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# Responsible Asia Forestry and Trade (RAFT)

World Forestry Congress

Buenos Aires, Argentina

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# Problem Definition

- Indiscriminate markets for forest products
- Inappropriate governance of forest resources (policies, institutions)
- Variable forest management practices
- Lack of transparency/cooperation in international timber trade
- Forests are undervalued compared with alternatives land-uses



High rates of deforestation and forest degradation



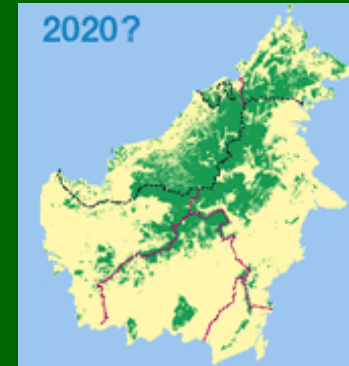
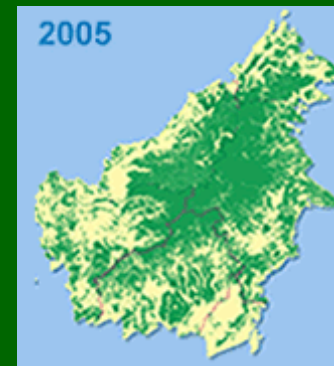
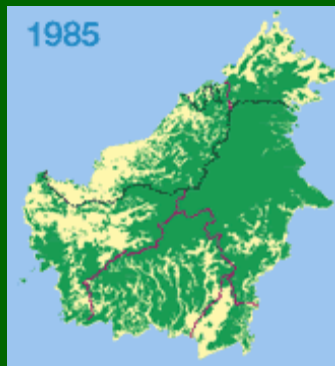
- Environmental damage/biodiversity loss
- Social conflict/compromised livelihoods
- Significant rates of carbon emissions



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# Changes in Forest Cover



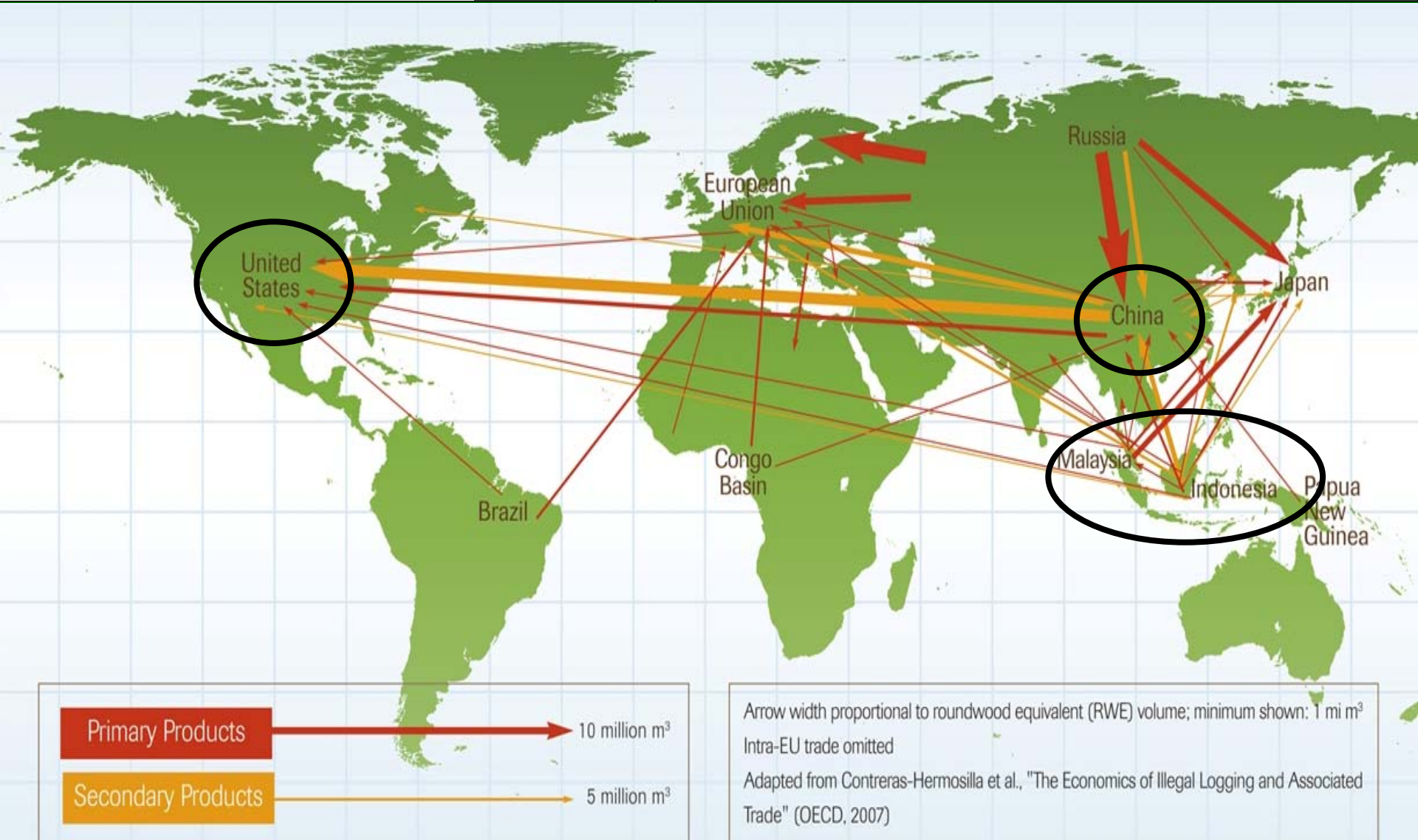




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# High Risk Trade Flows

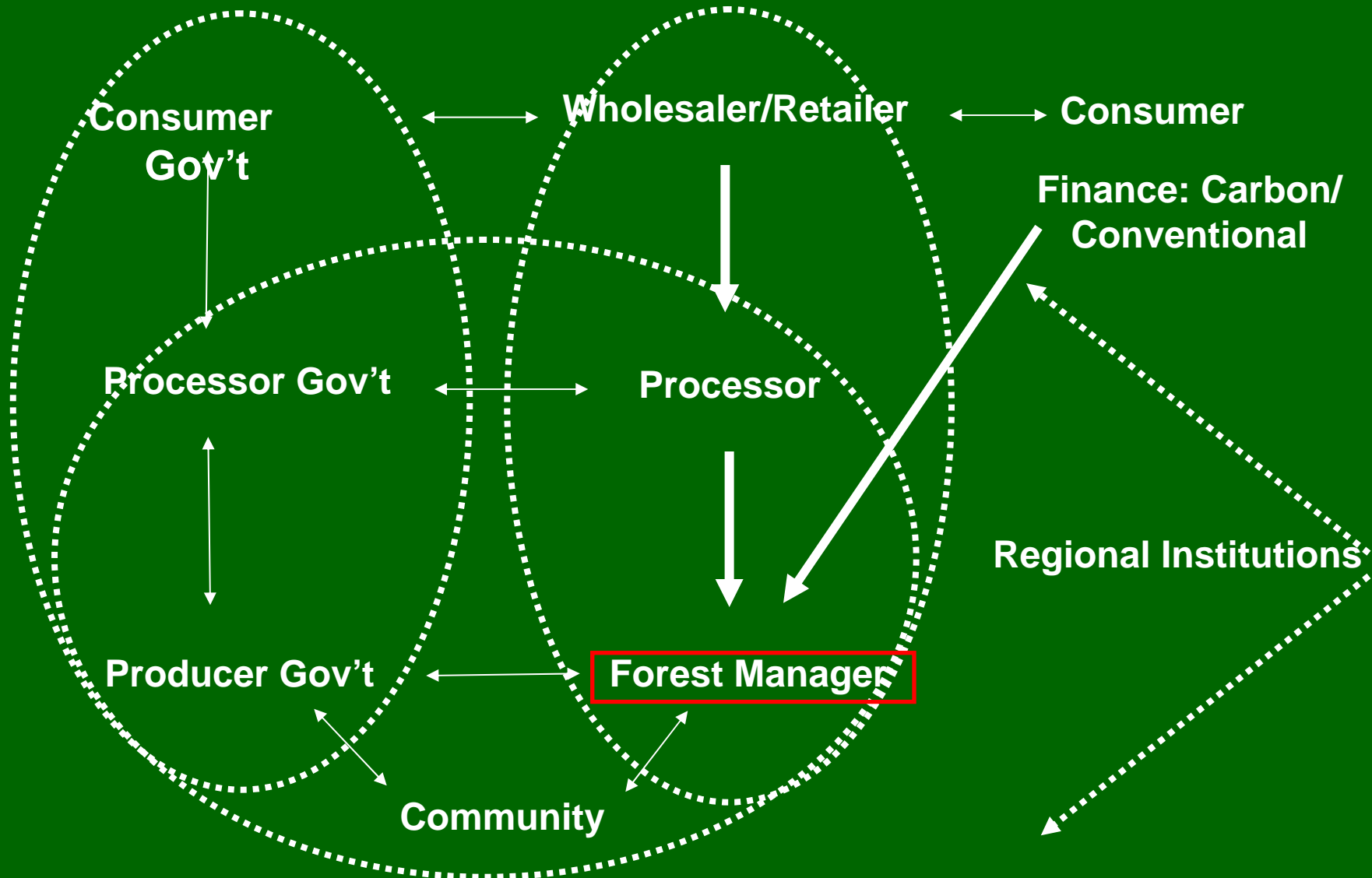




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# Strategic Approach





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# RAFT Details



## Partners

- International NGOs
- Corporate enterprises
- Forestry ministries
- Regional institutions
- US Government agencies

## Countries:

- Cambodia, China, Indonesia, Lao PDR, Malaysia, PNG, Thailand & Vietnam

TNC '07-'11  
~ \$3 million

+

USAID '07-'11  
~ \$11 million



Leverage: FY '07-'11  
\$ 58 million





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# RAFT Objectives

- Improve forest management practices on the ground;
- Increase trade of timber products from legal sources;
- Strengthen regional cooperation on forest management and trade of timber products; and,
- Enhance regional capacity to incorporate SFM into an emerging international REDD framework.





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# RAFT Interventions

Land Management: HCVF, RIL, Conflict Management, Certification

Processing: Procurement Policies/Supply Chain Management

Governance: Chain of Custody/  
Lacey Compliance, Customs  
Cooperation, Dialogue and REDD  
Capacity Development

Research and Analysis: Timber  
trade & SFM and SFM and REDD







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# Reduced Emissions from Deforestation and Degradation (REDD)

## REDD Requires:

- Developing/implementing credible land-use planning and carbon stock monitoring;
- Establishing effective forest governance (policies, institution, etc.) mechanisms;
- Enhancing the effectiveness of protected area management;
- Promoting legal and sustainable management of production forests;
- Mitigating impacts on forest resources from agriculture and other commodity sectors;
- Accessing and delivering legitimate sources of carbon finance that provide effective incentives for changing practices on a meaningful scale.

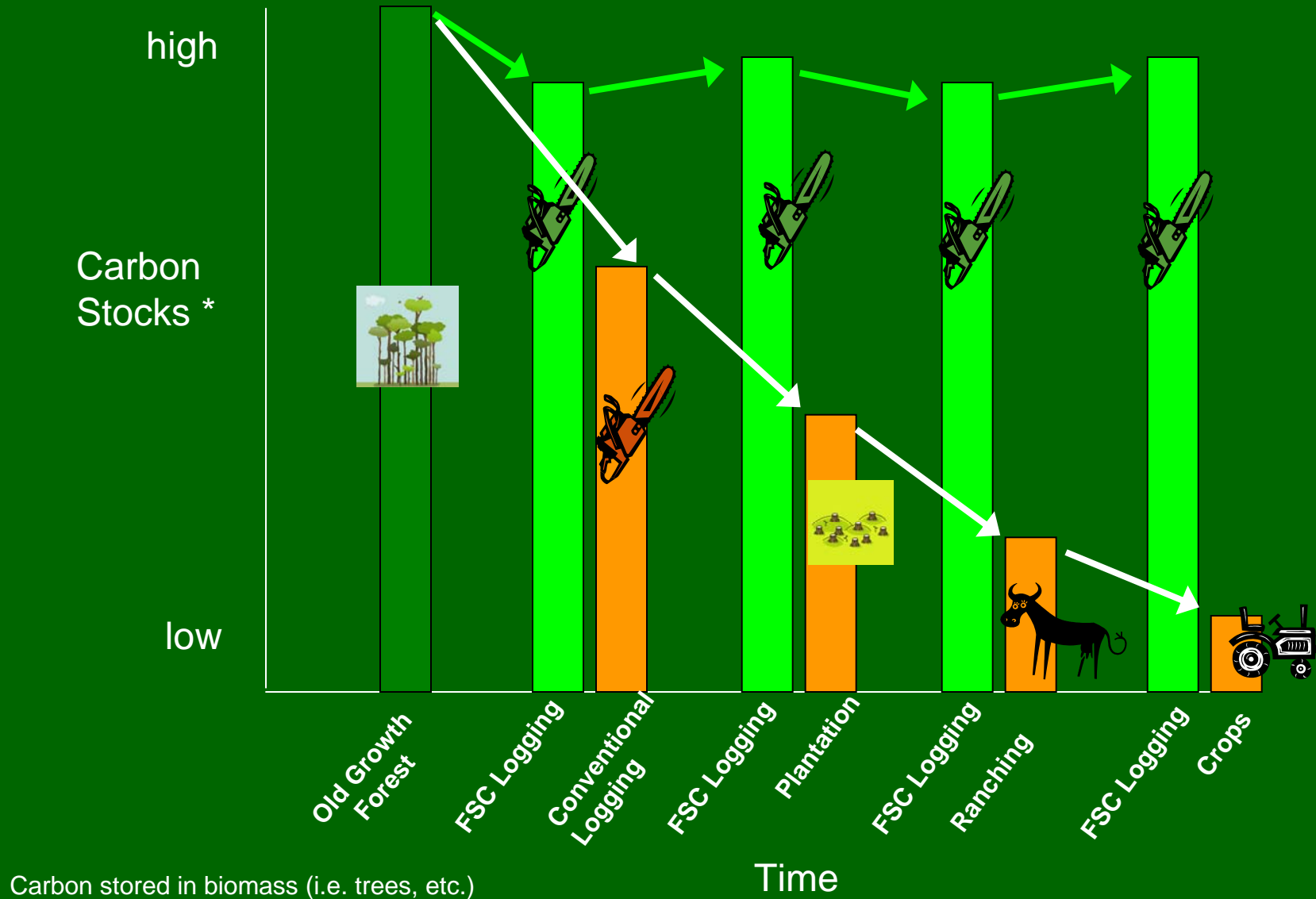
## RAFT Contributions:



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# Alternative Pathway : Business as Usual Forest Stewardship Council Forest Transitions (FSC)





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# Program Success

## Initial Conditions



## Outcomes



uses

- Stronger market signals (and implementation capacity)



improved forest management to  
reduced carbon emission





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# Implementing Sustainable Forest Management Challenges & Opportunities





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# Broad Issues

- Management of Forest
- Forest Governance
- Illegal Logging and associated trade
- Processes (Voluntary & Compliance)
- Bilateral and Multilateral Trade
- Climate Change & REDD





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# Effects

- Loss of revenue to government
- Variability in trade data
- Ambiguous supply chain
- Credibility & Integrity of the country







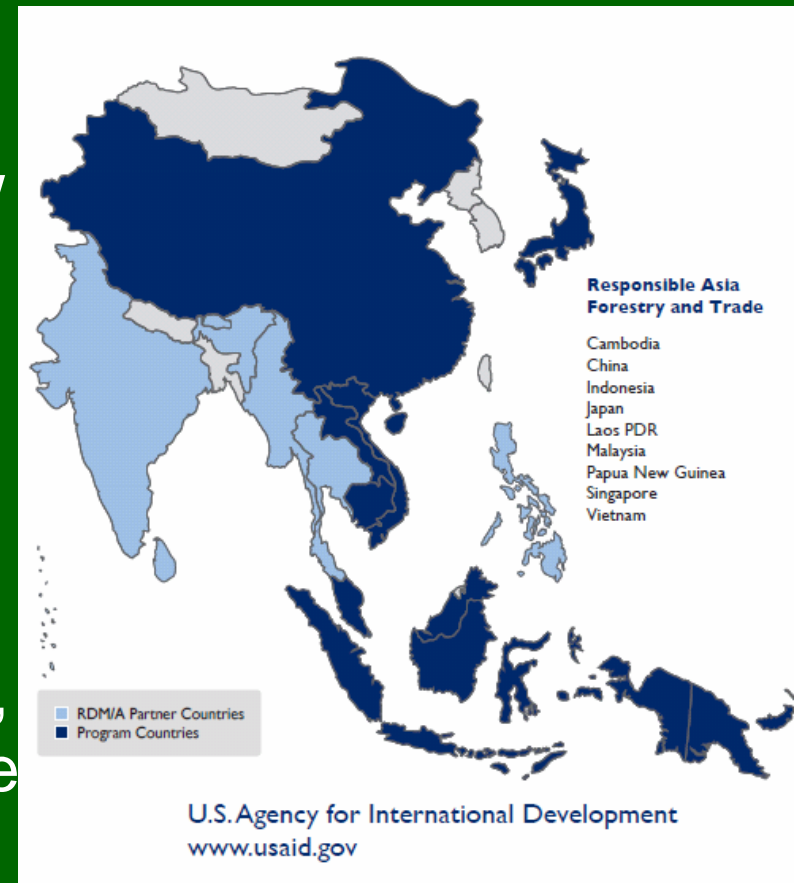
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## Where RAFT works

### South East Asia

- 3 timber producer Countries (Indonesia, Malaysia, Papua New Guinea)
- Nearly 3 M ha of tropical forest moving towards certification
- 0.5 M ha FSC Certified forests (Indonesia & Malaysia)
- 33 Partners (Timber concessions, State owned FMUs, Public-private lands)





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# Tools & Approaches

## Responsible Forestry

**Forest Certification** Standards and Processes both nationally and internationally, for natural and planted forest;

**High Conservation Value Forest (HCVF) Toolkit** for Identification and Management of Values in Forest Management Units



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# Tools & Approaches

## Forest Policy Engagement on

- Forest Law Enforcement Governance and Trade (FLEGT) Voluntary Partnership Agreement (VPA);
- Illegal Logging;
- Legality Standards;
- EU Due Diligence Policy,
- Lacey Act





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# Delivering Sustainable & Legal wood products to the marketplace: Challenges & Opportunities





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# Key Drivers

- Legislation
  - Lacey Act – US;
  - Due Diligence Proposal – EU
- Bilateral Agreements –
  - EU FLEGT;
  - MoU –China & Indonesia, etc
- Public Procurement Policies
- Green Building Initiatives
- Responsible Purchasing Policies & Codes of Conducts



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# Is there a Demand?

- Impact of Economic Crisis is substantial on sector
- But some encouraging trends:
  - I.e. Increase in market share of certified product
    - NL: 12% (2006), 60% (2008)
    - UK: 56% (2005), 80% (2008)



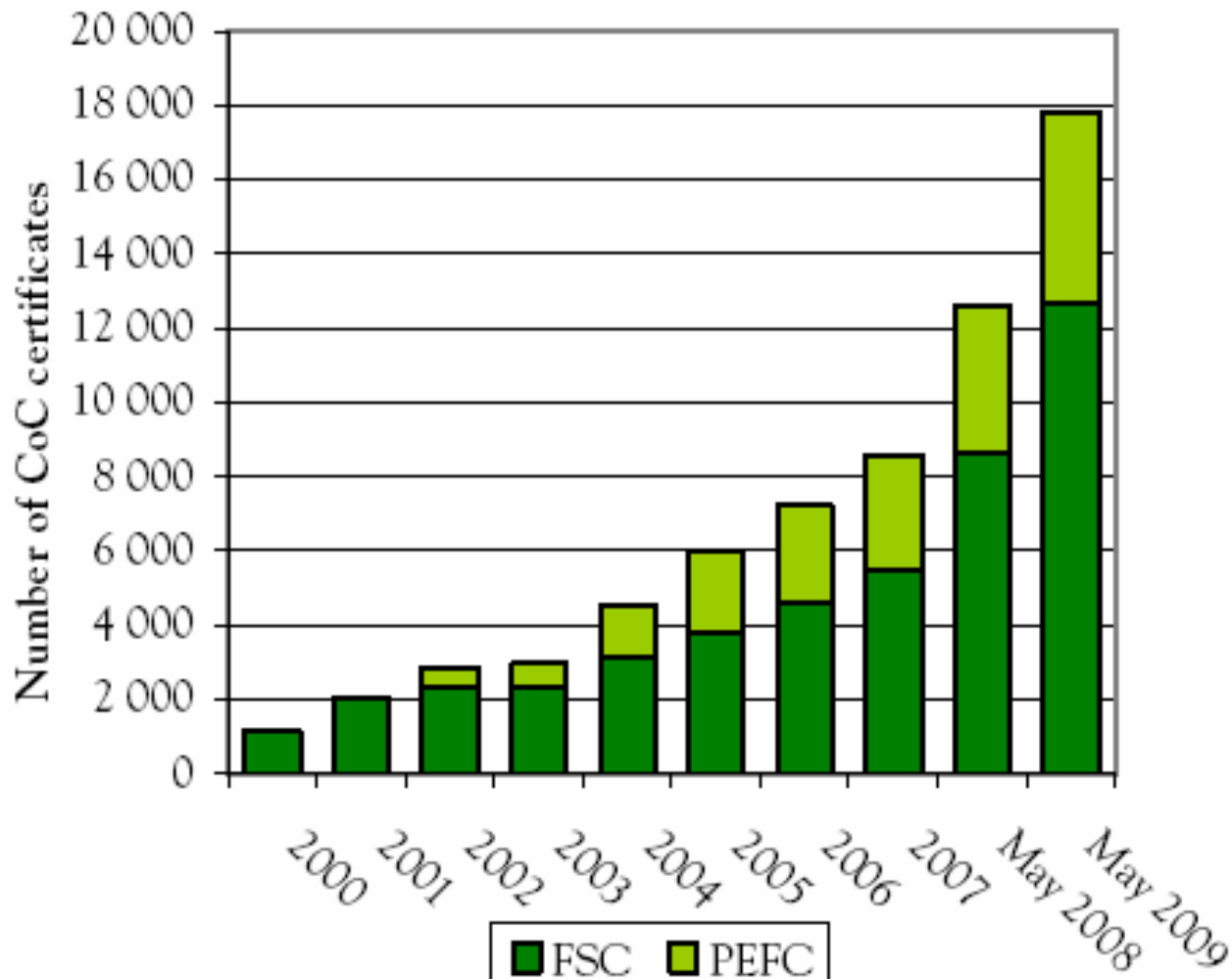


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## Is there Demand? (2)

Chain-of-custody certified trends worldwide, 2000-2009







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## Is there a Demand? (3)

### Emergence of Legality Verification Standards, Systems & Support:

• **Controlled Wood**

• **MTCS**

• **PEFC**

• **GFTN**

• **TFT**

• **VPA**

• **TLTV**

• **VLC**

• **FSC**

• **VLO**

• **OLB**

• **FLEGT**

• **TLAS**

• **SGS**

• **TFF**

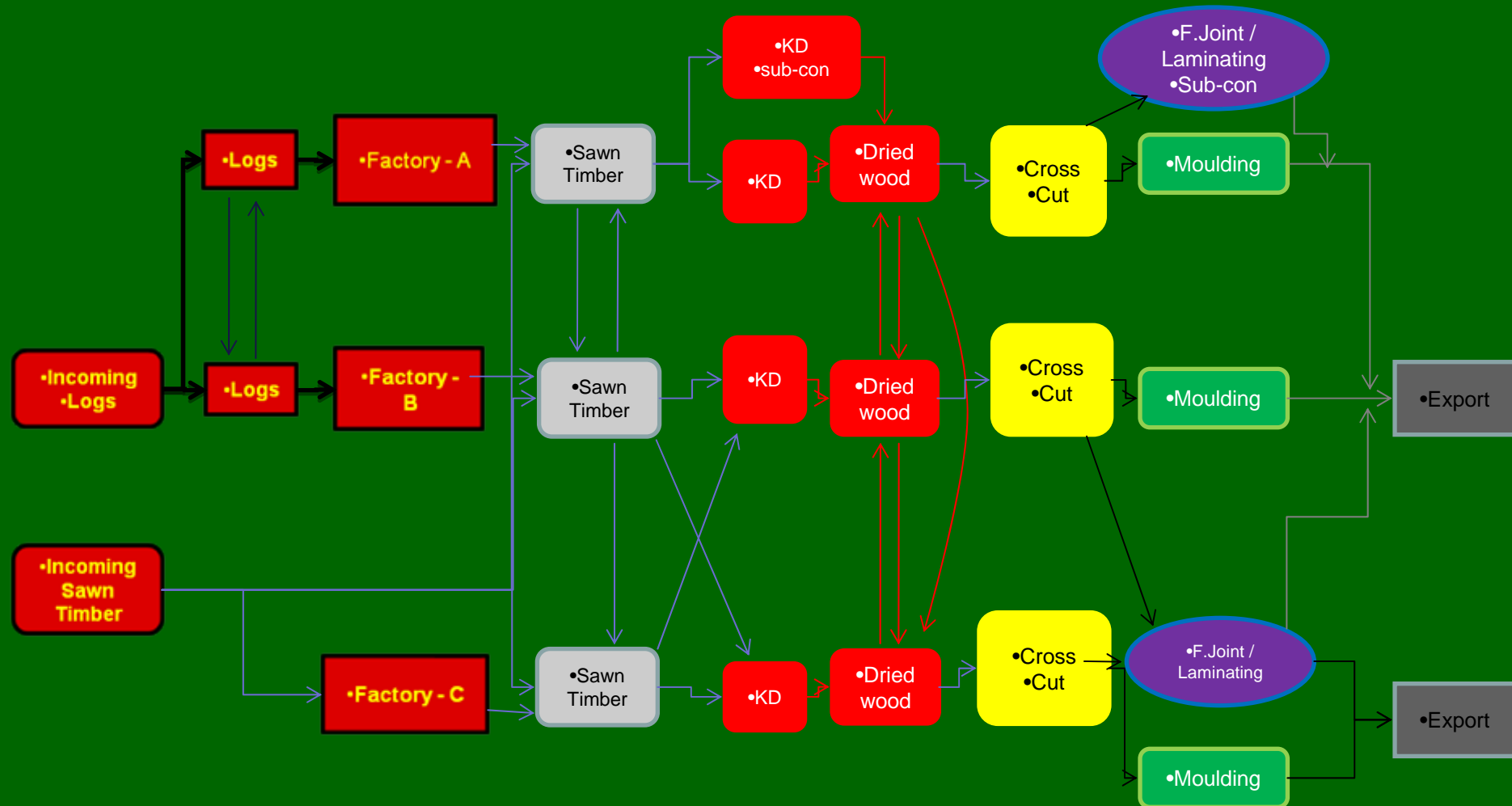


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# Challenges

## 1. Supply Chain Complexity





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## Challenges (2)

# 2. The Buyer's Dilemma





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## Challenges (3)

### 3. Market Incentives



Verified legal & certified sustainable costs time & money!





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# RAFT Approach

- Promoting Chain of Custody
- Building awareness on market requirements & best practice
- Driving demand for sustainable products
- Focusing on supply chain approaches





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# Summary

- Strong market drivers being established;
- Encouraging trends in system uptake;
- Significant work ahead
  - Supply chain consolidation
  - Balancing incentives with bottom lines
  - Eliminating illegal competition
- RAFT partners focused on supporting supply chains



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# Promoting Legal & Sustainable Timber Trade Challenges & Opportunities





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# Background to the Forest Trade Network

## Global Forest & Trade Network (GFTN)

- Works towards eliminating illegally logged forest products and driving improvements in the quality of forest management
- Uses “stepwise approaches” to responsible forest management and purchasing
- Facilitates trade linkages and partnerships within a Business-to-Business framework
- Provides structural support to help alleviate the challenges in achieving credible certification
- Engages with companies within a transparent and commitment based relationship





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# Working with buyers

## A Stepwise Approach to Responsible Purchasing





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# Investment Screening

Assist financial institutions and other investors with

- development & implementation of Responsible Lending Policies,
  - screening tools and techniques
- 
- Conduct pilot projects with financial institutions and other investors to
    - test and develop policies, tools and techniques with key clients or management companies



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# Procurement Policy

Implementation responsible purchasing policies in  
Malaysia and Indonesia

develop complete supply chain solutions that are  
credibly certified or in  
progress to credible certification



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# Carbon Finance

## Lessons learned

- Difficulty accessing capital
- Understanding finance requirements
  - Lack of quality business proposals
  - Lack of collateral
  - Disproportionate ESG costs
  - Match proposal and appropriate finance

Engage investment community involved in the forest sector

Develop financial and business capacity amongst forest companies





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# Reasons for Optimism

- The recession has not killed the willingness for companies to engage all along the supply chain.
- Certification is a proven tool and even though benefits vary companies continue to opt for it.
- The US Lacey Act and the forthcoming EC Regulation have sent very strong signals to both buyers and producers.