations, attracting resources, dealing with climate change and remnant institutional issues like tenure and indigenous rights;
- The next few decades represent a global opportunity for positive change.

Introducing the key themes of the meeting Mr. White reiterated that the focus of the meeting in St. Petersburg is on “Forest Governance in Transition” and four key themes that would guide the discussion over the three day meeting are:

- 1) **Understanding Forest Industry in the Changing Global Marketplace:** The global forest product industry is undergoing unprecedented changes as supply and demand shift and as the markets for food, fuel and fiber converge. These shifts, as well as growth of domestic markets in lower and middle income countries, are creating new opportunities for small scale forest enterprises, forest conservation and sustainable rural development.
- 2) **Designing and Implementing Forest Tenure Reforms:** Many MegaForestais countries are redefining the ownership of forest lands and rights of access, presenting opportunities and challenges for advancing forest conservation and development.
- 3) **Designing Rational and more Equitable Regulations:** Continued problems of forest degradation and illegal logging demonstrate the weakness of conventional regulatory approaches. Many countries are rethinking how they encourage best practice and compliance both on public and private lands.
- 4) **Identifying Initiatives to Tackle Climate Change:** Climate change has quickly emerged as a major global challenge. This is causing forest agencies to reevaluate their programs and assess their role in both mitigating and adapting to climate change.

Organization of the Meeting: From ice-breaking sessions to innovative interaction techniques to plain old intensive brain storming sessions, the meeting was organized in a manner that maximized the discussion space amongst participants but did not compromise the facilitation of cutting-edge information and analysis. To facilitate intense interaction, each session started with brief presentations by leading thinkers and analysts followed by discussion amongst forest agency leaders. Forest agency leaders and resource persons took turns to preside over each session to keep the discussion flowing. A copy of the agenda of the meeting, which indicates the names of chairpersons and facilitators, is provided in Annex One.

Leaders of public forest agencies who participated included:

Name	Title	Country
Aarne Reunala	Director General Department of Forestry, Ministry of Agriculture and Forestry	Finland
Ahmad Fauzi Masud	Director for Forestry Information Ministry of Forestry	Indonesia
Denis Koulagna Koutou	Director of Cooperation	Cameroon

	Ministry of Forest and Wildlife	
Doug Konkin	Deputy Minister BC Ministry of Forests and Range	British Columbia, Canada
Lei Jiafu	Vice Administrator State Forest Administration of China	China
Mikhail Giryaev	Deputy Head Russian Federal Forest Agency	Russia
Petrus Gunarso	Senior Staff for Forest Protection and Nature Conservation Ministry of Forestry	Indonesia
Sally Collins	Associate Chief United States Forest Service	USA
Tasso Azevedo	Director General Brazilian Forest Service	Brazil
Tony Bartlett	General Manager of the Forest Industries Branch Department of Agriculture, Fisheries and Forestry	Australia
Valery Roshchupkin	Head Russian Federal Forest Agency	Russia

Persons who were invited but could not attend included:

- J.P.L. Shrivastava, Director General of Forests and Special Secretary, India
- Sébastien Malele Mbala Directeur Chef de Service, Direction de la Gestion Forestiere, Democratic Republic of the Congo
- David Mbugwa, Chief Conservator of Forests, Department of Water Affairs and Forestry, Kenya

Resource persons who participated included:

Name	Title	Country
Alex Moad	Assistant Director for Technical Cooperation, International Programs United States Forest Service	USA
Andy White	Coordinator Rights and Resources Initiative, and MegaFlorestais	International
Anatoly Pisarenko	President Society of Foresters	Russia
Anatoly Petrov	Director Russian Institute of Continuous Education in Forestry	Russia
Andrey Kushlin	Senior Forestry Specialist The World Bank	Russia
Don Roberts	Managing Director CIBC World Markets	Canada
Feng Xiaodong	Division Chief State Forest Administration of China	China
Jintao Xu	Professor Peking University	China
Justin Bull	Project Manager Rights and Resources Group	International
Sergey Rodin	Director VNIILM	Russia
Shelley Sullivan	Director, Corporate Services Division BC Ministry of Forestry and Range	British Columbia Canada
Sten Nilsson	Deputy Director, Program Leader International Institute for Applied Systems Analysis	International
Stewart Maginnis	Head, Forest Conservation Programme IUCN	International
Victor Teplyakov	Temperate and Boreal Forests Programme Coordinator IUCN	Russia
Zhang Zhongtian	Deputy Division Chief, Department of International Cooperation State Forest Administration of China	China

More information on the meeting, as well as supplementary documentation is available at:
<http://www.rightsandresources.org/programs.php?id=82>

Documents available on the website include:

- Event agenda
- List of participants
- Participant presentations:
 - *Introduction to Key Themes*, Andy White
 - *Convergence of the Fuel, Food and Fibre Markets: A Forest Sector Perspective*, Don Roberts
 - *The Boomerang: When Will the Global Forest Sector Reallocate from the South to the North?*, Sten Nilsson

- *The Large and Growing Role of Small and Medium Forest Enterprises*, Andy White
- *Forest Management, Forest Use and Sustainable Forestry Development*, Mikhail Giryayev
- *Designing and Implementing Forest Tenure Reforms*, Stewart Maginnis
- *Crafting the Next Generation of Forest Regulations*, Andy White
- Article: *“The Wolf is at the Door”*: Forests, Foresters and Global Climate Change, Char Miller
- Informal Discussions on Global Forest Issues, Tony Bartlett

3. Key Themes and Key Observations

Right from the first session, when the forest agency leaders started discussions on key themes of the meeting, it became apparent that while the public forest agencies are still struggling to deal with the old problems of poverty, indigenous and forest community rights, iniquitous benefit flows and regulations, they are now suddenly confronted with the new challenges of globalization, climate change and the energy crisis. Discussions spilled over hallways, lunch tables, evening walks, and over every available space making it difficult to capture all that transpired amongst these leaders. The brief synopsis presented here provides a glimpse of the main points made during the formal sessions.

Role of forest industry in the changing global marketplace:

This session featured two key presentations made by Don Roberts, Managing Director, CIBC World Markets, Canada and Sten Nilsson, Deputy Director, Program Leader, International Institute for Applied Systems Analysis, Vienna.

Convergence of Food, Fuel and Fiber Markets

Don Roberts made the following key points:

- There will be a reversal in the current downward trend of real wood prices. A decrease in wood supply combined with an increase in wood demand means that forest products regions with the lowest costs will experience the greatest cost pressure in the coming years. This would mean reduction in the regional differences in the cost of producing forest products and the comparative advantage may return to the northern hemisphere (USA and Russia).
- Demand for bio-energy will raise the relative price of agricultural products and the absolute price of wood because the “best” forestry lands will be used for bio-energy crops.
- Fuel, food and fiber markets, subject to these dynamics, appear to be converging. This convergence will become more defined as concerns over environmental, economic, national and political security grow.
- Evidence of this convergence is provided by the rising number of strategic alliances between fuel and forest products companies. Global biofuels financing over the last three years has more than doubled (in billions USD). Clearly, there has been a recent surge of biofuels in the international market.
- Four key variables drive the economics of biofuels production: the price of oil, the cost of the feedstock, the cost of conversion technologies and regulations which stimulate demand. Presently, these four variables are all in a state of flux.

- Compared to the alternatives, wood is the most-cost effective feedstock for producing biofuels, primarily because it has a longer storage life and lower storage costs (unlike sugar cane and palm oil which must be processed within 24 hours of harvesting). It is also the most attractive feedstock to slow the pace of climate change because its net energy yield (after subtracting the fossil energy used in production and refining) is higher than other feedstock options.
- Wood pellets are emerging as a “low-tech” biofuel and the global market for this feedstock is rapidly expanding (Russia is likely the next major entrant to the global wood pellet market). Pellets are a cheaper energy source than other fossil fuels but it is unclear whether the cost of pellets will remain steady.
- The “winners” of the emerging bio-energy sector include: tropical countries (higher crop yields and lower cost of labor), owners of the feedstock (particularly those who own the land), owners of the key technologies, and solid wood processors (who now have an outlet for residual fiber). The “losers” in this game will be: existing users of residual wood fiber (e.g. pulp and paper mills), forest dwellers without property rights, non-market goods and services, biodiversity.
- The sustainability of the bio-energy sector remains unclear and consensus will remain elusive, at least in the near future.

The Boomerang: When Will the Global Forest Sector Reallocate from the South to the North?

Key observations from Sten Nilsson’s presentation are summarized here:

- Over the next 25 years, the global economy is predicted to rise by nearly 40 trillion USD. As this happens, developing countries will take on more than half of the world’s sugar, grain, beef and dairy production responsibilities, rendering them major drivers of the global economy.
- There are great constraints on the global capacity to provide the necessary supply of agricultural commodities, including limits on economically accessible resources, a lack of financial resources for investments, a lack of maintenance and efficiency of energy systems, sabotage and a growing trend toward using energy as political leverage.
- Through 2030, 20 trillion USD, split evenly between the electricity and fossil fuels industries, is needed to satisfy the global demand for energy; eighty percent of all proven reserves of fossil fuels are concentrated in the world’s most volatile areas.
- Energy security has been further complicated by its integral link to economic growth and climate/environment. As industrial wood consumption and demand for key agricultural products continue to rise in the coming years, the market conditions may become more volatile and unbalanced. Economic growth will continue to increase the agricultural demands of the developing world.
- Already we are witnessing structural changes in response to increased demand e.g. more area planted with cereals, reallocation of lands from other crops, conversion of land for agricultural purposes and the cultivation of land in many developing countries. As the demand for food rises, particularly in the developing world, the need for agricultural land will increase; this means that land prices will grow and competition for suitable land will become more aggressive
- However, current statistics indicate that production and productivity within the agriculture sector of the developing world is declining. At the same time, it is very challenging to locate new land for agricultural production unless deforestation is increased. This exacerbates the existing rise in the cost of agricultural products, a trend often attributed to increased reliance on feedstock for biofuels.

- It seems reasonable to suggest that more and more subsidies and investments by the oil industry will be allocated to biomass production, thereby increasing the pressures on industrial wood supply. Today, we already notice this tension in potential plantation countries, where wood costs and land prices have increased significantly. Over time, the cost of wood will most likely become more equal among the major wood producing regions of the world.
- In sum, the agriculture, energy and forestry sectors are all seeking more cropland and marginal land, especially in the southern hemisphere. The reality, however, is that there is not enough land available, creating tight competition between all three sectors. While it is doubtful that the forest sector will be able to compete with the agriculture and energy sectors, we must endeavor to conceptualize the biomass sector as a sum of all the parts.

Participants appreciated these presentations and their conversation revealed that forest estates in all MegaFlorestais countries are being affected by shifts in supply and demand, the growth of bio-energy, the rise of domestic markets in lower and middle income countries and all of them are struggling to redefine how they should respond to these challenges. Forests are now subject to a diverse range of competing uses – from increasing demand for wood fibers to soaring demand for commodities to providing bio-energy to feed a growing global economy.

Key fuel, food and fiber prices have been on an upward trend. Structural changes in the biofuel industry could mean high prices for the next decade, with cereals, sugar, and oilseed and vegetable oils all affected. Furthermore, prices for corn could rise 23 percent and oilseeds by 43 percent by 2020, in response to expected increases in their demand for use as biofuel. With biofuel production spreading, the world price for oil will become a support price for farm and lower quality forest products.

Prices in the agricultural market will also play an important role – because the majority of economic growth is taking place in developing countries, their caloric intake is increasingly drastic. This will translate into a massive increase in the demand for food, so massive in fact that some scenarios predict the need for over 3 billion hectares in new cropland (an area about the size of Russia) given no increase in agricultural productivity. Compounding the issue, agricultural productivity in most countries has peaked or even begun to decline.

There are three key implications for the forestry industry in the changing global marketplace. The global south is unlikely to remain the dominant force in supplying wood fiber in the long term, as forest products will not be able to compete with food and energy for land. The intensive margin of forestry will likely decrease, as the relative financial returns of traditional forestry operations are out competed by the energy and food crops. However, the extensive margin of forestry will likely increase as more remote and less productive forests become economically viable given the higher prices implied by the converged marketplace.

Small and Medium Forest Enterprises

Conventionally the global debate on forest industry is dominated by a focus on large industry and on timber. To put the entire spectrum of forest industry in some perspective Dr. Andy White, Coordinator, Rights and Resources Initiative, made a presentation on small and medium forest enterprises highlighting the following issues:

- Small and medium forest enterprises are an integral part of the forestry sector because they offer employment opportunities, investment in public goods, local and social organization, and investment in forests. They are a key contributor to economic growth!
- Activity within SMFEs comprises the bulk of the forest “industry”—17 million jobs are in small enterprises, over half of the supply of raw wood in US, EU and China comes from small private forests, and, in the US and the EU, almost all processing firms are small, operated by less than 20 employees.
- In Europe, China and the US, small-scale enterprises dominate the forestry sector and contribute the majority of revenue transfer from the sector to the state. Globally, the presence of SMFEs is growing due to increased market space in the north and increased political space in the south. More effort must be exerted to strengthen the role that SMFEs play in rural development, economic growth and conservation.
- There are unique benefits that are derived from SMFEs such as accrual of local wealth, reduction of rural conflict, investment in social welfare, education and infrastructure. However, there are constraints that challenge the growth and contributions of SMFEs. Often, enterprises operate on the margins of legality and run the risk of being banned. Overregulation and the power of corruption/bribes compel the state to prefer large industries over SMFEs.
- Timber concessions pose a particularly complicated challenge to SMFEs because of their historical legacy and implementation in publicly owned land with low population density. Thus, we must rethink and assess the enabling conditions that promote SMFEs and, consequently, foster linkages between each other and large scale industry.

Designing and Implementing Forest Tenure Reforms:

The session on designing and implementing forest tenure reform began with a presentation by Stewart Maginnis, Head, Forest Conservation Programme of the World Conservation Union. Key issues highlighted in his presentation were:

- Historically, trends in forest tenure reveal that public ownership of forestland remains the dominant arrangement. Additionally, there is major industry control of public resources and forest dwellers/communities have very limited rights to own, use or trade.
- Recent developments suggest, however, that forest tenure is in transition. Countries like Brazil and India have begun to recognize indigenous rights, long-term management and use rights have been granted to forest communities and public ownership is transitioning toward privatization.
- Tenure reform is critical in order to resolve social conflicts, to instill a sense of social justice, to improve management schemes, to catalyze rural economic growth and, perhaps, to mitigate climate change.
- It will be a challenge for forest agencies to reconfigure their existing approaches and strategies to tenure; but, new legal standards for investment, management and conservation are required. It is imperative that we achieve clarity on these issues before attempting to address these urgent concerns.
- There remains a plethora of considerations such as: how to recognize indigenous rights (reconciling claims), how to regulate against elite capture, how to determine the optimal level of devolution of public land, and how to deliver public goods (carbon, ecosystem resilience) without undermining the recognition of community rights.

- We have valuable experiences on which to build—British Columbia is undergoing treaty negotiations, Australia has recently recognized rights and special areas, China has initiated collective forest reforms and the US holds both positive and negative examples.

Ensuing discussion showed that forest agencies are rethinking who manages, who has access to, and who benefits from forests under their control. The changing global marketplace, a growing sensitivity to the ecological importance of forests, as well as local and community demands for forest are all culminating in forest tenure reforms. MegaFlorestais 2007 focused on the specific cases of reforms underway in Russia and China, deriving lessons for the design and implementation of tenure reform.

China

In China the government has been testing major reforms on 286 million hectares of forests, 60% of which are collective forests, with the remainder being controlled by the state. These reforms were piloted in Fujian province which gave households the ability to enter 70 year leases over timber in the forest, as well as the right to transfer this lease to a third party. As a result of these reforms, there has been a measured increase in local revenues and profit, investment, local conservation and protection, and a decrease in illegal logging. Further, villages and communities have found new, stronger incentives for being active in conserving and benefiting from their forests – a boon to the ecological and economic security of the country. China is also in the process of reorganizing the management of 111 million hectares of state-owned forests. In pilot projects, local governments have been given more control over the forest and have, in turn, been leasing land to farmers.

Russia

Russia is also undergoing tremendous change in the management of its forests with the recent implementation of a new forest code. Over 154 million hectares of forest land are being redefined in the forest code that contains several important shifts in responsibility. Lease holders are now responsible for comprehensive, sustainable forest management, while the responsibility to ensure compliance amongst lease holders is being decentralized to the federal subject level.

In response to emerging global challenges, and in recognition of the failures of past models of ownership, many countries are reconsidering the model of dominant public ownership and the prominent role of large industry in managing public lands. In some places, there is a noticeable transition towards tenure rights that acknowledge the claims of indigenous peoples, the need for sustained conservation and the importance of forests in local livelihoods. Across the world, major reforms are underway that are shifting control and management of land – and although communities and indigenous peoples are strengthening their rights, there is also a trend towards increased private ownership as well.

Forest agencies are recognizing tenure reforms as an invaluable tool in facing a suite of challenges. Clarifying ownership enables better management of land and can greatly contribute to the resolution of conflicts and social injustice in forests. Strong rights to access and benefits from forests can also enhance the role of forests in reducing rural poverty. Further, as the world's leaders begin to consider global responses to the threat of climate change, a well-defined forest estate will prove invaluable. Forests represent one of the most attractive opportunities for mitigating climate change and clarity in ownership rights will ensure that any potential mitigation scheme does not supersede legitimate community rights to forest resources.

Other Countries

Participants also discussed tenure reforms under way in many other countries:

- The 1988 Brazilian constitution recognized indigenous peoples' rights and has now set aside 110m hectares for 700,000 people; they have rights over the resources, though the land belongs to the state;
- Two-thirds of Finland's woodlands are privately owned mainly as a result of two eras of government land distribution in the 1920s and the 1940s. Ownership of private lands was assumed to produce better management but, because many of the holdings on average measure just 30 ha, and thus are considered too small for rational management, Finland is considering ways and means to improve the scale of land-tenure/ownership yield higher incomes. On the other hand Indonesia is considering land reform that will provide 15 ha per family-- half that of Finland! Yet, these developments are unprecedented in Indonesia's history of forest management.
- In Nepal, the government handed back rights to the land to forest user groups; in Vanuatu, indigenous forest ownership is total but uncertainties about how land is divided makes for difficult negotiations with interested outside companies. In Australia, 13% of land is owned by indigenous peoples; most is publicly owned.

The question of who owns the land is critical. Contested claims of ownership do not attract investment and economic growth and continue to aggravate poverty. The discussions concluded by recognizing the importance that tenure and ownership can play, but that such reforms are only the first step in addressing the challenges of conflict, rural poverty, climate change mitigation and conservation.

Designing Rational and more Equitable Regulations:

Andy White, Coordinator of the Rights and Resources Initiative, made the introductory presentation on designing rational and more equitable regulations. He observed that:

- The forest sector is plagued with heavy regulation (i.e. direct management by the government) that yields disappointing results such as illegal operations, inequitable distribution of rights, deforestation and degradation. Errors in regulation models have been demonstrated by overly stringent harvest policies, logging bans and a lack of insight as to how regulations impact other sectors.
- Regulatory reform must take into account four inter-related and essential aspects: context (how to optimize the interests of all stakeholders), content (how to make the most judicious use of state power), process (how to develop reforms that enhance understanding and support) and continuous monitoring, evaluation, adaptation (ensuring social "learning").
- Regulatory frameworks must be improved to accommodate the varying political, economic and institutional contexts of countries. This will be a great challenge for countries with weak governance structures because they will be less capable of introducing new regulatory frameworks.
- Public forest agencies face many challenges in matching regulations to policy. These challenges include: (i) how to accelerate the process of adaptation; (ii) how to avoid killing incentive? - it is difficult to create regulations that genuinely promote the interests of forest-dependent people; and (iii) how to overcome vested interests?— there are long-term, vested interests in existing regulations.

New System of Regulations in Russia

The host country highlighted their newly established system of regulations. Highlights of the new regulatory system in Russia were presented by Mr. Giryaev, Deputy Head, Russian Federal Forest Agency:

- To accommodate the priorities of the Russian forest management agency (combat illegal logging, protect forestation and seed growth, monitor timber cutting/processing), the forestry reform created a multi-tiered governing body. This entity includes forest management enterprises, a state unitary enterprise and management units/divisions.
- New regulations on timber harvesting emerged from this administrative overhaul. Restrictions on clear cutting, logging and hauling have been lowered. Forestry and technical demands have been articulated, especially with respect to annual wood-cutting allocations, prohibitions on protected forests, and biodiversity conservation.
- Most of Russia's forestland is leased for timber harvesting and afforestation purposes. Under the Kyoto Protocol, 600 million RUR will be invested over the next two years for the protection of afforestation areas. In tandem, government efforts to combat illegal logging have increased through state proposals to install checking points for timber removal, to create an informational base of harvesting regulations and to raise the criminal responsibility of illegal logging practices.
- Other measures, such as a higher customs tax on processed timber exports and a system of voluntary certification have also been introduced with the objective of creating "model forests" in Russia, a central component of regional forestry policy.
- The concept of "model forests" means new standards and sustainable management practices that promote effective supervision of forest inventory, greater public involvement in decision-making, more environmental education and better certification processes.
- Currently, Russia has five "model forests" with plans to convert 30 more in the coming years. The objective is to create regional zones of forests that demonstrate similar economical, environmental and social problems during land development. Once these models succeed, they can be further applied to other regions.
- Sustainable forest management is measured by three categories of indicators: forest resource use, forest status data, fire and pest management and forest renewal rates.

Many countries are rethinking how they encourage best practice and compliance both on public and private lands. Discussions in St. Petersburg focused on two particular regulatory challenges – one in Indonesia, and another in British Columbia, Canada.

Indonesia

Indonesia is embarking on an important set of reforms to lease 15 hectare plots of forest to families. Families will receive financial support from the government in the form of low interest loans to support fast-growing plantations. In addition, the formation of legal cooperatives will be encouraged so that groups of families can sell their tree-crops to mills and secure a more stable cash flow. Participants discussed the challenges associated with this scheme, focusing on the difficulty of administering so many small plots of land, the challenge of providing financial support to thousands of households, as well as the practical difficulties of transporting products to sawmills. Regulations were identified as vital to addressing these challenges.

British Columbia

The province of British Columbia, Canada is dealing with a regulatory challenge common to all forest managers – climate change. Participants agreed that as forest agency leaders they must think beyond the ecological implications of climate change and begin to assess how

regulations and land management can adapt as well. Current systems of harvesting, reforestation, timber-pricing, and conservation could be quickly rendered obsolete if ecological boundaries rapidly shift. As a result, forest agencies need to be equipped with flexible regulations that can quickly react to a shifting forest estate. Regulatory challenges presented by climate change include: shifting industrial forest operations from less productive to more productive forest lands and reassessing park boundaries and conservation areas to ensure such efforts capture appropriate assets of high-conservation value.

Participants generally agreed that improved regulatory frameworks are needed and that there is no single and best regulatory model of general application— possible reforms are shaped by the political, economic and institutional context of countries. There are new demands requiring new configurations: e.g. GCC, REDD. Countries where levels of governance are the lowest are also less capable to introduce new regulatory frameworks. The objective is to rethink regulations by moving away from a notion of government “enforcement” to a “system of encouraging improved practice and compliance.”

Identifying Initiatives to Tackle Climate Change:

From the first ice-breaking social to the last photo shoot, from presentations in the meeting room to hallway chitchat, the impact of climate change on global forests dominated conversation— as well it should have done. After all, the ten countries that make up MegaFlorestais are home to two-thirds of the world’s forests. What they decide to do about their vital, well-wooded lands will have a dramatic impact on their individual capacity to mitigate the effects of climate change; their actions might also offer the larger world models of adaptive and sustainable environmental management that could be applied to less-forested societies.

How to put these possibilities into action was the source of three days of spirited exchange. All those who spoke recognized just how complex the science of climate change is, all understood too the difficulty that this complexity poses for developing and testing effective land-management policies. The leaders also acknowledged how tough it will be to build the political will required to implement any set of initiatives. Adding to these dilemmas, one forester observed, is the disconcerting realization that the past will offer little guidance for how to meet this most-challenging future. But then, that’s what makes climate change such a radical break in human history—it has no clear or obvious precedents; it makes anachronistic the language and metaphors we have long employed to describe the interdependence of humanity and nature.

This daunting reality did not shut down the discussions in St. Petersburg—quite the contrary. Well aware of their responsibilities as stewards of millions of hectares, mindful that the planet’s survival might well hinge on how well and how quickly diverse societies respond to the threat that climate change poses, the participants gave voice to a series of linked questions, the answers to which will direct their energies in the coming years.

1. How should public agencies respond to climate change? What will their priorities be? How necessary will a post-Kyoto set of international agreements be when many nations have already started to enact legislation and develop programs in response to climate change on the local, provincial, and/or national levels?
2. Whatever the priorities that each agency determines, how will they align these actions with political realities? How might those realities shape agencies’ priorities (and vice-versa)?

3. To establish those priorities, public agencies will need to develop a rich set of data-- how will land managers and agency leaders gain that information? How will they "get a lot smarter, a lot faster" about climate change and the emerging science framed around its study?
4. Given the transformative power of climate change, how will public-land agencies establish frameworks for action, and make certain that foresters are fully present in the national and international conversations about how these frameworks will shape policy?
5. Among the data needed is a much more comprehensive accounting of the basic science of wood-carbon, so crucial to the concept of sequestration: how does wood-carbon vary across landscapes, seasons, and tree species? Of what consequence will this information be?
6. Climate change is already altering environmental realities and economic opportunities around the globe, and the social consequences of these alterations may be felt most heavily in developing countries, often those located in tropical regions. How will this North-South polarity be equitably addressed? How will environmental mitigation and social justice be paired?
7. As climate change compels public agencies to take into account the multiple characteristics and uses of their forested lands, how will public-lands agencies create a set of policy initiatives that are equally as complex and multi-layered? How quickly can old precepts give way to new understandings? Will we have the time, a delegate wondered, now that "the wolf is at the door"?

These points were part of a broader constellation of issues that were discussed at MegaFlorestais 2007. But collectively they capture the participants' decided awareness of the problems that climate change poses for the lands under their care; speak to the seriousness of their engagement with these pressing concerns; and reflect their commitment to work within their governments and through international organizations to insure the future sustainability of our forests, and the natural and human communities that depend on them.

4. Recommendations for Next Steps

There was agreement that the design of the meeting worked very well, including: the use of the Chatham House Rule; 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.

Tasso Azevedo, Director General of the Brazilian Forest Service, offered to host the next meeting of MegaFlorestais in Brazil in October 2008. Participants gratefully accepted the offer and requested that RRG work with Brazilian representatives to organize the next meeting.

The group discussed ideas regarding next steps.

- 1) Consider the possibility of "thematic" MegaFlorestais meetings
- 2) International Forest Leaders Seminar to be hosted by USFS at Grey Towers, building continuity in MegaFlorestais by inviting "next generation" leaders to attend this annual event
- 3) Continue to use MegaFlorestais as a forum for multilateral and bilateral discussions and exchanges.
- 4) Participate in global conference on Climate Change in Forests, to be held in 2008 in Russia.

All participants expressed gratitude to the Russian Federal Forest Agency for hosting, to the Rights and Resources Group for organizing, and to the Department for International Development (UK), the Russian Federal Forest Agency, and the US Forest Service for providing funding and resources for the event. 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 Brazil.

Annex One: Agenda

Tuesday, October 16th – Day 1

CHAIRS: VALERY ROSHCHUPKIN, TASSO AZEVEDO, SALLY COLLINS AND ANDY WHITE

- 8:30 – 9:00** **Welcome and Overview of Meeting**
- Welcome – Valery Roshchupkin
 - Introduction and Background – Tasso Azevedo and Sally Collins
 - Andy White – Welcome and Overview of Agenda
- 9:00 – 10:30** **Opening Introductions and Protocols**
- Forest agency leaders introduce themselves and say why they are in attendance followed by a brief introduction by other attendees.
 - Introduction to the Chatham House Rule and Protocols of MegaFlorestais – Shelley Sullivan
- 10:30 – 11:00** **Key Question**
- Each forest agency leader briefly responds to the questions:
- “What have you learned this year from another country that surprised you the most?”
 - “What would you most like to learn during this meeting from another country or countries?”
- 11: 00 – 11:15** **Coffee Break**
- CHAIR: SALLY COLLINS
- 11:15 – 11:45** **Introduction of Key Themes of MegaFlorestais 2007**
A presentation by Andy White
- 11:45 – 12:45** **Discussion on Key Themes of Meeting**
- The group divides into four, where they will discuss in a small setting the Key Themes of MegaFlorestais 2007, with discussion guided by facilitators assisting each of the groups.
- Theme 1: Understanding Forest Industry in the Changing Global Marketplace**
Facilitators: Don Roberts / Justin Bull
- Theme 2: Designing and Implementing Forest Tenure Reforms**
Facilitators: Andy White / Victor Teplyakov
- Theme 3: Designing Rational and more Equitable Regulations**
Facilitators: Alex Moad / Nicolas Duval-Mace
- Theme 4: Identifying Initiatives to Tackle Climate Change**
Facilitators: Stewart Maginnis / Char Miller
- 12:45 – 1:45** **Lunch**
- 1:45 – 2:15** **Report back**
- Each resource person will report to the reassembled larger group on the conversations in their tables.

CHAIR: DENIS KOULAGNA KOUTOU

- 2:15 – 3:45 Drivers Shaping Large-Scale Industry Shifts**
- Presentation by Don Roberts on Major Shifts in Large Industry: Convergence of the Food, Fuel and Fiber Markets (20 Minutes)
 - Presentation by Sten Nilsson on Potential Supply from Plantations and Implications for the Global Marketplace (20 Minutes)
- Open Floor for Questions and Discussion (50 minutes)
- 3:45 – 4:15 Coffee Break**
- 4:15 – 5:15 Ensuring Viability of Small-Scale Forest Enterprises**
- Presentation on Small & Medium Forests Enterprises – Andy White (20 Minutes)
 - Open Floor for Questions and Discussion (40 Minutes)
- 5:15 – 5:30 Closing of Day One**
Participants respond to the question “The most interesting thing I learned today was...”

MegaFlorestais 2007 – St. Petersburg

Agenda – Wednesday October 17th, Day 2

CHAIR: AHMAD FAUZI MASUD

- 8:30 – 8:45 Opening Discussion**
The group reassembles in a circle and responds to the question “If I could describe my experience about yesterday in one word that word would be...”
- 8:45 – 12:15 (Coffee 10:00 – 10:30) Designing and Implementing Tenure Reforms**
- Implementing Tenure Reforms: The Russian Experience*
Presentation by Mikhail Giryaev
Followed by Comments, Questions and Discussions.
- Implementing Tenure Reforms: The Chinese Experience*
Presentation by Lei Jiafu
Followed by Comments, Questions and Discussions.
- Implementing Tenure Reforms: Global Perspective*
Presentation by Stewart Maginnis.
Followed by Comments, Questions and Discussions.
- 12:15 – 1:15 Lunch**
- CHAIR: LEI JIAFU
- 1:15 – 3:00 Designing Rational and more Equitable Regulations**
- Presentation by Andy White
- Feed Back:** Following the presentation, the group will delve into the issues presented in more detail and generate ideas about what options exist, what further work needs to be done, challenges and opportunities presented by different approaches.

3:00 – 3:30 **Coffee Break**

CHAIR: VICTOR TEPLYAKOV

3:30 – 5:45 **Discussion on Regulations – Facilitated by Andy White and Shelley Sullivan**

Two forest agency leaders will introduce regulatory challenges that they currently face. The group will then share observations, experiences and potential solutions.

Objective: This exercise gives participants the opportunity to discuss real problems faced by forest agency leaders in designing and implementing regulatory reforms and to generate solutions (and to highlight that we as a group have relevant and valuable experience that can be mutually enriching).

5:45 – 6:00 **Closing of Day Two**

Participants respond to the question “The most interesting thing I learned today was...”

Thursday, October 18th – Day 3

CHAIR: STEWART MAGINNIS

8:30 – 8:45

Opening Discussion

The group reassembles in a circle and responds to the question “If I could describe my experience about yesterday in one word that word would be...”

8:45 – 12:30
(Coffee
10:00-10:30)

Identifying Initiatives to Tackle Climate Change

Facilitated by Stewart Maginnis

- Review of current national and global initiatives – implications for forests
- What roles for forest agencies?
- Forests as cause, victim and part of the solution

Process:

- How each agency is involved in this discussion? Inventory of what is happening in other forest areas of the world that forest agencies could/should be aware of.
- Each participant responds to the question: “In order to respond meaningfully to the challenge of climate change we in forest agencies need to get a handle on”
- The challenges are then grouped into key themes and the top priority challenge themes are determined for further discussion;
- Discussion on identified themes

12:30 – 1:30

Lunch

CHAIRS: MIKHAIL GIRYAEV, TASSO AZEVEDO AND SALLY COLLINS

1:30 – 3:00

Reflections on this Week

Looking Forward: Next Steps for MegaFlorestais

Objective: Identify the role that MegaFlorestais can play in cross-learning and sharing between forest agencies of the world’s largest forest countries in relation to transitions in forests and forest governance. Discuss bilateral exchanges already underway, and potential for future collaboration.

- 1) What next steps?
- 2) Any joint statement, options and preferences?
- 3) Where/when is the next meeting?
- 4) Identify issues for next meeting?

3:00 – 3:30

Final Question

Participants respond to the question “Is there anything remaining that you would like to say...?”

3:30 – 4:00

Closing Remarks

Mikhail Giryaev

Tasso Azevedo and Sally Collins

Andy White