



POLICY BRIEF

AFRICAN FORESTS, CLIMATE CHANGE AND THE GREEN ECONOMY

Environmental and economic sustainability and human well being are dependent on large, widespread and healthy forests. But current economic policies and conditions mean that forest capital assets are being liquidated for limited private and short-term gains at alarming rates. An alternative economic scenario is being put forward in the shape of the green economy, and forests are at its root. Moving towards a green economy will require investments to reduce carbon emissions, enhance the efficiency of resource use, prevent losses in forest biodiversity and ecosystem goods and services, and reduce social inequality.

What is the green economy?

The concept of a green economy has its origins alongside those of ecological economics and sustainable development. However, it came to widespread global attention with the publication of the United Nations Environment Programme (UNEP) Global Green New Deal in October 2008, further developed in the Green Economy Report (UNEP 2011). This later version is more political than its predecessors, including social equality and inclusivity in its goals.

The main objectives of the Global Green New Deal were to reduce carbon dependency and ecosystem degradation, revive the world economy, promote sustainable growth and create new jobs. There are five associated priority areas for investment:

- ▶ energy efficiency in buildings;
- ▶ renewable energy technologies;
- ▶ sustainable transport technologies;
- ▶ ecological infrastructure, including forests;
- ▶ sustainable agriculture, including organic production.

What can forests contribute to the green economy?

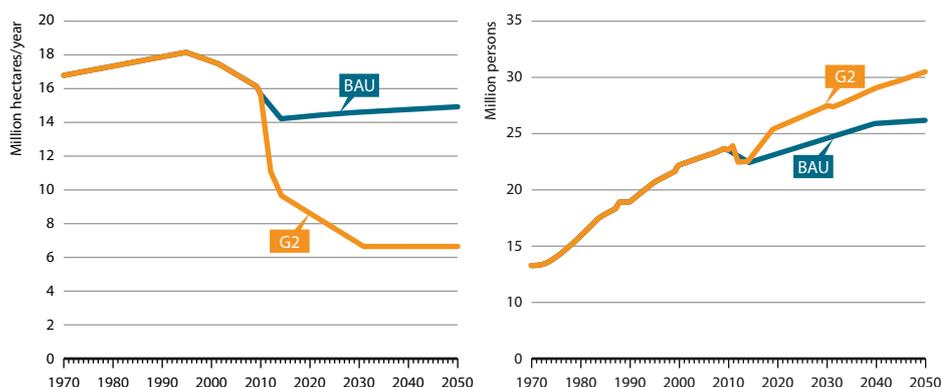
The forestry and wood products sectors can make significant contributions to the transition towards a greener and more sustainable global economy, especially in the context of climate change.

Defining a green economy

The UNEP definition is an economy that results in improved human wellbeing and social equity, while significantly reducing environmental risks and ecological scarcities. In its simplest expression, a green economy can be thought of as one which is low carbon, resource efficient and socially inclusive. The greening of the economy can also be seen as a “process of reconfiguring businesses and infrastructure to deliver better returns on natural, human and economic capital investments, while at the same time reducing greenhouse gas emissions, extracting and using fewer natural resources, creating less waste and reducing social disparities”.

Forests provide not only wood, but also vital environmental and social values and services. Several of these are essential for the mitigation of future climate change, principally their role in the carbon cycle, releasing oxygen, and locking up carbon dioxide in the soil and forest biomass. Other services include biodiversity conservation, erosion control, watershed protection, employment and the provision of essential livelihood needs, often in poor rural areas. In a green economy, deforestation would significantly decrease with positive social, economic and environmental impacts.

Figure 1. (a) Deforestation reduction and (b) employment under the green economy scenario (G2) and 'business as usual' (BAU).



Source: UNEP (2011)

The need for improved forest management

When forests are recognized for their crucial role as carbon sinks, sustainable forest management (SFM) can be understood as a vital tool for climate change adaptation. This is because it aims to conserve and protect forest resources against excessive exploitation. Reduced Impact Logging was one of the early means of developing and setting criteria and indicators for SFM, superseded by comprehensive certification schemes such as that developed and overseen by the Forest Stewardship Council (FSC).

FSC certification follows ten Principles and associated Criteria which cover all aspects of forest management from planting and regeneration to harvesting. They also include environmental, social and labour standards related to local

Timber from FSC-certified operation, Cameroon (Courtesy FSC® A.C.)



and indigenous peoples and forest workers. However, the slow expansion of forest certification in tropical and sub-tropical areas suggests that more proactive support is needed. Evidence of environmental impacts indicates that investment in certification also needs to be accompanied by other measures to improve the protection of high conservation value forests and the control of illegal logging.

New regulatory frameworks in the context of climate change

Climate change negotiations are playing a key role in developing new policy measures and instruments. Examples include the 'five big ideas' from the UNEP Green Economy Report, focusing on medium-term actions that would have no fundamental changes to current economic systems:

- ▶ subsidy reforms;
- ▶ a green tax and permit system;
- ▶ incentives through sustainable public procurement rules;
- ▶ integration of sustainable development and trade agreements;
- ▶ support through direct financial assistance.

Governments must design the best possible mix and balance between these different types of policies, taking into account local conditions and the specificities of each situation, and ensuring the coherence of policies between and across different sectors.

Specific enabling conditions are required

Informed policy makers recognize that forest management cannot be left entirely to markets, because these are often imperfect or absent. As such, governments will need to take an active role to fully realize the benefits of forests in a green economy.

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This will require policy reforms by both governments and international bodies to create incentives to invest in forests, and disincentives to modify market signals and associated rent-seeking behaviour. Examples of these enabling conditions include national regulations, smart subsidies and incentives, information management, supportive international markets, legal infrastructure, and trade and aid protocols.

The Green Economy Report estimates that US\$ 40 billion of additional annual investment will be needed to reduce global deforestation rates by 50 per cent before 2030, and increase reforestation/afforestation by 140 per cent before 2050. To ensure the scale of investments required, private as well as public sources of capital will be needed. If financial, banking and investment institutions are to be interested, forests must be promoted as opportunities with attractive returns on investment, but care must be taken that this does not mean the removal of revenues that would otherwise go to local communities.

What roles do the main players have?

The *international community* can strengthen governance and create transparent mechanisms for implementing forestry-related agreements by:

- ▶ agreeing details to implement REDD+ initiatives as quickly as possible;

- ▶ generating and sharing knowledge on forest ecosystem services;
- ▶ stimulating private investment alongside equitable benefits;
- ▶ promoting the reinvestment of income from royalties and taxes back into the forest sector.

Governments can ensure that forest-based investments encourage local entrepreneurship by reducing uncertainty, with policy and technical support such as:

- ▶ guaranteeing adequate returns on risk-adjusted investments;
- ▶ improving procedures for gaining international and national approval for forest initiatives;
- ▶ agreeing on a national vision for means by which forests can contribute to development;
- ▶ using market-based instruments to promote green investment and innovation in forests.

The *private sector* will invest in forests and forest products if the right incentives are in place. Markets for forest-based mitigation credits provide a rich opportunity for investment in forest projects, forestry development companies and forest funds, and for private sector stakeholders to act as financial brokers and intermediaries. Potential actions include:

- ▶ providing independent, accessible and verifiable risk assessments for forest projects and activities;
- ▶ leveraging resources and providing debt finance for forestry-related projects and enterprises;
- ▶ guaranteeing investments in the forest sector through providing insurance;
- ▶ applying conventional financial instruments such as bonds and securities to forestry.

Table 1. Examples of green investments and actions

Public sector, or public/private partnerships	Private sector, including individuals and communities
<ul style="list-style-type: none"> ▶ Create new protected areas and improve enforcement. ▶ Pay forest landholders to conserve forests. ▶ Buy out logging concessions. ▶ Provide incentives for improved forest management and reforestation/afforestation. ▶ Support establishment of certification systems. ▶ Control illegal logging. 	<ul style="list-style-type: none"> ▶ Support reforestation and afforestation for production. ▶ Improve management of planted forests. ▶ Support reduced impact logging and certification to sustainable forest management standards. ▶ Develop ecotourism and private nature reserves. ▶ Pay landowners to protect watersheds. ▶ Extend the area under agroforestry systems and improve their management.



Opportunities for synergy between forest sector and green economy

There is a growing awareness and understanding by policy makers of the potential environmental, economic and social benefits the forest sector can contribute towards the transition to a green economy.

- ▶ There is an urgent need to promote and maximize the forest sector's contribution to reducing emissions and reflect this in international climate change agreements.
- ▶ Other environmental services from forests such as biodiversity, erosion control and watershed protection should be better recognized and compensated.
- ▶ Promoting SFM will enhance the role of forests as a carbon sink and contribute to offsetting global emissions.
- ▶ Carbon markets could provide an increased flow of revenues to forest owners.

Recommendations

Forests are multi-function assets, and investments and management must acknowledge their role as important factors of production. Targeted policy reforms and international mechanisms must catalyze and support public and private investments in forests, ensuring that social and environmental benefits accrue in

Small-scale timber yard, Meru, Kenya (Courtesy Nick Pasiecznik)



Sources

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parallel. SFM must be effective and transparent, and accurately measure all the stocks and flows within forest systems.

To promote the forestry sector's contribution to greening the economy, it will be necessary to:

- ▶ find the balance between what should be done by governments and what should be left to markets, including to what extent the private sector needs public incentives to foster green activities;
- ▶ ensure coherence between policies that promote green economy within and between sectors;
- ▶ improve efforts to improve public awareness of the potential of forests and wood for mitigating climate change;
- ▶ improve the value of wood products by maximizing value addition while also fully using wood residues;
- ▶ plan for the increased competition between different uses of wood that is likely, and situations where the sustained production and availability of raw material may become critical;
- ▶ promote the increased use of wood in building and general construction, as a renewable, eco-friendly material, and the use of wood as a source of energy;
- ▶ ensure the best possible use of forest certification.

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