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China's Recent Forest-related Policies: Overview and Background
—From the perspective of economic growth and forest conservation—

Masanobu YAMANE

Kanagawa Prefectural Center for Nature Conservation

Abstract: This paper aims to provide a basis for understanding recent forest-related polices in China and their backgrounds, with special reference to the relationship between economic growth and forest conservation. First, the state of China's timber market is described briefly, highlighting the recent sharp increases in log imports. Next, domestic forest resource conditions and environmental constraints as direct causes of the domestic log supply deficit are reviewed. Recent key forest-related policies to overcome the environmental crisis and the shortage of domestic log supply are also overviewed, including natural forest protection projects, the "grain for green" project, forest certification, forestry sector privatization, the reform of taxation and charges, and the policy for free trade in forest products,. Finally, the prospective for the success of newly-launched forest policies and points for special consideration are discussed.

Key words: China, forest policy trend, natural forest protection, resource deficit, direct/indirect causes.

1 Introduction

Since the mid-1990s China's forest policies have changed dramatically. These changes could be characterized as the results of an attempt to simultaneously achieve two inconsistent goals—rapid economic growth and forest conservation. To realize these goals the government of China launched a series of new forest-related policies and has promoted them aggressively.

The aim of this report is to provide a basis for understanding recent forest and forestry-related polices and their backgrounds. The following three subjects are reviewed, based on key recent documents and information collected in field surveys in 2000 and 2001:

1. The state of China's timber supply and demand, highlighting the recent rapid increase of log imports;
2. The state of domestic log production and environmental constraints as direct causes of the domestic log supply deficit; and
3. An outline of important recent forest-related policies.

2 Growing timber imports

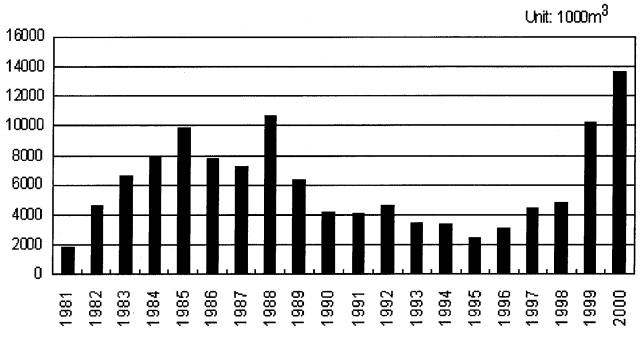
The latest industrial log consumption per capita in China of about 0.01 cubic meters (m^3), is rather small compared with that of Japan and the United States. However, the total annual consumption has exceeded 140 million m^3 —the highest level in the world. China's main source of logs in the past was from domestic production, mostly from natural forests. Since the 1980s, however, log imports have made up a growing portion of the country's domestic consumption. China's log imports decreased from 1988 to 1995 when the trend reversed, and they have been growing sharply since then (Fig. 1).

Address: 657 Nanasawa, Atsugi, Kanagawa, 243-0121, Japan.
Tel: +81-46-248-0321, Fax: +81-46-247-7542
E-mail: myamane@agri.pref.kanagwa.jp

From statistics (Tables 1 and 2) regarding China's recent log supply, demand, and log trade, we can identify the following noteworthy features.

1. *Stable consumption*: Since 1996 domestic consumption has stabilized at 140 million m^3 annually without sharp fluctuations.
2. *Drop in domestic timber supply*: Domestic timber production has been declining and had decreased to 83 percent of 1996's production by 2000, and the stock carried over from each previous year has also been decreasing. Consequently the domestic log supply has dropped significantly since 1998.
3. *Sharp increase of log imports*: In contrast to the domestic log supply, log imports have been increasing. The volume has exceeded 10 million m^3 annually since 1998, and in 2000 it reached 4.2 times the volume imported in 1996. As a result, around 10 percent of total log consumption in China was covered by imports.

Russia and tropical countries are the main sources for log imports, and the amount imported from these countries has significantly increased in recent years. In 2000 China imported 5.68 million m^3 and 6.01 million m^3, respectively, from Russia and tropical countries (such as



Source: Chinawood 2001 (March).

Fig. 1 China's log importation China from 1981 to 2000.

Table 1 China's log supply and demand (1996-2001).

Units: 1,000m^3.

		1996	'97	'98	'99	2000	2001
Supply	Carryover	3,947	4,262	3,815	3,153	2,688	1,833
	Production	14,447	13,767	13,000	12,700	12,000	11,800
	Domestic supply	18,393	18,029	16,815	15,853	14,688	13,622
	Import	318	446	460	1,000	1,350	1,600
	Total supply	18,712	18,475	17,275	16,853	16,038	15,233
Demand	Consumption	14,444	14,654	14,116	14,159	14,210	14,365
	House-building	4,127	4,158	4,230	4,250	4,360	4,300
	Industry production	10,317	10,496	9,886	9,909	9,850	10,065
	Export	6	6	6	5	6	6
	Total consumption	14,450	14,660	14,122	14,165	14,216	14,371
Carryover		4,262	3,815	3,153	2,688	1,833	862

Source: Chinawood 2001 (September).

Table 2 China's recent timber imports (1998-2000).

Units: 1,000m^3.

		1998	1999	2000	2000/1999
Logs	Total	4,823	10,127	13,611	134.4
	Softwood	1,480	4,547	6,397	140.7
	Tropical wood	1,014	1,834	2,243	122.3
	Hardwood	2,317	3,699	4,964	134.2
	Other	6	28	2	9.6
Sawn wood		1,635	2,732	3,674	134.5
Plywood		1,690	1,043	1,002	96.1
Fiber board	(1,000 tonnes)	390	554	710	128.2
Pulp	(1,000 tonnes)	2,179	3,037	3,294	108.4

Source: Chinawood 2001 (January).

Malaysia, Gabon, Guinea, Myanmar, PNG, Cameroon, etc.).

In addition, as the gap between timber demand and production in the country has widened, changes in the structure of the timber trade have been accelerating. Log imports still showed high volume and values in 2001, and consequently, total log imports are predicted to reach 18 million m^3 in 2002 (Chinawood 2001, Dec.). Other signals of the change are the emerging new source countries for log imports. In 2001 rapidly growing imports of Oceanian timber and American hardwood were observed (Chinawood 2001, Oct.). In the first eight months of 2001, China imported 600,000 m^3 from Papua New Guinea and 410,000 m^3 from New Zealand—still a very small share of the total imports. American hardwood is increasingly used in furniture production, house decoration, and other sectors in China. In the last five years, American hardwood sales in China grew at a pace of 100 percent per year. As a result of China's rapid growth in timber imports, the influence of Chinese buyers in the timber markets of supplier countries has also been growing. Consequently, the presence of China in the global timber market is rapidly becoming more noticeable.

China's entry into the World Trade Organization (WTO) is sure to bring about great changes in China's timber market (Chinawood, 2001, Dec.) as international trading modes are introduced into the country. This great historical event will have beneficial effects, such as better domestic timber supply, natural forest protection, ecological projects (as mentioned below) and an inflow of foreign investment. On the other hand, strong impacts, such as increasing timber prices, price competition, and so on, are expected in the forest sector, including forest industries and government forestry enterprises. In addition, global standards will be forced upon their China's forest activities, and these changes will oblige sectors to cover additional costs.

In sum, the widening gap between timber demand and production in China can be identified as a significant cause of rapid and notable structural changes in the Chinese timber market, and the changes have also brought about new demands for a series of forest-related policies.

3 The causes of domestic log supply shortages

The drop in domestic timber production, causing sharp increases in log imports, has accelerated to some extent and conspicuously due to the Natural Forest Protection Project (NFPP) launched in 1998. The degradation of forest resources has also been a factor, especially in natural forests.

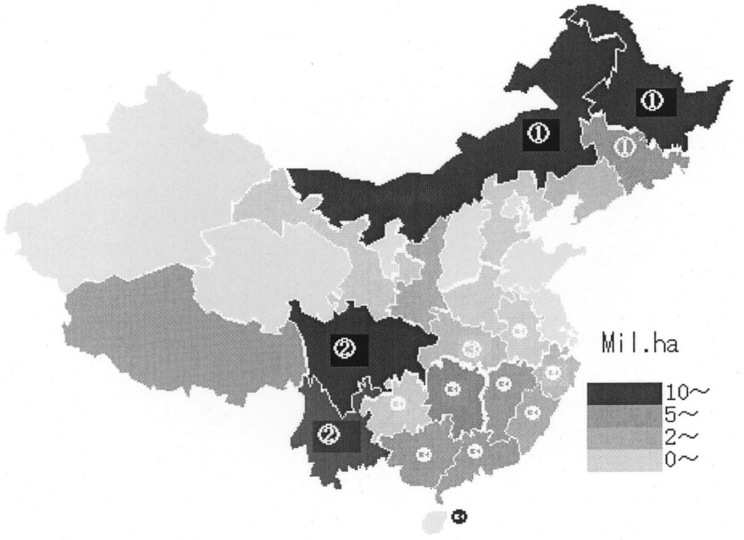
3-1 Resource depletion in natural forests

Based on the latest national forest resource inventory (1993-1998) the forested land of China covers 16.8 percent of the country (Table 3), although the distribution is not uniform (Fig. 2). Three northeastern provinces—Heilongiang, Jilin, and Inner Mongolia—as well as ten southern provinces, including Zhejiang, Anhui, Fujian, Jiangxi, Hubei, Hunan, Guangdong, Guangxi, Hainan, and Guizhou, contain more than 30 percent of China's forests. Two western provinces, Sichuan and Yunnan, hold nearly 20 per cent of China's forests. Thus growing stock concentrates in these three regions.

Table 3 Forest resources expansion 1973-1998.

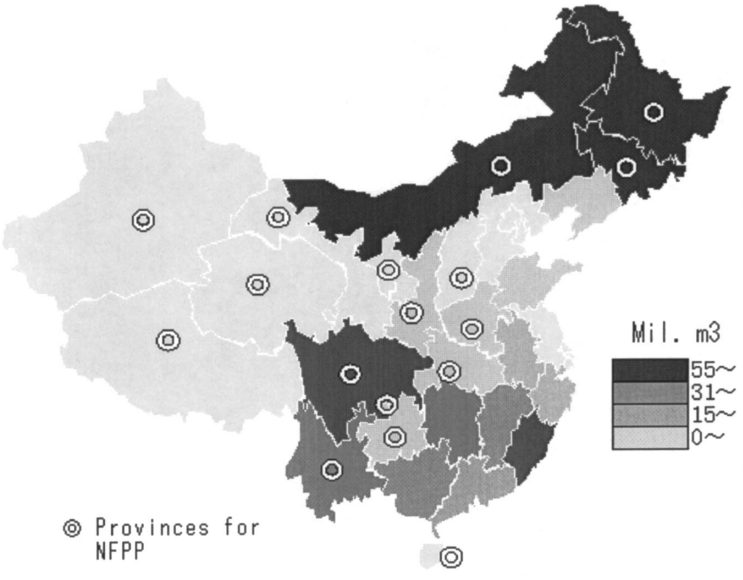
Year	Area of forestland (million ha)	Volume of standing stock (million m^3)	Area of land with forests (million ha)	Volume of forests (million m^3)	Forest cover (%)
1973–1976	257.60	9,530	121.86	8,660	12.7
1977–1981	267.13	10,260	115.28	9,030	12.0
1984–1988	267.43	10,570	124.65	9,140	13.0
1989–1993	262.89	11,790	133.70	10,140	13.9
1994–1998	263.29	12,488	158.94	11,267	16.6

Source: China National Forest Resource Statistics (1973–1998).



Notes: 1. Three northeastern provinces; 2. Yunnan and Sichuan; 3. Ten southern provinces.
Source: Developed by Yamane from China National Forest Resource Statistics.

Fig. 2 Forest distribution in China in 1997.



Source: Developed by Yamane from China National Forest Resource Statistics.

Fig. 3 Total log production from 1985 to 1998 in China and provinces or autonomies for the Natural Forest Protection Project (NFPP).

Harvest operations for log production in the last four decades have been concentrated in these three regions (Fig. 3). Until the beginning of the 1990s around 95 percent of annual log production was provided by these regions, and since then it has still been more than 90 percent. Timber extraction from the natural forests in these three northeastern provinces was particularly intensive, accounting for more than 40 percent of total log production in the 1970s and over 20 percent thereafter.

As a result of such intensive forest development, the annual cut volume in these provinces has substantially exceeded their annual growth of stand volume. Between 1984 and 1988, the northeastern state forest region lost an area of 277,000 hectares and a growing stock of 1.779 million cubic meters per year (Zang, 1988, referred to in Liu *et al.*, 2000). Forest resource depletion was reported in 31 out of 82 forest bureaus in the northeast region (Liu, 1985, referred to in Liu *et al.*, 2000). One Chinese expert predicted that by 2000 the number of state forest bureaus facing resource exhaustion would reach over 65 percent of all bureaus.

Additionally, frequently occurring forest fires have magnified the degradation of forests. In the 40 years from 1950 to 1990, around 620,000 fires were recorded and 36 million hectares of forest were burned. Most of the fires were observed in state forests in the three northeastern provinces, and frequent fires have accelerated the degradation of forest resources, mainly in natural forests. After catastrophic forest fires occurred in the northeast region in 1987, the central government strengthened the fire control system. The frequency of and area damaged by forest fires decreased drastically in the 1990s. However the cumulative damage on forest resources is serious and cannot be ignored.

Since the founding of the People's Republic of China in 1949, vast areas of forests on steep slopes were converted to cultivated land or pasture. Cultivated land with a slope of more than 25 degrees was estimated at over six million hectares. Conversion of steep forests caused the decrease of wood production for home consumption, such as for fuel or construction, and serious topsoil erosion.

On the other hand, the central government has promoted various afforestation projects since the end of the 1970s and developed a large area of man-made forests (Table 4). As a result, the substantial increase of forest

Table 4 Overview of major afforestation programmes since the 1970s.

Name of programme	Years	Coverage (area)	Targets	Achievements to date
National Greening Campaign: the National Compulsory Tree-planting Campaign	1987–			1987–1997, 27.9 billion trees planted
Three-North Shelterbelt Development Programme	1978–2050	551 counties in 13 provinces; 40.6 million hectares (50 % northern China)	Afforestation of 35.08 million hectares by 2050	73.5% target by 1996
Shelterbelt Development Programme along the Upper and Middle Reaches of the Yangtze River	1989–2000	271 counties in 11 provinces	Afforestation of 67.05 million hectares	1989–1997, 61.6% target
Coastal Shelterbelt Development Programme	1988–2000	195 counties in 11 provinces	Afforestation of 3.56 million hectares	1988–1997, 29.5% target
Farmland Shelterbelt Development Programme in Plain Areas	1988-2000	920 counties in 26 provinces	Set standard	1988–1997, 90% target
Taihang Mountain Afforestation Programme	1986–2010	188 counties in 4 provinces	Afforestation of 4 million hectares	1986–1997, 63.7% target
National Programme on Combating Desertification	1988–2000	599 counties in 27 provinces	Control & exploit 7.186 million hectares sandy land	1988–1997, 90% target and 12% desertified land controlled

Source: Liu et al. 2000.

area and total growing stock can be seen in forest resource statistics. However, these resources have not yet matured, because the brief history of afforestation.

In this way, tangible signs of the declining domestic log supply emerged in the 1990s as a consequence of the decrease of old growth forests and the increase of young stands.

3-2 Logging ban in natural forests

3-2-1 Impacts of over-exploitation of natural forests

Natural forests are located mainly in the upper and middle reaches of the Yangtze and the Yellow rivers, as well as in the northeastern provinces, where the over-exploitation of natural forests has caused many kinds of environmental problems, as shown in Table 5. These environmental problems accelerated after the establishment of the People's Republic of China, and by the 1990s the extent of the negative impacts became extremely serious.

Among recent environment crises, large-scale floods have occurred frequently and their damage has become more extensive. In the watersheds of the Yangtze and the Yellow rivers, flood damage from repeated large floods during the 1990s has been has been significant. A large flood in the summer of 1991 killed 2,300 people and resulted in huge economic losses. A catastrophic flood in 1998 in the watersheds of the Yangtze and the Songhua rivers, which killed 3,000 people and affected 240 million others, is still fresh in people's memory. In 2000, a dozen sandstorms attacked northern China, including Beijing.

The country as a whole and forest conservation authorities paid great attention to these natural disasters, triggering various environmental constraints on domestic timber production.

3-2-2 Natural forest protection project

The most significant reason for the sharp drop in domestic timber production is a recent key national forest policy—the Natural Forest Protection Project (NFPP). The policy was announced in 1997 and launched in 1998 in order to accelerate the improvement of the ecological environment in degraded natural forests and, at the same time, to realize biodiversity conservation and the sustainable development for social and economic welfare (Lu, 2000).

According to the master plan, this project focuses on natural forests in 17 provinces or autonomous regions: Sichuan, Yunnan, Chongging, Hubei, and Xizang provinces in the upper reaches of the Yangtze River; Qinghai,

Table 5 Environmental impacts due to the overexploitation of natural forests in China.

Items	Impacts	Detail	Note
Topsoil erosion	Increasing erosion and sediment deposits down stream	The area expanded from 1.16 mil. km^2 in the 1940s to 1.79 mil. km^2 in the 1980s. Sediment yield has reached 5 billion tonnes. Eroded area of the Yellow River is 450,000 km^2, 78% of the watershed and the sediment yield has reached 1.6 billion tonnes. Topsoil eroded area in the watershed of the Yangtze expanded form 360,000 km^2 in the 1950s to 560,000 km^2 in the 1980s, 92% of the watershed. Annual total soil erosion is 2.2 billion tonnes.	Riverbeds rising in downstream areas
Desertification	Expanding barren land and eroded topsoil	1560km^2/a year in the 1950s–1970s→2,460 km^2 in the second half of the 1990s. Total area reached 2,622,000 km^2, 23.7% of the country	Expanding serious damage by yellow sand
Increase of sediment deposit led reducing watershed & natural lake / pond	Serious drought damage	Since 1954 the Yangtze's watershed downstream has been reduced by 13,000 km^2, 40% of which was lake area.	Partly caused by expansion of paddy field development
Serious water deficit	Deterioration of function for water conservation Declining stream flow	Serious water deficits occurred in 154 cities in 1979 and 188 cities in 1984. Stable water supply is difficult in 20% of cities in the country. 20–40 km^2 of cultivated land were affected, leading to 20 billion kg in lost production.	Promoting large-scale dam development

Source: Developed by Yamane, based on Fu (2001).

Table 6 Natural Forest Protection Project's classification of forests and management.

	Protection Forests (Felling prohibited)	Conservation Forests (Felling restricted)	Timber Forests
Principle	Forest protection through prioritized investment	Forest conservation	To be consistent with sustainable forestry and natural forest conservation
Location	Headwaters / main stream of major rivers. Tributaries of first-class rivers, both banks of second-class rivers, areas around large-scale dams and lakes, steep land in alpine areas, etc.	Fragile areas adjoining felling-prohibited areas	Flat and good locations. Small ecological impact of harvest operations
Harvest Constraints	Felling prohibited	Selective felling	None
Forest Management	Afforestation in line with land conditions Converting steep farmland to forests	Proper tending and thinning	Intensive short rotation and production of fast-growing species
Note	Long-term goal is to convert these areas into officially-protected areas.	Long-term goal is to convert these areas into officially-protected areas.	

Source: Developed by Yamane, based on Fu (2001).

Ningxio, Inner Mongolia, Shaanxi, Shanxi, and Henan provinces in the upper and middle reaches of the Yellow River; the State forest area in the northeast; and the Inner Mongolian part in Jilin, Heilongjian and the Inner Mongolia autonomous region, where natural forest resources are distributed relatively densely; as well as the tropical forest areas of Hainan province and Tianshan Mountain and Altay Mountain in Xinjian provinces (Fig. 3). Eleven of these provinces are in the western region and overlap with the target provinces of a major initiative known as the Western Development Project; the NFPP is one key element in the Western Development Project for the improvement of the ecological environment in the region.

The Chinese government has implemented the NFPP with great enthusiasm by means of such measures as concentrated investments, full-scale implementation jointly mandated by central and local governments, and rapid structural reforms of the forest sector with mainly governmental and central control for implementation. In order to ensure steady implementation, the project term is divided into the first phase from 1998 to 2000 and the second phase from 2001 to 2010.

In the first phase the project focused on the reduction of log production in natural forests, the development of conservation forests, and a re-shuffling of personnel in charge of logging works and the forest products industry. As a base of the project, all natural forests were divided into three forest management types: protection forests (felling prohibited), conservation forests (felling restricted) and timber forests (Table 6). Comprehensive commands were then issued, such as a sharp reduction of log production, the establishment of 14 million hectares of forests/pasture, and incentives for the management of natural forests, along with huge public investments.

The project is now in its second phase, emphasizing the development of conservation forests, forest management, improvement of timber production capacity, and the revitalization of local economies.

Domestic timber production has kept shrinking since the launch of the Natural Forest Protection Project, due to the steady implementation of this project (WWF-China 2001). In 1999, the nation's planned timber production was registered at 53.27 million m^3, a drop of 8.9 percent from the year before. The year 2000 saw domestic planned timber production shrink to 46.73 million m^3, a reduction of 6.54 million m^3 from 1999. Calculated at the rate of timber production decreases in recent years, production is likely to fall below 40 million m^3 in 2001. The fall in log production in protected zones was drastic, falling 34.2 percent from 27.17 million m^3 in 1997 to 17.88 million m^3 in 1999.

4 Recent key forest-related policies

Three major streams of forestry-related policies have been introduced recently to overcome the environmental crisis and the shortage of the domestic log

supply. The first stream is a series of policies to attain forest conservation through the implementation of the NFPP and the "Grain for Green" project, newly launched in 1999. Second is a set of policies aimed at increasing the efficiency of domestic timber production under sustainable forest management (SFM), such as forest certification, forestry sector privatization, and reform of taxation and charges. The third stream is the policy for free trade in forest products.

4-1 Policies for forest conservation

4-1-1 Steady implementation of the NFPP

Since 1998, remarkable progress has been made in natural forest protection through intensive implementation of the NFPP group of newly launched forest policies described above. In September 1998, eight provinces located in the upper or middle reaches of the Yellow River and Yangtze River, such as Sichuan, Guizhou, and Yunnan, ordered logging bans in natural forests, one after another. Immediately afterwards, timber markets and sawmills located in or near natural forest areas were obliged to close, and strict forest protection was implemented. In the state forests in northeastern China, the reduction of harvest volumes and reinforcement of natural forest protection were promoted by means of a top-down approach.

Between 1998 and 2000 the central government invested 2.68 billion Yuan (U.S.$ 322 million) in the project (Chinawood 2001 February). In 2000, in addition to 1.3 billion Yuan (U.S.$ 156 million) spent on natural forest protection, the government allocated a 420 million Yuan (U.S.$ 50.4 million) subsidy for the conversion of farmland into forest and pasture and a 92 million Yuan (U.S.$ 11 million) subsidy for desert treatment.

So far, 4.64 million hectares in the forest zones and 790,000 hectares in other areas have been afforested. Additionally, 516,000 hectares of natural forest areas underwent recovery growth with artificial assistance.

State forest restructuring has also been promoted at a rapid pace. A reshuffling of personnel affected 190,000 personnel. Moreover, the numbers of retired employees and layoffs reached 110,000 and 90,000, respectively, in 1998. In the 1999 fiscal year, 280,000 positions were reshuffled, in addition to 320,000 retirements and 150,000 layoffs. In this way the project has steadily proceeded towards its goal by means of the top-down approach. On the other hand, the drastic changes in natural forest management and the reforming of state forest policies have caused various negative economic and social impacts at the local level.

4-1-2 "Grain for Green"—Transforming steep farmland into forests or grasslands

In 1999 the Chinese government initiated the "Grain for Green" project to transform steep farmlands into forests or grasslands, aiming to reduce erosion in the upper or middle streams of the Yellow and Yangtze rivers. The government will spend 229.3 million Yuan (U.S.$ 28 million) on the project to convert 343,300 hectares of farmland to forest and grassland, and 430,000 hectares of wasteland to forest.

The government will give farmers who transformed their farmland into forests or grasslands 1,500 kg of grain per hectare for farmers living around the middle and upper reaches of the Yellow River or 2,250 kg of grain per hectare for farmland in other areas. Three hundred Yuan (U.S.$ 38) in cash will also be provided to each farmer converting one hectare of farmland into grass or timberland. The government also provides, through local forestry authorities, seedlings or grass seed for farmers to plant.

The Task Force on Forest and Grassland Development in the West was established under the China Council for International Cooperation on Environment and Development (CCICED) in order to research and promote well-considered measures of environmentally and socially sustainable development in China's western regions. The task force, a multinational and multi-disciplinary expert team, will serve for two years.

The implementation of this program is progressing well to date. As of 30 June 2000, a total of 244,667 hectares of farmland in all the pilot areas had been transformed into forests and grasslands—accounting for 71.3 percent of the target set for the year 2000. Additionally, 309,133 hectares of suitable barren mountains and barren land had been afforested with trees or grasses, accounting for 71.6 percent of the target set for the year 2000. Despite the project's progress, the following three problems with the project implementation were pointed out (China Green Times, several issues, 2000):

- strong interest of farmers for planting cash forests, which could lead to oversupply in the future;
- inappropriate species selection in planting, not consistent with local conditions; and
- poor survival rate for trees and grasses planted, due to very dry weather.

4-2 Policies for promotion of sustainable forest management

4-2-1 Encouraging forest certification

Encouraging forest certification in domestic timber production is a recent noteworthy change in China, and it seems to have progressed faster in the last three years (Table 7). WWF-China (World Wildlife Fund) is the main organization striving for the introduction of forestry certification schemes, as has happened in other Asian countries. Various kinds of initiatives, research, and activities have been set up since 1997, and in 2000 and 2001 substantial efforts to adopt Forest Stewardship Council (FSC) schemes for forest management in China have been promoted at a rapid pace.

The demand for certified wood in China is still very small. However, some demand has been appearing in several foreign companies, which have advanced into China recently, such as IKEA, the prominent Swedish

Table 7 The progress of forest certification in China.

Year	Activities
1993	• Participant in international activities on SFM
1995	• **Chinese publication of Forest Certification Guideline by WWF**
1996	• Established Sustainable Forestry Research Centre, research on C&I for SFM and FSC
1997	• UNDP/FAO project on C&I for SFM, case study in NE, NW, and sub-tropical regions (1997–2000)
1999	• **An international workshop supported by WWF and World Bank Alliance**
	• **Alliance officially joined Montreal process**
	• **CAF project by IIED (1999–2000)**
2000	• **Supportive after Montreal Process 12th WG meeting in Beijing**
	• **Chinese translation of** *Certification - Future of World's Forests*
	• RCEEE project by Ford Foundation
2001	• Setting up a ***Quality, Standards and Certification Division*** in State Forestry Administration (SFA), PR China
	• Setting up a ***National Working Group***, by WWF/WB Alliance, etc.
	• Setting up a ***Leading Group*** in SFA
	• Publication of "Introduction on SFM"

Source: Developed by Yamane, based on Zhu (2001).

international furniture distributor, B&Q, a large British home furnishing chain store in Europe, and Carrefour, a French worldwide supermarket chain store. Recently, as demand for FSC-certified forest exports expands, forestry operators in China are coming under pressure to take note of the trend. For example, interest in certified timber has been increasing among export-oriented domestic furniture makers. Furniture exports accounted for U.S.$ 2.7 billion in 1999, more than 6 percent of the total export value for all sectors. Thus it seems that potential demand for certified wood has been growing gradually, and presents a strategic opportunity to expand external market share. In terms of the benefits for local forest management, one could anticipate benefits if SFM is extended to involve local participation.

By the end of June 2001, 17 export-oriented companies began sourcing certified timber to verify Chain of Custody (CoC), a form of product certification of the distribution system, for FSC certification. The certifiers are the Société Général de Surveillance (SGS) for eight companies, Scientific Certification Systems (SCS) for six, and SmartWood for the remainder. IKEA China has also developed its own forest tracking system to ensure CoC for its wood supply. Compared to these broader developments of CoC certification, up to now there have been no forests certified for sustainable forest management in China, although applications for at least two forests are in process: one in Heilongjiang made to SGS for FSC certification in January 1999 and another in Zhejiang made in 2000. To encourage the application of forest certification, the government of China is planning to provide favorable taxation policies for timber producers, aiming to offset the costs of certification and SFM.

In the background of positive official support for the initiative, observers may perceive China's strategic intentions, such as the mitigation of criticism of the recent rise in timber imports and the creation of conditions to expand the export-oriented wood industry, including furniture and plywood. The government is encouraging the FSC international standard for the present, with the intention of developing a national scheme under FSC.

4-2-2 Accelerating forest tenure reform

Within the last two decades, China's forestry sector has been transformed into a socialist market economy. China has sought to negotiate a shift in responsibility for forest utilization and management away from the state towards the private sector. While reform has progressed step-by-step, the cumulative change has been significant. As early as 1985 it was estimated that over 50 percent of the increase in forest area was accounted for by private entities. By 1995 an estimated 95 percent of all collective households were involved in leasing forest land.

In China, forest land is owned by the State or by collectives, according to the Constitution and Forest Law. Since the early 1980s when the "de-collectivisation" of forest tenure was launched, the process, aimed at increasing the emphasis of the private sector, has accelerated. An extension of China's rural "household responsibilities system" (HRS), the de-collectivisation of forest tenure essentially involves transferring the right of ownership and management from the collective to rural households and communities (co-operatives). A goal of the reform is to give farmers incentives for more efficient and sustainable forest management.

Until now, since the major movement called the "three

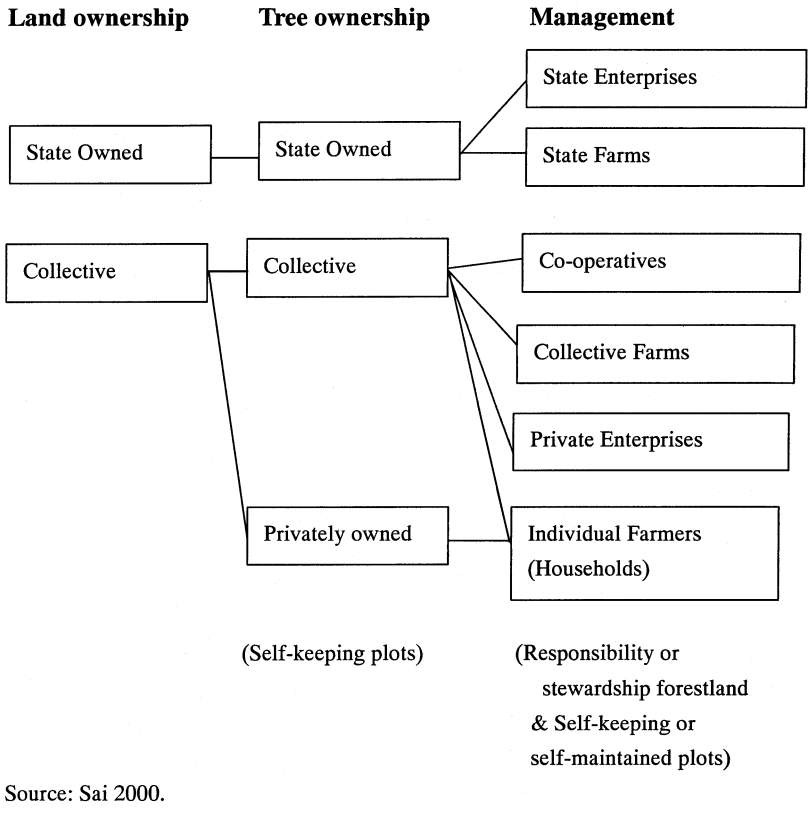


Fig. 4 Types of forest ownership and management in southern provinces after 1988.

fix" (i.e., three reforms) policy, a large amount of forest land owned by the state or collective was transferred to private sectors, including farmer cooperatives and foreign investors, through contracting, auctions, or leasing. Consequently, the private sector has become one of the main players in SFM. In the "three fix" policy, three procedures—clarifying rights to forests with emphasis on mountainous areas, delimiting self-keeping (or self-maintained) plots, in which the right to manage and use trees is given to households, and establishing a forest production responsibility (or stewardship) system—were implemented, aiming to transfer responsibility for forest planting and management to households (Sai 2000; IIED in printing). There are two ways to distribute forest land among households (Sai 2000) (Fig. 4). In responsibility forest land, households manage trees and land, and the rights to forest management and ownership are separated. Actually, land allocation to households has proceeded rapidly, in combination of an afforestation contract with a collective.

Forest tenure reforms have also accelerated in recent legislation. The "Decision on Several Issues Concerning Establishment of the Social Market Economic System" issued in 1993 was most notable. This decision introduced the possibility of auctioning "four wastelands" (uncultivated barren hills, valleys, riverbanks, and wilderness) to the private sector for afforestation. Since being adopted, auctions have been implemented in 16 provinces. Up to March 1996, rural households purchased 3.7 million hectares of wasteland. In total, auctions have resulted in the development of 1.9 million hectares, which is 50.4 percent of the auctioned land.

The Forest Law now supports land tenure reform to private entities (Clause 27), and the new Forest Law, amended in 1998, extends the period of contracting forest land to private entities to 70 years and grants permission for utilization and management rights to be transferred (Clause 15).

In recently established forest conservation projects, such as the NFPP and Grain for Green project, the system of contracting forest land to private entities has been positively applied as a tool for incentives for private sector participation.

A variety of evidence of positive economic, social, and environmental impacts has been emerging as a result of recent forest land tenure reforms, including improvement of land-use efficiency, increase of productivity, proper land allocation to more efficient entities, diversification in the income base of farmers, activation of local infrastructure, an increase of local farmer participation with local authorities in decisions that affect the forestry sector, and improvements in watershed protection, biodiversity, and landscape conservation. In contrast, negative impacts have also been identified. Lost customary rights to resources and increased inequality are examples of negative social impacts, such as the weakening of some ecological services, such as water quality.

In addition to these negative impacts, the following

constraints were identified in joint research by the CCICED and the International Institute for Environment and Development (IIED):

- the risk of adopting a single strategy in a diverse country, and conflicting methods in trying to achieve two objectives, i.e., equity and efficiency with one tool—land reform;
- the increasing number of unsettled forest land boundary disputes and insufficient mechanisms for solutions;
- implementation failure and lack of regulatory capacity at the local level;
- overlapping mandates among government departments and local authorities that have the responsibility of land tenure;
- unfavorable investment conditions such as high taxation and charges, a lack of financing for investment, information/measures balancing risks and rewards, a labor shortage; and
- lack of market liquidity and participation, due to limited deals in certain localities and the lack of standard procedures for transfer, etc.

The joint research also pointed out the following recent noteworthy advances achieved, based on case studies:

- more generous benefit-sharing schemes and payment systems for households to provide greater incentives for afforestation and forest management, including a shift towards contracting out standing tree and barren lands;
- increased market liquidity, expansion in the numbers and types of market players involved;
- introduction of auction to allocate plots;
- extending of tenure; and
- introduction of contract transferability.

In short, the system has taken the market-based mechanisms and evolved step-by-step in line with local realities.

4-2-3 Reform of forestry taxation and charges

At the moment, the State Council (China's central government) is in the process of reforming taxation and charge systems for all sectors across the country; the forestry sector is one of the key sectors that needs to be reformed completely. The reforms are made necessary because the burden of all kinds of taxation and charges, especially in the south where the majority of forests owned by collectives are even now being allocated to individual farmers for management, is really too heavy to encourage effective management. In this section, the progress of reforms is outlined, based on the joint research between the IIED and the CCICED (Liu *et al.*, 2000).

China's opening up and reform began with the decentralization of decision-making and income-collection powers. Since 1984 the State Council has issued a series of policies allowing local government and central sector authorities to collect charges in order to cover the deficit of governmental income over expenditures. Accordingly, local public governments and authorities established various items of taxation and charges.

There are various types of officially approved taxation and charges, and these are very complex within and between localities. In addition, a great number of unofficial charges exists. Besides the above taxation and charges, farmers are expected to take on some of the burden of official work. Table 8 indicates the current system of forestry taxes, charges, and burden applied in the South China Collective forest area. The forestry charges and taxation in general amounted to above 50 percent of the timber value, resulting in low or no profits

Table 8 List of forestry taxation and charges approved in China.

Categories	Taxation and Charges
Product Tax	Special Agricultural Product Tax (SAPT)
Other taxes affecting forestry	Value add tax (VAT)
	Income tax of domestic enterprise and foreign enterprise of foreign investor enterprise
	Education fee
	Urban maintenance and construction tax
Legal forestry charges	Afforestation fee
	Forestry maintenance and upgrading fee
	Forestry protection and construction fee
	Forestry quarantine fee
	Restoring fee for forest resource *1
	Fund for forestry insect and disease control and prevention *2
	Forestry fire protection fee *2
	Administrative fee for forest enterprises *2

Note: *1 Applies to Fujian and Guizhou province. *2 Applies to Jiangxi province.
Source: Developed by Yamane, based on Liu et al. (2000).

for forestry farmers, farms, and timber companies.

The current complex and burdensome system of taxation and charges has caused negative economic impacts, such as low profits and a decline of motivation for forest management, leading to a decrease of domestic log production, especially from plantations. In one county of Hunan province, it was observed that the profits for farmers were reduced remarkably from 55 to 33 percent by taxes and charges. In one county of Jiangxi province, a slowdown of the pace of private sector involvement in forestry management as well as a decrease in land prices of about 70 percent were reported. Despite this, the government is not successful in fully collecting forestry taxation and charges as revenue—in Jiangxi and Hunan the actual collection rate of fees was estimated at only 40 to 70 percent.

At the same time, the system has brought about social impacts, such as a relative increase in poverty in forestry areas, increased social burdens, and illegal activities in the forestry sector, etc. With respect to illegal activities, it is reported that black market timber accounted for 10 percent of the total timber production in one county of Hunan province, because of severe taxation or illegal approvals of logging. Examples of these kinds of illegal activities are not difficult to find in the southern provinces, which face severe taxation and charges.

Moreover, the current situation weakens the motivation for planting trees, and accordingly leads to the exploitation of natural forests and speeding up of the environmental crisis in China. It is generally observed that investment for plantation on barren lands, particularly by the private sector, has been sluggish due to the low anticipated economic returns. In one county of Jiangxi province, the proportion of public enterprise investment to total investment in afforestation declined from 13.3 percent in 1994 to 4.7 percent in 1999. In the 1990s, individual farmers and private enterprises made no investments in afforestation.

The CCICED conducted joint research with the IIED on the issues from 1999 to 2000 and provided the following policy recommendations for reform of forestry taxation and charges:

- reduce forest taxation and fees;
- strictly clean up illegal fee collection; and
- merge or abolish overlapping tax categories and reduce the level of taxation.

Up to now, new policies on these subjects have not been issued; however new policies will be prepared under consideration of these points.

4-3 Timber trade policy towards full liberalization

The promotion of timber imports is one important strategy to tackle the timber supply shortage. Thus when the shortage of the domestic timber supply appeared in the 1980s, the government gradually opened up timber trade with foreign countries, and since the middle of the 1990s tariff reductions for forest products have been reduced to zero step-by-step, in line with an agreement with the Asia-Pacific Economic Cooperation forum (APEC).

In order to abide by APEC's trade liberalization timetable, in April 1996 import tariffs on logs and timber products were reduced from 15 and 40-50 percent to 5 and 15 percent (average), respectively. In May 1998, the government of China submitted a unilateral plan to APEC for trade liberalization (zero import tariff) in nine-sectors, ahead of schedule. One of the nine sectors is forest products. Since 1 January 1999, China has decreased preferential import tariffs for 49 items of forest products, including logs and wood pulp, from 1 to 3 percent to zero, and for four other forest products from about 20 percent down to 10 percent. In terms of wood furniture, the tariff was reduced from 78 percent in the early 1990s to about 40 percent in the mid-1990s, and to 22 percent since 1999. The reduction of non-tariff measures (NTMs) also has proceeded along with the commitment that China will eliminate almost all after 2004. Currently, there are no NTMs for forest-related products. Other trade management regulations of the forest product trade, such as export licenses, import registration, import and export commodity inspection, and other import certifications, will be relaxed and opened up to the private sector.

In December 2001 China became a member of the World Trade Organization. Policy measures towards zero tariffs for forest-related products trade have since accelerated. Half tariff and value added tax (VAT) policies for small border trade, which have contributed to the recent rapid increase of log imports from Russia to China (Yamane and Lu, 2001), will be abolished in the near future, because the policies have been judged to be non-tariff barriers to free trade.

As mentioned above the trade liberalization of forest-related products has proceeded at a rapid pace, and will provide favorable conditions for timber imports. On the other hand, China's timber demand seems to be steadily growing at present due to continuous economic growth and the progress of the Western Development Project. Although various afforestation projects have proceeded energetically over the last two decades, it will take decades more for the forests to be ready for harvest.

As a result, the gap between timber demand and domestic supply has continued to expand, and it is likely that China will depend even more on imported timber to compensate for the deficit in domestic timber supply. However, neighboring countries with abundant forest resources are limited. Although eastern Siberia and the Russian Far East head the list of log suppliers to China, Japan also has a high demand for the timber from these areas. Thus, competition for timber supplies will likely increase in the near future.

5 Conclusions

The government of China appears to be making aggressive changes in forest-related policies, including those dealing with implementation of forest management. The root cause of the dynamic changes in policies is the resource depletion of natural forests, mainly because of overexploitation and frequently occurring forest fires, plus the consequent serious environmental problems—leading to huge damage to the national economy. The driving forces for such aggressive policies are basically economic. Accordingly, the focus of policies is on how to grow more forests and produce more timber, aiming to shift from natural to man-made forests as a source, with some consideration for sustainable forest management. Efforts to involve the private sector as a key player represent a relatively new strategy.

Ironically, it seems that the policies have not benefited local communities—policy implementation has resulted in negative impacts at the local level. As mentioned above, recent surveys show that the policies themselves are good, but implementation is poor. Emerging negative social impacts are evident, including social unrest, land conflicts, unemployment problems and expanding poverty, particularly in local communities. Such problems appear to be caused partly by to the rapid and aggressive top-down implementation of projects or uniform methodologies that conflict with the diversity of social, economic, and natural conditions in China. This experience suggests that the key to successful fulfillment of policies will be the development of appropriate measures in the early stages of policy planning and implementation that make allowance for local realities and differences.

Regarding the process of economic growth, as Japan experienced, the private sector will resist increases in production costs and the consequent drop in price competitiveness against imported products. China will face the need to find solutions to the challenges of how to internalize the negative impacts on China's forestry sector that originate from economic growth, and how to secure a stable domestic timber supply in a sustainable way. In addition, under the transition to free trade, the timber industry may have to shift to the value-added approach (raw material imports, processing, manufactured product exports) in order to maintain balanced trade. Such a tendency is already evident in the furniture and plywood industries.

In conclusion, in order to attain the difficult goal of simultaneously managing economic growth and forest conservation while involving the private sector, China's government would do well to carefully introduce a variety of workable measures into diverse policies—not only for the sound implementation of forestry and timber trade policies, but also for the mitigation of negative economic, social, and environmental impacts, particularly in local communities.

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The Movement and Activities of Environmental NGOs in Indonesia

Sachie OKAMOTO

Japan NGO Network on Indonesia, Visiting Researcher for IGES Forest Conservation Project

Abstract: The Soeharto regime collapsed in 1998 after ruling the country for 32 years. Despite calls for reform of all sectors, including forestry, the state of Indonesia's forests has continued to decline. NGOs have been carrying out various ameliorative activities to counteract forest fires, illegal logging, and other problems, as well as efforts to achieve fundamental reform of forest policy through community-based forest management. This paper discusses changes in the roles of NGOs working on forest issues, major trends and activities, and challenges faced by such NGOs in the post-Soeharto period.

Key words: Local people's rights, sustainable forest management, local participation, decentralization, KKN.

1 Forests in crisis

It is said that Indonesia lost approximately 1.5 million hectares of forest each year in the 1980s and 1990s (Gautam *et al.*, 2000). The World Bank warns that the island of Sumatra will be denuded of forest by 2005, and Kalimantan by 2010, if no countermeasures are taken (*Media Indonesia*, 7 Nov. 2001). WALHI, an environmental NGO, predicts that Kalimantan will have no more pristine forests (or frontier forests) in five years (*The Jakarta Post*, 4 Dec. 2001).

Commercial logging, transmigration policies, mining, oil palm plantation development, forest fires, and illegal logging are among the causes given for deforestation.

Many corporations with forest concession rights (HPH) have carried out indiscriminate logging, flaunting the rules of TPTI (the Indonesian selective logging and planting system).[1] Only one third of the corporations with business use rights are said to be in compliance with these regulations (Yokota 2001). Industrial timber plantation projects (to produce raw material for pulp), as well as recently booming oil palm plantation developments, are supposed to be carried out only in conversion forests that have lost their productive capacity, but it is extremely common for natural forests, etc., to be logged for such projects. It is also common for corporations involved in such projects to disappear from the area once logging is finished. Furthermore, in 1997 and 1998, massive forest fires destroyed 9.76 million hectares of forest (Barber and Schweithelm, 2000). The forest fires were primarily due to plantations, industrial timber plantations, and land clearing for transmigration programs. Recently, illegal logging has also become a major problem. The annual amount of illegally logged wood is estimated to be 57 million m^3 by the British Department for International Development (DFID), and 42 million m^3 per year by Forest Watch Indonesia (FWI), accounting for some two-thirds of annual log consumption. It is obvious that illegal logging is exacerbating deforestation and forest degradation.

It must also be kept in mind that forest loss and degradation are occurring in the context of a prolonged economic crisis, the thrust towards reform and democratization, political turmoil, and the confusion accompanying decentralization. Despite warnings about the critical state of forests in Indonesia by overseas aid organizations, domestic and overseas NGOs, research institutes, etc., the rate of deforestation has continued to increase. However, forest policy is in a state of confusion, due to the unclear division of powers between central and local governments, inconsistencies between national laws and local ordinances, and other issues.

2 NGOs in the post-Soeharto era

2-1 The Soeharto era

Indonesian NGOs were active during the Soeharto years despite various obstacles. The Soeharto years were characterized by massive commercial logging and other forest development projects carried out in the name of "development." Since the concessions of state-owned timber enterprises (i.e., Inhutani, Perhutani), forest concession rights (HPH), industrial timber plantation concessions (HTI), and plantation and mining concessions were often established with no regard for the local communities and indigenous people, who depend on the forest for their livelihood, disputes between the local people and the government and/or corporations regarding use of lands and forests occurred in many localities. Since the 1990s, many NGOs have responded to the calls of local people to draw attention to the problems related to the exploitation of forests and natural resources, and to help them to raise their voices and demand respect for their rights. They have thus supported local people victimized by development. In this process, the local people's methods of forest management, based upon customary law and tradition, received

[1] The logging area is divided into 35 blocks, and 1 block is logged each year. The forest is allowed to regenerate during the 35-year cycle until the next cut. Only trees with a diameter of 50 cm or more can be logged.

Address: 5F Maruko Bldg., 1-20-6 Higashi Ueno, Taito-ku, Tokyo, 110-0015, Japan
Tel: 03-5818-0507, Fax: 03-5818-0520
E-mail: cag29240@pop13.odn.ne.jp

new attention from the perspective of sustainable forest use.

2-2 Change in the government's position

After Soeharto stepped down in May 1998, restrictions on the mass media and freedom of association were greatly relaxed, and democracy, freedom of expression, etc., became possible to some extent. As a result, a large number of political parties, NGOs, etc., were formed in a short period of time—popping up "like bamboo shoots after the rains." The range of activities and the importance of the roles of NGOs have increased significantly.

Meanwhile, the attitudes of government bodies towards NGOs have also changed dramatically. NGOs are starting to be viewed as partners of the government in policy advocacy and implementation, rather than just as an oppositional force critical of the government. Towards the end of the Soeharto period, Western government bodies and aid organizations began to emphasize "local participation," and to encourage partnerships between government projects and NGOs, but no such significant trend emerged during the Soeharto years.

Government bodies bear considerable mistrust towards NGOs with regard to their capabilities and mission (whether they really pursue a noble mission to "serve the public," etc.), but the perception that they are a force to be reckoned with is becoming widespread.

There is also an emerging ethos that all groups in society should cooperate when the nation is in crisis. For instance, in 1999, FKKM (Indonesian Communication Forum on Community Forestry) called upon NGOs, academics, experts, administrative bodies, the timber industry, aid agencies, and others working on forest issues to participate in joint drafting of a new forestry bill. The National Development Planning Agency (BAPPENAS) also announced that not only the central government, but also local governments, NGOs, research institutes, universities, private corporations, and individuals will participate in the drafting of the IBSAP (Integrated Biodiversity Strategy and Action Plan) from the bottom up. (*Media Indonesia*, 7 Nov. 2001)

2-3 From mediator to facilitator

Since the latter half of the Soeharto era, many NGOs began to focus on the empowerment of local people, but recently the significance of empowerment work is shifting.

During the Soeharto era, people faced such violence from the army and police that it was difficult for them to raise their voices. Empowerment work consisted of making people aware of their right to raise their voices, and helping them to actually do so, or if that was not possible, speaking out on their behalf. In other words, NGOs mainly played the role of a "catalyst" for change among local people, or "media" to speak out on their behalf. Change of the NGOs themselves was not necessarily envisioned.

However, with the fall of the Soeharto regime, local people have started to speak out on their own. Many have formed their own NGOs to pursue various activities. Accordingly, the work of NGOs has also shifted toward supporting such local people and proposing solutions to the local administration, corporations, etc. (Okamoto, 2001).

3 Trends among NGOs

3-1 Local people's rights and sustainable forest management

Forest policy during the Soeharto era paid little attention to the knowledge and roles of local people. Instead it prioritized drawing local people into the labor force for logging, industrial timber plantation and oil palm plantation projects run by corporations. The result was devastating for the forests. Now at last, the demands of communities and NGOs in forest resource management, with the active participation of local people, are slowly beginning to be reflected in national forest policy. For instance, the New Forest Law, revised in 1999, recognizes the existence of the customary forest (*hutan adat*) and the rights of local people to manage them. However, NGOs are dissatisfied that the customary forests are classified as national forests. Many NGOs assert that recognition of local people's rights calls for clearly stipulating in law that local people have tenurial rights to communal forests under customary law and the right to determine the methods and modalities of their management. It is their view that recognition of such rights of local people is essential to achieving sustainable forest management.

Local NGOs in particular have played a central role in mapping lands and recording their customary use in order to secure local people's rights. From such activities, NGOs have deepened their conviction that traditional forest management by local people is superior to commercial logging, industrial timber plantation projects (HTI), and agricultural plantation projects in terms of achieving sustainable use of forest resources without destroying the environment. This is based on the understanding that sustainable forest management can only be achieved on the initiative of local people, using their traditional knowledge and techniques; not merely through community forestry (HKM), as promoted with a top-down approach by the government.

3-1-1 Participation in the policy formulation process

- **Enactment of TAP MPR IX 2001**

The "Determination of the People's Consultative Assembly No. IX 2001 on Agrarian and Natural Resource Management Reform" (TAP MPR IX 2001 tentang Pembaruan Agraria dan Pengelolaan SDA) was adopted at the annual general meeting of the People's Consultative Assembly in November 2001. The TAP is a normative legal instrument that is secondary only to the constitu-

tion and that provides an overarching framework for individual laws. The TAP became reality through the efforts of 24 NGOs, including ELSAM, KPA-Bandung, WALHI-Jakarta, ICEL, YLBHI, and AMAN, who spent weeks dug into their hotel rooms persistently lobbying the assembly members. Humor was not forgotten—NGOs distributed cotton swabs to the assembly members as a reminder that they had better clear out their ears to understand their appeals.

The TAP MPR IX 2001 clearly recognizes the failures of earlier policies, such as the fact that previous natural resource management had resulted in environmental degradation and conflicts over the ownership and use of resources, and that there are contradictions among related laws and regulations. It sets a new direction for equitable, sustainable, and environment friendly resource management. It promotes the principles of maintaining national unity, adherence to law, democratization, the full enforcement of law, transparency, promotion of local participation, women's equal rights, sustainable resource use, conservation, and ecosystem protection—in accordance with the social and cultural values of local communities and the rights of indigenous peoples (*hak masyarakat hukum adat*), as well as recognition, respect, and protection of the diversity of ethnic cultures of each region. It also calls for carrying out equitable land reform with due respect for citizens' land ownership, in order to resolve existing and future conflicts over resources, and calls for allocation of adequate funds for this purpose.

In response to TAP MPR IX 2001, the National Land Agency (BPN) began drafting a bill to simplify the types of land ownership. It stipulates that there are just two categories of land ownership (permanent title and provisional title), calls for phasing out "business use rights" (HGU), and states that the demands of local people must be heard in the process (*Bisnis Indonesia*, 8 Dec. 2001).

- **Involvement in enactment of local ordinances**

NGOs have also been active in policy advocacy at the local level. YBH-Bantaya, an NGO based in the province of Central Sulawesi, has been interviewing the indigenous Pakava people to learn about their methods of forest management, and working to have them included in a draft local ordinance. This is in response to the district administration's decision that local people's forest resource management methods be reflected in the ordinance. YBH-Bantaya staff members ask the Pakava people to gather together and talk freely about their forest management methods. The NGO staff record the discussions and have the local people confirm the accuracy of the documentation, which is then used in the drafting process (Sitorus, interview).[2]

APURA, an NGO based in Yogyakarta, conducted detailed research on forest destruction in the Wonosobo district of Central Java Province, and raised the issue with the district council and local people. As a result, drafting of a community based forest management ordinance was begun, with the involvement of the council and administration, local people, and state-owned forestry corporations. The FKKM and the Forestry Department of Gajamada University have also offered support in the process.[3]

In the West Kutai district in East Kalimantan, NGOs such as SHK-Kaltim and LBBPJ have been working jointly with the local administration, foreign aid organizations, indigenous peoples' community organizations, universities, and other research institutes to elaborate a draft forestry ordinance. SHK-Kaltim and LBBPJ are NGOs that have worked for the empowerment of local people, while investigating traditional forest resource management and methods of sustainable resource management by local people.

RMI, another NGO in West Java, is carrying out activities to incorporate the knowledge of local people in village ordinances (*perdes*). The village of Malasar in Bogor District has a traditional system called *Kebun Tarun* in which trees are intercropped with various crops until the saplings grow large. This is the same method as what is called *Tumpang Sari* by the state-owned forestry corporations. Fodder, food, fuel (firewood), and many other things can be produced under this system. But it was the local administration that did not understand the merits of this system. The practices of *Kebun Tarun* have been documented in each village, and several discussions between the local people and village officials have been held. The officials recorded what was discussed at the meetings, and included it in the draft of the village ordinance. The draft ordinance is due to be submitted to the village council. RMI served as a facilitator for the process, setting up the meetings and other arrangements (Latipah, interview).

Besides these cases, Forest Watch Indonesia explains that there have been NGOs cooperating with local governments to develop local ordinances in Sangau District of West Kalimantan, West Lumpung District of Lampung Province, and many other places (Rina, interview).

These activities show that a new trend has developed in the role of NGOs; no longer limited to criticizing the government, but presenting it with alternatives. This demonstrates that there is now political space for NGOs to be involved in politics. ELSAM and other NGOs are putting more emphasis on legal participation activities, such as providing training on participatory legal drafting for NGO staff members and members of parliament, as well as workshops for NGOs on critical law study.

3-1-2 Activities for resolution of land conflicts

In order to secure their rights, local people will need to regain their lands and forests taken from them by private and public corporations, but this remains a difficult

[2] A list of interviewees and the organizations they belong to can be found in the Appendix.

[3] Jurnal Studi Kebijakan PSDA, Vol. 2/No. 1/Okt-Des 2001.

task, despite the fall of the Soeharto regime and the calls for reform. Though land disputes are partly due to the government's refusal to recognize native customary rights to land, customary forests, and usufruct rights. Another major cause of such disputes is that often the same land is classified under more than one category; i.e., there is overlap in the classification of land, due to severe inadequacies in land registers and the land registration system. For instance, there is an area in Gunung Halimun National Park that is considered to be a core zone by the national park authorities, but it is classified as production forest by the state-owned forestry corporation (*Perhutani*) and considered a catchment area protection forest under local people's customary law (Latipah, interview). The prevalence of such cases not only complicates resolution of land issues, but also presents obstacles for NGOs and local people working together on new forest management programs.

In the past, NGOs devoted much of their efforts to raising awareness on the importance of land and forests for local people, and the harm they have suffered due to the loss of their means of livelihood, but in recent years they have focused more on finding concrete solutions in partnership with the local people.

- **Participatory mapping**

NGOs are working with local people to make land-use maps or maps delineating the borders of villages and settlements. In the beginning, RRA (Rapid Rural Appraisal) methods were used to prepare rather rudimentary maps, but recently there has been increasing use of GPS (Global Positioning System) to prepare relatively detailed maps. Workshops on mapping using GPS are also being carried out for NGO staff and local people.

The goal of such mapping has been to show to the government and local authorities the location and boundaries of lands and resources used and managed under customary law, and to get them to recognize local people's tenurial rights to these lands. During the Soeharto era, the government never listened to such appeals from the people. Currently, though the authorities recognize the existence of native customary rights land and customary forests, the problem has arisen that the borders of such lands are often unclear, because land surveys and recording of lands in the land register have not been carried out regularly for many years.

- **Holding multi-stakeholder meetings**

NGOs have been arranging dialogues and negotiations between local people and the authorities or corporations they are in conflict with. Recent trends towards democratization and decentralization have made such work much easier than in the past. In the village of Guguk in Jambi Province, the local people and the district government have regained concessions from corporations with forest concession rights (HPH) (Muayat, interview).

- **Information sharing**

NGOs are providing information and organizing people of different communities facing similar problems by facilitating meetings, sharing knowledge, etc., between them.

3-1-3 Traditional forest management by local people

Efforts are being made in many localities to investigate and document methods of forest resource management based on local customary laws and traditions. Whereas community forestry promoted by the government took a top-down approach, a system of community-based forest management promoted by NGOs, called *Sistem Hutan Kerakyatan* (SHK), has given new emphasis to traditional knowledge passed on in the community, with the aim of achieving forest management based on the initiatives of local people. What is noteworthy about SHK is that it does not view the forest merely as a source of timber resources, but as an integral ecosystem with a wide range of functions, including supply of non-timber produce, maintenance of biodiversity, and environmental conservation. Furthermore, in order that the forest can also serve as a basis for livelihood, not only environmental conservation but also contribution to the local economy (personal income as well as local government revenue) is emphasized. Respect for local culture is also stressed.

3-1-4 New people's initiatives in forest management

An eco-forestry pilot project (*Pengelolaan Lati Tana Benung*) was launched in 2001 in the lands around the village of Benung (50 households) in the West Kutai District in East Kalimantan. SHK-Kaltim had previously done some mapping in the area in 1996. The project was developed jointly by SHK-Kaltim and the villagers, at their request.

The project divides 1500 hectares of customary forest into three areas of 500 hectares each: communal forest, joint management forest (eco-forestry), and contract forest. The communal forest is used by community members to collect forest produce for household consumption. The contract forest is leased out as a concession to a private corporation managed by local people. The joint management forest (eco-forestry) is co-managed by community representatives and SHK-Kaltim members, who first conducted a preliminary investigation (timber cruising) and prepared a sustainable forest management plan regarding issues on, for instance, how much wood it is suitable to cut each month on a sustainable basis. As a result, it was agreed that three to five cubic meters of wood could be extracted each month (the wood is exported to New Zealand), and that the forest would be left to natural regeneration, without tree planting.

SHK-Kaltim cooperated in the investigations and development of the management plan for the introduction of this system, but the community members themselves made all decisions, including those regarding financial management.

3-2 Advocacy activities regarding forest destruction

3-2-1 Illegal logging

There are many NGOs that have investigated illegal logging by corporations with forest concession rights (HPH) over the years, but Telapak has used a new method of capturing evidence on video, launching a massive campaign with a video and report titled "The Final Cut." This campaign aroused a large response, partly due to the sensational nature of the incident, in which logging was being carried out in a national park and members of the People's Consultative Assembly were among the actors. It helped to put the illegal logging issue in the public eye. In April 2001, the Minister of Forestry issued a directive that banned logging and all domestic and international trade of Ramin timber (the focus of this case).

Nonetheless, illegal logging continues unabated, driving the forests into a deepening crisis. A temporary ban on log exports was declared in October 2001, but it has had little effect. Many NGOs argue that if Japan and other importing countries would demand that producers have their timber certified, this could help to counteract illegal logging, but no major action has been taken in this regard. This is partly because Telapak, which has led the campaign against illegal logging, has expressed doubts about the effectiveness of certification at this stage. They claim that certification has too many loopholes at present, with corruption, collusion, and nepotism (KKN)[4] still widespread. Telapak is proposing that Japan carry out "timber tracking"[5] as a countermeasure against illegal logging.

Causes of illegal logging include the protracted economic crisis, the end of the ban on log exports, increased demand and insufficient supply of timber, increased imports from China, inadequate monitoring by administrative bodies, KKN, and confusion due to decentralization. Investigations into illegal logging are dangerous, particularly since powerful politicians and bureaucrats, gangsters, the military, police, and the like are often involved.

Recently, illegal logging is being covered in the mass media almost daily. Parliament and the government are serious about rooting out this problem, as it deprives the coffers of the central and local governments of revenue that they should be getting.[6] However, forest policy is in a state of confusion in relation to decentralization, which is discussed later.

3-2-2 Forest fires

The forest fires of 1997-98 burnt an area of 9,750,000 hectares and caused damage worth approximately U.S.$ 9.3 billion. Indonesia has suffered from forest fires each time that the El Nino phenomenon has occurred. The forest fires of 1982-83 also caused extensive damage. At that time, shifting cultivation by local people was blamed as the cause of the forest fires. However, during the forest fires of 1997-98, NGOs conducted a campaign blaming forest developers for setting fire to the forests. As a result, at the end of September 1997, the Minister of Forestry published a list of 176 companies responsible for starting the fires, including plantation companies, logging companies, and contractors clearing land for transmigration programs.

In 1998, WALHI filed a civil case against 11 corporations it claims started forest fires in South Sumatra by illegally setting fire to lands they were clearing. They demanded payment of 11 billion rupiah as damages to the nation and as funds for regeneration of the forest. WALHI submitted detailed GIS (Geographic Information System) data, but the court did not accept it as evidence, relying only on eyewitness accounts. As a result, two corporations were found guilty, but they were only given mild penalties, being required to pay judicial costs, establish forest fire monitoring systems, etc.

On the other hand, national NGOs such as WALHI worked with local NGOs to appeal to the international community for donations for medicine and masks, and distributed them among people adversely affected by the smoke from the forest fires. Many NGO members made reports or analyses of the situation of areas affected by the fires, or worked as volunteers at the "pos comando" set up for distribution of relief goods, etc. (Barber and Schweithelm, 2000). In regions facing a food crisis due to the forest fires, NGOs played a central role in distributing seed paddy, relief funds, etc.

3-2-3 The rapid expansion of oil palm plantations

The 1990s in Indonesia saw the rapid proliferation of oil palm plantations. The area planted with oil palm was 105,808 hectares in 1967, but this planted area was due to increase to 3 million hectares by 2000; if the area for which oil palm plantation projects have been approved is added, the total comes to 5.5 million hectares (*Kompas*, 21 March 1998). In theory, conversion forests that have lost their productive capacity are to be used for such plantation projects, but in practice, natural or highly productive forests are destroyed to make way for them in most cases. A forest converted to plantation is impossible to regenerate. However, the 1998 agreement with the International Monetary Fund (IMF) abolished the ban on foreign capital investment in the plantation sector, opening up the opportunity for small-scale investments in this sector previously under a mega-capital oligopoly. The conversion of forests into plantations has accelerated as a result. One major problem with oil palm

[4] KKN, which stands for *korupsi, kolusi*, and *nepotisme*, is the popular euphemism in Indonesia for the rampant practice of corruption, collusion, and nepotism.

[5] Timber tracking means cross-checking the figures for timber freight ships that have left major ports in Indonesia against the figures for freight ships that have entered major ports in Japan, to detect any discrepancies between the declared vs. actually transported quantities of timber.

[6] Statement by Mr. Yuhdoyono, Minister of Political and Social Coordination (*Bisnis Indonesia*, 19 Nov. 2001), declaration at Bali conference, etc.

plantations is that they have increased disputes over land and forests due to issuance of business use rights (HGU) without the consent of local people. Many problems also occurred because it was mandatory from 1984 until 1998 (when the system was abolished) for oil palm plantations to adopt the Nucleus Estate and Smallholders System linked to the Transmigration Program (PIR-Trans) (Okamoto, 2001). Oil palm plantations have also caused problems such as ecosystem destruction and forest fires.

NGOs addressing this issue in various localities got together in the late 1990s to form a network called Sawit Watch, which uses the Internet to collect, provide, and exchange information. Sawit Watch disseminates information on general forest issues, as well as oil palm plantations, providing a forum for information exchange among NGOs.

3-2-4 Lobbying and use of mass media

National NGOs have been playing a central role in lobbying the Minister of Forestry and other leading cabinet members, as well as providing information to the mass media. Campaigns involving the mass media have been gaining momentum ever since the 1997 forest fires. Since there have been more NGO-friendly people assigned as cabinet members since the fall of the Soeharto regime, NGOs have been able to approach cabinet members more actively than in the past.

Recently, NGOs have been calling on the Minister of Forestry for stricter measures against KKN within the Forestry Ministry itself in light of illegal logging and timber smuggling. They have also called for improving the viability of the timber industry by closing down timber companies that have excess debt, restraining the demand of timber-related industries to improve the balance of supply and demand, and preventing sawmill companies from expanding operations into the pulp industry.

3-3 Anti-globalization

Since the economic crisis of 1998, Indonesia has been under pressure from the IMF, Consultative Group for Indonesia (CGI), and other aid agencies to carry out "reform" as a condition for receiving loans. IMF recommendations on the forestry sector have called for liberalization of trade and foreign investment, deregulation, privatization, reduction of export tariffs for forest products, abolishment of export quotas and other export regulations, and the like.

NGOs have opposed globalization in general, not only in the forestry sector. There is frustration that, despite Indonesia's implementation of such drastic reforms as demanded, the economy has not recovered, and the burden of debt servicing due to the weakening of the rupiah has put further pressure on national finances. Globalization is linked to the debt issue. NGOs also recognize the need for reform. However, equitable rules that are a prerequisite for free trade (and free competition), and systems for local people to access information and capital have not yet been established. Under such circumstances, globalization is viewed to be a system that merely serves the interests of the industrially developed countries

3-4 Response to decentralization

Two laws on decentralization have come into force as of January 2001, delegating sweeping powers to districts and cities, which are the second-tier local governments after the provinces. However, since decentralization was carried out in a short period of time without adequate preparation, the central, provincial, and district governments each have different understandings about the powers of local governments. District ordinances and directives by district mayors that contradict overarching laws have also been issued (*Bisnis Indonesia*, Sept. 2001) Previously, it was the Minister of Forestry who had the power to approve forest concession rights (HPH), but with decentralization, the power to grant concessions of less than 50,000 hectares has been delegated to district mayors, and of up to 100,000 hectares, to provincial governors. In light of criticisms that local people have not benefited from forest resources, district mayors were given the authority to approve small-scale logging concessions called HPHH (*Hak Pengumutan Hasil Hutan* or Forest Products Collection Right) of up to 100 hectares. However, due to increased illegal logging, the Forestry Ministry has been leading a movement to reconsider the devolvement of powers to local governments. The Forestry Ministry has taken issue with the local government employees' lack of ability to develop policy and local councils' inability to monitor the activities of local administrations, as well as the tendency to treat forest resources merely as a source of local revenue without an outlook towards forest protection or long term forest management.

Local governments as well as NGOs have responded strongly to such criticisms by the Forestry Ministry (central government). This is because it is the failure of forestry policy over the last thirty plus years that brought about the current forest crisis. Many people suspect that the Forestry Ministry just does not want to lose its vested interests. NGOs have welcomed decentralization for the most part; one reason given is the decreased distance between the place where policies are made and the forests where they are to be implemented.

It is also true that some local politicians and influential people merely view decentralization as a chance to gain new vested interests, rather than to further the welfare of local people. However, joint efforts by local people (*masyarakat adat*), NGOs, academics, and local administrations to draft new ordinances for improved natural resource management, such as those being carried out in West Kutai District of East Kalimantan Province and Wonosobo District of Central Java Province, are highly praiseworthy. Many NGOs view such initiatives as a

chance to have the demands of local people regarding their rights and sustainable resource management reflected in policy.

4 Problems faced by NGOs—Focus on NGOs in East Kalimantan

Though momentum is increasing for reform and democracy, and NGOs are finding new inroads to participation in the policymaking process, land-related issues remain largely unresolved, and new problems are also cropping up. These issues are discussed below with reference to case studies of NGOs in East Kalimantan.

4-1 Unresolved conflicts and pressure from public authorities

Despite the new trends of the times, there are many people who are not only unable to regain their lands but also continue to face pressure from the police and other public authorities. A sense of despair is spreading, and NGOs are running out of means to address the problems.

- **The case of Mancong**

The village of Mancong in the *West Kutai District* has been encroached upon since 1996 by a coal-mining firm (PT GBP) and an oil palm plantation company (PT Lonsum), which have logged large areas of the communal natural forest belonging to the village. With the support of NGOs such as LBBPJ and Komite HAM-Kaltim, the villagers have refused to surrender any more lands to the companies, which are trying to further expand their operations. Mr. Asui, viewed as a central member of this movement, was nearly arrested in April 2000 on grounds of obstructing the company's activities, but narrowly escaped by jumping into a river. He was again pursued by police when he attended a seminar with NGO people in November 2001. Mr. Asui's plea that "the people cannot live without land" is earnest. LBBPJ and Komite HAM-Kaltim have worked tirelessly to resolve this problem, but a solution is still not in sight.

- **The case of oil palm plantations in the Pasir District**

In the Pasir District, PTP Nusantara XIII (state-owned plantation company) began a plantation in 1982, based on the Nucleus Estate and Smallholder System linked to the Transmigration Program, with aid from the World Bank. The total area is 26,800 hectares, comprising 17,200 hectares for cultivation by contracting farmers (*plasma*) and 9,600 hectares directly operated by the nucleus estate. This land was the native customary rights land of the Pasir people. Only 20 percent of the contracting farmers participating in the project are Pasir; the remaining 80 percent are migrants from other regions. The Pasir people were allocated 2 hectares per family, but were outraged that the costs of equipment and land rent had been calculated as debt, even though they considered the land to be their own. People from 10 villages working as contracting farmers then began a movement to demand the return of 7,000 hectares of land. After 1999, they formed a representative body to negotiate with the plantation company and the district and provincial governments. Police have attended all these negotiations in the name of security. Ultimately, the provincial governor decided in October 2001 that 2,000 hectares of land for which business use rights (HGU) had not yet been established would be returned to the local people. The people were so disappointed that they lost the willpower to continue the movement. Some of the farmers participating in this movement have been arrested for "illegal possession of weapons," because they were carrying cleavers (large knives) for farm use, or have been subjected to other pressures. Such problems, as well as the need to divide 2,000 hectares of land among 10 villages have raised concerns of conflict among the local people. Yayasan Padi, an NGO that has supported the local people, has had to change the direction of its activities. For the foreseeable future, it plans to establish a credit union to support families of villagers who have been arrested, and promote other income generating programs.

In the North Barito District in Central Kalimantan it has been documented that the security authorities threatened villagers protesting logging of their customary forest by a company, saying "You will be arrested if you go to talk to the company without applying for permission" (Plasma, 2000).

The new wave of reform for democracy, decentralization, etc., has still not changed the reality on the ground in outlying regions. The authorities continue to suppress the local people with force in the name of maintaining law and order. A staff member of an NGO working on the illegal logging issue said, "No matter how accurate a report one prepares, it is highly likely that the judge will make the wrong decision in court. The guardians of the law are corrupt in Indonesia."

4-2 Surfacing conflicts

Decentralization, the new Forestry Act, and other measures have greatly increased the opportunities for local people to access natural resources. There has been significant progress, as local resources had previously been monopolized by a handful of big corporations and political elites during the Soeharto era. However, cracks are appearing in the solidarity of local people, who previously have tended to be viewed as a solid block in confrontation with the government and corporations. Some are due to problems inherent in the local communities, while others have been triggered by economic globalization and other external influences, but both are interrelated.

4-3 Problems inherent in the communities

"Local participation" is slowly but surely becoming a reality in the process of democratization and reform. As noted above, local governments are asking local people to give their views during the process of policymaking,

and are inviting them to various consultations. However, such participation is usually limited to traditional leaders according to customary law, or influential people in the villages. Marginalized community members such as women and the poor tend to be ignored (Latipah, interview). Opportunities have increased for village heads or traditional leaders according to customary law to be involved in decision-making regarding HPHHs and other business use rights, but such decisions are made without adequately consulting the other villagers in many cases. The atmosphere in the village is not conducive to free exchange of views; people hesitate to criticize their leaders (Kadok, interview).

4-4 Impacts of economic globalization

Local communities include both rich and poor people. Currently, a rich person is defined as one who "has cash or capital." It is a matter of concern that opportunities for local people to participate in HPHH and other projects exploiting forest resources may widen the gap between rich and poor within communities. Conflicts over distribution of profits from the *Hutan Adat* (customary forest) and other shared resources are also occurring.

For instance, in the case of the eco-forestry program in Benung Village mentioned above, a dispute occurred because relatively well-to-do villagers argued that the entire *Hutan Adat* should be used for HPHH contract forestry (Nasir, interview).

In Long Telenjau Village of Bulungan District, 10 units of HPHH (100 hectares/unit) were granted to the same company. All concessions were in the *Hutan Adat* of the village. Since HPHH concessions can only be obtained by local people, the sub-district head and company officials asked the village head and the traditional leader under customary law to collect the ID cards of the villagers, which were then used to do the paperwork. The villagers were told that they would be paid commissions. However, a conflict arose among the villagers regarding distribution of the commissions. The concession area touched the border of a neighboring village. The resulting dispute over demarcation of the border escalated to the verge of armed conflict (Plasma, 2000).

Harvesting of swallows' nests has led to the breakdown of the sense of community in the villages of the Long Apari Sub-District. In the 1980s, when the market price for swallows' nests increased, rights to collect the nests were granted to corporations on the basis of yearly bidding under the auspices of the Forest Conservation Bureau of the Forestry Ministry. With decentralization in 1999, the authority to grant concessions to collect swallows' nests was transferred to the district mayor, and it became possible for villagers also to collect the nests. This has led to reckless exploitation; people are collecting the nests without waiting for the chicks to hatch, throwing the eggs away. Furthermore, it is only the relatively wealthy villagers with connections to middlemen and the money to transport the produce and pay wages that can engage in such business. They have become richer with this business, but the poor in the village remain as poor as ever (Sellato, interview).

One person interviewed for this study, Mr. Kadok, explained that there are two groups of indigenous people (*masyarakat adat*): those who live in the village, and those who live in the city while maintaining their ties with the villagers through blood relations and contact. The indigenous people living in the city have a big influence on the people living in the village through money and capital.

Another interviewee, Mr. Yan Ngau, described the attitudes of *masyarakat adat* today as follows. In the past, the *masyarakat adat* considered the forest to be an ecosystem supporting their entire way of life, engendering life-enriching culture, and providing a wealth of forest produce. This outlook was harmonious with the practice of forest conservation in the true sense. However, such attitudes towards forest management and traditional values were destroyed with the influx of HPH, HTI, plantations, mining, and other forms of "development." The idea that cash and the economy are everything was driven into people's minds, so that they came to think first and foremost of selling forest produce to make quick, easy money. However, people now feel confused and in a dilemma when NGOs and academics that have learned about their traditional methods tell them that their former ways are the best.

Many NGOs feel that the people's wish for "quick cash" is simply too strong, so have been promoting eco-tourism or other income generation programs as stopgap measures to keep people from doing excessive logging or resource extraction.

5 Future challenges and the role of NGOs

As explained above, since the end of the Soeharto regime, Indonesian NGOs have engaged in dynamic activities, ranging from addressing single issues faced by local people to involvement in policymaking processes at the local and national levels. The transition from a corporate-dominated forest policy to forest management based on local participation, such as demanded by NGOs over the years, could be said to be slowly becoming a reality.

However, the situation of forest destruction in Indonesia is grave indeed. Though stopgap measures are also needed, fundamental reform calls for local people to take the initiative in sustainable forest resource management. But as shown above, there are many obstacles on this path. Future challenges and the role of NGOs are considered below.

5-1 Community based forest management

5-1-1 The concept of "local participation"

Nowadays the central and local governments are increasingly inviting NGOs and local people to various consultations. However, NGOs and the government do

not necessarily understand "local participation" in the same way. At present, the central and local governments' understanding of local participation mostly goes only as far as "hearing the views of community representatives" or "considering people's views." On the other hand, NGOs working for local people's rights understand it to mean that local people should make the decisions, so that indigenous communities with traditional norms based upon customary law, etc., can make active use of their knowledge and know-how in forest management. In order to make "local participation" a reality rather than mere rhetoric, the concept and mechanisms to achieve it need to be set forth concretely.

On the other hand, there is also a need for work on democratization of local peoples' collective decision-making processes. It seems to the author that the NGOs and the local people themselves have been somewhat inattentive to the obvious fact that indigenous or local communities are made up of individual people. This is perhaps because "local people" have tended to be viewed in contrast with the government, corporations, etc. Thus, though the NGOs lament that customary law is no longer being observed or communities are starting to fall apart, what is really important is that mechanisms be established to allow individual community members to express their views freely and make decisions democratically. A democratic society is one that respects the rights of individuals to have differing views and lead different lives.

Nothing is permanent in this world. Rather than merely holding on to traditional institutions, an effort should be made to set forth a new vision for a more democratic rural society.

5-1-2 The concept of "sustainable forest management"

Since commercial logging and other forms of large-scale forest development caused dreadful forest destruction during the Soeharto era, NGOs have tended to conceive of sustainable forest management in terms of traditional forest management by local people. Securing local peoples' rights is a prerequisite for achieving this, and has thus been the focus of activities up to now. However, traditional forest management takes various forms, and NGOs do not necessarily share a common concept of "sustainable forest management." With decentralization gaining momentum, there are villages looking for the right way to use and manage their *Hutan Adat*, or that have regained concessions from HPH projects. Local people will have to find methods of sustainable forest management that are appropriate to their locality. For this reason as well, there is an urgent need to clearly define the concept of sustainable forest management.

5-2 Resolution of land disputes

Resolution of land disputes is essential for achieving sustainable forest management. Overlaps in land classification by the national government (there are contradictions even within the Forestry Ministry), local government bodies, and local people need to be resolved without delay. Two approaches to this can be considered.

5-2-1 Framework for conflict resolution

At the national level, NGOs need to work together with concerned agencies, experts, etc., to develop a framework for conflict resolution as called for in the TAP MPR. There are various types of conflict, and many NGOs are struggling to resolve individual cases in each locality. There is thus an urgent need to establish a framework defining the approaches and processes for conflict resolution.

5-2-2 Promotion of mapping techniques

Mapping is certainly not a panacea, but it provides an extremely important means to document local people's land use patterns and boundaries in a visual form (the map). The existence of maps may also help to prevent conflicts in the future. There is a need to promote mapping techniques among the people.

5-3 Stabilization of forest policy without delay

Though Indonesia may be in a "period of transition" toward decentralization and other reforms, the chaotic state of forest policy due to decentralization has gotten a bit out of hand. If this were due to debate at the government level regarding the approach to sustainable forest management, it would be one thing, but the reality is that the central, provincial, and district governments are having a tug of war over powers and vested interests. The issuance of numerous ministry directives and local ordinances for various motives has made it difficult to grasp what the law really says. Under such circumstances, companies will hesitate to make investments, so economic recovery will be difficult. NGOs, which have networks that can access both the central and local governments, have an extremely important role to play in improving the situation by bringing stability to policy.

In this regard, it is fruitless to merely question the authority and management capability of local governments to approve HPHH concessions, etc., in the way the central government has. This will only result in a negative reaction from local governments, and more confusion. Pressures faced by local governments to secure independent revenue sources (PAD), the need for local governments to support excess public employees after the merger of local offices of central government mini-

[7] The salaries of public employees whose status has changed from national civil servant to local civil servant are due to be paid from general budget allocations (DAU) from the national coffers for the time being, but nonetheless, the burden for local governments has increased.

[8] It is said that the roster of proportional representation candidates is seldom disclosed prior to the election, so that it is not possible to judge individual candidates' qualifications, character, etc., when voting.

stries into local government departments,[7] election of heads of local government indirectly by local councils rather than by direct election, election of local council members by proportional representation,[8] and other aspects not directly related to forest resource management will also have to be considered if a fundamental solution to these problems is to be achieved.

5-4 Rooting out KKN

KKN is one of the root causes of the severe status of forest destruction. Corruption is an everyday affair at every stage, from illegal logging and approval of development projects to the extraction, transport, processing, and export of forest products. "Illegal tax/levy/commission collection" (*pungutan liar*) has become a commonplace word. One American involved in aid to Indonesia for many years told the author that the Forestry Ministry is so corrupt that reform from within is hopeless. Recently, a parliament member created a sensation by stating that nearly 40 percent of general budget allocations to local governments are unaccounted for or misappropriated. An acquaintance working in the Ministry of Home Affairs tells me that this is unfortunately quite believable. It is a very deep-rooted problem. To make things worse, even the courts have lost the trust of the people.

NGOs have been criticizing corruption, but cannot be said to have counteracted it much. Criticisms of "the government" or the "security authorities" (*aparat*, or *okunum*) are common, but it seems that it is seldom pointed out exactly who is involved in corruption, and how it is carried out. This would require collection of evidence and other meticulous work, which may be beyond the capacity of NGOs. But merely appealing for "enforcement of the law" or "increasing transparency" is inadequate to counteract corruption. NGOs need to make use of their networks to take strategic steps against it. On the other hand, there is a need to propose mechanisms for prevention of KKN. There is a tendency to attribute to cultural differences or economic poverty the relative prevalence of corruption in Indonesia as compared to Japan or western countries, but this view is misplaced. The difference is due to internal/external auditing systems, higher likelihood of prosecution, severe penalties, and other measures. There is a need to propose such concrete countermeasures to KKN. Furthermore, it is essential to take new approaches to heighten people's awareness that KKN is unacceptable.

6 Conclusions

NGOs activities are extremely diverse, and it is expected that the role of NGOs will be regarded as even more important in the future. However, achievement of sustainable forest management by local communities will require a long process of fostering democracy not only on the national but also the community level, increasing environmental awareness, as well as monitoring and advocacy for good governance. This will require capacity building and improving the financial stability of NGOs, along with further enhancement of their networks with the involvement of academics and experts as well. On the other hand, local people affected by land disputes are continuing to face unjust pressures from the authorities. NGOs have an important role to play in supporting such local people and monitoring the excesses of the authorities to make sure that such people are not neglected in the process of reform and decentralization.

One of the causes of forest destruction in Indonesia is the huge demand for timber, pulp, palm oil, etc., in markets. Japan and other countries that import timber should be more concerned about what is happening in areas that are being logged, what economic, social, and cultural impacts are felt by local communities, and what environmental destruction is occurring. NGOs in Indonesia have also criticized Japan and other importing countries in Asia for lack of concern regarding these matters. Consumers in European countries have a higher level of awareness, and are calling for certification of imports. However, much of Indonesia's timber is exported to Asian countries. It is said that 90 percent of timber produced in East Kalimantan is exported to Japan, South Korea, China, Malaysia, and other Asian countries (Usher, interview). Indonesia's own ecolabeling/certification system has very stringent requirements, such that only 5 percent of the 375 companies applying for extension of their HPH concessions have obtained certification (*REPUBLIKA*, 6 Dec. 2001).

Consumers in Japan, South Korea, and China can contribute to sustainable forest management in Indonesia by raising their voices against forest destruction in Indonesia.

Appendix 1

List of NGOs mentioned in the report:

AMAN (Aliansi Masyarakat Adat Nusantara), Jakarta
APURA, Yogyakarta
BIKAL, East Kalimantan
ELSAM (Lembaga Studi dan Advokasi Masyarakat), Jakarta
FKKM (Communication Forum on Community Forestry), Yogyakarta
FWI (Forest Watch Indonesia), Bogor
ICEL (Indonesian Center for Environmental Law), Jakarta
Komite HAM-Kaltim, East Kalimantan
KPA (Consortium for Agrarian Reform), Bandung
KpSHK (Consortium for Supporting Community Based Forest System Management), Bogor
LBBPJ (Center for Indigenous People Empowerment), East Kalimantan
Plasma, East Kalimantan
RMI (The Indonesian Institute for Forest and Environment), Bogor
Sawit Watch (NGO Network on oil palm plantation issue), Bogor
SHK-Kaltim, East Kalimantan
TELAPAK INDONESIA, Bogor,
WALHI (Indonesian Environmental Forum), Jakarta
WARSI, Jambi

Yayasan Kemala, Jakarta
Yayasan Padi Indonesia, East Kalimantan
YBH (Legal Aid Institution), Bantaya, Central Sulawesi
YLBHI (Foundation of Indonesian Legal Aid Institute), Jakarta

Appendix 2

Important laws and decrees related to local participation.

1. The Determination of the People's Consultative Assembly No. IX 2001 on Agrarian and Natural Resource Management Reform (TAP MPR IX 2001 tentang Pembaruan Agraria dan Pengelolaan SDA)
2. The Basic Forest Law No.41 1999

Appendix 3

The following people were interviewed while preparing this report (organization names are in parentheses). I wish to express my gratitude to each of them for kindly allowing me to interview them, and for providing valuable materials, documentation, etc. A separate list of NGOs mentioned in the report is also given (see Appendix 1).

Mr. E. Sitorus (Yayasan Kemala), Ms. H. Latipah (RMI), Mr. A. M. Muayat (KpSHK), Mr. Hapusoro and Mr. R.S. Ridzki (Telapak Indonesia), Ms. A. Rina (FWI), Mr. Kadok (LBBPJ), Mr. Nasir and Mr. Nopilus (SHK-Kaltim), Mr. Yan Ngau (Plasma), Ms. Sarmia and Mr. W. Koesnadi (Yayasan Padi), Mr. Mansur (BIKAL), Mr. Rujehan (CSF-UNMUL), Mr. Graham Usher (Natural Resources Management Program), Mr. Bernard Sellato (IRSEA), Mr. H. Nakata (JICA Expert)

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Community Forestry Seen as a Grassroots Movement
—Trends and challenges of NGO activities in Lao PDR—

Satoru MATSUMOTO

Mekong Watch, Japan, Visiting Researcher for IGES Forest Conservation Project

Abstract: There are generally two different perspectives on community forestry. One is the protection of the rights of local people in indigenous forest management. The other is the institutionalization of local forest management in a professional manner. In other words, these perspectives can be interpreted as community forestry as a social movement from the grassroots level and community forestry as a professional formula implemented within a project framework, respectively (Hirsch, 1997). This paper aims to examine the actual application of these dichotomous branches of community forestry in grassroots activities supported by NGOs in Laos, as well as give an overview of the trends in the NGO forest-related projects. Since local NGOs are not allowed to work in Laos, the research targets are international NGOs that have identified themselves as engaging in community forestry activities. Four major fields of NGO activities in community forestry are found: land and forest allocation, capacity building, tree planting, and non-timber forest products. Their objectives are food security, forest conservation, or the alleviation of poverty. Through the review of relevant literature and project documents, and semi-structured interviews with NGO staff, this paper finds that NGOs have utilized governmental initiatives to actualize in participatory ways what local people wish to achieve. On the other hand, some organizations also raise "empowerment of local people" as one of their project objectives. However, they recognize the difficulties in protecting the rights of local people to control their forests when the villagers face conflicts over forest resource use between villages and more powerful stakeholders and call for support from NGOs, while understanding the importance of being involved in the conflict solving process. The challenge for NGOs is how to respond to such voices from the villagers, these voices being the seeds of grassroots movements in Laos.

Key words: community forestry, NGO, participatory forest management, Laos, empowerment.

1 Diverse connotations of participatory forest management

There are many different terms which have been used to connote participatory forest management by local people in Laos, such as community forestry, joint forest management, or village forestry. It is vital to begin with clarification of the terminology, since it has been pointed out that each term differs in its own extent of participation and approach to participatory forest management.

Community forestry was defined very broadly by the Food and Agriculture Organization (FAO) as "any situation which intimately involves local people in a forestry activity" (FAO, 1978). At the January 1992 workshop held in Vientiane on community forestry, jointly organized by the Lao government and an NGO network, community forestry in Laos was interpreted as equivalent to locally -based and customary regimes of forest management (MAF-SAF, 1992). The term "community forestry" is usually used to translate the Lao term *paa mai xao ban* (villager's forest).

Another term to imply a similar meaning is "joint forest management." Generally speaking, it emphasizes collaboration in forest management between the agencies with legal authority over state-owned forests and the people who live in and around those forests (Gilmour and Fisher, 1997). In the context of Laos, the Lao-Swedish Forestry Programme (LSFP), implemented since 1979, making it one of the longest lasting forest sector programs, uses joint forest management to denote the involvement of villagers living within and around the forest in the implementation of the program (Monivong and Muraille, 1997).

The term most recently introduced in Laos is "village forestry," used by the World Bank project called the Forest Management and Conservation Programme (FOMACOP). It is defined as the management of designated forests conducted in partnership between the state and organized villagers to ensure that the flow of benefits are sustained and fairly shared among villages and the rest of the nation (Department of Forestry, 1997).

Daoroung (2000), advisor to the Community Forest Support Unit of the Department of Forestry for three years from the unit's commencement to 1996, examines the uses of various terms. According to her analysis, NGOs use community forestry to emphasize the rights and roles of local people, and recognize the close links with people movement in regard to their own forest, while FOMACOP's term, village forestry, is perceived to be a tool to bring local people into forest management and joint forest management used by the LSFP, focusing on coordination between the state and forest dependent people. Her analysis is reinforced by the Lao government's reluctance to use the term "community forestry" partly due to its prevalent use in Thailand (Department of Forestry 1997), where community forestry emphasizes the history of people's movements. How-

Address: 5F Maruko-bldg., 1-20-6 Higashi-Ueno, Taito-ku, Tokyo, 110-8605, Japan
Tel: +81-3-3832-5034, Fax: +81-3-5818-0520
E-mail: satoru-m@msi.biglobe.ne.jp

ever, as described later in this paper, all NGOs in Laos do not necessarily use the term "community forestry."

2 Dichotomy of community forestry

It is not only in Laos where there is a jumble of terminology related to participatory forest management. In this light, it is commonly understood that community forestry has two polar branches: to protect or elaborate on the rights of local people in their indigenous forest management; and to institutionalize or professionalize local forest management (Hirsch, 1997; Daoroung, 2000; Carter 1999). This dichotomy brings forth the apparent difference that the former may not require any projects or programs from outside but necessitates strong incentives and movement from the communities or grassroots, while the latter must be materialized by initiatives of some projects or programs which may be initiated by outsiders. The need to distinguish community forestry as a social movement and community forestry as a professional formula implemented within a project framework should be constantly kept in mind (Hirsch, 1997).

On the one hand, despite the variety in terminology and the dichotomy in the term "community forestry" itself, there are some widely recognized implications of community forestry found in several commonalities in the terms. These include recognition of the significant roles of local people, the legitimate rights of local people, and a certain level of local participation (Gilmour and Fisher, 1997). On the other hand, there is some apprehension that institutionalized or legalized community forestry as an official acceptance of local rights to manage forest means the professional and institutional co-optation of a grassroots movement for community empowerment (Hirsch, 1997).

In the context of Laos, it is often said that there is no grassroots movement in the country, where the communist party has been the sole power since 1975 and freedom of expression to criticize the government policies is restricted in practice. However, it is too simplistic to deny the existence of any social movement at the grassroots level because there are some reports of local criticism against a governmental exploitation of local natural resources (Tubtim *et al.*, 1996).

In this paper, community forestry is used as a term to cover the above-mentioned common features with careful attention to local perspectives, including indigenous formulas for forest management and the nature of grassroots movements. Although community forestry does not necessarily include collaboration with the government in forest management, in practice it is unrealistic to ignore government-driven initiatives. Brown (1999 in Carter, 1999) summarizes the local perspectives which are motivating factors for collaboration with governments as: securing tenure and rights of resource use by local people; sustainable and long term production; distribution of assets; local decision-making; and empowerment or control over forest management.

3 Research scope and method

Where does community forestry in Laos emanate from and where will it lead? In response to this question, this paper gives an overview of the trends and current activities of international NGOs in community forestry, and focuses on their role in this field in Laos, where local NGOs are currently not allowed to work. Presumably, there are two different roles for NGOs to play in promoting community forestry in Laos. In a situation where there is official pressure to involve local people in forest management, referred to by whatever name the government uses, NGOs can utilize such governmental initiatives to actualize what the local people wish to achieve. The other presumable but more difficult role is to support "grassroots movements" by local people taking initiatives to retain or secure community rights to control forest resources. In this sense, it is worthwhile to explore the application of the concept of participation in the activities of NGOs.

The research is based on a review of literature on community forestry, project documents of target NGOs, forestry policy papers of the Lao government, and semi-structured interviews with relevant NGO staff working on community forestry activities in Laos. According to the latest NGO Directory (The NGO Directory Committee, 2000), there are nine NGOs currently engaged in activities related to community forestry, namely, Community Aid Abroad (CAA), CUSO, German Agro Action (GAA), Green Life Association, Mennonite Central Committee (MCC), Japan International Volunteer Center (JVC), ZOA, World Concern, and World Vision. The Directory lists NGOs involved in community forestry based on responses to a questionnaire. Therefore, the nine NGOs are those that chose community forestry as a sector in which they have a project.

Among the nine NGOs, the targeted staff of World Vision, World Concern, and the Green Life Association were not available for interviews with the author during his 10-day stay in Vientiane in August 2001, while the rest were interviewed for this research. In addition, though not listed in the NGO Directory, the author was able to study documents of NGO networks dealing with community forestry—the Sustainable Agriculture Forum (SAF) and the International Union for Conservation of Nature (IUCN), which have done extensive research on community forestry.

4 From where? Community forestry in Laos

There is no doubt that customary regimes of forest management have been present in most rural communities in Laos for centuries without being labeled as community forestry. It was in 1991-92 that community forestry first appeared in governmental programs. In 1991, the government adopted recommendations of the international donors-driven Tropical Forest Action Plan

(TFAP), which has been criticized by many NGOs and people's organizations for supporting commercial forestry and wood-based industries over the needs and rights of forest dwellers (Colchester and Lohman 1990 in Daoroung, 2000). On the other hand, the Vientiane-based international NGO network on natural resource issues, the Sustainable Agriculture Forum (SAF), and the Department of Forestry collaborated to organize the National Workshop on Community Forest in January 1992 in Vientiane. In this sense, it can be said that community forestry in Laos emanates from the counterargument against the institutionalization of community-oriented forest management.

It is also interesting to examine the progress of each initiative.

The joint National Workshop was followed by a series of research activities and the establishment of the Community Forestry Project in 1993. The Community Forestry Project aimed to collect information about village-based forest management and villagers' use of forest resources, while helping to train and support government officials and villagers at the different administrative levels. The project was initiated with the cooperation of the Canadian development organization, CUSO, and the Japan International Volunteer Center (JVC). In order to serve as an implementation and coordination agency, the Department of Forestry established a new division called the Community Forestry Support Unit (CFSU) in 1993.

The adoption of the recommendations of the TFAP led to the formulation of relevant decrees and laws. The Prime Minister's Decree No.169/PM articulated the state's acknowledgement of the rights of villagers over the use of forests and non-timber forest products (NTFPs) in accordance with villages' regulations: this decree was replaced by the Forestry Law in 1996 (Tsechalicha and Gilmour 2000). However, Daoroung (2000) critically analyzes the formulation of legal frameworks to control forests explaining that "[a] s a result, the Law, if compared with the previous smaller framework such as Provision 0429/MF, can be very different and is likely to be interpreted as ignoring to clarify the rights of people" (*ibid*. 148).

Land and forest allocation (LFA) then emerged as one of the practical products of the development of the legal framework, and it has had significant influence on community forestry in Laos. The most crucial part of LFA is its demarcation of village boundaries and allocation of forests and non-forest lands to village authorities and villagers. Forests are normally categorized as protection, conservation, production, regeneration, and degraded forests. The degraded forests or the lands which belong to no-one are allocated to villagers. This policy has been implemented as a part of the National Program for Shifting Cultivation Stabilization. It explicates that the government urge local governments to promote LFA in order to protect forests from shifting cultivation and to encourage shifting cultivators to engage in lowland agriculture, even though it is widely recognized as one of the indigenous formulas of local forest management. In terms of community forestry, as cited in Section 2 of this paper, since securing tenure and rights to resource use by local people are key motivational elements for local people to collaborate with government-initiated programs, LFA has had the greatest impact on community forestry activities supported by NGOs in Laos.

5 NGO activities in Lao PDR

Although freedom of association is guaranteed by the constitution, local NGOs are not allowed to be established in Laos due to the lack of procedural regulations. There is one *de facto* local NGO called the Participatory Development Training Center (PADETC), but it is registered as a private, non-formal education institution at the Ministry of Education.

The Lao government promulgated the Decree of the Prime Minister on the Administration of Non-Governmental Organizations (NGOs) in the Lao PDR, dated 28 April 1998, and followed by issuing Guidelines for the Implementation of the Decree by the Ministry of Foreign Affairs on 8 July 1999. According to the decree and guidelines, the authority to permit NGOs to operate in Laos belongs to the Ministry of Foreign Affairs, and they do not contain any provisions for registration of local or Lao NGOs.

The clauses which discourage most NGOs are the minimum budgetary requirements for conducting activities in Laos. There are two categories of NGO status: representative office and project office. To be allowed to open representative offices, projects are required to be budgeted for a minimum of U.S.$ 500,000 per project, excluding salaries, office and travel expenditures, and insurance. Even in the case of project offices, the required minimum expense is U.S.$ 100,000 per annum at the central level and U.S.$ 30,000 at the local level. This budgetary condition is not actually applied to the screening of NGO registrations at the moment. However, these requirements may lead NGOs to inflate their budgets with budget-eating activities or by providing materials and services.

The other specific feature of NGO activities in Laos is the relationship with the government. In general, whenever NGOs visit project areas, especially villages, they are accompanied by government officials who usually have counterparts in local authorities. This situation sometimes creates difficulties in terms of time arrangements or authoritarian attitudes. Merits, however, can also be found, because close contact with relevant government agencies creates certain political spaces to influence policies based on the outcomes of grassroots activities.

6 Community forestry activities of NGOs

In this section, six international NGOs and one NGO network working on community forestry in Laos are examined. The Mennonite Central Committee (MCC), German Agro Action (GAA), and ZOA have operated projects in the northern provinces; the Japan International Volunteer Center (JVC) in the central province; and Community Aid Abroad (CAA), CUSO, and GAA in the southern provinces.

6-1 Community Aid Abroad[1]

The first activity related to community forestry was a training workshop held at the end of 1995 for government officials and village headmen in the Vangvieng district of Vientiane Province, followed by discussions on community forestry among major stakeholders, both in the village and the district, and a forestry survey using the Participatory Rural Appraisals (PRA). At that time, Community Aid Abroad (CAA) was involved in only one village in the district. Through this process, CAA supported three families in the village to obtain legalized rights for access to and use of one hectare of arable community land for establishing an integrated orchard garden. As a result, these families could generate additional incomes and ensure a certain level of food security. It led to the implementation of LFA in the village and encouraged the district authority to implement the community forestry plan in another location adjacent to this village in 1997, because the local government appreciated the positive impacts in the village supported by CAA.

Based on the request of the Thateng district authority in Sekong Province, a similar process was preceded, including discussion among concerned stakeholders and a village survey on community forestry, and three villages in Thateng district implemented LFA to set up a community forest area, a village forest committee, and the necessary regulations in 1997.

Following initial positive outcomes through ad hoc community forestry activities in both Vientiane and Sekong Provinces, CAA began a new project called the Community Forestry and Plant Genetic Conservation Project in two districts of these provinces, with objectives to alleviate material manifestations of poverty and to empower local communities and local authorities. The major activities were as follows (Community Aid Abroad, 2001):

- supporting LFA in two villages in the Vangvieng district to manage the watershed important for local irrigation and water supply, and to reduce slash-and-burn cultivation by the Kmu ethnic group through allocating land to poor families and supporting their production;
- a study trip on community forestry inside and outside the country for villagers and local government officials;
- planting seedlings of native hardwood tree species in the degraded forests of the villages on the occasion of National Arbor Day, based on the discussions of the village committees of the three target villages in the Vangvieng district.

The reason why CAA expanded their LFA support to the other two villages in the Vangvieng district is that there was increased logging pressure from the villages adjacent to the first village, and villagers recognized the urgent necessity to involve neighboring villages in their community forestry activities.

The risks and constraints that CAA and villagers face in Sekong province are large-scale logging activities and drastic population growth associated with a government resettlement program. For instance, CAA's official district counterpart emphasizes the importance of forest conservation when he visits project villages with CAA staff, but also comes to the same villages with logging companies to exploit community forests. It creates distrust among villagers against local officials and suspicion against the benefits of the project. Furthermore, logging pressures tempt village volunteers in charge of forestry to seek short-term profits from logging.

6-2 CUSO[2]

From mid-1993 to April 2000, CUSO coordinated the Community Forest Support Unit (CFSU), a governmental body working on community forestry. CFSU was the product of a government-NGO collaboration to implement an action research and training program based on the conclusion of the National Workshop on Community Forest, held in January 1992 (Pahlman 1993 in Daoroung, 2000). However, CUSO decided to terminate its support for CFSU, because the Department of Forestry submitted a budget proposal of U.S.$ 250,000 to the Ministry of Foreign Affairs without CUSO's approval. CUSO assumes that the Department of Forestry feels that NGO projects are not necessary when it has a donor project with a huge budget like FOMACOP.

In mid-2000, CUSO commenced a new project called the Sustainable Integrated Agriculture and Forestry Project (SIAF) in two southern provinces, Sekong and Saravan. The project covers 35 villages in four districts. Forest conservation is one component of this project. CUSO expects that the villagers will develop a sense of ownership and become self-reliant in management activities, and in the conservation and protection of natural resources. In order to reach the objectives, major activities being prepared include

- providing information/knowledge on forest con-

[1] Interview with Mr. Sengthong Vongsakid, Project Manager of CAA Laos, in Vientiane on 10 August 2001.

[2] The project coordinator was away during the stay of the author in Vientiane. Therefore, this section is based on an interview with Mr. Wayne Brook, Country Representative of CUSO Laos, in Vientiane on 6 August 2001.

servation and communication equipment to the villagers;
- training village forestry volunteers and villagers on forest conservation;
- organizing workshops to exchange experiences and to establish regulation on participatory sustainable use of forest resources and forest products;
- supporting LFA for the sake of management and utilization by villagers;
- awareness-building of natural resource conservation.

In the first year of SIAF, CUSO focused on providing training to provincial and district officials and village committee members in various techniques, including participatory extension, project management, and micro-credit. Small-scale village-based projects were just started in mid-2001. Non-timber forest products (NTFP) is one of the key areas in its community forestry component. CUSO intends to support the securing of NTFPs for food security, traditional herbal medicines, and small income generation. Even though land and forest allocation (LFA) is described in the project outline as a target activity, CUSO still doubts if LFA is the right way to accomplish its objectives, while it admits the importance of villagers being able to manage their forests by themselves.

6-3 German Agro Action[3]

German Agro Action (GAA) began the Community Development for Conservation Project in the Phu Xiang Thong National Biodiversity Conservation Area (NBCA) in 1998 and in the Xe Ban Nouan NBCA in 2001. Both are located in southern Laos. In the Phu Xiang Thong NBCA, the number of target villages was 25 during its first phase (1998-2001) and is now 34 in its second phase (2001-).[4]

As described in the project's name, GAA has placed much emphasis on community development as a means to achieve forest conservation. A short evaluation after the first phase corroborated its positive impacts on food security through the introduction of natural composts and bio-pesticides. While the target increase of rice production during the first phase was 25 percent, the actual increase reached 40 percent. Agricultural production was diversified by promoting integrated farming with fishponds and vegetable gardens. Agricultural development contributed to encouraging villagers to engage in farming and reduced the opportunities and need for villagers to enter into the National Biodiversity Conservation Area (NBCA) forests.

The second phase is placing more attention on non-timber forest products (NTFPs). The project focuses on identifying which NTFPs villagers have taken from forests and used for their own livelihood. Resource-use sketches include which NTFPs are available in each season. Three Laotian staff of GAA supervise the activities implemented by local officials. Based on the results from the resource-use sketches, user groups to conserve NTFPs will be organized. The project established a steering committee consisting of key officials from relevant local authorities. The committee has permitted villagers to extract NTFPs from NBCAs.

GAA does not intend to support LFA, because it is government-initiated and too mechanical, with little discussion with villagers. In some cases, legally identified forests are not actually forests. In addition, as a part of LFA, the law requires establishing a village development plan, but the government cannot allocate enough funds for the plan. GAA understands that LFA is correct in principle but contains many problems related to its methods and processes.

Training in agricultural techniques and PRA are also included in GAA's project activities. GAA understands that agriculture and human resource development are imperative to promote forest conservation.

6-4 Japan International Volunteer Center[5]

The Japan International Volunteer Center (JVC) was the first NGO to begin community forestry projects in Laos (in 1992). Since 1996, a community forestry component has been a part of the Integrated Agriculture and Forestry Project in the five districts of central Laos, Khammouane Province. JVC has worked in 25 villages and has four major activities related to forestry as listed below.

- Supporting the LFA process to transfer rights to manage forests within village boundaries
- Supporting villagers to be able to deal with company-initiated development activities inside village boundaries
- Building capacity of district and provincial officials and village forestry volunteers who have worked as key persons to promote community forestry activities at the village level
- Exchanging information and experiences with other forestry projects both inside and outside the country

In its assistance to the LFA process, JVC is concerned about the appropriate allocation of agricultural land to landless people, although they believe that LFA itself is not the work of NGOs but that of the government. One of JVC's activities, highly appreciated by other NGOs and the government, is the participatory and time-consuming method it uses in the LFA implementation

[3] Interview with Mr. Manfred Back, Project Advisor of GAA, in Vientiane on 7 August 2001

[4] GAA has another project related to community forestry in Oudomxay province. However, the project staff were not available for an interview during the author's visit to Vientiane in August 2001.

[5] Interview with Mr. Akira Miyoshi, Country Director of JVC Laos, in Vientiane on 2 August 2001.

process, utilizing visual materials so that villagers understand LFA's processes and significance to their lives. The major objective of the community forestry component of the project is to establish villagers' legalized rights to manage and use their forests, and JVC strives to make the legalized rights substantial in reality, not just on paper.

JVC recognizes two crucial challenges. One is use of production forests after LFA. In one village, they did not understand the logging situation in the village production forest, and in another village, villagers cut five trees in the village protection forest when they could not satisfy their needs with resources available in the production forest. The other challenge is how to deal with interventions from outsiders, such as a cement factory built adjacent to village-protected forests or military agriculture land established in an allocated village forest.

6-5 Mennonite Central Committee[6]

The Mennonite Central Committee (MCC) began community forestry activities in 1994 to support LFA in northern Laos in 12 villages of Phongsaly Province and 16 villages of Huaphan Province (Daoroung 1997). Community forestry is a component of the Integrated Rural Development Project in these two provinces that was implemented from 1993 until October 2001, when the project was completed.

The objective of forestry activities is to reduce the use of slash-and-burn cultivation. MCC has supported tree planting and promoted alternative occupations to upland rice farming, which include technical training and providing seeds. Supporting traditional irrigation is also an activity relevant to forest conservation.

Apart from material support, MCC, in the process of LFA, cooperated with the district authority to solve disputes over boundaries between villages.

6-6 ZOA[7]

ZOA completed its three-year contract with the government for the Forest Conservation and Rural Development Project in mid-2001. The project was divided into three components: developing sustainable agriculture and livelihood systems; enabling the communities to manage, conserve, and rehabilitate local forest resources in sustainable manners; and enhancing the capacity of project staff, government counterparts, and villagers. A total of 17 villages in two districts in two northern provinces, namely, Xieng Khouang Province and Luang Namtha Province, were involved in the project from April 1998 until June 2001.

Since ZOA has worked for many years to support reintegration processes for repatriates who were in exile from Laos during or after the Indochina War due to various reasons and community development in surrounding villages, there are many Hmong ethnic people in their project area.

The major activities related to community forestry were as follows (ZOA 2001):

- training Village Forestry Volunteers to enable them to take leading roles beyond their past mandates, which included doing paperwork for cutting firewood and timber;
- land allocation and village forestry, applying the participatory approach to planning and implementation developed by the German aid agency, GTZ, through the Nam Ngum Watershed Management and Conservation Project (NAWACOP);
- development of tree nurseries at the village level and supporting credit for income generation;
- tree planting trees for firewood and lumber in the villagers' gardens or village woodlots;
- protection from forest fire by establishing firebreaks.

Due to geographical conditions in which forests in Xieng Khouang were destroyed by bombing and war during the 1960s to 70s, ZOA emphasized the significance of tree planting in order to secure necessary fuelwood and domestic demand for lumber.

ZOA perceived villagers in the project area to be major contributors to deforestation by their unsustainable forest use. They began to assist with LFA because of their belief that land titles and a feeling of ownership would promote more sustainable forest use and management.

6-7 Sustainable Agriculture Forum[8]

The Sustainable Agriculture Forum (SAF) is a network of international NGOs working in Laos, which was established in March 1991. Its objective is to promote sustainable agriculture, rural development, and community forestry. At present, SAF is comprised of 25 member organizations, including all the NGOs mentioned in this paper.

In the past few years, SAF has coordinated exchange workshops on community forestry. Several NGOs have participated in a series of workshops to exchange experiences on community forestry activities, and a staff member of the regional environmental NGO based in Thailand, TERRA, has taken a role as a resource person. The participants learn lessons regarding the slash-and-burn agriculture of ethnic groups in Thailand or experiences in community forestry and LFA in Laos.

[6] Interview with Ms. Bounchan Khammoungkhoun, Project Coordinator of MCC Laos, in Vientiane on 7 August 2001.

[7] Interview with Mr. Kennedy O. Cruz, Project Manager of ZOA Laos in Vientiane on 6 August 2001.

[8] Interview with Mr. Khammalounla Lexayavong, SAF Coordinator, in Vientiane on 6 August 2001.

7 Trends in analyses of NGO community forestry activities in Laos

On the basis of the information about community forestry activities operated with support from international NGOs in Laos, it is evident that community forestry is a component of integrated projects. In particular, the integration comprises the three basic fields of activity of agriculture, forestry, and human resource development. With respect to community forestry, four major activities are found: LFA, capacity building, tree planting, and NTFPs.

7-1 Land and forest allocation (LFA)

Except for GAA, five organizations support the process of LFA to some degree. They are concerned with reduction of slash-and-burn cultivation (CAA, MCC); protection of watersheds (CAA); ensuring the rights of villagers to manage and use village forests (CAA, CUSO, JVC, ZOA); allocation of arable lands to poor families (CAA, JVC); resolution of conflict over forest resource use among neighboring villages (CAA, JVC, MCC); or application of participatory methods for the LFA process (JVC, ZOA).

In regard to establishing legitimate rights of local people to manage forests, support for LFA is apparently relevant to community forestry. However, as the country representative of CUSO Laos explained, there is a degree of suspicion of LFA's actual effectiveness to ensure such rights of villagers. Similarly, the advisor of GAA Laos raised the question about how LFA is promoted, although he believes in its significance. The research outcome encourages us to revisit the question raised by Hirsch: whether institutionalized or legalized community forestry as an official acceptance of local rights to manage forests means the professional and institutional co-optation of grassroots movements for community empowerment. An analysis will be conducted in the final section.

7-2 Capacity building

All of the six NGOs regard capacity building or human resource development as a crucial element of their activities. Their targets are villagers, including forest volunteers, and local government officials at district and provincial levels. Major activities are training of village forest volunteers, study tours inside and outside the country, sharing experiences, and technical training for plantation and participatory development skills.

Training of village forest volunteers, who are officially appointed as villagers responsible for village forest management, is one of the key activities. It is also a very common approach among NGOs in Laos to develop their grassroots activities on centering village-based unpaid individuals who are usually authorized by village committees. While they are recognized as indispensable to NGO activities at a village level, a few NGOs face similar difficulties in "training" them to honor all the responsibilities of their activities. For example, a village forest volunteer has a responsibility to monitor authorized logging and investigate if logging activity complies with village regulations and takes place in village production forests. CAA is concerned that village forest volunteers, in some cases, overlook illegal logging inside village protection forests because of "remuneration" from logging companies or local officials. JVC is also considering replacing or re-educating its village forest volunteers.

Another common feature of capacity building is training for local government officials. Since all NGOs are to visit and work in villages with local counterparts in Laos, all NGOs go to great lengths to make the greatest effort to make them understand the concepts behind each project in order to obtain their support. However, in the case of community forestry activities, as described in Section 6-1, local counterparts are often responsible for managing logging concessions and even logging practices at the village level. This is closely linked with the difficulties related to village forest volunteers.

7-3 Tree plantations

CAA, MCC, and ZOA support tree planting as a part of forest conservation activities and as a means to address deforestation. They have never defined common causes, neither proximate nor underlying, but have indicated some of the factors of deforestation in their project areas, such as slash-and-burn cultivation (CAA, MCC), population growth induced by governmental resettlement plans (CAA), and war (ZOA). Causes may highly depend on the social and historical conditions of each local situation. In terms of community forestry, two aspects should be raised here. One is incentives for villagers and the other is the meaning of the local right over forests.

Regarding the former aspect, ZOA's evaluation report states, "In 2001 most farmers however did not want to continue the tree nursery activity. They consider the activity too labor intensive, while trees can only be sold for low prices" (ZOA, 2001; page 8). On the contrary, it reports the success of tree planting in woodlots for firewood and lumber for domestic use. This case indicates the difficulties which villagers have in planting trees for commercial purposes as opposed to domestic demands, though it is too simplistic to generalize on the basis of this one case.

On the latter aspect, the project manager of CAA explained one of the reasons for promoting tree planting as, "It is impossible for villagers and NGOs to criticize private companies or local government who execute logging in the project area. But unless we do something, villagers will only lose their forest resources in vain. The sole way in which we can help villagers is by planting trees to restore lost forest resources, not to act against companies or government."[9] Similar constraints

[9] Interview with Mr. Sengthong Vongsakid.

have been reported by JVC in relation to other types of development initiatives by companies and government. This issue will be discussed in the last section.

7-4 Non-timber forest products (NTFPs)

All NGOs interviewed recognize the importance of NTFPs, although specific projects are supported by only two organizations. CUSO's concerns about NTFPs are mainly for food security and herbal medicines for domestic use. Little attention is paid to income generation at present. GAA's activities more or less emphasize research on seasonal resource use of NTFPs to identify actual utilization. JVC is also considering involvement in NTFPs as a major element for community forestry activities in terms of effective use of production forests.

Though more related to timber than NTFPs, it may be noteworthy that no NGOs at present show any interest in working on the so-called "village forestry" named by the World Bank FOMACOP. "Village forestry" encourages villages to earn economic benefits from logging for their own village development activities. The interviews with NGOs indicate that community forestry activities of NGOs with respect to NTFPs or village forests are still limited to assessing the local situation and supporting small activities for food security or domestic demands. It is partially because securing markets was difficult and partially because commercial use of NTFPs extracted from natural forests was not officially permitted. However, the Regulation on the Management of Village Forests (No. 0535/AF. 2001) was promulgated on 18 June 2001. It prescribes that "Forestry produces may be gathered from natural forests for commercial purposes, such as mushrooms, bamboo shoots, sticklack, benzoin, cardamom, palm fruit and others to generate additional household revenues" (Article 8). The impact of this new regulation has not been predicted yet, but it is certain that a door was opened to encourage villagers to sell NTFPs for commercial use.

8 Participatory forest management in the Lao context

Participation is a complex process and analyzing important documents related to participation in Laos is beyond the scope of this paper. At the same time, it is a fundamental fact that a significant element of community forestry is participation by local people, and it must inevitably be taken into consideration. To achieve the aim to overview the trends and current activities of NGOs in community forestry, this section introduces representative concepts or perceptions of participation that are used in the forestry sector of Laos, based on a review of relevant literature.

One set of guidelines and two manuals to promote participation in the forestry sector are examined: Public Involvement—Guidelines for Natural Resource Development Projects (United Nations Development Programme, 1997); A Manager's Guide to Protected Area Management in Lao PDR (Department of Forestry, 2000); and Field Manual of Participatory Village Forest Assessment and Planning (Makarabhirom and Raintree, 1999).

8-1 Public Involvement

These guidelines were developed by the United Nations Development Programme (UNDP) based on the lessons learned from experiences in applying public consultation and participation techniques to a large-scale hydro power development project in Laos. Public involvement is defined as "a process through which the views of all interested parties (stakeholders) are integrated in to project decision-making" (United Nations Development Programme, 1997; page 1). The guideline introduces four levels of public involvement which are recognized by the World Bank and other international donor agencies.

Level 1 — Information gathering: information flow from stakeholders to project developers
Level 2 — Information dissemination: information flow from project developers to stakeholders
Level 3 — Consultation: information flow in two ways
Level 4 — Participation: responsibility sharing among shareholders

The guidelines are divided into three stages: planning for public involvement, implementing public involvement, and post-decision public involvement. They explicate the key activities, responsibilities of relevant stakeholders, and tools/techniques in each stage.

8-2 "A Manager's Guide to Protected Area Management"

This is a 200-page guide both in English and Lao for "participatory management workers" in protected area management, developed in association with the Netherlands/IUCN Biodiversity Conservation Project, LSFP, and IUCN Laos. Chapter 4 of the guide explains how to promote participatory land use planning and management. It explains what protected area managers should do in each stage—village classification; preliminary village visit; village data collection; boundary delineation; land-use zoning; conservation management agreements; village conservation activities; fire management; information management related to land-use planning; and monitoring village visits. Even though the guide introduces the significance of participatory management with "Co-management requires secure land tenure at the individual and community levels" (Department of Forestry, 2000: Unit 4.1 p 2), the perceptions are managerial in orientation. It explicitly describes appropriate skills required of "participatory management workers" as follows:

- facilitate events and strategies to improve law enforcement, and to make changes in land and resource use;
- ask the right questions to get information on resource uses and problems;

- collect, analyze, and publicize information about land and resource use in and around the protected area; and
- motivate local people to adopt new patterns of land and resource use in some areas, and to completely protect other areas.

It is apparent that these skills do not include any indications related to information provision to villagers, two-way communication, or equal and equitable decision-making on protected area management.

8-3 "Field Manual of Participatory Village Forest Assessment and Planning"

Unlike the two above-mentioned guides, this one was developed to assist mainly field officials from district and provincial governments in charge of agriculture and forestry. It suggests four stages. The first is a village meeting, in which information flow is from villagers to officials. The second stage is field data collection, in which information mainly flows from villagers to officials but partial feedback to villagers is recommended. The third stage is developing a village forestry management plan, and the final stage is finalizing the plan, in which the communication is proposed to go two ways in a consultative manner. This manual also contains a lot of example sheets for local officials to fill in.

8-4 Analysis

While the first guideline contains diverse aspects of participation, including concepts, activities, and tools, the latter two guides are of a very managerial orientation. One may say that the nature of guidelines and manuals are normally managerially-oriented since they should be written in a manner in which project managers or field officials can use them. However, without sufficient understanding of concepts or with different perceptions about participation, attitudes of practitioners would be more mechanical by just following given guidance.

Another feature is that there is no linkage between these guidelines and manuals. In particular, the first guidelines on public involvement are not referred to by the other two newer documents. It is important to compile theoretical and practical knowledge to develop more sophisticated directions.

The third point is that none of three touches on how to deal with conflicts over forest resource use or land use among villages or different stakeholders. Even though these guidelines and manuals emphasize the rights of local people in principle, there are no descriptions about how to protect such rights from any kinds of conflict.

9 Conclusions: challenges in community forestry in Laos

It is difficult to apply the analysis of Section 8 for actual activities of NGOs, since no fieldwork was conducted for this research. To the extent examined through documents and interviews, all of the target NGOs respect two-way communication and consultation with local people for project planning and implementation. On the other hand, they recognize some difficulties in communication and participatory decision-making due to the relatively negative participation of women and cultural barriers of ethnic groups.

Recall that two hypothetical roles of NGOs in community forestry, discussed earlier in this paper, are to utilize governmental initiatives to realize what the local people wish to achieve; and to work for a grassroots movement of local people who advocate retaining or securing community rights to control forest resources by their own initiatives. In conclusion, this final section explores whether these roles are being played by NGOs or not; if they are, how? If they are not, why not? What are the challenges in community forestry in Laos?

In Section 2, four perspectives for collaborative forest management between grassroots people and government agencies introduced by Brown were cited: securing tenure and rights to resource use by local people; sustainable and long term production; distribution of assets; local decision-making; and empowerment or control over forest management. Applied to NGO activities in Laos, the first perspective is equivalent to LFA, the second is to various development initiatives including agriculture support or tree planting in which the government is willing to get NGOs involved, and the third is allocation of arable lands to poor families. In this sense, it can be said that NGOs in Laos use governmental initiatives to realize what the local people wish to achieve.

The fourth perspective, local decision-making and empowerment, is related to the latter hypothetical role of NGOs and is closely linked with the remaining question raised in Section 7. That is "whether institutionalized or legalized community forestry as an official acceptance of local rights to manage forest means the professional and institutional co-optation of grassroots movements for community empowerment." In respect to constraints pointed out by CAA and JVC, more or less, seeds of grassroots movements can be found. JVC has faced claims by people in villages where forest allocation was completed about a plan to construct an agriculture station in the village's protection and production forests and, in another village, about a plan to construct a cement factory adjacent to village protection forests. CAA also recognizes a constraint connected with logging in village forests. If rights of local people over allocated forests were really ensured by law, such constraints would not be raised. However, while JVC has not conceived any solutions or actions to deal with these issues at the moment, CAA attempts solutions through more training of village forest volunteers to improve their skills and enhance their responsibilities (CAA, 2001). Referring to the second hypothetical role of NGOs, they have a clear intention to work for such grassroots

movements for villagers to take initiatives to control their own forest resources, but concrete outcomes have yet to be seen.

At the same time, apprehension remains about "the professional and institutional co-optation of grassroots movements." If tree plantation activities are developed to compensate for forest resources lost to logging by private companies as cited in Section 7, it may lead to "co-optation" of a local movement.

What is the most difficult hurdle in accomplishing empowerment of local people regarding community forestry? As explained in Section 6-3, GAA supported villagers to be allowed to extract NTFPs that local people need from within NBCAs. This activity can also be another type of empowerment. What is the major difference between this NTFPs case and logging issues?

Gilmour and Fisher (1997) found that the people's movement in community forestry in Nepal emerged after a relatively mature and people-oriented program was established as a government program, and the reason why there was no obvious political pressure was the limited access to relevant forest resources by urban elites. There is no empirical analysis of political pressure on empowerment approaches of NGOs in Laos, but the case of Nepal can imply one possible factor which makes it difficult to empower local people in community forestry in Laos.

It is possible to say that NGOs in Laos have enough experiences and knowledge to utilize government initiatives for the benefit of local people. However, the challenge, which this research identifies, is how they can empower local people or include them at crucial stage in decision-making concerning conflict over forest resource use among villages and more powerful stakeholders, while understanding the political constraints in the country.

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Russia's Local and Financial System

Takafumi NAKAI

Institute for Russian & East European Economic Studies, Japan Association for Trade with Russia & Central-Eastern Europe

Abstract: After the collapse of the Soviet Union, the Russian Federation has been building a new local structure and financial system, entirely different from the old regime. The objective of this study is to describe the general layout of Russia's current regional structure and regional financial system.

Section 1 reviews Russia's local system after the collapse of the Soviet Union. By establishing the Federal Treaty, the Russian Constitution and the Power-Sharing Treaties under the Yeltsin administration (1992-1999), Russia formed the basic framework of a federal state, extending much wider powers to the subjects of the federation compared to the former regime of the Soviet Union. However, Russia's decentralization developed in a very complex and irregular pattern, as a result of strengthening regional powers and the central government's faltering power. New Russian president Putin started the local reforms, striving for "strong state power," using key phrases such as "dictatorship of law" and "vertical line of power." He is currently promoting local system reforms with centralized measures (establishing Federal Districts, weakening regional powers).

Section 2 surveys the regional financial system in the Russian Federation. There are three levels of budgets in the Russian public finance system: federal budget, budgets of the subjects of the federation (regional budget) and local budgets. After the collapse of the Soviet Union, due to the fact that the most critical issues of distribution of tax revenues and fiscal aid between the federation and the subjects of the federation were not strictly stipulated in laws at any level, this issue was decided between the Federal Government and each subject of the federation by way of direct negotiation. Hence, the budget system became disorderly and decentralization advanced in an unregulated manner. The enactment of "the Russian Federal Budget Code" in August 1998 reorganized and clarified the relationship of the three-level budget system.

In addition, it has been difficult for most to grasp the entire picture of the Russian tax system, for such reasons as the abundance of tax categories, frequent introduction and abolition of taxes, repeated modification of tariffs and tax payment procedures, and introduction of individual tax by each subject of the federation and local self-governments. In order to ameliorate the present situation, Russia is still undergoing tax reform.

Key words: Power-sharing treaty, dictatorship of law, vertical line of power, three levels of budgets, Budget Code, fiscal aid.

Introduction

It is important to understand the local financial and government system when considering a participatory approach on Russia. Previously, there has been little analysis on the local system under the subjects of the federation, and studies on the financial system relationship between the central government and the subjects of the federation have only just begun. Under the Putin administration, incentive for local institutional reform geared towards centralization is promoted. The objective of this study is to depict a general layout of Russia's current regional structure and regional financial system.

1 Russia's Local System

1-1 Development of Russia's Local System

1-1-1 From the Soviet Union to the Russian Federation

Following the collapse of the Soviet Union in 1991, Russia succeeded the former the Russia Soviet Federated Socialist Republic territory and became a federation that consists of eighty-nine subjects of the federation. As is generally known, the Russian Federation is a multiethnic state, of which twenty-one republics, ten autonomous areas, and one autonomous region, are ethnically identified subjects of the federation, and mainly composed of non-Russians (non-Russians make up 18.5% of the total population in Russia). On the other hand, the Federation's remaining forty-nine regions, six territories (krai), and the two cities of federal significance are geographically identified subjects of the federation, and mainly composed of Russians. The complexity of the subjects of the federation that range up to six types, and the coexistence of ethnical and geographical identified subjects of the federation is a unique Russian characteristic without parallel in any other federation state (Table 1).

The transition of Russia's new administration is promoted on the basis of three pillars: 1) planned economy to market economy, 2) one-party dictatorship to democracy, and 3) centralization to decentralization. After the collapse of the Soviet Union, decentralization—power-sharing between the central government and the subjects of the federation became Russia's most important policy. At the same time, it is hard to deny that Russia's decentralization developed in the form of a landslide, as a result of strengthening regional powers and the central government's faltering power, and lack of the cen-

Address: 5F Kanayama-Bldg., 1-2-12 Shinkawa, Chuo-ku, Tokyo, 104-0033, Japan
Tel: +81-3-3551-6218, Fax: +81-3-3551-6284
E-mail: nakai@rotobo.or.jp

Table 1 Breakdowns by Subnational Jurisdiction Category.

Ethnically Identified Subnational Jurisdiction			Geographically Identified Subnational Jurisdiction		
Republics	Autonomous Areas	Autonomous Region	Region	Territories (Krai)	Cities of Federal Significance
Karelia	Nenets	Jewish	Arkhangerisk	Krasnodar	St. Petersburg
Komi	Komi-Permyak		Vologda	Stavropol	Moscow
Marii-El	Khanty-Mansi		Murmansk	Altai	
Mordovia	Yamal-Nenets		Leningrad	Krasnoyarsk	
Chuvash	Taimyr		Novgorod	Primorsk	
Kalmykia	Evenk		Pskov	Khabarovsk	
Tatarstan	Ust-Ordynsky Buryat		Bryansk		
Adygeya	Aginsky Buryat		Vladimir		
Dagestan	Chukchi		Ivanovo		
Ingush	Koryak		Kaluga		
Chechnya			Kostroma		
Kabardin-Balkar			Moscow		
Karachayevo-Cherkess			Oryol		
North Ossetia			Ryazan		
Bashkortostan			Smolensk		
Udmurtia			Tver		
Altai			Tula		
Buryatia			Yaroslavl		
Tuva			Kirov		
Khakasia			Nizhny Novgorod		
Sakha (Yakutia)			Belgorod		
			Voronezh		
			Kursk		
			Lipetsk		
			Tambov		
			Astrakhan		
			Volgograd		
			Penza		
			Samara		
			Saratov		
			Ulyanovsk		
			Rostov		
			Kurgan		
			Orenburg		
			Perm		
			Sverdlovsk		
			Chelyabinsk		
			Kemerovo		
			Novosibirsk		
			Omsk		
			Tomsk		
			Tyumen		
			Irkutsk		
			Chita		
			Amur		
			Kamchatka		
			Magadan		
			Sakhalin		
			Kaliningrad		

Source: Author

tral government's effective control, follows the collapse of the Soviet Union. The widening political and economic disparity within the subjects of the federation also had an effect on the power-sharing process with the central government. Consequently, Russia's decentralization and the power-sharing process developed in a very complex and irregular pattern.

1-1-2 The Signing of the Federal Treaty

The "Federal Treaty" was signed on March 31, 1992 and was the first treaty to outline the shared powers between the central government and the subjects of the federation in Russia. (However, Chechnya, declaring itself a sovereign republic, and Tatarstan, claiming its sovereignty with Russia under international law, did not

Table 2 Major Differences of Federal Treaties.

	Republic	Regions (Oblasts), Territories (krai) and cities of federal significances	Autonomous Areas and Regions
Description of the Subunit's Sovreignity	Yes	None	None
General guidelines on the regional administrative and legislative agencies	No policy	Powers reserved for the central government	Powers reserved for the central government
administrative litigations, legislations on labor and family, and legal regulation of intellectual property rights	Joint-jurisdictions with the central government	Powers reserved for the central government	Powers reserved for the central government
Government property classification	Joint-jurisdictions with the central government	Joint-jurisdictions with the subunits in the "protocol"	No policy
Establishing General Guidelines on Tax, commissions	Joint-jurisdictions with the central government	Joint-jurisdictions with the subunits in the "protocol"	Joint-jurisdictions with the central government
Land, sub-surface and water resources property	Property belonging to the republic and the people who live in the region	No Description	No Description
The central government's delegation of authority to the subunits	Mutual agreement by the respective republics	as long as it does not contradict the Russian Constitution or the Federal constitutional Law	by agreement of the autonomous regions
Precedence of Federal Constitutional Law over Joint-Jurisdiction issues	No policy	Federal Constitutional Law applies	Federal Constitutional Law applies

Source: Russian Federation Treaty

sign the Treaty.)

The Federal Treaty outlined power control into three levels of jurisdictions: 1) jurisdiction of the Russian Federation, 2) joint jurisdiction of the Russian Federation and the subjects of the Russian Federation, and 3) residual powers to be exercised primarily by the subjects of the federation. Issues under the jurisdiction of the Russian Federation (political and legislative) are exclusively enforced and imposed legal regulation solely at the federal level, and the subjects of the federation have no authority to adopt legal acts such as state laws or decisions of the state governor. On the other hand, powers to be exercised primarily by the subjects of the federation are the opposite, allowing the subjects of the federation to constitute their own legal acts such as state law or decisions of the state governor, and exercise power without receiving any control from the central government. Joint jurisdiction issues specify for the Federal Constitutional Law to be initially enacted, hence allow the subjects of the federation to impose legal regulation within the framework of the policy, according to its social and economic conditions[1]. In case of discrepancies between laws or other legal acts of the federation and the subjects of the federation regarding joint jurisdiction issues, all other documents would defer to the Federal Constitutional Law.

In the Federal Treaty, issues under control of the jurisdiction of the Russian Federation include; 1) adoption and amendment of the Constitution of the Russian Federation and the Federal Constitutional Law; 2) establishment of federal executive, legislative, and judiciary power system; procedure for the organization and activities thereof; formation of federal bodies of state power; 3) determining the basic principles of federal policy and programs in the field of state structure, the economy, the social and cultural development of the Russian Federation; 4) federal and state property and management thereof; 5) financial, monetary, credit and customs regulation, and guidelines for price policy; 6) foreign policy, international relations and treaties of the Russian Federation; 7) defense and security; 8) nuclear energy and space activities; 9) judicial courts, Prosecutor's Office, and criminal and civil legislation.

Issues under control of the joint jurisdiction of the

[1] For example, legislature on forests is stated as a joint jurisdiction issue of the Federation and subunits, under the Federal Constitutional Law and the new Russian constitution. Following this, the Khabarovsk territory was able to establish the Khabarovsk Territory Forest Law Code (December, 1998) and conduct its own legal regulation, within the framework of the Federal Forest Law Code (January, 1997).

Russian Federation and the subjects of the Russian Federation include; 1) ensuring compliance of the constitutions and laws of the republics, charters, laws, and other regulatory legal acts with the Constitution of the Russian Federation and the Federal Constitutional Law; 2) use and management of natural resources, environmental conservation, and security over ecological safety; 3) questions of education, science and culture; 4) social security; 5) legislation on administrative, land, water, forestry, mineral resources and environmental conservation; 6) establishment of general guidelines of the municipal organizations; 7) implementing measures to combat natural disasters. For any issues not included in the scope of control of the jurisdiction of the Russian Federation and the joint jurisdictions, the subjects of the federation shall exercise the entire spectrum of state power.

By signing the Federal Treaty, Russia formed the basic framework of a federal state, extending much wider powers to the subjects of the federation compared to the former Soviet Union regime, taking a big step towards decentralization.

However the problem arose that the Federal Treaty outlined different powers between the republics, regions, territories, and autonomous areas, namely giving the republics much wider powers. The nationalism movement by the non-Russian population peaked around the end of the U.S.S.R regime, and the power disparity developed as a result of this movement. For example, the Federal Treaty gave the republics "sovereign power" thereby stipulating land, mineral and natural resources, and flora and fauna as "property of the republic and its people", and gave them independent powers over taxation. On the other hand, the regions and the territories were denied such special privileges.

In short, there were unequal political and economic authorities outlined in the Federal Treaty between the republics, and the regions and territories, as a result of the central government giving special consideration to the delicate political situation and background of the ethnically identified republics. On April 10, 1992, at the then-Russian Congress of People's Deputies, the Federal Treaty was ratified containing these problems, and incorporated as an appendix to the Russian Constitution (Old Constitution).

1-1-3 Establishing the New Russian Constitution

As a result of the power inequality defined in the Federal Treaty, frustration rose amongst the regions and territories towards the republics. This led to actions by the regions and territories demanding equal power with that of the republics. The movement peaked during the process of the establishment of the New Russian Constitution in 1993.

1993 saw increasing tension between President Yeltsin and the Russian Parliament (Congress of People's Deputies and the Supreme Soviet); and debates over the "presidency model" and the "parliament model" needed to be settled, with the establishment of the new constitution. During this process, President Yeltsin attempted formulating the constitution by a special constitutional convention an organization outside of the traditional federal assembly, by bringing in the subjects of the federation (regional power) as a third power. However, new points of controversy surfaced, such as the power imbalance between the central government and the subjects of the federation, especially those discriminating powers between the republics, and the regions and territories (krai).

In the process of deliberation, there were conflicting interests between the republics, and the regions and territories. The republics insisted on conserving the Federal Treaty and stipulating "sovereign republic" in the new constitution, whereas the regions and the territories demanded abolishing discrimination of authority between republics, and regions and territories, as well as implementing equality within the subjects of the federation as formulated in the Federal Treaty. On July 12, 1993, the draft of the new constitution was passed by a majority vote. However, many of the republics declared themselves to be against the new constitution draft, such as the republic of Sakha, which cast a negative vote and the republic of Karelia, which abstained from voting. The constitutional convention included such irregularities. Preceding the vote on June 24, the republic of Tatarstan boycotted the convention, insisting its claims were ignored during the process of the discussion.

The violent events in October 1993 were the culmination of the long developing conflict between the President and the Parliament, and ended in Yeltsin's victory. In November, Yeltsin reinforced presidential powers in addition to abolishing special privileges of the republics, declaring all subjects of the federation to have equal powers, in the final draft of the new constitution. The constitution was approved on by referendum vote by 55.2% of Russia's registered voters in concurrence with the State Duma elections December 12, 1993. The constitution provided that in case of discrepancies between the new constitution and the Federal Treaty, all documents would defer to the constitution, and the Federal Treaty was demoted to the status of a subconstitutional document.

In the end, the new constitution corrects the unequal distortions that arose as a result of the Federal Treaty. For example, Article 5 stipulates that all subjects of the federation have equal powers; connoting that all six categories of the subjects of the federation; the republics, regions, territories, cities of federal significance, autonomous areas, and autonomous region, are held to be equal in their legal status, power, and relations with the federal agencies of state power.

1-1-4 Conclusion of the Power-Sharing Treaties

The republics that lost its sovereignty powers due to the establishment of the new constitution showed wide-

Table 3 Shared powers between the federation and the subunits by the Russian Constitution.

Issues under the Jurisdiction of the Russian Federation (Article 71)
1) the adoption and amendment of the Constitution of the Russian Federation and federal laws and supervision over compliance with them 2) the federal structure andterritory of the Russian Federation 3) regulation and protection of the rights and liberties of the human being and citizen; citizenship of the Russian Federation; regulation and protection of the rights of national minorities 4) establishment of the system of federal bodies of legislative, executive and judiciary power, procedure for the organization and activities thereof; formation of federal bodies of state power 5) federal and state property and management thereof 6) determining the basic principles of federal policy and federal programs in the field of state structure, the economy, the environment, and the social, cultural and national development of the Russian Federation 7) establishment of the legal framework for a single market; financial, monetary, credit and customs regulation, emission of money and guidelines for price policy; federal economic services, including federal banks 8) the federal budget; federal taxes and levies; federal land for regional development 9) federal power grids, nuclear energy, fissionable materials; federal transport, railways, information and communications; space activities 10) foreign policy and international relations of the Russian Federation, international treaties of the Russian questions of war and peace 11) external economic relations of the Russian Federation 12) defense and security; defense production; determining procedures for the sale and purchase of arms, ammunition, military hardware and other equipment; production of fissionable materials, toxic substances, narcotics and procedure for the use thereof 13) defining the status and protection of the state border, territorial waters, the air space, the exclusive economic zone and the continental shelf of the Russian Federation 14) law courts; Prosecutor's Office; criminal, criminal-procedural and criminal-executive legislation; amnesty and pardon; civil, civil-procedural and arbitration-procedural legislation; legal regulation of intellectual property 15) federal conflict of laws 16) meteorological service; standards, models, the metric system and time measurement; geodesy and cartography; names of geographical objects; official statistics and accounting 17) state decorations and honorary titles of the Russian Federation 18) federal state service.
Issues Under the Joint Jurisdiction of the Russian Federation and the Subunits (Article 72)
1) ensuring compliance of the constitutions and laws of the republics, charters, laws, and other regulatory legal acts of the territories, regions, federal cities, the autonomous region and autonomous areas with the Constitution of the Russian Federation and the federallaws 2) protection of the rights and freedoms of man and citizen, protection of the rights of ethnic minorities; ensuring legality, law and order, and public safety; border zone regime; 3) issues of the possession, use and management of the land, mineral resources, water and other natural resources 4) delimitation of state property 5) management of natural resources, protection of the environment and ecological safety; specially protected natural reserves; protection of historical and cultural monuments 6) general questions of upbringing, education, science, culture, physical culture and sports 7) coordination of health issues, protection of family, motherhood, fatherhood and childhood; social protection including social security 8) implementing measures to combat catastrophes, natural disasters, epidemics and eliminating consequences thereof 9) establishment of the general guidelines for taxation and levies in the Russian Federation 10) administrative, administrative-procedural, labor, family, housing, land, water and forestry legislation; legislation on the sub-surface and environmental protection 11) cadres of judiciary and law-enforcement agencies; the bar, notariate 12) protection of the original environment and traditional way of life of small ethnic communities 13) establishment of general guidelines of the organization of the system of bodies of state power and local self-government 14) coordination of the international and external economic relations of the subjects of the Russian Federation, compliance with the international treaties of the Russian Federation.
Issues Under the Jurisdiction of the Subunits (Article 73)
Outside of the jurisdiction of the Russian Federation and the joint jurisdiction of the Russian Federation and the subjects of the Russian Federation, the subjects of the Russian Federation shall exercise the entire spectrum of state power.

Source: The Russian Constitution

spread discontent, and increasingly became a factor of instability. Re-stabilizing relationships with the Republic of Tatarstan, one of the subjects of the federation that refused to sign the 1992 Federal Treaty, as well as being the center of separatism together with Chechnya, became a source of urgent concern for Yeltsin. The "Power-Sharing Treaty" was signed as a solution to this problem between the president of Russia and Tatarstan in February 1994. Tatarstan gave up its claim to sovereignty and accepted Russia's taxing authority, in return for Russia's acceptance of Tatar control over land, natural resources and the republic's right to sign economic agreements with other countries. This enabled the central government to normalize its relationship with Tatarstan. Power-sharing treaties became a method applied to strongly nationalist republics, such as Bashkortostan and Kabardin-Balkar.

By 1996, many of the regions and territories had concluded power-sharing treaties, as shown in Table 4. Currently, forty-six of the subjects of the federation have concluded forty-two power-sharing treaties with the central government[2]. May through June of 1996 was a particularly busy time for the conclusion of these treaties. There are three reasons behind the power-sharing treaty rush. First, the regions and territories showed discontent towards the republics that resumed special

Table 4 Conclusion of the Bilateral Treaties.

Concluded	Republics	Concluded	Regions (Oblasts) / Territories (krai)
1994/2/15	Republic of Tatarstan		
1994/7/1	Republic of Kabardino-Balkaria		
1994/8/3	Republic of Bashkortostan		
1995/3/23	Republic of North Ossetia		
1995/6/29	Republic of Sakha (Yakutia)		
1995/8/29	Republic of Buryatia		
1995/10/17	Republic of Udmurtia		
		1996/1/12	Sverdlovsk Region
		1996/1/12	Kaliningrad Region
		1996/1/30	Orenburg Region
		1996/1/30	Krasnodar Territory
1996/3/20	Republic of Komi		
		1996/4/23	Khabarovsk Territory
		1996/5/19	Omsk Region
1996/5/27	Republic of Chuvashia	1996/5/27	Irkutsk Region
			Ust-Ordynsky Buryat Autonomous Area
		1996/5/29	Sakhalin Region
		1996/5/31	Perm Region
			Komi-Permyak Autonomous Area
		1996/6/4	Nizhny Novgorod Region
		1996/6/11	Tver Region
		1996/6/11	Rostov Region
		1996/6/13	Leningrad Region
		1996/6/13	St. Petersburg
		1996/11/29	Altai Territory
		1997/7/4	Bryansk Region
		1997/7/4	Vologda Region
		1997/7/4	Magadan Region
		1997/7/4	Saratov Region
		1997/7/4	Chelyabinsk Region
		1997/8/1	Samara Region
		1997/10/30	Astrakhan Region
		1997/10/30	Kirov Region
		1997/10/30	Murmansk Region
		1997/10/30	Ulyanovsk Region
		1997/10/30	Yaroslavl Region
		1997/11/1	Krasnoyarsk Territory
			Taimyr (Dolgan-Nenets) Autonomous Area, Evenk Autonomous Area
1998/5/20	Republic of Marii El	1998/5/20	Amur Region
		1998/5/20	Voronezh Region
		1998/5/20	Ivanovo Region
		1998/5/20	Kostroma Region
		1998/6/6	Moscow Region

Source: Author

Table 5 Jurisdiction Issues Delegated to the Republics as a Result of the Bilateral Treaties.

	Structure and System of the Republic's Power Agencies	Constitution of the Republic Tax	Issues with the Republic's Use, Possesion and Control of Land, Mineral and Natural	Republic's Right to Sign Economic Agreements with Other Countries
Republic of Tatarstan	○	○	○	○
Republic of Kabardino-Balkar	○	○	×	×
Republic of Bashkortostan	○	○	○	△
Republic of North Ossetia	○	△	△	×
Republic of Sakha (Yakutia)	△	△	×	×
Republic of Buryatia	×	×	×	×
Republic of Udmurtia	×	×	×	×
Republic of Komi	△	△	×	×
Republic of Chuvashia	×	×	×	×
Republic of Marii El	?	?	?	?

Note: ○ refers to issues that were under the reserved jurisdiction of the republic
△ refers to issues under jurisdiction unless inconsistent with the Russian Constitution or the Federal Constitutional Law
× no provisions. Republic of Marii El 's bilateral treaty has not been obtained yet thus unknown
Source: bilateral treaties of each republic

powers by the power-sharing treaties. Second, with the gubernatorial elections by popular vote during 1995 to 1996, starting with the Sverdlovsk region in August 1995, the governors, previously appointed by the president, gained influence and independence from the central government. Finally, and probably the biggest reason was that Yeltsin was using this as a "carrot" for the "horse" for the June 1996 presidential election not too far away. As the presidential campaign developed, the Communist Party of the Russian Federation (Kommunisticheskaya Partiya Rossiyskoy Federatsii: KPRF) candidate Zyuganov emerged as the prime competitor of Yeltsin, when his party acquired many seats in the December 1995 State Duma legislative election. As part of his campaign, Yeltsin asked the newly risen conglomerates for their cooperation in procuring funds, as well as asking the heads of the subjects of the federation for their cooperation in gathering votes. In return, he granted them shared powers through the power-sharing treaties.

When comparing the power-sharing treaties among the republics (especially Tatarstan, Bashkortostan, Kabardin-Balkar, and North Ossetia), and that between the regions or territories, the content vary a great deal.

Specifically, in the power-sharing treaties concluded with the Republics of Tatarstan, Sakha, and Komi, several important matters such as issues under jurisdiction of the Russian Federation (Article 71) and the joint jurisdiction of the Russian Federation and the subjects of the Russian Federation (Article 72), prescribed by the constitution, had been replaced by the jurisdiction of the republics. Table 5 shows examples that should originally have been under the joint jurisdiction of the Russian Federation and the subjects of the Russian Federation. According to the constitution, powers under the jurisdiction of the subjects of the Federation are reserved solely to the subjects of the federation (Article 73). In case of discrepancies in the legal acts of the federation and the subjects of the federation regarding jurisdiction issues, "the legal acts of the subjects of the federation would be held effective". Thus, the subjects of the federation would not be constrained by the federal constitution regarding jurisdiction issues. In particular, the Republics of Tatarstan and Bashkortostan, received far more powers with the conclusion of the power-sharing treaty, than they had with the Federal Treaty.

For the regions and the territories, although there were differences in the extent of their powers stemming from the power-sharing treaties, it was possible to expand discretionary powers within the limits of the joint jurisdictions. The power-sharing treaty allowed the local governments of each region and territory to conclude direct agreements (power-sharing agreements) with the Russian government as well as with the federal ministries and agencies, on issues of joint jurisdiction prescribed in Article 72 of the Russian Constitution or in other treaties[3]. This implicates that the powers are

[2] The following autonomous areas do not have their own bilateral agreements, but instead are included within the regions; 1) Ust-Ordynsky Buryat Autonomous Area is included in the Irkutsk Region, 2) Komi-Permyak Autonomous Area is included in the Perm Region, 3) Taimyr and Evenk Autonomous Areas are included in the Krasnoyarsk Region.

[3] For example, in the Khabarovsk territory, the bilateral agreements were concluded for the following eleven areas with the central government on April 23, 1996 along with the bilateral treaties; 1) possession, use and disposal of land; 2) use and management of water facilities; 3) legal guarantees and the maintenance and security of general order; 4) developmental issues in the far northern region within the territory; 5) fiscal budget; 6) development and practical use of mineral resources within territorial waters; 7) agriculture; 8) tele-communication; 9) fuel energy; 10) arms industry; 11) public health and prevention of epidemics.

divided through direct negotiations with the central government and the federal ministries and agencies on issues of vital importance for the regions and territories such as natural resources, taxing authority, and the right to sign economic agreements with other countries. Political power of the local leader or the economic powers of the subunit are important factors in power sharing based on direct negotiations. Sometimes, a political situation such as the presidential or State Duma election also has influence. Using such factors, the subjects of the federation sought to procure more power by working with the president and the central government.

However, there is no doubt that the inequality of powers between certain republics, such as the Republics of Tatarstan, Bashkortostan, and Sakha, and the other regions and territories resurfaced in the power-sharing treaty conclusion process.

1-2 State of Reform Under the Putin Administration (Focusing on the Federation and the Subjects of the Federation)

1-2-1 From Yeltsin to Putin

As aforementioned, President Yeltsin used the power-sharing treaties to evade the nation's crisis by transferring authority to the subjects of the federation and containing regional discontent. He gained support from the regional leaders and consequently succeeded in sustaining his own powers. Yet, the plethora of power-sharing treaties with the regions was costly. Firstly, the delegation of power in response to the subjects' of the federation ethnic background, economy, and their leaders' loyalty and ability to gather votes created disparity in power levels between the subjects of the federation. Hence, Russia's isonomy principle within the subjects of the federation became a pie in the sky. Secondly, the subjects of the federation preceded their own legal system (republic law, regional law) to the Russian Constitution and the Federal Constitutional Law on issues where they gained more power through the power-sharing treaties than defined in the Russian Constitution. As a result, there were many discrepancies between the constitutional laws of the federal government and that of the subjects of the federation, thereby creating further chaos in Russia's law and order. Thirdly, the central government was losing ability to control the subjects of the federation. This was the result of Yeltsin having avoided governmental intervention and relied on regional support to solve the abovementioned problems. By Yeltsin's final days, the federal state itself descended into a state of chaos.

Putin was made Yeltsin's successor in 1999. On December 30, 1999, Prime Minister Putin released a statement on the Internet named "Russia on the Brink of the Third Millennium" and presented policies as well as the outline of the nation's views[4]. In this statement, he is committed to the "long-established, traditional values of the people of Russia", and wrote, "A robust state for Russians is not an anomaly, not something that must be fought against, but on the contrary is the source and guarantor of order, the initiator and main driving force of all change", and therefore "Society needs the restoration of a strong state power".

Following Yeltsin's sudden resignation on the day after Putin released his statement (December 31, 1999), Putin was named acting president and gradually started the local reform, striving for "strong state power", using key phrases such as "Dictatorship of Law" and "Vertical Line of Power".

Behind the terminology "Dictatorship of Law" was Russia's state. First, existing legal inconsistencies between the power-sharing treaties and the Russian Constitution on the delegation of authority led them to precede the power-sharing treaties to the constitution in a number of localities.

Secondly, constitutions (charters), legislatures, and other regulatory legal acts that have no basis on either of the Power-Sharing Treaty, the Russian Constitution, or the Federal Constitutional Law, were promulgated and applied. There are numerous examples of such cases, and about 25% to 30% of the regulatory legal acts applied within the subjects of the federation were inconsistent with the Federal Constitutional Law as of May 2000, according to the Russian Justice Department. Putin's "Dictatorship of Law" refers to overcoming this state of legal disorder and building legal order with the Russian Constitution and the Federal Constitutional Law at the top of the hierarchy.

"Vertical Line of Power" refers to restoring powers in the state power agency's chain of command, above all, to federal agencies (law enforcement agency, tax office, customs office, court of law, etc.). In order to implement the central government's policy throughout Russia, it is vital that chain of command is established between the federal ministries and its regional branches. However, currently, not all governmental directives are enforced in the regions.

The main reason is that the regions control the cash flow. Take district courts for example, although the district court is a federal agency, the only payment that comes from the financially distressed federal budget is the judge's salary. Most other running costs are paid out from the regional budget. Under such circumstances, it is difficult for the district court judge to hand down negative decisions to the local jurisdiction leaders. Situations were more or less the same for law enforcement agencies, tax offices and customs offices.

As stated above, restoring "strong state power" inevitably results in restructuring central and local relationships. After sworn in as president on May 7, 2000, Putin set forth to engage as his first domestic issue to solve the

[4] The Japanese translation of this article is Vladimir Putin "Russia on the Brink of the Third Millennium" Institute of Eurasian Studies "Russia Eurasian Economic Research Data" (No. 813 March, 2000)

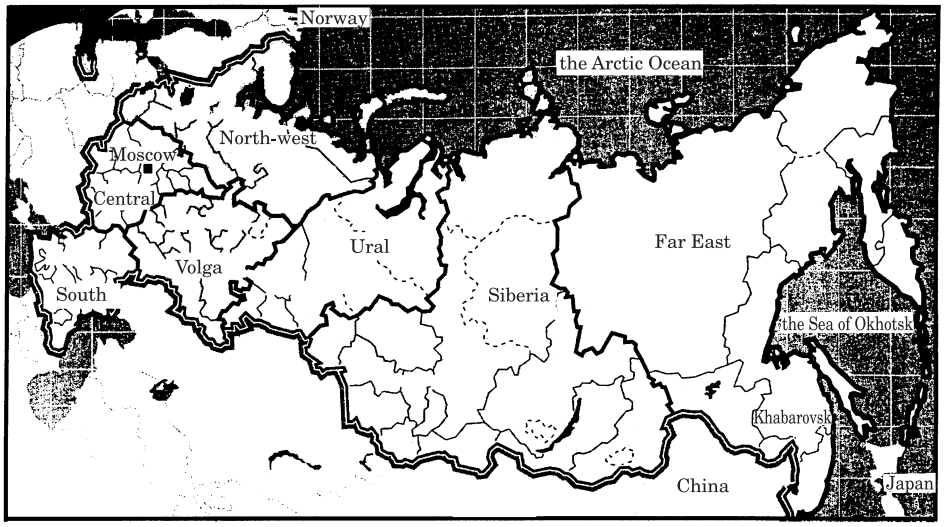

Fig. 1 Seven Federal Districts and Boundaries in Russia.

"regional problem", that remained untouched by Yeltsin.

1-2-2 Establishing Federal Districts

On May 13, 2000, President Putin reorganized Russia into seven federal districts, each headed by a plenipotentiary presidential representative by issuing a federal decree (see Fig. 1 for boundaries).

According to the federal decree, the plenipotentiary presidential representative is appointed by and works directly for the President. The principal tasks include organizing activities in their respective federal districts to ensure that the regional branches of federal institutions implement domestic and foreign policies determined by the President; monitoring the local implementation of federal-level decisions; ensuring that the President's personnel policy is respected; and reporting regularly to the President on ethnic security issues as well as the political and economic situation in the federal districts.

Within their respective federal districts, they are also responsible for; 1) coordinating activities of the federal agencies; 2) coordinating relationships between the federal and subunit agencies; 3) monitoring local enforcement of federal, presidential, and governmental decisions; 4) participating in activities with subjects of the federation and local government agencies; 5) mediating to resolve conflict between agencies of federal and subjects of the federation; and 6) recommending measures to be taken by the President concerning invalidating legal acts of the subjects of the federation which are in conflict with the Russian Constitution and the Federal Constitutional Law. In brief, they serve as monitoring and coordinating agencies to implement the abovementioned "Dictatorship of Law" and "Vertical Line of Power".

One advantage of the presidential representative system in the federal districts is that it is unlikely that it is put under pressure by local self-governments in a particular region, given that the district is comprised of multiple subjects of the federation. For example, the power-sharing treaty calls for agreement from regional authorities to appoint local federal agency heads, whereas presidential representatives are not bound to such restrictions. Essentially, the President holds a freehand in appointing the representatives.

On May 18, 2000, seven plenipotentiary presidential representatives were appointed. Of the seven, former Prime Minister Kiriyenko (Privolzhsky Federal District) and former CIS affairs minister Drachevsky (Siberian Federal District) were the only civilians, and the remaining five had military or security backgrounds. As a measure to avoid unnecessary provoking, Kiriyenko was appointed as an alternative to the other military elites to be the representative in the Privolzhsky Federal District, which includes Tatarstan and Bashkortostan, both in delicate relationship with the central government.

There is a need to describe the system or structure within the federal districts by taking a close look at the Far East Federal District. Putin's federal decree assigned Pulikovsky, a former military general, as the plenipotentiary presidential representative for the Far East Federal District in May 2000. In June, Pulikovsky settled in its headquarters, Khabarovsk. Also, from August to September 2000, two primary deputy presidential representatives were appointed under him, as well as two other deputy presidential representatives in September and December of the same year.

Federal Inspectors were appointed for each of the subjects of the federation within the federal district. A federal inspector and a senior inspector were appointed to supervise the Primorskii territory. In addition, senior federal inspectors were appointed for Khabarovsk territory, Sakhalin region, and Amursk regions, as well as a federal inspector for the Jewish Autonomous Region. Also, a senior federal inspector was appointed to oversee the Republic of Sakha and Magadan region, another to

oversee Kamchatka region, Chukotka Autonomous Area, and the Koryak Autonomous Area, and another without a specific responsible region. These federal inspectors worked directly under Pulikovsky.

In November 2000, the leader of the subjects of the federation of the Far East Federal District, the president of the district council, the federal judicial and security branch executives, and the presidential representative Pulikovsky, serving as chairman, established the District Coordinating Council. There are three interdepartmental commissions on security, military and frontier control instituted under the Council. This is not only an advisory council, but also holds enforcement power, according to Pulikovsky.

Many regional branches of federal institutions were set up per district in 2000. For example, the Prosecutor's Office was set up in May, the Far East Federal District Tax Enforcement Agency in August, the Far East Federal District Use of Aquatic Resources Committee in November, and in December, the Far East Federal District Natural Resource Agency, Far East Federal District Energy Committee, Ministry of Internal Security Far East Federal District Department of Interior Inquest Agency, and the Ministry of Civil Defense and Emergencies for Far East District Center were set up to promote institutional framework within the federal district.

The presidential representatives were assigned to supervise whether the legal acts (regional charters, laws, and gubernatorial decisions) of each subunit were in compliance with the Russian Constitution or the Federal Constitutional Law. Presidential representative Pulikovsky announced that 207 legal acts in the Far East Federal District contained matters that deviated from the Federal Constitutional Law as of January 2001, and instructed amendment to each subjects of the federation. In May, he proclaimed that 80% had been amended to be in compliance with the Federal Constitutional Law.

1-2-3 Three Constitutional Laws on the Local System Reform

President Putin submitted a package of legislation including the following three bills to the State Duma, as second part of the regional system reform on May 19, 2000. 1) Alter the principles of the Federation Council and prohibit the leaders of the subjects of the federation and the regional district council to hold office in the Federation Council; 2) introduce a mechanism for dismissing the heads of regions and dissolving legislative assemblies; 3) give regional leaders the right to dismiss local (smaller than city and raion) authorities.

Regarding the laws on the federation council, since January 1996, the heads of regions and regional parliaments were automatically chosen as representatives for the Federation Council. In respect to this, Putin gave a speech on television on May 17 2000, "today, the governor and heads of the republics serve as heads of regional parliaments and concurrently act as legislator by serving as a representative of the Federation Council. This destroys the principle of the separation of power". Putin said that he believes these people instead "should concentrate on the specific problems facing their territories", and submitted a draft bill "the Fundamental reform of the Federation Council bill" ("laws on the federation council") to the State Duma, two days later.

Once the law is enacted, the subunit leaders will be deprived of the opportunity to meet and participate in national politics, and special privileges guaranteed by the Russian Constitution offered to the members of the upper and lower houses that protect them from being arrested. For this reason, laws on the Federation Council encountered some resistance from the Federation Council itself.

On July 19, 2000, the State Duma approved overwhelmingly, the compromise bill amending the law on forming the Federation Council. The members of the Federation Council had no choice but to vote to pass the bill, judging that the State Duma would override the veto. On August 7, 2000, President Putin signed the draft bill into law, and determined that the current deputies yield their seats by the end of 2001.

The second draft bill in the package that President Putin submitted on May 19, 2000, along with the draft law on the Federation Council, and the draft law on dismissing regional authorities, were amendments and supplements to the "general principle of the state power legislative and executive branch of the subjects of the federation" ("draft law on dismissing governors").

Under the draft law on dismissing governors, 1) in case the subunit leader or the regional assembly issues decrees or legal acts that contravene the Federal Constitutional Law, and the regional assembly fails to fix or annul the law within the given timeframe; 2) if the subunit leader or the regional assembly fails to issue an act stating to change or annul the law within the given timeframe of the presidential order; 3) in case the subunit leader or the regional assembly issues decrees or legal acts containing issues that the Russian Constitutional Court or the regional court of law finds to contradict the Russian Constitution; 4) in case the subunit leader or the regional assembly applies legal acts containing issues that the Russian Constitutional Court or the regional court of law finds as contradicting the constitution, the President can essentially impeach such regional authorities.

This reform reflects Putin's intentions to create a mechanism to force regional authorities to comply with federal law, in view of the "Dictatorship of Law" and "Vertical Line of Power" and to dismiss the subunit leader who issues directives or decisions that contravene Federal Constitutional Laws. Since the executives and legislatures became elected there had been no clear mechanism for the Russian President to remove the regional authorities that refuse to comply with the federal law.

As predicted, many regional leaders showed concern

and strong opposition for the draft bill allowing the Russian President to dismiss regional leaders and disband local parliaments, but the bill passed the State Duma with overwhelming votes on June 30, 2000. Also on July 19, deputies overrode a July 7 veto by the upper house of this bill and hence enacted into law. With the establishment of this law, President Putin unquestionably has gained large power over regional relations.

The third bill of the package that Putin submitted to the State Duma on May 19, 2000 is an amendment and supplement to the "general principle of the regional administration in the Russian Federation" ("bill on dismissing regional authorities"). The enactment of this draft bill indicates that the federal assembly or the President has the authority to dismiss the regional assembly and suspend the local self-government heads (smaller than cities and raions) duty only after the courts have found two or more violations.

Conflicting situations between governors and mayors in these districts is depicted in the example of the former Maritime Territory governor Nazdratenko and former Cherepkov mayor Vladivostok. Previously, the subunit heads had no authorities to dismiss mayors or other local self-government figures. The enactment of the above bill will give the subunit leaders official authority to dismiss regional heads subordinate to them. The "bill on dismissing regional authorities" and "bill on dismissing governors" serves as carrot-and-stick. Surely enough, the subunit leaders showed little opposition on the "bill on dismissing regional authorities" compared to the two other bills. The bill passed the Federation Council on July 7, 2000 and was signed into law on August 4 by Putin.

The enactment of these bills reinforces Putin's "Vertical Line of Power" policy in three levels for federal agencies, with the central government at the top (Russian President → regional subunit leaders → governors and other local self-government heads; Russian Government → regional subunit government bodies → municipal administrative bodies), as well as legislative agencies (Federation Council → regional subunit council → municipal council).

1-3 The Mechanisms and Functions of the Local Self-Governments in the Local Subjects of the Federation

1-3-1 The Development of the Local Self-Governments in Russia

In Russia, "local self-governments" refers to units smaller than cities and raions. Though often mistaken, the subjects of the federation directly constitute the Russian Federation, and their authority agencies (administrative and legislative) are positioned as "state power agencies" at the same level with the federal institutions (administrative and legislative) under the Russian Constitution. On the other hand, the local self-governments are excluded from the state power structure.

Even during the Soviet Union period, with an extremely powerful central government structure, the Soviet-city and Soviet-raion, municipal administrative and legislative agencies, existed. These institutions were "regional branches of state power" and were not "local self-governments" where citizens with certain personal rights participated directly. In that sense, instituting "local self-government structure" was one of the most important processes of decentralization and democratization in the new Russia's transition process.

After the collapse of the Soviet Union, the reorganization of the federal and regional institutions took time. At the same time, the normalization of the relationship between the central government and the subjects of the federation took precedence. As a result, the reorganization was delayed, and in August 1995, the Federal Constitutional Law "General guideline on municipal organization" ("Federal Municipal law") was established, and eventually the foundation of Russia's regional authority system was formed. The Russian Constitution positions municipal issues as joint jurisdiction of the Russian Federation and the subjects of the Russian Federation. The federation established a law determining the general guidelines of the municipal organization, and each subunit bases its principle on the law, imposing legal regulation (regional laws) according to its socio-economic conditions appropriate to its region. For example, in the Khabarovsk region, a regional law "Municipal Organization in Khabarovsk" ("Khabarovsk Municipal Law") was established in May 1996.

In any case, the constitution of the above "Federal Municipal Law" and the regional municipal laws formed a framework for the municipal system in Russia. However, it should be pointed out that it has only been six years since the establishment of the Russian municipal system, and the local self-governments are still weak and in the process of developing.

1-3-2 The Municipal Organization and Functions

Under the Federal Municipal Law, the municipal districts are defined as cities (gorod), towns (poselok), Cossack villages (stanits), raions, rural region (sel'sky Okrug), volost (volost'), Soviet village (sel'sovet) and other various forms. Specifically, the regional law defines these districts with consideration on historical and other regional traditions. Thus, it depends on each subunit to determine whether the cities (gorod) and raions are local self-governments. The Khabarovsk Municipal Law divides the local self-government into three categories: 1) cities, 2) cities including raions and 3) raions. Currently, the 19 which are recognized as local self-governments in the Khabarovsk region are; 1) Amursk city including Amursk raion; 2) Ayano-Maisk raion; 3) Bikin city including Bikin raion; 4) Vanino raion; 5) Verkhnebureya raion; 6) Vyazemsky city including Vyazemsky raion; 7) Komsomolsk-na-Amure city; 8) Komsomolsk raion; 9) Imeni Razo raion; 10) Niko-

laevsk-na-Amure city including Nikolaevsk raion; 11) Nanai raion; 12) Okhotsk raion; 13) Imeni Poliny Osipenko; 14) Sovetskaya-Gavan city including Sovetsko-Gavan raion; 15) Solnechny raion; 16) Tuguro-Chumikan raion; 17) Ulch raion; 18) Khabarovsk city; 19) Khabarovsk raion.

Within these regions, the local self-governments hold specific municipal properties, budgets, and municipal electoral institutions (governor/raion leader, city council/raion council) to realize authority over the local regions.

Under the Federal Municipal Law, each local self-government establishes representative institutions (city council or raion council) by popular vote. The local self-government's exclusive jurisdiction issues under this law are; 1) adopting bylaws relating to the municipal jurisdiction issues; 2) approving local budgets and settlement issues; 3) adopting municipal development plans and programs and approving its enforcement report; 4) implementation of municipal tax; 5) establishing the municipal property management and disposal process; 6) supervising the municipal agencies and the local public officers' actions. Additionally, in the Khabarovsk Municipal Law, 7) submitting draft bills to the Khabarovsk regional council is listed. The Federal Municipal Law and the Khabarovsk Municipal Law both defer to the respective municipal charter for the municipal council's specific number of seats and authorities (the Khabarovsk City Charter specifies that the city council consists of the mayor and 16 other members of the council who are under a four-year term, and also states detailed authorities of the council).

The Federal Municipal Law (and the Khabarovsk Municipal Law) states that the respective municipal charter establishes the method of electing the local self-government head (mayor or raion leader) out of the two possible choices; 1) direct election by the citizens, and 2) the council members elect the local self-government head from council itself. The Khabarovsk City charter specifies that the mayor be elected by the citizen's popular vote.

As previously stated, following the revision of the Federal Municipal Law in August 2000, if the municipal council or its leader adopts and implements a legal acts that contravenes the Federal Constitutional Law or regional law, the municipal council is disbanded in compliance with the same laws, and the municipal leaders could be dismissed from office by command of the leaders of the subjects of the federation.

The Federal Municipal Law states for the municipal government (city or raion office) to be set up, but that its specific functions and authorities to be stipulated in the municipal charters. The Khabarovsk Municipal Law includes as its authority of the local government; 1) enforcement and supervision of municipal jurisdiction issues; 2) management of municipal properties, and federal and regional property that were transferred to the local self-government; 3) formulating the local self-government's socio-economic development plans; 4) preparation and implementation of the local budget; 5) organization and efficient implementation of municipal extra-budgetary funds. For Khabarovsk City, the city charter stipulates the city government's function and authorities to be specified in its provisions.

1-3-3 Local Self-Governments and Relationship with the Central Government and the Subjects of the Federation

The Federal Municipal Law stipulates the authority of the municipal council, the local self-government leader and its government, as the following jurisdictional issues: 1) adoption, amendment, and compliance supervision of the municipal charter; 2) possession, use, and management of municipal property; 3) organization, approval, and implementation of the local budget and introduction of municipal taxes; 4) the local self-government's comprehensive socio-economic development; 5) maintenance and use of local self-government housings; 6) organization and maintenance of municipal preschool, general education, and vocational school facilities; 7) organization and maintenance of municipal healthcare and public health facilities; 8) municipal land readjustment and architectural regulation; 9) creating housing and socio-cultural facility conditions; 10) supervising land use within the local self-government region; 11) regulating use of mineral resources for establishment of municipal water and valuable mineral resources underground buildings; 12) organization and maintenance of municipal electric, gas, heating, and water and sewerage projects; 13) organization of fuel supply to the citizens and municipal facilities; 14) municipal road construction and maintenance; 15) the local self-government's environmental organization and greening project; 16) organizing and recycling of processing household waste; 17) support and promote job placements; 18) participating in the local self-government's environmental protection; 19) organization of the local self-government's fire protection and fire fighting agencies. The municipal agencies can issue and implement their respective regulations within their jurisdictions.

The Federal Municipal Law outlines municipal jurisdiction issues, but there are areas where the subunit and local self-governments overlap or are ambiguous in individual fields and functions. In such cases, the Khabarovsk Municipal Law stipulates that the Khabarovsk region and the local self-governments may conclude power-sharing agreements for their respective fields to identify their authorities.

Federal and regional governmental agencies do not have branches offices (sub-branches and semi-branches) in all regions. Therefore, it is essential to delegate certain functions, which would otherwise be under federal or subjects of the federation to the local self-governments. The Federal Municipal Law allows the transfer of federal or regional authority to the local self-govern-

ment in order to perform certain operations. In doing so, the necessary financial resources shall be borne by the central government or the government of the subjects of the federation.

The opposite can be said for cases where the local self-government cannot solve issues under its jurisdiction. The Khabarovsk Municipal Law stipulates that it is possible to transfer local self-government issues to the state power agencies.

For personnel and organizational issues, if the municipal councils or its leader adopts or enforces legal acts that contravene federal or regional constitutional laws, the municipal council will be disbanded on the basis of such laws and the local self-government leader will be dismissed by the head of the subjects of the federation.

2 Russia's Local Financial System

2-1 Financial relationship between the federation and the subjects of the federation, and the financial structure of the subjects of the federation

2-1-1 Transition of the Local Finance System in Russia

There are three levels of budgets in the Russian public finance system; namely, the federal budget, the budget of the subjects of the federation (regional budget) and the local budget.

This three-level system had not existed in the Soviet Union era. In the Soviet budget system, the regional budget was incorporated into the Soviet federal budget, thus the independency of budget was negligible. The local self-governments were not allocated power over their own budgets. The fiscal decentralization finally started after the emergence of "regional self-sufficiency" in the Perestroika period between 1988 and 1991. In 1991, during the Soviet era, the Federal Constitutional Law "the basis of the budget system and the budget process of the Union of Soviet Socialist Republics" and "the basis of the Tax system in the Russian Federation (Tax Fundamental Law)" were established, and the foundation of the financial relationship between the federation and the subjects of the federation was established. However, due to the fact that the most critical issue of distribution of tax revenues and fiscal aid between the federation and the subjects of the federation was not strictly stipulated in either law, this issue was decided between the Federal Government and each subjects of the federation by way of direct negotiation. Hence, the budget system became disorderly and unregulated decentralization advanced.

A standardized distribution method for tax revenues and fiscal aid was stipulated in the Russian presidential decree in December 1993, and applied to the subjects of the federation from the 1994 budget. Nevertheless, for reasons such as the increase of deficit in federal and budgets of the subjects of the federation as well as the instability of the relationship between the federation and the subjects of the federation, the standardized system on the tax revenues and fiscal aid was not employed strictly, and resulted in the federal government and the subjects of the federation holding direct negotiations to determine the distribution of tax revenues and fiscal aid. For this reason, the financial relationship between the federation and the subjects of the federation remained unstable and unclear. Also, the conclusion process of the power-sharing treaty and the agreements on budget and financial issues from 1994 through 1998, have furthermore promoted individualism on the distribution of tax revenues and fiscal aid. During this process, the nationalistic republics such as Tatarstan, Kabardin-Balkar and Sakha, and some subjects of the federation that had strong economic powers such as St. Petersburg and the Sverdlovsk region acquired favorable conditions such as reserving large amounts of tax revenues in their local regions (Table 6).

The enactment of "the Russian Federal Budget Code" in August 1998 reorganized and clarified the relationship of the three-level budget system. The Federal Budget Code determined the fiscal and budget division of au-

Table 6 Allocation within the Fedral Budget for Federal Tax Collected in the Respective Subnational Jurisdictions (%).

Subnational Jurisdictions	Tax Category	1992	1993	1994	1995	1996	1997	1998
Republic of Tatarstan	Total	0.1	0.0	16.6	22.7	19.0	24.6	11.1
	Profit Tax	0.0	0.0	27.0	34.5	27.6	26.4	23.6
	Value Added Tax	0.0	0.0	32.7	41.1	37.9	37.9	22.4
	Commodity Tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Republic of Bashkortostan	Total	0.1	0.0	12.5	26.2	27.0	27.0	17.8
	Profit Tax	0.0	0.0	18.3	32.1	32.5	32.5	19.9
	Value Added Tax	0.0	0.0	23.8	43.6	59.7	59.7	52.1
	Commodity Tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Republic of Sakha (Yakutia	Total	1.2	1.2	0.0	0.5	28.3	28.3	22.1
	Profit Tax	0.0	0.0	0.0	0.0	36.0	36.0	40.0
	Value Added Tax	0.0	0.0	0.0	0.0	68.9	68.9	50.9
	Commodity Tax	0.0	0.0	0.0	0.0	35.5	35.5	47.2
Russian average	Total	51.7	51.7	30.2	40.9	43.7	43.7	37.1
	Profit Tax	41.2	41.2	34.7	36.0	36.0	36.0	37.5
	Value Added Tax	74.1	74.1	59.5	68.4	68.4	68.4	62.7
	Commodity Tax	47.5	47.5	60.0	73.0	84.4	84.4	74.8

Source: A.M. Ravlov (edited) "Federal Budget and the Regions - Analysis on the Financial Support-" (Moscow 1999)

Table 7 Types of Taxes in the Russian Federation.

LAW No. 2118-1 OF THE RUSSIAN FEDERATION December 27, 1991 "On the Fundamentals of the Taxation System in the Russian Federation" (with amendments and additions August, 2000)	Taxes Outlined in the Tax Code (After Implementation of Tax Code Part II)
Federal Tax	**Federal Tax**
1) Value-added Tax	1) Value-added Tax
2) Commodity Tax	2) Commodity Tax
3) Individual Income Tax	3) Company Profit Tax
4) Unified Social Tax	4) Capital Income Tax
5) Securities Transaction Tax	5) Individual Income Tax
6) Customs Duties	6) Unified Social Tax
7) Mineral Resources Base Reproduction Tax (outside of the special budget fund)	7) Federal Levies
8 Use of Natural Resources Tax	8) Customs Duty and Customs Fee
9) Corporate Profix Tax	9) Mineral Resources Mining Tax
10) Payments to the Road Fund[1)]	10) Mineral Resources Base Reproduction Tax
11) Federal Levies	11) Carbon Hydride Collection Supplement Income Tax
12) Inheritance / Gift Tax	12)Right to Use Animal and Water Creature Resources Tax
13) Use of "Russia" and "Russia Federation" word Tax	13) Forest Tax
14) Foreign Currency Purchasing Tax	14) Water Tax
15) Gambling Business Tax	15) Environment Tax
16) Use of Water Supply Facility Tax	16) Federal License Tax
17) Ethyl alcohol, alcoholic content products, alcohol product manufacturing and distribution license Tax	--------
18) Individual Transportation Measure Tax[2)]	17)Foreign Currency Purchasing Tax[6)]
Subnational Jurisdiction Tax	**Subnational Jurisdiction Tax**
1) Business Property Tax	1) Business Property Tax[7)]
2) Forestry Income Tax	2) Property Tax
3) Tax Collected from Corporates for Educational Facilities[2)]	3) Road Tax
4) Sales Tax	4) Transportation Tax
5) Deemed Unified Income Tax for Individual Activities	5) Sales Tax
	6) Gambling Business Tax
	7) Municipal License Tax
Municipal Tax	**Municipal Tax**
1) Individual Property Tax	1) Property Tax[7)]
2) Property Tax	2) Individual Asset Tax[7)]
3) Registration Tax for People Running Business Activities	3) Advertisement Tax
4) Tax on Construction of Production Facilities at Health Resorts[3) 5)]	4) Inheritance Tax, Gift Tax
5) Health Resort Tax[3)]	5) Municipal License Tax
6) Trading Right Tax[5)]	
7) Special Purpose Taxes collected from citizens, coporates, facilities, and organizations for purposes of maintaining public security, welfare, education, or other goals	
8) Advertisement Tax[4)]	
9) Car, Computer, and Personal Computer Resale Tax[4) 5)]	
10) Pet Tax (from the Dog Owners)[4) 5)]	
11) Wine and Vodka Products Trading Rights License Tax[4) 5)]	
[4) 5)]	
13) Apartment Lease Tax[4) 5)]	
14) Automobile Parking Lot Tax[4) 5)]	
15) Use of Regional Symbols Tax (Emblems)[4) 5)]	
16) Horse Racing Participation Tax[4) 5)]	
17) Horse Racing Winnings Tax[4) 5)]	
18) Gambling Business Participation Tax [4) 5)]	
19) Exchange Tax [4) 5)]	
20) Movie and TV Filming Tax[4) 5)]	
21) City Sanitation Tax[4) 5)]	
22) Tax on Starting Gambling Businesses[5)]	

Note: 1) to be abolished in December, 2002, 2) will not be collected after January 1, 2001, 3) collected only from regions with 4) can implement with the decision of the municipal representative agency, 5) no tax collected on regions that adopted sales tax 6) possibly continued, but not defined in the Tax Code, 7) Tax abolished in regions that introduced realestate tax

Source: A.V. Pelov "Russia's Taxes and International Treaties" (2000, Moscow)

thority of the federation, the subjects of the federation and the local self-government; the budget formation, approval, execution and settlement of each level; and the type of annual tax revenues, non-tax receipts and the annual expenditure powers for each level. The following are stipulated in the Russian Constitution's Federal Budget Code, based on the principle of isonomy of the subjects of the federation: 1) the budget authority uniformity of the subjects of the federation and the local self-government; 2) standardization of the minimum budget guarantee standards of the subjects of the federation and the local self-government; 3) equality of all budgets of the subjects of the federation in the interrelationship with federal budget, equality of the local budget in the interrelationship with regional budget. This provision basically prohibits granting special conditions through individual negotiations between the federal government and the subjects of the federation, including the power-sharing treaties and agreements. The Federal Budget Code stipulates the extent of retaining federal taxes for the locals, and the scale of fiscal aid from the federal budget to the subjects of the federation under a single standard. In case of discrepancies between the code and agreements of the federation and the subjects of the federation, the agreements will be deemed invalid and will not be executed.

In the Khabarovsk territory, the Khabarovsk Local Budget Code was enacted in July 1999 and stipulated the following detailed regulations based on the principle of the Federal Budget Code; Khabarovsk territory's local and local budget, the formation, approval, execution and settlement procedures of the district and municipal debts, budgetary powers and relationship of the Khabarovsk territory and the local self-government.

2-1-2 The Tax Revenue Structure of the Regional Budget

Taxes are the dominant portion of the annual revenue of the budgets of the subjects of the federation (averaging to approximately 75% of budget revenues of the subjects of the federation in Russia). Previously, it was difficult to grasp the entire picture of the Russian tax system for reasons such as; the abundance of tax categories, frequent introduction and abolition of taxes, repeated modification of tariffs and tax payment procedures, and introduction of individual tax by each subjects of the federation and local self-government[5].

Currently, Russia is undergoing a tax reform. In order to ameliorate the present situation, the Tax Code Section 1 (adopted in August 1998) was implemented in January 1999, and a part of the Tax Code Section 2 (value added tax, commodity tax, personal income tax and unified social tax) was implemented in January 2001. In addition, plans to implement parts of the Tax Code Section 2 in January 2002, corporate profit taxes and mineral resources mining taxes, are underway. The enforcement of the Tax Code will promote the standardization and adjustment of the tax basis, simplify the tax system including tax categories, and clarify tax revenue distribution of the federation and the subjects of the federation. Above all, the municipal tax will be consolidated and simplified substantially (Table 7). After the enforcement of the Tax Code Section 1, the subjects of the federation was prohibited to introduce independent taxes other than the tax stipulated in the tax code. Currently, many taxes exist that are not yet adopted in the Tax Code Section 2 (forest tax[6], environmental tax,

Table 8 Budget Allocation Ratio of Various Taxes (As of August, 2001).

(Ratio of Total Tax Collected %)

	Federal Budget	Subnational Jurisdiction Budget	Municipal Budget
Value-Added Tax (Federal Tax)	100	0	0
Bussiness Profit Tax (Federal Tax)[1)]	31.25	60.42	8.3
Individual Income Tax (Federal Tax)	3	97	0
Excise Tax (Federal Tax)			
Oil, Natural Gas, Gasoline, Passenger Cars	100	0	0
Alcohol	50	50	0
Other	100	0	0
Mineral Resource Mining Tax (Federal Tax)			
Mineral Resource (excluding Oil, Natural Gas)	40	60	0
Oil, Natural Gas	80	20	0
Sales Tax (Subnational Jurisdiction Tax)	0	40	60
Bussiness Property Tax (Subnational Jurisdiction Tax	0	50	50
Inheritance Tax , Gift Tax (Municipal Tax)	0	0	100
Land Tax (Municipal Tax)	30	20	50

Note: 1) Effective starting in January, 2002.

Source: Russian Federation. OECD Economic Surveys 1999-2000, OECD, 2000 etc.

[5] At the peak period, there were over 100 types of taxes including federal, subnational jurisdiction and municipal taxes.

[6] It is worth noting that following the complete implementation of the tax code Section 2, the forestry income tax was transferred from the subnational jurisdiction to the federal tax in Table 7.

Table 9 Revenue Structure of Khabarovsk Territory (2000).

Revenues	1,000 rubles	Composition Ratio (%)
Tax Revenues	3,168,595	43.0
Business Profit Tax (Federal Tax)	1,257,658	17.1
Individual Income Tax (Federal Tax)	685,832	9.3
Gambling Business Tax (Federal Tax)	1,392	0.0
Value-Added Tax (Federal Tax)	261,729	3.6
Excise Tax (Federal Tax)	291,936	4.0
License, Registration Fee	7,020	0.1
Foreign Currency Purchase Tax (Federal Tax)	16,157	0.2
Sales Tax (Subnational Jurisdiction Tax)	115,825	1.6
Consolidated Income Tax (Subnational Jurisdiction T	60,540	0.8
Business Property Tax (Subnational Jurisdiction Tax)	402,390	5.5
Use of Underground Resources Fee (Federal Tax)	39,516	0.5
Use of Forestry Land Fee (Subnational Jurisdiction T	290	0.0
Use of Water Facilities Fee (Federal Tax)	1,713	0.0
Land Tax (Municipal Tax)	21,163	0.3
Other Taxes	5,434	0.1
Non-Tax Revenues	122,286	1.7
Dividends on Nationally Owned Shares	17,042	0.2
Land, Other Property Rent	51,149	0.7
Interest on Bank Deposits	3,235	0.0
Interest on Budget Loans	8,405	0.1
Fines and Damage Deposit	33,715	0.5
Other Non-tax Revenues	8,740	0.1
Total Self-Income	3,290,881	44.7
Fund Transfer from Federal Budgets	2,133,676	29.0
Funds from Non-federal Budgets	225,072	3.1
Road Fund	1,354,226	18.4
Environmental Fund	9,672	0.1
Mineral Resouces Reproduction Funds	175,111	2.4
Other	175,305	2.4
Total Revenues	7,363,943	100.0

Source: Russian Ministry of Finance Home Page (http://www.minfin.ru/)

Table 10 Far Eastern Territory's Degree of Dependence on Regional Financial Support (1998).

units: %

	Financial Balances		Financial Support Share of the Annual Revenue
	Before Federal Budgetary Financial Support	After Federal Budgetary Financial Support	
Russian average	▲ 15.6	▲ 2.5	11.1
Sakha Republic	▲ 49.1	▲ 40.3	13.1
Jewish Autonomous Region	▲ 53.0	9.5	57.1
Chukchi Autonomous Area	▲ 59.2	▲ 2.8	52.7
Primorsk Territory	▲ 35.1	▲ 3.1	32.7
Khabarovsk Territory	▲ 17.9	0.8	16.7
Amur Region	▲ 39.3	7.8	41.0
Kamchatka Region	▲ 46.3	▲ 11.6	39.2
Koryak Autonomous Area	▲ 63.4	▲ 8.6	57.0
Magadan Region	▲ 30.4	3.2	29.4
Sakhalin Region	▲ 22.7	3.0	25.2

Source: Andrei Belov and Sergei Diomine "Domestic Relations Between the Central and Region over Budget ", Japan Association for Trade with Russia & Central-Eastern Europe "Russia's Regions – Central and Local" March 2

corporate property tax, real estate tax, and land tax, etc.). Thus, the current tax scheme is in a transient phase, somewhere between the stage of the left column and right column in Table 7. The full implementation of the Tax Code Section 2 had been scheduled to start from January 2002. However, since the Federation Council has been dragging on the deliberations, full implementation (in other words, the transition to the right column in Table 7) will overlap into 2003.

The current scheme does not imply 100% incorporation of; the federal tax into the federal budget, the tax of the subjects of the federation tax into the regional budget, or the municipal tax into the local budget[7]. The corporate profit tax -a federal tax is distributed to the

federal, subjects of the federation, and local budget by the ratio shown in Table 8 (distribution ratio from January, 2002). Likewise, tax revenues for federal taxes such as commodity tax (alcohol), personal income tax, and mineral resource mining tax, is distributed between the federal and subjects of the federation, and tax revenue

Table 11 Financial Support Structure form the Federation to the Subunits and Local Authority (%).

Types	1993	1994	1995	1996	1997	1998
Federal Fund for Reginal Financial Support	0.0	9.6	49.8	44.8	46.7	74.7
Regional Subsidy	14.9	0.0	1.7	1.7	2.9	5.3
Subsidy	5.8	11.2	6.8	4.4	3.1	1.4
Offsets	77.9	76.7	39.0	40.5	28.7	24.7
Financial Loans(*)	1.4	2.4	2.6	8.6	18.5	▲ 6.1

Note: The 1998 negative financial loan indicate larger repayment than amount received from the federal budget.
Source: A.M. Ravlov (edited) "Federal Budget and the regions - Analysis on the Financial Support-" (Moscow 1999)

Table 12 Division of the Annual Expenditure Powers among Budget Levels Determined by the Federal Budget Code.

Expenditure of the source limited to the subnational jurisdiction budget
Operational guarantee of the subnational jurisdiction legislative (representative system) and administrative agencies
Interest payment and principal repayment of the subnational jurisdiction debts
Implementation of the subnational jurisdiction election and referendum
Gurantee of implementing of regional programs
Development of state-owned property of the subnational jurisdiction
Implementation of international and economic relations of the subnational jurisdiction
Development and management of subnational jurisdiction projects, facilities and organizations under state power agency jurisdiction
Guarantee of subnational jurisdiction mass media activities
Financial support to municipal budget
Individual national authority enforement guarantee delegated to the local authority
Additional expenditure compensations according to decisions adopted by the subnational jurisdiction state power agencies of municipal budgetary expenditure increases or revenue decreases
Other expenditures in conjunction with subnational jurisdiction enforcement of authority
Expenditure of the source limited to the municipal budget
Maintenance of municipal agencies
Development and management of municipal property
Organization, maintenance and development of educational, healthcare, cultural and sport facilities, mass media, and facilities owned or controlled by municipal agencies
Maintenance of municipal social order conservation agencies
Organization, maintenance and development of municipal housing and public service
Maintenance of municipal or of equal significance road construction
Improving living conditions and greenery in the municipal region
Organization of household waste use and process (excluding radioactive waste)
Maintenance of burial ground under municipal agency jurisdiction
Transportation services for citizens, and organization of transportation services for facilities owned or under jurisdiction of municipal agencies
Guarantee of fire safety
Natural environment conservation in muncipal regions
Implementation of programs adopted by municipal agencies
Interest payment and principal repayment of municipal debt
Supplying residential subsidy
Maintenance of municipal archive
Implementation of municipal election and referendum
Financing municipal miscellaneous decisions and other expenditures categorized by regional issues determined by the municipal representative system agency subject to the classification of the federal budget

[7] The "Russian Federation Budgetary System Development Program until 2005" ratified by the central government on August 15, 2001, states that the new structure will be designed to such that the federal, subnational jurisdiction, and municipal taxes will be paid to the respective budgets ("Russian Newspaper", August 21, 2001).

for sales tax (subjects of the federation tax), is distributed between the subjects of the federation and local budget (until 2000 yearend, value added tax was distributed at a 85% to 15% ration for the federal and subjects of the federation budget respectively).

The Federal Tax Code determines the policies for federal tax basis, tariff, tax collection procedures, and the tax revenue distribution of each budget level. In contrast, subjects of the federation taxes are implemented by the establishment of law of each subunit in accordance with the principles stipulated under the Federal Tax Code (including tax categories), and the tariff (within the range of the maximum tariff limits stipulated in the Federal Tax Code) is determined as well as various types of preferential tax treatments. For example, a local law "Tax and Levies in the Khabarovsk Territory" was established in December 1999, after the adoption of the Federal Tax Code. With the establishment and implementation of Section 2 of the Federal Tax Code, it appears that there will be amendments made to the local law "Tax and Levies in the Khabarovsk Territory" to comply with the Code.

Looking at the annual revenue structure of the Khabarovsk Territory in Table 9, tax revenues make up only 43% of the total revenue, deviating significantly from the Russian average at approximately 75%. In addition, when taking into consideration the high ratio of the fund transfer from the federal budget (29%), it is evident that the revenue basis for the Khabarovsk territory is weak compared to other subjects of the federation. Of the tax revenues, 81% is retained federal tax, and the subjects of the federation tax ratio standard are less than 20%.

2-1-3 Fiscal Aid from the Federal Budget

As shown in Table 10, a substantial portion of the subjects of the federation budget would be in deficit without fiscal aid from the federal budget. The average Russian subjects of the federation budget showed a deficit of 15.6% in 1998, without fiscal aid from the federal budget,. The financial conditions of the Far East region are particularly weak; there are eight subjects of the federation with deficits exceeding 30% (the fiscal indicator of the Khabarovsk territory seems favorable compared to other territories in the same region, but is nevertheless below the Russian average). The only subunit that recorded a surplus in 1998 without fiscal aid

Table 13 Budget Authority Allocation of Expenditure Items under the Joint Jurisdiction of Budget Classes.

Expenditure Items	Federal Budget	Subnational Jurisdiction Budget	Municipal Budget
Mining and Manufacturing, Energy, Construction	Subsidy to the Coal Division, Atomic Energy, Conversion of the Defence Industry, Federal Investment Program	Corporate subsidy	Food and Fuel Price Subsidy Provision
Agriculture and Fishery	Federal Provision Storage Maintenance, Seasonal Loans, Subsidy	Subsidy for maintaining the number of livestocks, Regional (Subnational Jurisdiction) Provision Storage Maintenance, Land Improvements	Veterinarian Services, Social Infrastructure of Agricultural Corporations
Environmental Conservation	Federal Programs relating to Weather, Surveys, Constructions	Regional (Subnational Jurisdictions) Programs	Individual Programs
Transportation and Communication	Federal and Interregional Roads, Transmission Facilities, Postal Services	Regional (Subnational Jurisdictions) and Municipal Roads	Metropolitan Transportations and City Roads, Metropolitan Transportation Fare Subsidy Provision
Public Housing Services		Mass Purchase of Fuel, Capital Investment	Housing Subsidy, Water Supply Facility, Sewerage, Heating, City Planning, Sanitation
Education	Higher Education, Continuing Education	Universities, Specialized School, Continuing Education	General Education School, Kindergarten and Nursery
Healthcare and Sports	Federal Medical Center, Healthcare Services	Specialized Hospital and Clinic, Health Insurance Payment for the Unemployed	Municipal Hospital, Emergency Center, Disaster Surgery-Clinic, Medication Purchases for Orphanage, Sports Facility

Table 14 Khabarovsk Territory Expenditure Structure (2000).

Expenditure Items	Unit (1000 roubles)	Composition Ratio(%)
Government administration and municipal fee	243,363	3.2
Judicial institution maintenance fee	425	0.0
Expenses for maintenance of law and order	311,674	4.1
Mining and manufacturing, electric utility	424,694	5.6
Agriculture	203,300	2.7
Environmental and natural resources conservation	2,454	0.0
Transportation, road, communication and information	136,169	1.8
Housing and public services	589,184	7.8
Anti-emergency and natural disaster measure fees	13,695	0.2
Educational fees	224,419	3.0
Culture and Art	64,113	0.9
Mass media and advertisement	8,451	0.1
Medical and healthcare	489,087	6.5
Public policy	238,028	3.2
Budget loans	800,698	10.6
Regional road fund	1,354,226	18.0
Municipal fund transfer	1,171,288	15.5
Mutual offset to local authority	395,346	5.2
Other expenditures	869,085	11.5
Total Expenditures	7,539,699	100.0

Source: Russian Ministry of Finance Homepage (http://www.minfin.ru/)

from the federal budget was St. Petersburg, the remaining subjects of the federation showed deficits.

Therefore, fiscal aid from the federal budget is essential in balancing the fiscal budget for most subjects of the federation. In fact, when including fiscal aid from the federal budget, the total budget deficit of the subjects of the federation in 1998 shrinks to 2.5%, and the Khabarovsk territory shows a surplus of 0.8%.

Currently, there are three types of fiscal aid being applied from the federal budget to subjects of the federation budgets: 1) fund transfer from the federation (fund transfer, grants and local subsidy from the Fund for the Financial Support of Federation Subjects), 2) financing (loans from the ministry of finance, etc.), and 3) offsetting debts between the federal budget and the subjects of the federation budget.

The current and most predominant form of fiscal aid is providing fund transfer from the Fund for the Financial Support of Federation Subjects, and made up 74.7% of the total fiscal aid for the subjects of the federation in 1998. In 1994, the Fund for the Financial Support of Federation Subjects was included in the federal budget expenditure item in order to support the fiscal balance of the subjects of the federation budget. Also, the employment of the debt offset (write-off) fiscal aid method has decreased rapidly with the establishment of the Fund for the Financial Support of Federation Subjects. Debt offset (write-off) entail retaining a portion of the tax revenue that should originally have been implemented in the federal budget, or canceling loan repayment from the federation.

In Table 9, the fund transfer from the federal budget (29% of annual revenue) in the annual revenue of the 2000 Khabarovsk budget corresponds to the fiscal aid from the federation. Therefore, the 2000 Khabarovsk finance would have been in deficit by 44.2% without fiscal aid, but instead was reduced to 2.4% as a result of the fiscal aid.

2-1-4 Subjects of the Federation Annual Expenditure Power

Regarding the distribution of annual revenue between the federation, the subjects of the federation and the local self-government, the establishment of the Federal Tax Code and the Fund for the Financial Support of Federation Subjects promoted the reorganization of the tax revenues and fiscal aid respectively.

On the other hand, regarding the division of the authorization of budget at each level, many points were unclear until the establishment of Federal Budget Code in 1998. Many frictions arose among the federation, subjects of the federation and local self-government as a result of forcing annual expenditure obligations to each other. In order to keep the federal budget deficit within the targeted range agreed with IMF and to comply with the loan terms even superficially, there were many cases where the federal government shifted the annual expenditure obligation (namely budget deficit) with unsupported annual revenue to the subjects of the federation budget or the local budget.

With the enactment of the Federal Budget Law in 1998, as shown in Table 12, the fields of responsibility of respective budgetary levels were somewhat determined. However, as evident from Table 12, "the expenditure of the common source of the federal, subjects of the feder-

ation and local budgets" ranges widely amongst general economy such as mining and manufacturing, agricultural and transport, social security and environmental protection. Therefore, further detailed division of annual expenditure obligation is necessary for these individual fields. Although these detailed annual expenditure items of each level budget under such shared powers have gradually been determined among the administrative agencies of each level as shown in Table 13, a considerable amount of uncertainly remains.

Taking a look at the 1999 annual expenditure structure of Khabarovsk territory on Table 14, it is obvious that the largest expenditure item in Khabarovsk territory in that year was the "regional roads", which took up 18% of the total annual expenditure. The local budget was utilized in construction and repair of local roads. The second largest expenditure item was the "fund transfer to local self-governments", and when adding this to the "mutual settlements to local budget", approximately 21% makes up the fiscal aid to local self-governments. In addition, the corresponding portion of "budget loan" is presumed to be loans to local self-governments. This implies that the Khabarovsk local self-government is put in a serious financial situation. Conversely, fiscal aid and budget loans to the local self-governments oppressing on Khabarovsk economy, public policy, and the fiscal expenditure of government employee allowances.

2-2 Fiscal Structure of the Local Self-Government

2-2-1 Legal Basis of the Local Finance

As stated above, budgetary powers were not allocated to cities and raions during the Soviet era. After the collapse of the Soviet Union, the new Russian constitution established in December 1993 officially recognized "the municipal agencies to form, approve and execute local budgets". At this time, the Russian municipal system had not been formed and this provision only demonstrated principles. The outline of the local autonomy system was formed in August 1995, as previously stated, with the enactment of the Federal Municipal Law. This law re-stated the independent budgetary powers of the local self-government and stipulated the general principle of the local budget, but refrained from

Table 15 Khabarovsk Territory Municipal Revenue Structure (2000).

Revenue Items	Unit (1000 roubles)	Composition Ratio(%)
Tax Revenues	3,436,422	66.0
Business Profit Tax (Federal Tax)	526,422	10.1
Individual Income Tax (Federal Tax)	993,412	19.1
Value-Added Tax (Federal Tax)	130,712	2.5
Commodity Tax (Federal Tax)	21,328	0.4
License, Registration Fee	903	0.0
Sales Tax (Subnational Jurisdiction Tax)	148,508	2.9
Consolidated Income Tax (Subnational Jurisdiction Tax)	309,168	5.9
Individual Property Tax (Municipal tax)	11,584	0.2
Business Property Tax (Subnational Jurisdiction Tax)	398,046	7.6
Use of Underground Resources Fee (Federal Tax)	79,840	1.5
Use of Forestry Land Fee (Subnational Jurisdiction Tax)	49,006	0.9
Use of Water Facilities Fee (Federal Tax)	5,892	0.1
Land Tax (Municipal Tax)	87,282	1.7
Police unit maintenance, Welfare and other Taxes (Municip	9,205	0.2
Advertisement Tax (Municipal Tax)	6,537	0.1
Public Housings and Social Facility Maintenance Tax (Mun	633,393	12.2
Other Taxes and Levies	25,184	0.5
Non-Tax Revenues	194,908	3.7
Land and Other Property Rent	141,390	2.7
Interest on Bank Deposits	2,336	0.0
Interest on Budget Loans	1,978	0.0
Fines and Damage Deposit	28,649	0.5
Other Non-Tax Revenues	20,555	0.4
Total Self-Income	3,631,330	69.7
Funds from Non-Feredral Budgetary Funds	1,468	0.0
Environmental Fund	11,103	0.2
Subnational Jurisdiction Budget Fund Transfer	1,171,288	22.5
Other	395,346	7.6
Total Revenues	5,210,535	100.0

Source: Russian Ministry of Finance Homepage (http://www.minfin.ru/)

referring to budgetary powers such as specific revenue items or expenditure obligations. After the collapse of the Soviet Union, Russia continued to form and execute local budget without specific budgetary authority divisions between the federation, subjects of the federation, and the local self-government. The municipal finance disorder during this period is demonstrated by the multiple municipal tax system existing in each local self-government.

In September 1997, the Russian Constitutional Law "the financial basis of the local self-government in the Russian Federation," (the Federal Municipal Finance Law) referred to the specific budgetary powers, and the followings were determined: 1) the municipal agency authority in the local budgetary processes, 2) the obligation of the subjects of the federation in the local budgetary processes, 3) the listing of annual revenue items of the local budget, 4) arranging the fiscal aid to the Fund for the Financial Support of Local Self-Government and its functions in the subjects of the federation.

The Federal Budget Code enacted the following year 1998, stipulated a detailed division of budgetary powers between the federation, subjects of the federation and local self-government, determining the local self-government expenditure powers as shown above in Table 12. The Federal Tax Code enactment continues from 1999 to date, and the standardization of the municipal tax system in the Russian Federation is almost complete.

In regard to the Khabarovsk territory, the Khabarovsk Municipal Law was enacted in May 1996, and the Khabarovsk Local Budget Code in July 1999, determining the principle of the financial relationship between the Khabarovsk territory and the local self-governments within its region.

2-2-2 The Tax Revenue Structure in Municipal Finance

In 1997, tax revenues made up 63.4% of Russia's total municipal revenue. As shown in Table 15, the tax revenue makes up 66% of the total revenue in the 2000 Khabarovsk total municipal annual revenue structure. The retained federal tax makes up 51.1% of the total Khabarovsk tax revenue, similarly, retained subjects of the federation tax makes up 26.2%, and municipal tax makes up 21.8% of the total local tax revenues. This is not much different from the situation of the Khabarovsk annual budget revenue structure where the top tax retaining makes up approximately 80% of the tax revenue as shown in Table 9.

The Federal Constitutional Law (the Federal Tax Fundamental Law under the current tax system, or the federal tax code after the complete implementation of the federal tax code section 2) determines municipal tax categories and tax basis, as well as the maximum tariff. The municipal council can introduce municipal tax in its region under the conditions set forth and within the ranges predetermined by the Federal Constitutional Law.

As shown in Table 7, the municipal tax will be reorganized, integrated and substantially simplified following the complete implementation of the Federal Tax Code Section 2 (the segment on the municipal tax in the Federal Tax Code Section 2 has not been established to date), and the existing twenty-two municipal taxes will be reduced to a maximum of five and a minimum of three[8]. Although the taxpayers should welcome this reform, which simplifies the tax payment procedure and reduce taxes, it will most likely cause tax revenue reduction for the local self-government finance. At present,

Table 16 Khabarovsk Territory Municipal Expenditure Structure (2000).

Expenditure Items	Unit (1000 roubles)	Composition Ratio(%)
Government administration and municipal fee	423,547	7.2
Expenses for maintenance of law and order	3,941	0.1
Mining and manufacturing, electric utility	28,838	0.5
Agriculture	20,563	0.3
Environmental and natural resources conservation	1,241	0.0
Transportation, road, communication and information	140,941	2.4
Housing and public services	1,534,190	26.0
Anti-emergency and natural disaster measure fees	8,519	0.1
Educational fees	2,006,488	34.0
Culture and Art	134,169	2.3
Mass media and advertisement	12,741	0.2
Medical and healthcare	904,743	15.3
Public policy	313,598	5.3
Budget loans	4,037	0.1
Regional environmental fund	11,025	0.2
Mutual offset to local authority	175,305	3.0
Other expenditures	178,994	3.0
Total Expenditures	5,902,880	100.0

Source: Russian Ministry of Finance Homepage (http://www.minfin.ru/)

most of the local self-governments in Russia are in deficit; and a further revenue reduction will provoke criticism from many of the local self-governments. In the future, it is necessary to compensate the local budget revenue reduction due to the simplification of municipal tax with measures such as increasing the federal and subjects of the federation tax-retaining ratio for the local budget and strengthening fiscal aid from the subjects of the federation to the local self-governments. Nevertheless, the prospect is not clear.

2-2-3 Fiscal Aid from the Regional Budget

It is said that current majority of the Russian municipal finance is in a state of deficit. In 2000, the municipal finance of the entire Khabarovsk territory recorded a 13.3% deficit.

The Federal Municipal Finance Law and the Federal Budget Code clearly state that the federation and the subjects of the federation are obligated to subsidize the local self-governments to compensate the local budget deficit and balance municipal finance. Fund transfer from the "Municipal Finance Fund" consisting of the subjects of the federation budget, makes up the primary part of the fiscal aid to the self-governments. In effect, in Khabarovsk, 15.5% of the total annual expenditure was allocated for the "fund transfer to the local self-government" in 2000 (Table 14). On the other hand, "fund transfer from the subjects of the federation" made up 22.5% of the total annual revenue for the recipient local self-governments.

In 2000, the Khabarovsk local budget not including fiscal aid is in a state of deficit by 46.1%. However, due to the severe situation of the Khabarovsk local budget, sufficient fiscal aid to the local self-governments cannot be allocated. As mentioned above, the Khabarovsk local self-government would be in deficit by 13.3% even after fiscal aid provisions. It should be noted that municipal deficit persists even after the recovery of the Russian economy after the 1998 financial crisis and the federal finance shifted to surplus (2.5% surplus in 2000).

2-2-4 Municipal Annual Expenditure Powers

The distribution of the annual expenditure powers between the federation, the subjects of the federation and the local self-government and its issues is as stated above in the section; Subjects of the Federation Annual Expenditure Powers. As shown in Table 12, the local self-governments have exclusive powers for expense items such as; 1) maintenance and development of educational, healthcare, and cultural facilities; 2) housing and public services; 3) reorganizing living conditions and greening; 4) construction and restoration of city (raion) roads; 5) processing and management of household waste; 6) municipal (local) transportation, all of which are mostly quality-of-life items. Many of these items correspond to the local self-government jurisdiction issues stated in the aforementioned Federal Municipal Law. The local self-government undertakes joint expenditure obligations along with the federation and the subjects of the federation in diverse areas in general economy such as mining and manufacturing, agriculture and transportation, social security, and environmental protection.

When taking a look at the annual expenditure structure of the Khabarovsk local self-government in Table 16, the largest annual expenditure items are educational expenses (34%), housing and public services (26%), medical and healthcare expenses (15.3%), in order. These three annual expenditure items collectively make up 75.3% of the total annual. Of the 1997 Russian federal consolidation budget[9] total annual expenditure, the municipal expenditure make up 70% of the housing and public utilities, 67% of educational expenses, 55% of healthcare and physical education fee, and 49% of public policy expenses[10]. The local budget bears a major portion of the public and community service fee expenditure in the Russian Federation budget system. These expenditure items are strongly correlated with the lifeline (electricity, gas, water, housing, and medical care), and thus it is difficult to substantially reduce the annual expenditure, even under severe financial circumstances. In addition, the mayor and local self-government head would risk their political career if reducing education and public policy expenses, thus there is a strong tendency of maintaining the status quo.

During the privatization process of state-run companies following the collapse of the Soviet Union, the public facilities (hospital, nursery, housing, sport facility, and recreational facility) that had previously belonged to the corporations were massively segregated. The maintenance of such facilities was transferred to the local self-government. These public facility maintenance expenses have increased the fiscal burden on the local self-government.

The local self-government expenditure structure is more complex compared the other levels of budgets in reducing expenditures. For this reason, the local self-government budget records the largest fiscal deficit of the federation, subjects of the federation, and local self-governments.

Conclusion

After the collapse of the Soviet Union, the Russian

[8] In the subnational jurisdiction, the business property tax (subnational jurisdiction tax), land tax (municipal tax) and individual property tax (municipal tax) will be consolidated to the real estate tax, thus there will only be three types of municipal taxes: advertisement tax, inheritance and gift tax, and license tax.

[9] Consolidated budget includes the federal, subnational jurisdiction, and the municipal budgets.

[10] A. Belov "Development of Central and Local Relationships over the Federation Budget", Japan Association for Trade with Russia & Central-Eastern Europe "Central and Local Relationships and the Financial Federalism" November 2000.

Federation is building an entirely new local and financial system different from the old regime, through an extremely complicated process that is still incomplete. What makes it difficult to analyze the Russian local and financial systems are, the complexity, ambiguity and opacity of the authority division between the federation, the subjects of the federation and the local self-governments. This is due to the repeated deprivation and intrusion of authority between the federation, the subjects of the federation and the local self-governments in the circumstances of reinforcing regional powers and the faltering power of the federal government after the collapse of the Soviet Union.

Currently, President Putin is promoting local system reform with centralized measures. In a word, the aim of President Putin's local reform can be expressed as clarifying the power relationship between the federation, the subjects of the federation and the local self-governments. On June 26, 2001, President Putin declared a presidential decree to establish the proposal formulation committee on authority divisions between the federation, the subjects of the federation and the local self-government. This committee will mainly work on the fundamental assessment of the power-sharing treaties between the federation and the subjects of the federation. As stated above, the power-sharing treaty was one of the sources that led to the chaos of the relationship between the federation and the subjects of the federation under the Yeltsin administration.

Currently, President Putin's high public ratings support his solid political foundation. Under the Putin administration, the local and financial system reorganization will be promoted and the central and local relationships will converge to a decent level.

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A Review of Forest Policy Trends in Sri Lanka

Mangala De Zoysa

Department of Agricultural Economics, Faculty of Agriculture, University of Ruhuna

Abstract: The establishment of forest rules and regulations goes back to the King Dutugamunu period of 161 to 137 B.C. Generally, the community managed their forest resources with great care, while protecting the natural balance of the ecosystem. A drastic change in land use policy after foreign invasion resulted in denudation of the natural forest. The forest reserve of nearly 80 percent in 1886 was reduced to 70 percent in 1900, 44 percent in 1956, and is nearly 25 percent at present. Opening up of plantation crops, expansion of agriculture, land settlements, rising incomes, and changing life styles have caused over-exploitation of the forest. The policy measures that were taken time-to-time attempted to solve problems and improve the forest resources through sustainable management strategies.

This paper attempts to discuss the trends of forest policy in terms of the historical perspective, implementation strategies, and institutional development. The first forest policy in Sri Lanka was enacted by the British in 1929. After the country gained independence from the British in 1948, the forest policy was modified in 1953, 1970, 1980, and later in 1995. The priorities of the policy changes range from protection of natural resources, increase of the timber supply, and societal involvement in forest management to private sector managed forest plantations. The forest policy issues, based on conserved forest, multiple-use natural forest, watershed management, forest plantation, forest trees in common lands, forest trees in home-gardens and agricultural lands, forests for hermitage, recreation and wildlife, and timber harvesting, are reviewed under the implantation and management strategies. Further, institutional integration, forest research, and forest extension are discussed as institutional developments.

Key words: Forest policy, policy implantation, management strategies, institutional development.

1 Introduction

1-1 Forest degradation

Forests are very important for environmental conservation and as sources of food, fuelwood and minor forest products, such as resins, gums, and medicines. The forest provides space for recreation, shade, and other amenities. In most developing countries, with the increase of population, deforestation is continuing very rapidly. About three billion cubic meters of wood are harvested or consumed annually in the world (Westoby, 1991). The most serious consequences of deforestation and forest degradation are the loss of biodiversity, irregular water supply, shortened life span of irrigation channels and reservoirs, soil erosion, and loss of soil fertility. On the other hand, the low increment of volume of growing stock and high pressures of demand have led to a scarcity of timber, fuelwood, and non-timber forest products.

1-2 Forestry and sustainable management

Forestry can be conceived as the theory and practice of creation, protection, and scientific management of woody and non-woody vegetation (Gupta, 1990). In conventional forestry, traditional foresters gave primacy to the trees and some consideration to wildlife. They included man" in the framework as the "number one enemy" of the forest (Aguilar, 1982). Later, the forest became a valuable economic resource. Accordingly, forest management had to change from tree management to ecosystem management, in which people play a significant part. The people need the power and responsibility to manage forest resources in terms of their rights to and revenue from forest goods and services. Integrating social factors into forest management should consider the existing rights to lands and resources and the history of peoples use, and claims and counter-claims they have on current and future use (Dubois and Mayers, 1998).

The foresters felt the need to broaden the concept of forestry and address new problems raised by a changing society. Different forms of "social forestry" emerged with a view of man and forest as integral parts of upland ecosystems able to sustain each other (Slade *et al.*, 1986).

Eventually, internationally concerned social forestry emerged during the 1970s and 1980s as a result of three forest congresses: Forestry for Socio-economic Development, Forests for People, and Forest Resources in the Integral Development of Society (Westoby, 1991).

1-3 Forest degradation in Sri Lanka

Sri Lanka's natural forest cover decreased from 85 to 70 percent of land area during the period of British rule, which lasted from 1881 to 1900. The central hills were cleared for export crop plantations, while the dry zone forests were logged for valuable timber. After the country gained independence, 2.9 million hectares (44 percent of the total land area) were still under forest cover, as shown by aerial photographs taken in 1956 (Dissanayake *et al.*, 1983). By 1981 forest cover had been reduced to 1.63 million hectares (25 percent of total land area), representing a decrease at the rate of 50,000 hectares per year (Bandarathilleke, 1991), because of poor land use prac-

Address: Mapalana, Kamburupitiya, Sri Lanka
Tel: +94-41-92200/92385 (office), Tel: +94-41-26868 (home)
Fax: +94-41-92384, E-mail: mangala@agecon.ruh.ac.lk

Table 1 Supply of wood and wood-based products (1991-1998).

	1991	1992	1993	1994	1995	1996	1997	1998
Cubic Meters								
Soft-timber	115	33	-	-	290	-	-	-
Other logs	27,635	38,716	46,051	45,663	56,423	58,480	69,610	86,952
Ebony logs	151	48	29	15	44	23	49	30
Sawn timber	5,447	5,038	4,822	3,996	5,705	5,219	6,052	6,607
Fire wood	56,232	75,164	90,904	130,193	191,436	151,959	170,282	169,568
Pulp wood	5,932	648	-	-	245	1,676	-	-
Number of								
Railway Sleepers	18,171	59,779	55,049	77,468	54,035	50,104	65,375	77,092
Electric posts	11,709	26,929	4,613	10,554	21,233	48,295	35,398	39,316

Source: Statistical abstract 1998.

tices in agriculture, massive agricultural land settlements, encroachment by landless poor, and illegal logging. Furthermore, population growth, rising incomes, and changing life styles have also caused over-exploitation of the forests. Presently, forests cover only 1.58 million hectares, about 25 percent of total land area.

1-4 Supply of forest products

The supply of forest products during the period from 1991 to 1998 is shown in Table 1. Compared to other products, supplies of firewood and logs, other than ebony, have increased rapidly.

1-5 Management strategies

The assessment of land and resource suitability for area zoning and classification is required to develop scientific information on land and forest types in order to develop management strategies. Hence, the government has classified forestlands according to the following management strategies.

1. *Class I Forest*: These forests should be strictly conserved or preserved to protect biodiversity, soil and water, historical, cultural, religious, and aesthetic values. Research is allowed in these areas.
2. *Class II Forest*: Non-extractive use, such as scientific research, protection of watersheds and wildlife habitat, and regulated nature-based tourism, should be allowed, as well as the controlled collection of non-wood forest products and dead fuelwood by local people living adjacent to the forests.
3. *Class III Forest (multiple use)*: These forests should be managed primarily for the sustainable production of wood for the national interest on the basis of management plans to be developed by the government, and for the sustainable production of wood and non-wood forest products for the benefit of adjacent communities.
4. *Class IV Forest*: These consist of forest plantations and agroforestry systems on government lands. These lands would be managed for the production of wood and non-wood forest products by the government and non-government sectors. Deforested and degraded government lands suitable for plantation forestry and agroforestry development would also be included in this class.

However, the development of a widely accepted, explicit land use and forest policy and an integrated, comprehensive, long-term framework for the implementation of such a policy is vitally important for finding effective and sustainable solutions to the multitude of problems prevailing in the forestry sector. Hence, the study of the trends in forest policy in Sri Lanka has become of paramount importance for making recommendations for future promotion of forest resources in the country.

2 Forest policy trends—the historical perspective

2-1 The classical period

2-1-1 Environmental and social harmony

Historically, forest management considered the forest and wildlife with the principle objectives of a stable environment and the provision of forest products. The forests were used for temporary agriculture, hunting, grazing, and for gathering a wide variety of forest products. The ancient historical chronicles in Sri Lanka, "Maha-Wamsa," "Rajaratnacari," and "Rajawali," reveal that the village communities were well organized and lived in harmony with the neighboring forest environment even during the period of King Vijaya in 543 B.C. (Maddugoda, 1991). The village forest was an integral part of the village that provided farmers with forest products without encroaching into the natural forest. A large proportion of the rural population sustained itself on the availability of forest produce in the nearby village forest.

2-1-2 Forest regulations

During ancient times, the village community lived in harmony with the neighboring forest environment and had its own privileges and a good deal of self-administration. The establishment of rules and regulations for the protection of the forest and the use of forest

produce can be dated back to the King Dutugamunu period of 161 to 137 B.C. (Maddugoda, 1991). The King was generally considered the rightful owner of the forest lands (Troup, 1940). The natural resources were managed under a common property regime with a complex system of norms and conventions to regulate individual rights (Kariyawasam, 2001). Further, social obligations also prevented the misuse of forest resources surrounding the village. The lands in the low country dry zone were intensively utilized for agricultural purposes, while protecting the vegetation in the hill country watershed area with great care. These rules were continued until the end of the Sinhala Kingdom in 1815.

2-2 Under foreign invasion

2-2-1 Pre-British administration

The Dutch administration had estimated in 1794 that 80 percent of the total land area (6.56 million hectares) was covered with forest. During the Dutch period large quantities of timber of certain species (e.g., ebony) were exported to Holland and other European countries, which resulted in these species becoming almost extinct in the country (Nanayakkara, 1981). The consumption of timber in the country itself was very small, and much timber was available from private lands. The Dutch introduced teak at the end of the 17th century and many plantations were established near the coast (Troup, 1940).

2-2-2 British administration

Denudation of natural forest: The British administration took over all uncultivated land and made drastic changes in land use. During their rule, forests in the wet-zone hills were cleared to plant export crops such as coffee and tea, and dry-zone forests were cleared for export of valuable timber. Almost half of the forest cover (2.7 million hectares) was lost within a period of 150 years, from 1815 on, due to clearing and opening up of plantations (Fernando and Samarasinghe, 1988). Timber felled indiscriminately under licenses before 1835 depleted valuable timber supplies, especially ebony and satinwood (Troup, 1940). Eventually, the major changes in land use and land policy resulted in almost complete denudation of the forest.

Forest conservation: A Forest Ordinance was passed in 1855 to regulate shifting cultivation and forest reservations (Troup, 1940). The Department of Wildlife established 11 national parks (460,000 ha), 5 nature reserves (64,000 ha), and 50 sanctuaries (256,000 ha) in 1885 (Gunasena, 1993). The first Conservator of Forest was appointed in 1887 and passed on administrative control over the country's main forests in 1899 after creating the Forest Department (Troup, 1940). However, the Government Agent still administered a few less valuable "Provincial Forests" until 1904. They had granted free collection rights to poor rural people both of fuelwood and minor forest produce within a three-mile radius of their villages if located near forest areas (Nanayakkara, 1981). By 1920, Ceylon (Sri Lanka), a country eminently suitable for the production of timber, was importing wood, mainly chests, from Japan and teak from Burma (Troup, 1940).

Policy issues: The first authorization of national forest policy in Sri Lanka was made in 1929, considering that Sri Lanka had more than enough forest land at the time (Pushparajah, 1986).

The main objectives of the Forest Policy in May 1929 were

1. to make the island self-supporting in timber, fuelwood, and other essential forest products, both by the systematic exploitation of existing natural resources and by the artificial reforestation of selected areas;
2. to provide timber and forest products for export to the world market;
3. to conserve water supply and prevent erosion; and
4. to co-ordinate forest operations with the requirement of the preservation of the indigenous fauna and flora.

They established a regular timber trade after commencement of the coffee industry in 1930. The felling operations were controlled by local village headmen under the permit system issued by the Divisional Revenue Office under the Government Agent (Nanayakkara, 1981). In 1931, the Forest Department was placed under the Ministry of Agriculture and Land. The government decided in 1934 to take measures to make the best possible use of the country's forests for the benefit of the whole community (Troup, 1940). The forests were divided into two categories: (1) forest reserves and (2) other crown forests, which could be exploited for commercial purposes (Nanayakkara, 1981).

2-3 Post-Independence

2-3-1 Forest policy in 1953

Sri Lanka's national forest policy was redefined in 1953, five years after Independence, with the following priorities:

- to maintain, conserve, and create forests for the preservation or amelioration of local climate conditions and soil and water resources, and for the protection of local fauna and flora, where they are required for aesthetic, scientific, historical, or economic reasons;
- to ensure and increase, as far as possible, the supply of small wood for agricultural requirements and fuelwood for domestic consumption;
- to maintain a sustained yield of timber and other forest products for the general housing, industrial, communications, and defense requirements of the country;
- to work the forests to the highest possible economic advantage as is consistent with the foregoing objectives.

2-3-2 Forest policy in 1970

The forest policy in 1970 emphasized

- to reserve and maintain adequate and suitable forest reserves for the amelioration of local climatic conditions, the conservation of soil and water resources, and for aesthetic purposes;
- to scientifically manage the forest resources so as to meet part of the timber requirement of the country; and
- to progressively build up the plantation forest estates to meet the future timber requirements of the country, both for internal consumption as well as for export, and also to contribute towards conservation of soil and water.

2-3-3 Forest policy in 1980

The main objectives of national forest policy in 1980 were

- to maintain, conserve, and create forests for the preservation and amelioration of the environment, soil and water resources, and for the protection of the local fauna and flora, when they are required for aesthetic, scientific, historical, and socio-economic reasons;
- To ensure and increase, as far as possible, the supplies of small wood for agricultural requirements and fuelwood for domestic consumption;
- To maintain, as far as possible, a sustained yield of timber and other forest products for general housing, industrial, communication, and defense requirements of the country;
- To work the forest to the highest possible economic advantage as is consistent with the foregoing objectives; and
- To involve the local community in the development of private woodlot and forestry farms through a program of social forestry.

2-3-4 Forest policy in 1995

The main objectives of the National Forest Policy in 1995 were

- to conserve forests for posterity, with particular regard to biodiversity, soils, water, and historical, cultural, religious, and aesthetic values;
- to increase the tree cover and productivity of the forests to meet the needs of present and future generations for forest products and services; and
- to enhance the contribution of forestry to the welfare of the rural population, and strengthen the national economy, with special attention paid to equity in economic development.

3 Forest policy and policy implementation

3-1 Conserved Forest

3-1-1 Forest conservation

According to Kariyawasam (2001), from the 3,650 known plant species in the country, 840 are endemic and 94 percent are found in the rain forest. Further, over 50 percent of the tree flora in the rain forest are endemic to the country. Unfortunately, the natural forest has been reduced to a critical level from the point of biological diversity and accelerating species extinction (Gunetilleke and Gunetilleke, 1983). Therefore, the government of Sri Lanka has already protected 977,000 hectare or 38 percent of the total forest land of the country in consideration of environmental conservation (Table 2).

Table 2 Protected forestlands in Sri Lanka.

Type of lands	Area (ha)	% of total forest
National reserves and sanctuaries	781,000	31.1
Man and biosphere	119,000	4.8
Steep slope > 30%	50,000	2.0
Elevation > 1500 meters	27,000	1.1
Total	977,000	38.0

Source: Bandarathilleke 1991.

The Forest Department preserved 119,000 hectares of natural forest ecosystems under the "Man and Biosphere" program of UNESCO in 1980. The Forest Policy of 1995 also considered that the natural forests were heavily depleted and expressed concern for safeguarding the remaining natural forests for posterity, in order to conserve biodiversity, soil, and water resources.

3-1-2 Community involvement

Effective conservation of protected areas is a very difficult task with the existence of pressures on forest resources by the surrounding community. The opportunity cost of conserving 10,000 hectares of forest per annum was Rs. 45 million in 1986 (Pushparajah, 1986). Therefore, natural forest conservation has to consider the people as an important agent in order to implement the conservation strategies effectively. The term "conservation" as described by the IUCN in the World Conservation Strategy is "the management of human use of biosphere so that it may yield the greatest sustainable benefits to present generations, while maintaining its potential to meet the needs and aspiration of future generations." Therefore, the conservation forestry programs have recognized the importance of local community involvement and consultation in the process of planning and decision-making (Bandarathilleke, 1991).

3-2 Multiple-use natural forest

3-2-1 Common resources

In the fulfillment of rural needs as sources of lands and timber, for regulation of water flows, and stabilizing hillsides, these are seen as common goods and benefits of the forest (Pushparajah, 1986). The disappearance of forests due to the actions of people or "abuse of the common goods," makes the forest benefits no longer available to the community. Montane and sub-montane natural forests have been degraded due to logging for fuelwood supply. The mangrove forests confined to parts of the coastal belt and river estuaries have either been degraded or destroyed due to agriculture, firewood collection, prawn hatcheries, etc. (Nanayakkara, 1983).

The availability of forest products for meeting people's basic needs outside the conservation areas, both from the production forest and non-forest wood resources, would determine the increase in opportunity, cost of conservation, and ultimately, the success or failure of the conservation strategies (Pushparajah, 1986).

3-2-2 Management strategies

The following strategies for the conservation of forest resources were recommended to the government by the FAO's (Food and Agriculture Organization of the United Nations) "Tropical forestry action plan" (1985) and in "Tropical forests: A call for action" by the World Resources Institute (1985).

- Institution strengthening human resources development
- Education, extension, and awareness programs for peoples' participation in forestry
- Annual afforestation of 10,000 hectares
- Man and Biosphere program
- Intensification of forest management
- Restricting agricultural and other land development to areas largely cleared of forest
- Increasing the non-forest wood resource base and yield
- Efficient utilization of wood, both as fuel and timber
- Stoppage of converting natural forests to plantations
- Stoppage of issue of permits for shifting cultivation
- Watershed protection
- Agroforestry
- Forestry research
- Strengthening law enforcement
- National heritage wilderness legislation
- Tree planting programs
- Provision of adequate funds for forestry programs
- Long-term plan for the forestry sector

3-2-3 Regulations

In November 1973, Sri Lanka's Cabinet accepted a policy decision to scientifically manage the forest reserves (Perera, 1978). The National Conservation Strategy in 1988 recommended the cessation of haphazard alienation of natural forests (Gunasena, 1993). Under the National Environmental Act in 1988, all the forestry development projects became subject to environmental impact assessment prior to approval in order to safeguard against adverse environmental consequences. Considering the vital importance of protecting the environmental conditions in forests, a separate Environment Management Division in the Forest Department was established in 1990 to implement the Forest Policy of 1989 (Bandarathilleke, 1991).

Effective forms of partnership with rural people, communities, NGOs, rural industries, private sector groups, including "joint forest management" and "leasehold forestry," had already been accepted by the government in the Forestry Policy in 1995. Even the Forestry Master Plan in 1997 emphasized the involvement of local people in decision-making pertaining to policies, plans, and processes related to multiple-use forests (Dubois and Mayers, 1998). Therefore, the community management of local forests emerged as the most promising alternative to the state administration of forest reserves (Kariyawasam, 1996). However, the natural forests should be managed only by the government, together with local people and communities, or assisted by NGOs.

3-3 Watershed management

3-3-1 Environmental concerns

All the major rivers in Sri Lanka, including the Mahaweli River, include a watershed or catchment area situated in the hills of the wet zone. The upper catchment of the Mahaweli covers approximately 3,000 square kilometers of the central hills of the country (Weil, 1981). Degraded forest and scrub forest occupy many of the steepest slopes. Land degradation problems in the upper watersheds have become critical, because of the adverse impacts on irrigated agriculture, hydropower generation, and flooding in the downstream areas.

3-3-2 Restoration

The montane zone catchment and watersheds are the main areas in great need of restoration; the maximum potential groundwater recharge can be delivered if the watershed is maintained in its natural state, either as forest or as permanent grassland, without external disturbance. The government's policy was imposed to maintain forest cover above 1,500 meters, valuing forests as watershed and catchment areas. However, the major constraints in watershed management have their origin in social factors, institutional inadequacies, and an inappropriate policy environment (ADB, 1997). Therefore, the number of streams, hectares of land, and how many people would be benefited are concerns for every hectare reforested within the strategic area of watershed management. Further, watershed management would be a successful program if the overall shaping of the environment was integrated with development in rural settlements in hilly areas (Perera, 1978).

Under the USAID (US Agency for International Development) program in 1982, watershed reforestation relied heavily on research to build up the array of acceptable species, the method of propagation, spacing, fertilizing, after-care, etc. (Vivekanandan, 1981). The Sloping Agricultural Land Technology (SALT) system was heavily promoted by the GTZ-funded (German Technical Cooperation Agency) Upper Mahaweli Watershed Management Project. The SALT system was introduced as an ideal system for mid and hill country areas to grow tea and annual crops without causing soil erosion (De Zoysa 1996). The Upper Watershed Management Project, funded by the Asian Development Bank (ADB), was designed in 1997 to address forest and land degradation problems in upper watersheds (ADB, 1997). The project

activities have been focused on integrated and participatory approaches by rehabilitating and protecting degraded lands, promoting conservation-oriented farming systems, and strengthening the agencies in charge of project implementation. Another important objective of the Upper Mahaweli Catchment Watershed Management Project was to protect and preserve soil resources and to increase the uplands productivity to produce fuelwood, fiber, and timber for the benefit of the community (Weil, 1981).

3-4 Forest plantations

3-4-1 Establishing plantations

It has been estimated that about 895,000 hectares, or more than 60 percent of forest land, in the country are degraded forests (Dobois and Mayers, 1998). The Forest Department implemented a large-scale reforestation program to grow over 7,500 hectares per year in the dry zone in 1970. By 1976, about 60,000 hectares of teak plantations were established in the dry zone (Perera, 1977a). And 1,700 hectares of pine trees were raised annually to meet the chipboard demands for log fiber pulp for the paper and chipboard industry. Further, the department successfully reforested 6,935 hectares in 1978, 8,146 hectares in 1979, and 12,494 hectares in 1980 (Nanayakkara, 1981). Further, the Forest Department manages 48,448 hectares of forest plantations under the management plan, where 32,952 hectares are designated as commercial plantations (Kariyawasam, 2001).

In the 1995 national forest policy, it was proposed to establish more than 150,000 hectares of forest plantations, including the regeneration of existing forests, new industrial forests, block plantations, and protection plantations by 2000. This could supply a considerable amount of wood to cover the timber deficit and minimize the population pressures on the natural forests (Bandarathilleke, 1991). The lands suitable for plantation forestry and agroforestry development were categorized as Class IV forest for management under the 1995 forest policy (Hewage 1996).

3-4-2 The Taungya system-A co-operative reforestation scheme

Many degraded natural forests were converted to forest plantations between 1950 and 1970. The Taungya system or "Co-operative Reforestation Scheme" was the main form of establishing forest plantations (Kariyawasam, 2001). The Taungya system is considered as the best method of replacement approaches for combining shifting agriculture with forest plantation. Under the reforestation program in 1970, the local communities were allowed to inter-cultivate food crops between the rows of teak for a period up to three years, until the teak became established (Perera, 1977a). However, the co-operative reforestation scheme was abandoned, due to continuous agitation by environmental groups against clearing natural forests. Later, a much-modified co-operative system, with more financial incentives, was permitted for planting on very degraded lands by leaseholding participants. Forest plantations were established by the Forest Department on bare lands, grass lands, sandy shores, and abandoned tea lands, supported by departmental planting on a paid-labor basis (Kariyawasam, 2001).

3-4-3 Leasing lands for plantations

The timber production capacity of small holders has been expanded with financial assistance from the ADB and AusAID (Australian Agency for International Development) by leasing 8,500 hectares of land among 20,000 farmers. Presently, plans are being implemented to bring in the private sector for forest plantations on lease agreements (Kariyawasam, 2001). The agreement between the government and non-government sector is considered as a highly innovative step to establish and manage forest plantations by involving private, local communities, and government organizations (Dubois and Mayers, 1998).

3-5 Forest trees on common lands

3-5-1 Forest products and services

Although there are no accurate estimates, forestry contributes about 50 percent of the total energy requirements of the country (Nanayakkara, 1983). Timber tree crops, such as rubber, jack, kitul, tamarind, cane, etc., in common lands provide employment and some income to the people, and also alleviate the pressure by villagers on the natural forests.

3-5-2 The projects

The Department of Forestry, in collaboration with other government and non-government organizations, has planted trees on non-forested lands, including degraded and wastelands, since 1978. The program had distributed about three million plants by 1981 (Nanayakkara, 1983). During 1981, about three million more trees were distributed by the department to plant on homesteads, along roads, avenues, irrigation channel bunds, wastelands, school premises, boundaries of estates, etc. The program was implemented jointly by the Forest Department, the Water Resources Board, the Department of Land Development, the State Timber Corporation, and voluntary organizations (Ratnarajah, 1981). The Forest Department implemented community forestry projects with the assistance of the ADB in 1982. The main objectives of the project were to augment the fuelwood and constructional timber supply, and the growing of fruit trees on community lands. The project attempted to act as a catalyst in creating community awareness and also to build up the institutional capacity within the Forest Department. The Department of Forestry implemented several projects to develop the fuelwood resources of the country in 1983. The major programs were the USAID Reforestation Project, ADB community forestry projects, the Mahaweli Authority Reforestation Project; and integrated rural development projects. These projects planted 5,600 hectares with

about 15 million trees for fuelwood purposes alone. Further, the department organized a country-wide tree planting campaign to plant two million trees on communal lands in order to produce fuelwood, in addition to timber (Nanayakkara, 1983).

3-5-3 Community participation

Community forestry envisages the participation of the community in the production of fuelwood, food crops, and general utility timber, thereby improving the socio-economic condition of the community (Ratnarajah, 1981). Social forestry under the rural development strategy requires the support of the local people, development planners, and implementing organizations. However, the people-driven, people-centered forestry programs, based on "bottom-up" planning and decision-making, have to be facilitated by the government (Forestry Planning Unit, 1995a).

Greater participation of local communities was encouraged in forestry activities through a social forestry program in 1990 (Bandarathilleke, 1991). The government has tried community forestry and participatory forestry on a small scale. Rural people have been encouraged to participate through incentives, such as employment in tree planting and the sharing of produce. However, the success of the projects is heavily dependent on providing funds borrowed from external sources (Forestry Planning Unit, 1995b).

3-6 Forest trees in home gardens and agricultural lands

3-6-1 Land productivity

Generally, trees on agricultural lands and in home gardens are the main sources of wood, bio-energy, and logs for industry. Most families use local fuelwood, particularly the agricultural residues, for their domestic energy needs. With a fast-growing population, the poor and landless have converted the village forests into marginal agricultural land just to survive. Many forests disappeared due to encroachments and clearing for shifting cultivation. The land area under annual food crops has increased during the last two decades. These changes in land-use patterns have further aggravated land degradation problems (Bandarathilleke, 1991). Evidently, much agricultural cultivation has been abandoned after the soil has been so eroded and its fertility so depleted that further attempts at cultivation are hopeless (Weil, 1981). Moreover, a severe scarcity of land has stimulated intense land speculation in rural areas. Because of the land policies, alienation of land has concerned mainly degraded areas where agricultural productivity and income generation are low. The potential has provided few incentives for investment in land (Dubois and Mayers, 1988).

3-6-2 Policy issues

Agroforestry involves a complex and diversified farming system, as it combines the growing of agricultural crops and forest trees in one area. A desirable agroforestry system provides a good yield while conserving both soil and water. Based on the people's own needs and long traditions, home gardens are an extraordinary case of successful agroforestry. Agroforestry results in more secure rights over and benefits from lands to the farmers than primary forests, while creating an ecosystem that partially restores forest characteristics.

National forest policy in the 1950s emphasized the importance of forests on agricultural and other lands, considering the social, economic, and environmental benefits. National forest policy in 1953, five years after Independence, was redefined to include the importance of forests in relation to agricultural and other forms of land use (Bandarathilleke, 1991). Forest tree planting on farm lands and in home gardens through social forestry was also an important issue in the national forest policy in 1995. The policy recognized that the home gardens and other agroforestry systems and trees on other agricultural lands play a crucial role in supplying timber, bio-energy, and non-wood forest products, while conserving the micro-environment in those lands (Dubois and Mayers, 1998). The Forest Department initiated the issuance of permits to encroachers who established farms inside reserve areas in order to restore the encroached lands. This initiative gives secure title for tenure rights and usufruct rights of their lands to the landless villagers, with assistance to improve them with tree crops and eliminate their need to encroach further (Kariyawasam, 2001).

3-6-3 Agroforestry programs

The "Cooperative" or "Taungya" reafforestation scheme in 1970 developed permanent forestry and permanent agriculture on the same land, adopting the principles of agri-silviculture and farm forestry (Nanayakkara, 1981). The community forestry project, financed by the ADB in 1980, attempted to establish block fuelwood plantations to grow trees on farmers' woodlots for fuelwood (Kariyawasam, 2001). One of the main objectives of the ADB-funded community forestry project in 1982 was to grow fruit trees in home gardens. The Community Woodlot Development Program at the Kirindi-Oya Irrigation and Settlement Project was implemented in 1993, with the assistance of the ADB, in order to recover the vegetation on degraded land. The main agroforestry model was to raise trees together with field crops in the "Tungya" system (De Zoysa, 2000). Homestead development along with agroforestry was one of the models introduced by the Participatory Forestry Project (PFP) implemented in 1993 under a loan from the ADB.

3-7 Forest for hermitage, recreation, and wildlife

3-7-1 Hermitage

Buddhist monks are issued permits to use small blocks of natural forests as their residential places for meditation. Buddhist philosophy has had a great influence on forest and wildlife conservation. The chronicles of Sri

Lanka and stone edicts record the profound importance given to forests by past kings, including their reservation as national parks and hermitage forest for the use of forest monks (Kariyawasam, 2001).

3-7-2 Recreation and wildlife

The Department of Wildlife Conservation was created as a separate department in 1949 (Nanayakkara, 1981). The national reserves and sanctuaries under the department cover 781,000 hectares as protected areas. It has been suggested that the National Heritage and Wilderness Areas Act should be amended to include multiple-use management activities (Bandarathilleke, 1991). State forest policy is also needed to obtain the best use of wildlife areas, which comprise 40 percent of the forested area in the country. Because the wildlife forests are poorly stocked with timber, they have to be managed for recreational and tourism purposes (Nanayakkara, 1981). However, the government has considered forest-based tourism, eco-tourism, as a substantial source of income and a wiser use of resources as supplemented income (Kariyawasam, 1996).

3-8 Timber harvesting

3-8-1 Harvesting and supplying

The State Timber Corporation was created in 1968 to handle timber supplies and marketing operations (Nanayakkara, 1981). The policy objective of the corporation was to carry out selective harvesting of timber and to conserve a major part of the natural forests more for protection, rather than as "production" forest (Perera, 1977b). The Sate Timber Corporation is responsible for harvesting and supplying timber to meet demands for construction purposes, local and export markets, and furniture industries. Further, the corporation supplies sleepers to the Railway Department and transmission poles to the Electricity Board, and fuelwood for industry and domestic consumption. About 12,000 hectares of forest were handed over to the Ceylon Plywood Corporation for timber harvesting by a decision of the Cabinet in 1968 (Perera, 1977b).

3-8-2 Exploitation

The forest has been repeatedly harvested to meet the timber requirements of the country. However, lack of incentives, limited monitoring capacity, and corruption have led to over-cutting and the permanent degradation of many forest tracts (Kariyawasm, 1996). The Forest Ordinance was amended from time to time, especially with regard to control of illicit felling and transport of timber. It is felt that the provisions under the Forest Ordinance have to be strengthened to combat illicit felling activities (Bandarathilleke, 1991). The Forest Master Plan prepared in 1986 emphasized the intensive logging of natural forests and forest plantations. The program was severely criticized by the forestry sector, NGO groups, and the general public (Gunasena, 1993). As a result of public pressure, the government imposed a logging ban in natural rain forests in 1990 (Kariyawasam, 2001).

4 Forest policy and institutional development

4-1 Institutional Integration

The Forest Department and the State Timber Corporation are the two separate organizations that closely coordinate to implement the forest policy. Gunasena (1993) stressed the need of an organizational structure and management mechanism to bring together existing government institutions, universities, NGOs, farmers, and the private sector in order to devise cooperative plans and promote policy issues. The National Forest Policy in 1995 emphasized the broadening of the institutional framework and integration of agriculture and forestry, with the intention of improving inter-agency coordination (Dubois and Mayers, 1998). Further, in the Forest Policy it is stated that the carefully planned forestry partnership between the government, local communities, NGOs, and industry is important to prevent over-exploitation and unequal distribution of benefits, which will create an engine for economic development. The policy objective matrix shown in Appendix 1 and Appendix 2 explains the broadening of the institutional framework for management, and defines the roles and responsibilities of various stakeholders in forest policy.

4-2 Forestry research

Although there are many research institutes for agricultural commodities, only a small division handles forest research in the country, despite the fact that about 25 percent of the land area is under forest cover (Vivekanandan, 1981). The Forest Department conducted research from the late 1950s for two decades to determine which species could be grown fast and satisfactorily on many denuded lands (Kariyawasam, 2001). The forest research activities on multi-purpose tree species (MPTS) have become very important to promoting productive and sustainable agroforestry systems. The Man and Biosphere-UNESCO Program of the Forest Department in 1970 emphasized the research and extension activities to promote multi-purpose tree species under the community forestry program. The International Research Center (IDRC), in collaboration with the Forest Department, has carried out a considerable amount of research work on MPTS under the community forestry project (Bandarathilleke, 1991). Forest research on multi-purpose tree species in agroforestry systems was expanded in 1995.

The UNDP/FAO Project on Forestry Inventory for Management Planning was designed in 1981 for the collection of qualitative and quantitative information on forest resources. The objective was to prepare a management plan for productive forests and plantations. The project established permanent sample plots to assess growth, regeneration, and motility. The project further established a data bank for the purpose of long-term

land-use policy decisions, and trained personnel capable to undertake land-use and management planning.

4-3 Forestry extension

4-3-1 Public awareness

Increased awareness on the part of local people of the seriousness of the forest crisis, the effects of forests on climate, ecological balance, social and cultural life, and long-term economic stability is essential for sustainable forest management. Forestry extension (the dissemination of knowledge concerning forestry) has therefore assumed a more dynamic role, encompassing the broad spectrum of social, economical, and political aspects of the community. Foresters, as resource managers and practicing ecologists, have to provide information to the public concerning a variety of environmental problems, including deforestation. Extension education and awareness programs conducted by the Forest Department should be fully utilized to reach the general public to convey the message of conservation. However, conservation education should be imparted at every level-to schoolchildren and adults, villagers and town dwellers, bureaucrats and technocrats (Gunetilleke and Gunetilleke, 1983).

4-3-2 Community/rural development

The National Forestry Extension Service was established, covering 19 administrative districts under the USAID/Sri Lanka reforestation and watershed management project from 1982 to 1985 (Ratnarajah, 1981). The government decided to establish the forestry extension service under the Forest Department to promote forestry for local community development. The forester became a middle-level manager, policymaker, community leader, and rural folk in the smooth implementation of forestry extension programs based on harmonious understanding and the mutual interests of people involved in forestry. The objectives of the forestry extension programs are education and training, applied communication development, social forestry pilot projects, and development activities (Seneviratne, 1982). Further, the forest extension service was responsible for the establishment of fuelwood lots in 5,830 villages during a five-year period that commenced in 1983 under the community forestry project financed by the Asian Development Bank (Ratnarajah, 1981). Extension work with farmers is concerned with agriculture, energy, environment, and forestry (FPU, 1995b). The National Forest Policy in 1995 shows the government's commitment to support forest development on private lands and forest-based rural development through promotion and extension initiatives for other stakeholders (Dubois and Mayers, 1998).

5 Conclusions

The priorities of forest policy in Sri Lanka have drastically changed throughout the country's history. The main objective of forest policy has shifted from sustainable management of forests by the community during the classical period, a supply of timber by foreign rulers, the protection of forest resources after Independence, and recently, to the management of forests as an economic resource. However, the multiple objectives in terms of conservation, production, and rural development in the current policy show again the increasing trends towards sustainable forest resource management.

The involvement of local communities in effective conservation of protected forests is still a difficult task. Joint forest management and leasehold forestry have become promising strategies for scientific management of a multi-purpose forest, which allows sharing the benefits of forests among the stakeholders as common goods. The integrated and participatory approach in the management of watersheds is directing the community to adopt appropriate farming systems to regenerate vegetation, preserve the soil, and increase the productivity of highly degraded lands. Many forest plantations have been established as a common policy since the foreign administration. The establishment and management approach of forest plantations has been moved from government plantations, community forest plantations, and presently, to the commercial forest plantations by private sector on lease agreements.

With the amendment of forest policy with social forestry in the 1980s, the government has implemented several people-driven, people-centered community forestry programs to grow trees on common lands with the view of producing fuelwood and other forest products, protecting natural forests, and providing employment and some income to the local communities. Compared to community forestry programs on common lands, agroforestry and growing forest trees in home gardens are becoming very popular strategies that provide the rural people with secure rights, indivisible benefits, and restoration of the agricultural ecosystem.

The management of forest resources in national reserves and sanctuaries has not been functioning under scientific norms. In harvesting timber the government agencies do not follow scientific techniques. However, illegal felling, which has led to over-cutting, is still a serious drawback of forest management without proper legal procedures.

Broadening of the institutional framework and integration of forest-related institutions in order to improve inter-agency coordination is a timely move suggested by the most recent forest policy. However, the very small research division of the Forest Department still plays an insignificant role in the development of the forestry sector. Even the forest extension programs are mainly designed as individual projects funded by donor agencies, without national-level strategic planning.

5-1 Policy implications

Usufruct rights as well as community rights have to be granted to the local communities to enable them to participate with foresters in sustainable forest manage-

ment programs. The involvement of the private sector in forest conservation and commercial forest plantations should be encouraged very carefully through continuous monitoring and comprehensive evaluation procedures to avoid any adverse impacts. However, the private forest plantations have to be established with the consent of the local people and their benefits have to be secured for successful implementation.

Careful study of the customary use of common resources and benefit-sharing mechanisms among community members before implementing a forestry program would prevent abuse of the forest resources. Promotion of forestry systems based on people's need and educating them about management practices in order to reap the optimum benefits has become of vital importance to promoting the forestry sector. Further, the communities have to be educated and provided with appropriate technology and facilities to manage the protected forests, forest plantations, community forests, and farm forests, as well as the watersheds, in a sustainable manner.

Integration of forest-related institutions, such as departments, universities, NGOs, private sector, etc., has to be strengthened to perform appropriate research and effectively disseminate the technology required by forestry sector stakeholders. The research division of the Forest Department has to be expanded to promote multidisciplinary research in diverse fields of study.

The foresters have to be motivated as managers and facilitators of rural development programs. The extension division also has to be restructured in order to implement long-term development programs nationally and short-term programs regionally.

Joint management of forests by the Wildlife Department with the Forest Department will create more facilities for recreation and could earn significant profits from the reserves. A strong forest policy to combat illegal logging, as well as support sustainable logging practices, has become of vital importance to protect forest resources and obtain the optimum benefits.

Appedix 1 Policy objective matrix.

Objectives	Protected areas	Multiple-use natural forests	Home-gardens and non-forest lands	Forest plantations	Industrial production
To conserve forests, bio-diversity, and soil and water	Priority in land allocation. Managed by the state. Rehabilitation by important areas.	Management by rural people. Communities and state activities defined in managed plans allowed. Some logged-over forests rehabilitated.	Priority over mono-cultural plantations, for the sake of bio-diversity and wide range of products.	Conservation of water and soils.	
To provide forest products and services	Protection of biodiversity soils and water. Non-wood forest products.	Products for subsistence and market needs. Harvesting and transport by local people and others in private sector. No industrial concessions.	Subsistence and market needs. Owner managed. Promoted by government. Deregulation of production, harvesting, and transport.	One or more products. Emphasis on private sector and leaseholds. Owner managed. Promoted by government. Wood for local users and industry.	Better use of wood and non-wood products. Liberalized transport and trade. Self-sufficiency in major products. Competitive industries.
To contribute to the welfare of the rural people and to strengthen the national economy.	Support for agricultural production. Nature based tourism.	Subsistence needs. Development of local economy.	Development of household and rural economies. Main source of bio-energy and industrial wood.	Development of rural and national economies.	Emphasis on private production. Promotion of rural industries. Development of rural and national economies.

Source: Forestry Planning Unit 1995.

Appendix 2 Distribution of roles between the government and non-government sectors.

Development partners	Protected areas	Multiple-use national forests	Home gardens and other non-forest land	Forest plantations	Industrial productions
National Authorities	Policy and legislation, finance and audit	Policy and legislation, finance and audit	Policy and legislation, access to finance	Policy and legislation, access to finance	Policy and legislation, access to finance
Forest Department, Forest Planning Unit, Dept. of Wildlife Conservation	Policy formulation, Macro-level planning, Enforcement, Management, Monitoring, Training and Extension	Policy formulation, Macro-level planning, Enforcement, Management, Conservation, Monitoring, Training and Extension	Policy formulation, Macro-level planning, Management, Conservation, Training and Extension	Policy formulation, Macro-level planning, Leasing, Enforcement, Monitoring, Training and Extension, Conservation, Management	Policy formulation, Macro-level planning, Extension, Supply of wood
Wildlife Trust	Management of income generating activities. Patron of conservation. Education of public.	Support in conservation			
Other state institutions	Law enforcement, Industry licensing, Land-use monitoring, Education, Research, Collaboration in extension	Law enforcement, Industry licensing, Land-use monitoring, Education, Research, Collaboration in extension	Law enforcement, Industry licensing, Land-use monitoring, Education, Research, Collaboration in extension	Law enforcement, Industry licensing, Land-use monitoring, Education, Research, Collaboration in extension, Environmental monitoring	Policy formulation, Law enforcement, Industry licensing, Environmental monitoring, Education, Research, Collaboration in extension
Local rural people	Participation in conservation, Authorized utilization	Participation in management and conservation, Authorized utilization, Protection	Management and utilization, Conservation, Protection	Non-resident cultivators, Hired labor, Protection	Labor services, Supply of wood
NGOs	Extension Mobilizing and facilitating, Capacity and skill building, Participation in conservation and management, Advocacy of private rights, Law enforcement, Monitoring	Extension Mobilizing and facilitating, Capacity and skill building, Participation in conservation and management, Advocacy of private rights, Law enforcement, Monitoring	Extension Mobilizing and facilitating, Capacity and skill building, Advocacy of private rights	Extension Mobilizing and facilitating, Capacity and skill building, Advocacy of private rights, Monitoring	Extension Mobilizing and facilitating, Capacity and skill building, Advocacy of private rights, Monitoring
Industry, estates, private sector, etc.	Support to conservation	Support to conservation, Authorized utilization	Harvesting and transport utilization	Management Harvesting and transport utilization	Management Supply of wood to manufacturers

Source: Forestry Planning Unit 1995.

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Forest Policy Trends in Vietnam

Do Dinh SAM and Le Quang TRUNG

Forest Science Institute of Vietnam

Abstract: Forest policy in Vietnam has focused on three main trends: development in the direction of social forestry, sustainable management and utilization of forest resources, and increasing the contribution of the forestry sector to the country's economy and society. These trends are illustrated clearly in Vietnam's laws (Land Law, Laws for Protection, and Development of Forests, etc.), and government policy documents (resolution on land allocation, regulations on the rights and obligations of households, etc.). Policies on the direction of social forestry especially emphasize local participation in the development and protection of forests. Forest land (with and without forest cover) has been allocated or contracted to households, individuals, and organizations for long-term forestry purposes, and local people are also given more benefits through the benefit-sharing policy. Besides these changes, the sector's policies are paying more attention to the development of traditional forest management activities.

Key words: Land allocation, contracted forest and forest land, benefit-sharing, multi-sectoral economics, market-oriented economy.

1 Introduction

Vietnam's forestry sector has undergone great development during the last decade in the context of the country's *Doi Moi* reforms, which have made massive progress, not only in food production and plant structure changes in the mountain areas, but also in the forestry sector, resulting in the recovery of forest resources. In recent years, Vietnam's forest area has rapidly increased in both quantity and quality. According to the Ministry of Agriculture and Rural Development (MARD), by the end of 1999 the total forest area in Vietnam was 10.9 million hectares, or about 33.2 percent of the total natural area, including 9.4 million hectares of natural forest and 1.5 million hectares of production forest. Recent forestry policies have caused a transition in forestry from being a centrally planned and subsidized sector (cooperative and state) to a multi-sectoral economic participatory one. Various types of forest ownership have been formulated for the more effective management, protection, and use of fores ts.

The forests in Vietnam are classified under three categories: special use forest (national park, natural conservation, historical area, etc.), protection forest (watershed, sandy, sea wave, etc.), and production forest. At present, there are 5.35 million hectares of protection forest, 1.52 million hectares of special use forest, and 4.04 million hectares of production forest. By 2010, 650,000 hectares of protection forest, 490,000 hectares of special use forest, and 3.96 million hectares of production forest will be planted. There are differences in the management of these three forest categories. The forestry policies are always reviewed and amended to increase the participation of rural communities in forest management through "rights of forest owners", benefit-sharing and management policies. As a result, wood utilization will move from using natural forests to using production forests for wood harvesting.

Address: Chem, Tu Liem, Hanoi, Vietnam
Tel: +84-4-8-389-815, Fax: +84-4-8-389-722
E-mail: ddsam@iad_fsiv.ac.vn; lqtfsiv@yahoo.com

2 Development objectives and trends in Vietnam's forestry sector (2001-2010)

2-1 Development objectives in forestry sector by the year 2010

To implement the resolution by the National Assembly, the Prime Minister issued Decision No. 661/QD/TTg dated 29 July 1998 on the forestry development objective by the year 2010 as follows:

- Establish five million hectares of new forest, together with protection of existing forests, in order to increase forest cover to 43 percent of the national territory by the year 2010; protect the environment; decrease the severity of natural disasters; increase water availability; preserve gene resources; and protect biodiversity.
- Provide material for construction as well as raw material for the production of paper, wood-based panels, non-wood products, and fuelwood, both for local consumption and export; develop the forest product processing industry; and make forestry an important economic sector, contributing to improvement in the socio-economic situation in mountain areas.
- Use open land and bare hills efficiently; create employment opportunities; contribute to hunger elimination and poverty reduction; support sedentary cultivation; increase incomes for mountain rural people; create stable social conditions; and strengthen national defense and security, especially in border areas.

2-2 Trends in forestry policy

Forestry policies have been illustrated via various papers issued by the State (National Assembly, Government, and Ministry). Since 1990 up to now the State has issued about 150 important policies related to forestry in

the following forms:

- Forest Law issued by the National Assembly
- Resolutions by Government
- Decisions by the Prime Minister
- Regulations and circulars
- Ministerial guidances

The following are important and core forestry policies:

- Law on protection and development of forests (under reviewed and amended)
- Land Law (1993) reviewed and amended in 1998-2000
- Government Resolution 01/CP (1995) on the allocation and contracting of land for agriculture, forestry, and aquaculture production to state enterprises
- Government Resolution 02/CP on the allocation of forest land to various sectoral economics for management and use for long-term and sustainable forestry development
- Prime Minister Decision 661/QD-TTg (1998) on the objectives, tasks, policies, and organizations for the establishment of five million hectares of new forest
- Government Decree No. 163/1999/ND-CP concerning allocation and lease of forest land to organizations, households, and individuals for long-term forestry purposes
- Ministry of Agriculture and Rural Development Circular No. 56/1999/TT/BNN-KL (1999) guiding the development of regulations on forest protection and development to village/hamlets and communities
- Prime Minister Decision No. 08/2001/QD-TTg (2001) issuing regulation on management rules of special-use forest, protection forest, and production forest
- Prime Minister Decision No. 178/2001/QD-TTg (2001) on the rights and obligations of households/individuals allocated and contracted forest and forest land for benefit-sharing
- Other policies on development investment credits, tax, and extensions related to forestry activities

Based on the forestry policies issued, the major trends in forestry policy focus on three main objectives:

- forestry development in the direction of social forestry with the participation of multi-sectoral economics;
- a transition in forestry from a harvesting sector of natural resources into a sustainable management and utilization of forests;
- forestry developed in the direction of a market-oriented economy, increasing its contribution to the country's economy, creating employment, and life improvement for rural communities.

2-2-1 Social forestry development

Before 1986 forestry was a centrally planned and subsidized sector operating on the basis of state-managed mechanisms, such as state forest enterprises or cooperatives. However, present forestry policy is operating in the direction of social forestry, regulated under the Land Law, Forest Protection Law, and Resolutions 02/CP and 163/1999/ND-CP by the government as follows:

- Land ownership belongs to the people; however, households, individuals, and organizations are allocated land and water surface planned for long-term use and management for agriculture, forestry, and aquaculture development purposes. They have the right to exchange, transfer, rent, inherit, or mortgage the right to use the land allocated to them, and also the right to contribute their land as capital for joint ventures with domestic and foreign organizations and individuals in order to boost production.
- Agencies, households, and individuals do not have to pay land-use fees for the whole forest land areas allocated. Forest land allocation has an area limit of not over 30 hectares for households and individuals for a duration of 50 years. Upon expiry of the duration, if the land users wish to continue using the land and the land has been used for the correct purposes allocated, the State shall comply with that wish. The State also contracts land for forest production purposes to organizations, households, and individuals, with the duration depending on each type of forest (protection forests and special use forest: 50 years; production forest: depending on the business rotations).
- The benefit-sharing policy was formulated and amended to increase the benefits to households and individuals involved in protection, forest management, and re/afforestation. Decisions No. 08/2001/QD-TTg and 178/2001/QD-TTg were issued to detail regulation of benefit-sharing and the obligations of the households and individuals allocated or contracted forest and forest land, including natural forests, production forests, and barren lands for reforestation, and maintenance for all three categories of protection, special-use, and production forests.
- Renovation of state forest enterprises to implement efficient production and business, and also to increase the function of their service to farmers (reducing forest area managed to make them suitable to their operating capacity).
- There are other policies issued on credit extension services, which also create good opportunities for rural inhabitants to participate in the management, protection, and maintenance of forests, as well as re/afforestation.

In short, forestry activities have been under the direction of social forestry via the rights, obligations, and benefit-sharing of multi-sectoral bodies involved in forest management, protection, and development.

2-2-2 Sustainable management and utilization of forests, increasing forest functions of production, environment protection, and biodiversity conservation

The Law on Forest Protection and Development issued in 1991 identified three categories: protection forest (watershed, sandy forest, and sea wave forest in coastal areas), special use forest (national parks, natural conservation areas, historical and cultural parks, etc.) and production forest. The management of each type of forest has been specially implemented, proving that forestry development has paid great attention to the forest functions for their protection, environment protection, and biodiversity conservation.

Great concern has been paid to natural forests for sustainable protection and management. In the Prime Minister's Decision 661/QD-TTg, it is clearly specified to establish five million hectares of new forest and focus on protecting existing forests, with the highest priority given to the protection of natural forests classified as special-use forest. Wood harvesting from natural forests was reduced from 1 million to 300,000 cubic meters a year.

The management of natural forests was identified clearly in the Prime Minister's Decision 08/2001/QD-TTg on the regulation of management of natural special-use, protection, and production forests.

The issuance of the benefit-sharing policy has ensured the sustainable management of forests by increasing the participation of rural inhabitants in forest management, in accordance with their rights and obligations.

The participatory approach has been applied in land use planning.

2-2-3 Market-oriented forestry

The following government decision is an example of forestry development on the basis of state-managed market mechanisms for creating employment and income, contributing to the improvement of living standards, and reducing poverty for the rural populations in mountainous areas.

Decision No. 661/QD-TTg (1998) by Vietnam's Prime Minister laid out the objectives, tasks, policies, and organization for the establishment of large area of new forests. It included

- the establishment of five million hectares of new forests of which two million hectares is economic forest;
- using open land and bare hills efficiently, creating employment opportunities, contributing to hunger elimination and poverty reduction, increasing incomes for rural mountain people;
- providing material for construction as well as raw material for production of paper, wood-based panels, non-wood products, and fuelwood, both for local consumption and export;
- creating a raw material supply area for the development of a wood processing industry, which helps make forestry become an important economic sector.

Policies mentioned in Decision 661 related to forestry include the following:

- As an investment policy for forest protection, the State will continue to provide funds for forest protection contracts of up to 50,000 dong[1] per hectare, with a duration of five years. The State will also contribute a maximum amount of 1 million dong per hectare, distributed over a period of six years, for natural regeneration, or for planting and tending trees over a period of three years. The State will also provide up to 2.5 million dong per hectare for planting and tending forests with valuable tree species with production cycles of over 30 years.
- Policy on credit with priority interest.
- Scientific research and forestry extension will be supported to contribute to increasing the yield of production forests and development of the wood processing industry.
- In developing the market for forest products, all forest products from plantations (i.e., bamboo and other non-wood forest products) are free to be sold in the market. Processing and the export of forest products from plantations, round wood included, will be encouraged.

3 Trends in forestry policy related to rural participation

Regarding the role of beneficiaries, the participation of individuals, households, and village communities in planning, protecting, managing, and planting forests is increasing via a series of issued policies whose main ideas are described below.

3-1 Creating a legal basis for people to become owners of forests and forest land

The owners of forests and forest land must be identified clearly. There are a wide variety of owners including:

- state forest enterprises
- management boards of special-use and protection forests
- local authorizations (where land allocation has not occurred) - Provincial People's Committees (PPC), District People's Committees (DPC), or CPC (commune)
- social organizations such as schools, cooperatives, army institutions, etc.
- households and individuals
- village communities

The role of households and individuals as forest owners is clearly identified in the Land Law, the Law on Forest Protection and Development, and in resolutions by the government (i.e., No. 02/CP; 163/1999/ND-CP, con-

[1] One U.S. dollar is equivalent to 12,000-13,000 VND.

cerning the allocation and leasing of forest land, and in Decision 08/2001/QD-TTg by the Prime Minster, issuing regulation on the management of natural special-use, protection, and production forests).

One of the new changes in forestry policy is the forest categories allocated to households and individuals. In the past only barren land and plantations could be allocated to households and individuals. Now, special-use forest (less than 1,000 ha), protection forest (less than 5,000 ha, or scattered plots), and natural forest considered to be production forest can be allocated to households and individuals for management, protection, and development, which means that households and individuals are owners under these forest categories.

3-2 Increasing the participation of households, individuals, and village communities in forest management

Besides being forest owners, households, individuals, and village communities can participate in the management of special-use, protection, and production forests (including with and without forest cover) by being contracted with forest owners (state forest enterprises, management boards of special-use and protection forests). Resolution 01/CP (1995), Decision 08/2001/QD-TTg by the Prime Minster issued regulations on the management of natural special-use, protection, and production forests. Decision No. 178 detailed the rights of benefit-sharing and the obligations of households and individuals who are allocated and leased forest land and forests.

Attention has recently been paid to community forest management. MARD issued Circular 56/1999/TT/BNN-KL, guiding the development of rules for the protection and development of forests within village communities. It includes rules on forest protection and mobilizing internal resources to tend, maintain, and develop forests (watershed or historical/landscape/religion forests) whose owners are village/hamlet communities. Developing rules can be done in two forms—a community meeting or a meeting of household representatives—to discuss, comment, and agree to implement the developed rules. According to the Forest Protection Department within MARD, up to June 2001, 1203 communes in 146 districts of 24 provinces and cities have formulated community forest management plans encompassing a total forest area of 2.35 million hectares.

3-3 Benefit-sharing policy

This policy is considered to be important for encouraging rural people to manage and develop the forests. It has been reviewed and amended to increase the benefits for the people. In 2001, the Prime Minister issued two important decisions on the management of natural forest and benefit-sharing—Decision 08/2001/QD-TTg and Decision 178/2001/QD-TTg, respectively. The following are amendments to both of them:

- *Rights of households who sign contracts for and invest in protection forests*: Households are entitled to payment for protecting, regenerating, and planting forests, in accordance with the contracts signed with the forest management boards. Households have the right to collect fuelwood and non-wood forest products under the canopy (20 percent in timber forests and 30 percent in bamboo forests) and 85 to 90 percent of harvesting products after taxes are paid. In addition, households are entitled to all agricultural and forest products when the forest is ready for harvest, if the households themselves carried all the costs for the regeneration and planting on land without forest cover.
- *Special-use forests*: The forest owners (households or individuals) are allowed to do activities on harvesting, research, and ecological tourism in accordance with the laws and regulations.
- *Rights of households and individuals allocated natural production forest to manage*: They have the right to collect dead trees, trees damaged by fire or other natural calamities, or during the process of applying silviculture technologies, and harvest forest products to meet their own family consumption needs. They are also allowed to submit for approval their wood requirements to construct a house for newly established families, not to exceed 10 cubic meters per family. They can conduct official harvesting when allowed, and are entitled to 100 percent of products from poor regeneration forest or 70 to 80 percent of products in the case of regenerated forest (after shifting cultivation), and 2 percent per year of forest that has 100 cubic meters of growth per hectare annually. In addition, they are entitled to 95 percent of forest products if from bamboo forest (after taxes are paid).
- *Plantations established by State funds and allocated to households and individuals*: These are entitled to 75 to 85 percent of total forest products (after taxes are paid). If they themselves carried all the costs for establishing plantations, they are able to choose the species, technical norms, and planting and harvesting techniques. The products harvested from plantation forest are soled freely in the market.

In short, the benefit-sharing policy has covered watershed forest, special-use forest, and natural production forest in detail, whereas they were not mentioned in earlier policies.

4 Conclusions

Vietnam's forestry policy shows the government's determination to protect and develop forest resources through the participation of households, individuals, and other non-state organizations. State forest enterprises and forest management boards have the main

functions of guiding, providing technical services, and being a bridge between the State and rural people. Forestry is developing in the direction of social forestry on the basis of a state-managed market mechanism, supported by land laws, laws for the protection and development of forests, resolutions on allocation and leasing of forest land, allocation and contracting of forests, and regulations on the rights and obligations of households and individuals allocated and/or contracted forest land and forests.

Vietnam's forestry policies also focus on increasing the protection and environment functions of its forests, the conservation of biodiversity, and the protection of existing forests, while at the same time using forested and unforested land in an efficient and sustainable way, developing processing industries and plantations to provide materials for local consumption and export, and creating employment opportunities and more income for rural inhabitants in the mountain regions.

To implement the forest development objectives, the participation of households and individuals and village/hamlet communities plays an important role. Trends in Vietnam's forestry sector illustrate their role in the protection and management of forests by becoming forest owners, motivating them through benefit-sharing policies, along with expanded forest categories that can be allocated and contracted to them.

Due to changes in policy, Vietnam has achieved favourable results in forestry. Forest cover has increased to 33 percent. As well, good efficiency in forest regeneration has been attained, along with the tending of natural protection forests, and the growth of plantations to provide raw material for the production of paper, wood-based panels, etc. And last, the national park system has been formulated and consolidated recently in the last two to three years.

The direction of Vietnam's forestry policy can be seen in the National Five Million Hectare Reforestation Programme 2001-2010. The main objectives of forestry development in this new stage are to protect the environment and conserve biodiversity (focusing on protection and special-use forests, protecting existing natural forests, and increasing forest cover to 43 percent of the nation's area). Economically, its purpose is to process forest products for both local consumption and export. And its social purpose is to create employment opportunities, contribute to hunger elimination and poverty reduction for rural mountain people. It is clearly identified in the Prime Minister's Decision No. 661/QD-TTg on the establishment of five million hectares of forest, where it states, "Mountain rural people are the main forces to plant, protect, regenerate the forests and are beneficiaries of these activities. The State provides favourable legal context; organizing research and technology transfers in accordance with encouraging policies to rural people who participate in forestry activities; supporting necessary infrastructure construction and mobilizing fund resources to invest in forestry and credit with priority interest included."

Despite clear trends in forestry policies, continually reviewed and amended, there are still challenges in the process of implementation, due to the increasing demand for wood and other forest products from the natural forests. On the other hand, the allocation and contracting of forest land is still operating at a low level, as is the efficiency in the use of barren and poor lands (land without forest cover), and the renovation of the state forest enterprises process that have not resulted in satisfactory results. There are still obstacles and shortcomings in land-use planning, typically the identification of the three forest categories (especially protection forest), as well as inappropriate buffer zones around national parks, participation in micro-land-use planning, limited multi-purpose use of forest products, and limited investments in forestry.

However, during the last decade, forestry development has created positive opportunities, notably the National Five Million Hectare Reforestation Programme, which has drawn great interest from various donors. This led to the creation of the 5 Million Hectare Partnership, with the participation of nearly 20 international donors and organizations, who also supported the creation of the Forest Sector Support Programme (FSSP), which will be the basis for support from more international donors and organizations for the development of Vietnam's forestry sector.

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Toward New International Arrangements for Sustainable Forest Management—United Nations Forum on Forests (UNFF)—

Kiyoshi KOMATSU

Forest Conservation Project, Institute for Global Environmental Strategies

Abstract: While several important multilateral environmental agreements have been reached on a number of global environmental issues during the past decade, the creation of any international agreement on sustainable forest management remains problematic. Nevertheless, many discussions have been held, and it appears that some progress is being made. This report covers the highest profile initiative at the international level on this topic. The United Nations Forums on Forests (UNFF) was established in 2001 based on Resolution /2000/35 of the United Nations Economic and Social Council. The main purpose of the UNFF is to facilitate the implementation of the proposed actions arising from its predecessors, the Intergovernmental Panel on Forests and the Intergovernmental Forum on Forests (IPF/IFF), by enhancing the coordination of relevant international instruments relating to sustainable forest management and monitoring of progress of their implementation at all levels. The first substantive meeting of the UNFF, held in June 2001, discussed key issues, including the adoption of a multi-year programme of work for the next five years, plans of action, financial matters, and initiation of a Collaborative Partnership on Forests. This report reviews the process leading up to the creation of the UNFF, the outcomes of its first substantive meeting, key issues that it has inherited, and its challenges in the coming years.

Key words: IFF, UNFF, Sustainable forest management, CPF, IPF

1 Introduction

The first substantive meeting of United Nations Forums on Forests (UNFF) was held on 11-22 June 2001 in New York. The UNFF was established by a resolution of the ECOSOC in order to promote implementation of international instruments related to sustainable forest management. It was anticipated that this meeting would result in the adoption of the UNFF's "multi-year programme of work" (MYPOW), which was to describe the detailed activities of the UNFF. In addition, discussions on the plan of action for implementation of the actions proposed by the IPF and IFF and activities of the Collaborative Partnership on Forest (CPF) were the main items on the meeting's agenda. The meeting was recognized as being important for deciding its future direction.

2 Background of the UNFF

Since 1992 efforts have continued with the aim of adoption of new legal instruments at the global level—a so-called "convention on forests." To this end, the Intergovernmental Panel on Forests (IPF) and its successor, the Intergovernmental Forum on Forests (IFF), provided a forum for international discussions from 1995 to 1997, and from 1997 to 2000, respectively. These were ad hoc policy dialogue processes to discuss issues related to sustainable forest management and propose necessary actions to achieve it. Within these processes, several countries tried to build consensus for adopting a Convention on Forests. In the IFF process, the governments of Costa Rica and Canada led the "Costa Rica-Canada Initiative" to build consensus for adopting a Convention on Forests in 1999. These countries insisted on starting negotiations for adopting a new legal instrument on forests at the global level. With countries such as the United States and Brazil opposing this approach, the delegations could not achieve consensus by the fourth and final IFF meeting in February 2000.

Despite differences in views, the delegations did reach a common understanding on the necessity of a new international arrangement to follow the IPF and IFF. Already many international instruments exist relating to sustainable forest management, such as the IPF's "Proposals on Actions" and the IFF's "Proposal Actions" that result from the two policy dialogue processes, as well as the Forest Principles adopted at the Rio Summit (UNCED) in 1992. In addition, many activities connected with international treaties are related to sustainable forest management, such as projects conducted by the International Tropical Timber Organization (ITTO), the working program of the Convention on Biological Diversity, and so on. Thus, many held the opinion that ensuring the implementation of these instruments and coordination among them was more urgent than adopting a new convention on forests. In short, the delegations recognized the necessity of implementation and coordination of these existing instruments. In order to facilitate this work, the governments also recognized the necessity of a permanent body, rather than ad hoc processes like the IPF and IFF that were limited to holding discussions on important issues and making proposals. Almost all countries thought that international society should take action under permanent bodies based on existing international instruments. Thus, they could not

Address: 1560-39 Kamiyamaguchi, Hayama, Kanagawa, 240-0198, Japan
Tel: +81-468-55-3837, Fax: +81-468-55-3809
E-mail: komatsu@iges.or.jp

achieve consensus to start new negotiations, but agreed in the fourth meeting of the IFF that a new permanent body should be established within the United Nations to continue the policy dialogue and promote the implementation of existing instruments related to sustainable forest management. The new body was named the United Nations Forum on Forests (UNFF), and its establishment was recommended by the IFF to ECOSOC.

ECOSOC endorsed the recommendation and adopted a resolution to establish the UNFF in June 2000. According to ECOSOC's resolution E/2000/35, the UNFF has six principal functions:

1. Facilitate implementation of the IPF/IFF proposals for actions
2. Ensure continuity of policy dialogue and monitoring implementation of the IPF/IFF proposal for actions
3. Coordinate among relevant international instruments and organizations
4. Enhance cooperation among all stakeholders
5. Monitor and assess progress at national, regional, and global levels
6. Strengthen political commitment

Regarding the function of coordination, the establishment of a collaborative partnership was recommended in the resolution. The collaborative partnership consists of several international organizations and the secretariats of international treaties related to sustainable forest management, such as secretariats of the Convention on Biodiversity, the Food and Agriculture Organization, and the United Nations Environment Programme, etc. It is expected that such a partnership will facilitate and promote coordinated and cooperative actions by these member organizations.

The resolution required that an organizational meeting of the UNFF be held as soon as possible, and that later, the first substantive meeting of the UNFF should be held, with the following agenda:

a. adoption of the Multi-Year Program of Work;
b. development of a plan of action for the implementation of proposals for action of IPF/IFF which will address financial provisions;
c. initiation of the United Nations Forum on Forests work with the collaborative partnership on forests;
d. set a provisional agenda, date, and venue for its second substantive session in 2002.

Based on the ECOSOC resolution, the first substantive meeting of UNFF was held 11-22 June 2001 (UNFF1).

3 Outline of the meeting

3-1 Background of the meeting

According to the ECOSOC resolution, an aim of the first substantive meeting was originally to adopt the decision on MYPOW that includes the agenda of each session until the fifth meeting of the UNFF, a schedule of high-level segments, and detailed descriptions of work expected to be dealt with by the UNFF in the resolution. The drafting of decisions on proposals of actions (PoA) and CPF were also expected in the first session, but the resolution did not suggest that they would be adopted then. However, many delegations expressed their interest in adopting not only the decisions of MYPOW, but also of the PoA and CPF in the session. They thought that starting action immediately was urgent for realizing sustainable forest management. Since almost all delegations hoped to adopt these three decisions as soon as possible, they were finally adopted in this meeting.

3-2 Controversial issues

There were several controversial issues in the negotiation process during the meeting. Some of them were the same as with discussions in the previous two processes, such as on establishing a new international fund for sustainable forest management and some issues related to starting negotiation on a Convention on Forests.

Several countries insisted on starting discussions on the parameters of a mandate for developing a legal framework on all types of forests in the early stages of the UNFF. However, several countries (the United States, for example) insisted on discussing the matter at as late a stage as possible, illustrating the differences of attitude for adopting a Convention on Forests.

The Japanese delegation also pointed out the importance of trade. However, the context of their assertion was different. They emphasized consideration of the environmental aspects of trade, but developing countries stressed the importance of ensuring access to developed countries' markets for their products.

In the negotiation process, the developing countries emphasized the importance of technology transfer (capacity building) and financial resources. They recognized the importance of actions at the international level rather than at national levels. In contrast, the developed countries emphasized the importance of actions at the national level. For example, the European Union made proposals emphasizing actions at the national level in the negotiation process on decisions of the PoA. Behind this conflict was the developed countries' intention to avoid increasing the burden of providing financial assistance. However, technology transfer and financial resources are crucial for the implementation of international instruments. Therefore, there is a necessity for other measures for implementing international instruments related to sustainable forest management.

Monitoring, assessment, and reporting were discussed as alternate measures for implementing the international instruments other than technology transfer and financial resources. In particular, the New Zealand delegation proposed to utilize the criteria and indicators being developed in each region for the monitoring process. However, there were several oppositions to this proposal. (The next section provides a more detailed discus-

sion.)

Regarding the "involvement of major groups," the U.S. proposed to open the door for all non-governmental organizations (NGOs) to participate in the UNFF sessions. In the IPF/IFF processes, NGOs were required to obtain NGO status with ECOSOC, however this rule presented an obstacle for many NGOs to participate in both processes. The procedure for obtaining ECOSOC NGO status takes a long time, and many NGOs face difficulties in acquire this status, particularly small NGOs. The U.S. delegation pointed out this fact and insisted on permitting the participation of all NGOs to ensure meaningful participation of all stakeholders. However, the developing countries expressed doubt for the necessity of participation of "all" stakeholders. They insisted that the UNFF should discuss forest issues at the global level, and pointed out that it should avoid discussion on "micro" forest issues and that participation of "all" stakeholders would lead to such discussions. In the end, the rules applied to the MYPOW do not recognize the participation of all possible stakeholders; thus in order to participate in the UNFF, NGOs must obtain ECOSOC NGO status.

3-3 Outline of decisions[1]

3-3-1 The decision on the Multi-Year Program of Work

The MYPOW decision consists of eight parts: Preamble; Structure; Monitoring, Assessment, and Reporting; High-level Segments; Inter-sessional Work by ad hoc Expert Groups and Country-led Initiatives; Involvement of Major Groups; Enhancing Cooperation and Coordination; and Review.

In the first major part, Structure, several issues, such as combating deforestation, forest health and productivity, are pointed out as issues to be discussed in each session, and there is a timetable of discussion in order to continue policy dialogue in the UNFF (Table 1). The next part, Monitoring, Assessment and Reporting, was recognized as one of the principal functions of the UNFF in the ECOSOC resolution. In the decision, countries are invited to report on progress of implementation of the IPF/IFF Proposals for Actions on a voluntary basis. The MYPOW also schedules the high-level segment that ministers related to forest issues in each country will attend in the second and fifth meetings in order to strengthen policy commitment in the third part, High-level Segments. In the ECOSOC resolution, the UNFF can establish an ad hoc expert's working group in order to elaborate important issues related to sustainable forest management. In the part on Inter-sessional Work by ad hoc Expert Groups and Country-led Initiatives, the duration and issues of ad hoc working groups are decided. The issues to be dealt with by the ad hoc working groups are monitoring, assessment and reporting; finance and technology transfer; and the parameters of the mandate for developing a legal framework on all types of forests. Since participation of all stakeholders is also required in the ECOSOC resolution, paragraphs related to participation of all stakeholders are in the section on Involvement of Major Groups. Coordination of international organizations and treaties related to sustainable forest management is also described as one of the key functions of the UNFF in the ECOSOC resolution. Hence, the importance of coordination is emphasized, and the CPF is required to support the UNFF in this regard in the Enhancing Cooperation and Coordination section. After five years of activities, the UNFF will be reviewed in an ECOSOC resolution. Detailed criteria are described in order to review activities of the UNFF in the final part, Review.

3-3-2 The decision on the proposals of actions

There is no definition of proposals of actions (PoA) in the decision, but it seems that the PoA was expected to describe necessary actions for realizing sustainable forest management according to the decision. The decision can be divided into two parts. The first part describes the general direction of the PoA. It seems that the part plays the same role as the Preamble. The second part is described as an annex, where detailed information is described.

In the first part, the decision decided "to adopt the Plan of Action of the UNFF as appears in the annex" and invites "Ministers to endorse the Plan of Action at the high-level ministerial segment at the second session." Then the decision requires ministers "to consider transmitting it as one of the inputs of the UNFF process to the preparatory committee of the World Summit on Sustainable Development."

In the second part, the annex consists of seven parts. First, there is a preamble of the annex, then there are substantive sections as follows: Activities at the National Level, Activities of the CPF and its Members, Elements, Financial Resources and Other Means of Implementation, Targets, and Activities Related to Reporting.

In the preamble, the decision emphasizes the importance of activities for implementation of the IPF/IFF proposal actions at the national level by stating that "the responsibility of the implementation of the IPF/IFF proposals for action is directed at the national level," even though the role of international society is also described as an important one. The decision also requires the establishment of national focal points, effective cooperation among relevant international organizations and national organizations, such as bilateral donors and public and private partnerships, and active stakeholder participation in order to implement the IPF/IFF proposals for action. However, other detailed actions required at both

[1] This section is based on the "Report of the United Nations Forum on Forests on its first session" (E/2001/42 [Part II] - E/CN.18/2001/3 [Part II]). This document is still an advance version text and will be issued in final form as *Official Records of the Economic and Social Council, Supplement No. 22* (E/2001/42/Rev. 1).

Table 1 Structure of UNFF sessions.

	Means of implementation: Finance; Transfer of environmentally sound technologies; Capacity building			
	Common Items for Each Session: multi-stakeholder dialogue; enhanced cooperation and policy and program coordination, *inter alia*, with the CPF; country experiences and lessons learned; emerging issues relevant to country implementation; intersessional work; monitoring, assessment, and reporting; implementation of the Plan of Action; promoting public participation; national forest programmes; trade; enabling environment			
UNFF 1 • Adoption of the MYPOW • Development and adoption of a Plan of Action • Initiation of the work of the UNFF with CPF	UNFF 2 • Combating deforestation & forest degradation • Forest conservation & protection of unique types of forests & fragile ecosystems • Rehabilitation & conservation strategies for countries with low forest cover • Rehabilitation & restoration of degraded lands • Promotion of natural and planted forests • Concepts, terminology, and definitions	UNFF 3 • Economic aspects of forests • Forest health & productivity • Maintaining forest cover to meet present & future needs	UNFF 4 • Traditional forest-related knowledge (TFRK) • Forest-related scientific knowledge • Social & cultural aspects of forests • Monitoring, assessment & reporting, and concepts, terminology & definitions • Criteria and indicators of sustainable forest management	UNFF 5 • Review of progress and consideration on future actions • On the basis of the assessment referred to in paragraph 2(e) of ECOSOC resolution E/2000/35, consider, with a view to recommending to ECOSOC, and through it to the General Assembly, the parameters of a mandate for developing a legal framework on all types of forests • Review the effectiveness of the international arrangements for forests
	Ministerial Segment			Ministerial Segment

Source: Report of the United Nations Forum on Forests on its first session*E/2001/42 (Part II)–E/CN.18/2001/3 (Part II).

levels are not clear even in the paragraphs and sections that follow.

The section on Activities at the National Level it describes necessary actions or measures to be taken. First, countries "will set their own national priority, targets, and timetables for the implementation of the IPF/IFF proposals for action," and will "systematically assess and analyze the IPF/IFF proposals for action in the national context." Then, "to cluster the proposals for actions" is pointed out as a means of facilitating assessment. In the paragraph, there are three measures other than the setting of priorities and assessment: development or strengthening of a national forest program, voluntary reporting of implementation in each country, and involvement of relevant stakeholders in the implementation of the IPF/IFF proposals for action.

In the section on Activities of the CPF and its Members, the decision requires the CPF to support the UNFF and countries, in particular developing countries, by identifying and mobilizing "various financial opportunities" within existing frameworks among CPF members. Regarding other detailed actions and measures, the CPF is only required by the decision "to consider what contributions they can make."

There are sixteen elements in the section on Elements as important tools for implementation of the IPF/IFF proposals for action:

1. Formulation and implementation of national forest programs
2. Promoting public participation
3. Combating deforestation and forest degradation
4. Traditional forest related knowledge (TFRK)
5. Forest-related scientific knowledge
6. Forest health and productivity
7. Criteria and indicators of sustainable forest management
8. Economic, social, and cultural aspects of forests
9. Forest conservation and protection of unique types of forests and fragile ecosystems
10. Monitoring, assessment, and reporting; concepts and terminology definitions
11. Rehabilitation and conservation strategies for countries with low forest cover
12. Rehabilitation and restoration of degraded lands, and the promotion of natural and planted forests
13. Maintaining forest cover to meet present and future needs
14. Financial resources
15. International trade and sustainable forest management
16. International cooperation in capacity building, access to and transfer of environmentally sound technologies to support sustainable forest management

Financial assistance, technology transfer, and capacity building are important to implementation of the IPF/IFF proposals for actions in developing countries and there are several descriptions in the section on Financial Resources and Other Means of Implementation. The decision urges all relevant actors "to give greater priority to sustainable forest management," in particular developed countries, to fulfill the commitment at the Rio Summit to allocate 0.7 percent of GNP for official development assistance. Also, the decision recognizes the importance of the trade issue and declares to deal with it in the following sessions, but the decision doesn't men-

tion any detailed actions or measures.

In the section on Targets, the decision requires countries to set up targets and timetables related to the implementation of the IPF/IFF proposals for action.

The section on Activities Related to Reporting describes necessary actions for monitoring, assessment, and reporting. The decision requires countries and relevant organizations to report voluntarily "their implementation of IPF/IFF proposals for actions...drawing upon existing formats, as appropriate." In the report, "achievement, gaps, and obstacles" will be included. Submission of a report is also encouraged for relevant stakeholders. It is apparent that the PoA will be reviewed based on information from reports submitted to the UNFF.

3-3-3 The decision of the Collaborative Partnership on Forests

The decision of the Collaborative Partnership on Forests (CPF) consists of a preamble part and text. Member organizations of the CPF, as listed in a footnote of the preamble, are the secretariat of the Convention on Biological Diversity, the Center for International Forestry Research, Department of Economic and Social Affairs of the United Nations Secretariat, Food and Agricultural Organization of the United Nations, International Tropical Timber Organization, United Nations Development Programme, United Nations Environment Programme, and the World Bank.

In the text, coordination is emphasized as a key function of the CPF. Supporting implementation of the IPF/IFF proposals for actions at national levels is also stressed. On supporting implementation, use of CPF members' expertise and effective coordination among the member organizations are required. In particular, assistance for monitoring, assessment, and reporting activities at national levels are pointed out as important tasks for the CPF.

4 A brief analysis of the meeting

4-1 Monitoring as a measure of implementation in the UNFF

As mentioned above, "Monitoring, Assessment, and Reporting" were recognized as important tools for implementation of the international instruments. Among several important topics, one of them was a proposal from the New Zealand delegation insisting on utilizing the "Criteria and Indicators" being developed in each region as mentioned above. This proposal was useful for maintaining an objective monitoring system. However, several countries opposed this proposal. Finally, it was included as "Stressing the importance of use of regional and national criteria and indicators for sustainable forest management as a basis for reporting on sustainable forest management." Hence, using the criteria and indicators depend on each country.

Beside this, there was a problem on demarcation between the MYPOW and the PoA regarding monitoring, assessment, and reporting. In the PoA, there was a section titled "Monitoring, Assessment, and Reporting" in the draft of the decision on the PoA. It caused some argument, and finally, the name of the section in the decision regarding the PoA was changed to "Activities related to reporting." However, it is difficult to distinguish a difference in their roles or their relationships on the matter of monitoring and reporting. At the same time, a similar description was found in the decision on the PoA, such as a voluntary reporting system, calling for international assistance for developing countries, etc. Some countries emphasized the importance of coordination between the decisions on MYPOW and the PoA, but it is difficult to identify such coordination from the decision.

Regarding submitting a report to the UNFF, some developing countries expressed concern about the duplication of work within each national government. They explained that they receive many requests to submit reports related to environmental issues, creating heavy workloads for these governments. Hence, a reference to drawing upon the "existing format" of reports is included in the decision on the PoA. However, these paragraphs only mention drawing upon existing ones, and coordination among reports for the UNFF and the others is still a question.

4-2 Concern about repetition of the IPF/IFF

As mentioned above, the ECOSOC resolution did not require the adoption of a decision on the PoA in the first meeting of the UNFF, but required one in UNFF 2. However, from the beginning of the session several delegations made statements calling for adopting the decision of the PoA in UNFF 1. Finally, their demands led the other countries to adopt the decision of the PoA in UNFF 1, giving the impression that almost all countries take a positive stand on achieving sustainable forest management. However, there are many problems with the decision.

Even though the decision was adopted earlier than anticipated, there were few detailed actions described. Those seeking to find concrete actions for achieving sustainable forest management will face difficulties due to the overly general descriptions in the decision. For example, there are several paragraphs in the section on Activities at the National Level, but there are not many detailed actions required.

In order to ensure the effective implementation of the IPF/IFF Proposals of Actions, the PoA should describe more substantive actions, such as zoning, the establishment of protected areas, etc., even though setting uniform measures or actions at the global level is impossible due to diversity of the situations at each regional, national, and local level. Suggestions for concrete measures or actions are necessary and meaningful for implementation. Indication of concrete measures for ac-

hieving sustainable forest management is required for the PoA. In one paragraph, the development and enhancement of national forest programs is described as an action for implementation. Another paragraph also points out the necessity of participation of all stakeholders. There are no descriptions related to substantive actions other than these. Beside, these actions were already described in the IPF/IFF proposals for action and cannot be considered as measures for their implementation. The same thing can be said for the sections on Activities of the CPF and its Members, Financial Resources, and Other Means of Implementation. Almost all these descriptions duplicate the actions described in the IPF/IFF proposals for action.

In the "Elements" section, sixteen elements are listed as tools for implementation of the IPF/IFF proposals for action, as mentioned above. However, there is no description on detailed actions required by each tool. Besides, some elements cannot be said to be tools, such as forest health and productivity or the economic, social, and cultural aspects of forests. These elements cannot be called tools for implementing IPF/IFF proposals for action, but rather issues dealt with by these instruments. In the IPF/IFF process, the work of categorizing these issues and tools was not done, and a confusing category remained. The list is one of the results of the IFF process, but the confusion around categories in the IFF discussions still affects the UNFF. Therefore, these decisions cannot dispel concern that the problems of the IPF and IFF processes will be repeated.

5 Agenda for the following sessions

5-1 Coordination between the MYPOW and PoA for an effective monitoring system

Regarding the contents of the decisions, there is duplication between the decisions of the MYPOW and PoA, as mentioned above. The duplication can be seen in the issue of monitoring, assessment, and reporting. These descriptions are overlapping and there is no consideration for identifying the roles of the MYPOW and PoA—they should supplement each other. The concrete measures to supplement each other will be an issue in the following sessions.

Both the MYPOW and the PoA could not describe concrete actions regarding financial resources and technology transfer. These measures are crucial for effective implementation of international instruments. Accordingly, the UNFF should seek other measures. In this regard, the use of criteria and indicators for monitoring, assessment, and reporting will be very important. Hence monitoring, assessment, and reporting can be key measures required at the international level in the UNFF in order to facilitate implementation of the IPF/IFF proposals for action. Hence, coordination among them will be an important issue.

5-2 Coordination among the members of the Collaborative Partnership on Forests

To facilitate implementation of existing international instruments and the work of the UNFF, the CPF can be important in the following discussion.

As mentioned above, strengthening of the secretariat would be difficult, however the CPF will be able to supplement the lack of capacity of the secretariat based on their expertise. For example, the Center for International Forestry Research (CIFOR), one of the CPF members, can support secretariat activities, in particular the technical aspects, with their knowledge and the results of their research activities.

As mentioned above, no financial mechanism was created in the UNFF. The members of the CPF have also conducted activities related to sustainable forest management. Hence, these activities can contribute to achieving sustainable forest management and implementation of the IPF/IFF proposals for action. For example, the ITTO has implemented many projects on tropical forests. The Convention on Biological Diversity also has working programs on forests, and now a technical expert group is working to identify options for conservation and the sustainable use of the biological diversity of forests. These activities are connected with the UNFF and can promote implementation of the IPF/IFF proposal actions. Besides, they have financial resources, and favorable allocation of these resources for projects or activities will contribute to UNFF activities.

Although there is much expectation for the CPF, the decision just describes the CPF's principal functions. Hence, a detailed work plan will be on the agenda for the following sessions.

5-3 Necessity of a strong secretariat

There are not many personnel in the secretariat, compared with the demands of preparing documents for the sessions. In order to prepare for each session adequately, the secretariat should prepare documents in the period between sessions. However, the number of secretariat staff is just nine and they need to manage other logistical work. Even though this is still a transitional period, efforts are needed to work efficiently, and an increase in the number of staff is particularly important. However, several delegations stressed that the UNFF secretariat should be "compact" (i.e., small in size and with high quality personnel), and appeared to have an interest in delaying the work of the UNFF in order to prevent the start of a discussion on the necessity of a new legal instrument on forest management. They do in fact have grounds in the ECOSOC resolution for their assertion. Since a "compact" secretariat was also required by the ECOSOC resolution, it will be difficult to increase the number of secretariat staff. However, effective work is necessary in order to promote and facilitate debate within the UNFF and this issue should be considered in future sessions.

Reference

Report of the United Nations Forum on Forests on its first session (E/2001/42 [Part II] - E/CN.18/2001/3 [Part II]). This document is still an advance text version and will be issued in final form as Official Records of the Economic and Social Council, Supplement No. 22 (E/2001/42/Rev. 1).

Policy Trend Report 2001: 81-94

The Latest Trends of ISO in the Field of Forestry Management and Related Industries

Noriyuki KOBAYASHI

General Affairs Department, Sumitomo Forestry Co., Ltd.

Abstract : The ISO14001 international standards deal with environmental management systems (EMS) for the continual improvement of environmental performance. ISO14001 is becoming popular globally, with over 30,000 organizations certified around the world. In Japan, where 7,000 organizations have obtained ISO14001 certification, it is spreading widely into various fields of industries and organizations, including construction, housing and wood processing, as well as local governments.

In 1998, the International Organization for Standardization (ISO) issued Technical Report ISO/TR14061 to assist forestry organizations in the use of the ISO14001 and ISO 14004 environmental management system standards. The forest area covered by ISO14001 certification had reached 86 million hectares worldwide at this time. ISO/TR14061 provided a link between the management system approach of ISO14001 and a range of forest policies and forest management performance objectives, including sustainable forest management (SFM) principles and inter-governmental criteria and indicators (P, C & I) for forest management. Chapter 5 of the Technical Report provides information on the relationship between forestry performance measures, including P, C&I, and the elements of ISO 14001-based EMS. An outline of Chapter 5 will be provided in this report.

At present, about ten different forest certification systems are active in the world. The Food and Agriculture Organization reported that the total certified forest area has reached about 110 million hectares, mostly in developed countries. The development of a forest certification system for tropical forests is an important subject. The present situations in Indonesia and Malaysia will be detailed in this report as examples from developing countries.

Because the objective of forest certification systems is achieving SFM, any certification system in accordance with this objective should be accepted in the market. ISO14001 certification for forestry organizations is considered by many to be effective for achieving SFM in forest industries all over the world, and to comply with World Trade Organization rules.

The problems and issues relating to popularization for forest certification and labeling differ by region. In Japan, the spread of forest certification and labeling systems depends upon green purchasing in forest and wood-related industries such as housing and construction.

In developed countries, many forest certification systems are already active. Multiple certification systems may be useful to provide consumers a wider choice of goods, and avoid shrinking the market for certified products. Developing countries are encouraged to establish certification systems applicable to their own unique circumstances.

In closing, forest certification is essentially seen as a marketing tool that is used by forest owners who perceive an economic benefit from undergoing the certification process, as pointed out by the FAO Forest Resources Assessment 2000.

Key words : ISO14001, EMS, ISO/TR14061, forest certification, marketing tool

1. ISO14001-ISO and the Environmental Management System

1-1 What is ISO?

One may not be familiar with “ISO”, but most everyone probably knows of the green emergency exit signs in public facilities. The green emergency exit sign is a universal mark set by the ISO International Standards. The ISO has become a representative figure of international standardization and globalization.

ISO is an acronym for International Organization for Standardization. The first letters of each noun make up IOS, the point lies in how the O and S are switched around. ISO is derived from the Greek word “isos”, which means “identical”. ISO is an organization established for the purpose of universally unifying product or service standards of various countries or regions, thus deliberately abbreviated as ISO (áisð) instead of IOS. The emergency exit sign, screw (“ISO screw”) and zipper standards, as well as film sensitivity (ISO100 or ISO400), and credit card sizes are determined by the ISO standards and are universally accepted. From standardizing products to quality control standards for manufacturing goods (ISO9000 series) and extending to Environmental Management Standards (ISO14000 series), there were validations of 11,950 International Standards (including 409 Technical Reports) by the end of 1998. It continues to develop new International Standards in various fields.

ISO was established in 1947 as a non-governmental organization with its headquarters in Geneva, and is registered as a legal body in Switzerland. Only one core representative standardization organization from each country is permitted to become a member. The Japanese Industrial Standards Committee (JISC) from Japan

Address: Shinjuku Green-tower Bldg., 14-1 Nishi-Shinjuku 6 chome, Shinjuku-ku, Tokyo, 160-8360, Japan
Tel: +81-3-3349-7521, Fax: +81-3-5322-6774
E-mail: KOBAYASHI_nori@star.sfc.co.jp

Table 1 List of ISO14000 Series Standards.

Standard Number	Standard Name
ISO14001	Environmental Management Systems
ISO14010	Guidelines for Environmental Auditing
ISO/DIS14015	Environmental Site Assessment
ISO14020	Environmental Labels - General Principals
ISO14021	Environmental Labels - Self Declared Claims (Type II)
ISO14024	Environmental Labels - Third party (Type I)
ISO14025	Environmental Labels - Type III
ISO14031	Environmental Performance Evaluation
ISO14040	LCA - General principals
ISO14041	LCA - Inventory Analysis
ISO14042	LCA - Impact Assessment
ISO14043	LCA - Interpretation
TR14061	Forest Management

Source: ISO/TC207 based on website: http://www.tc207.org

became a member in 1952 and 132 countries are constituents as of July 1999.

ISO is made up of the General Assembly, the Council, the Principal Officers, the Technical Management Board, the Sub Committee, and the Central Secretariat. The Council consists of the Principal Officers and eighteen elected member bodies, and determines the ISO management policy. The ISO executive branch is made up of five committees such as the Council and the Technical Management Board, and the Central Secretariat is located in the Geneva headquarters. The Central Secretariat consists of 165 employees from eighteen countries under the Secretary-General.

Drafts for ISO's International Standard is developed by the Technical Committee (TC), Sub Committee (SC), Working Group (WG), and approved by member votes. The necessary funds for ISO activities are borne by the relevant Technical Committees and the Secretary-General of the Sub Committees. Of the expenses for the Central Secretariat, sixty percent is financed by member contributions, and thirty percent comes from standard publication royalties.

Thus, ISO is a strictly non-governmental private organization, and independently administered of foreign governments.

The magnitude of international standards has enhanced following the globalization, and boosting of international trade of products, services, and capital businesses. Furthermore, the international standards do not end with standards for tangible products but extends its scope to include management standards for manufacturing; thus ensuring international credibility, and universalization bear all the more importance than ever. The WTO/TBT agreement (World Trade Organization/Technical Barriers to Trade) that went into effect in January 1995 obligates the member countries to base new or revised domestic standards on existing ISO standards or other International Standards if applicable. Consequently, the international standards will be the basis of national standards for member countries including JIS. Japan has publicly pledged to conform JIS to the international standards at the "Deregulation Promotion Program" (March 1995 Cabinet decision) to improve market accessibility[1].

As a result of the globalization trend, the ISO standards such as the ISO9000 series or the ISO14000 series are becoming increasingly familiar to us.

1-2 What are ISO14000 series?

ISO14000 series are environmental standards that went into effect with increasing environmental concerns. The 1992 Earth Summit "Agenda 21" played a major role in the founding of this standard, and advocated to set up the Environmental Management Standard by the ISO as a symbol of the industry's environmental initiatives.

In "Agenda 21", Section 30 "Strengthening The Role Of Business And Industry" Article 30.3, it is set forth that businesses and industries including transnational corporations, should recognize environmental management as its highest corporate priorities and as a key determinant to sustainable development. Moreover, it is stated in Articles 30.14, 20.25, and 30.26; that businesses and industries including transnational corporations, should encourage to undertake programmes for improved environmental awareness, and should also increase research and development of environmentally sound technologies and environmental management systems, based on internationally accepted management practices.

Pursuant to this recommendation, ISO established the Strategic Advisory Group on the Environment (SAGE), investigated its fundamental strategy, and went into detailed operation in preparation for developing Environmental Management Standards by establishing TC207 (Technical Committee 207) in 1993. Two hundred members from thirty countries have joined TC207.

[1] "Basic Knowledge of the ISO Standards (revised edition)", Japanese Standards Association, 1999. 6

ISO14000 series shown in Table 1 can be roughly divided into Environmental Management Standard (ISO 14000), Environmental Labeling (ISO14020 series), LCA Standard (ISO14040 series), and Forest Management (TR 14061). As of the end of 2000, all standards shown in Table 1 were validated starting with ISO14001.

1-3 Summary of the ISO14001 Standard

The ISO14001 Standard is the Environmental Management System (EMS) and can be described as the core of the ISO14000 series. It was validated on September 1, 1996 as a standard requiring development of a system that secures continuous improvement of environmental performance, and was also validated as JISQ14001 of the Japanese Industrial Standards (JIS) on October 20 of the same year.

The basis of the Environmental Management System is implementing a system for environment based on the following PDCA cycle; top management sets the environmental policy, formulates a plan (Plan) for each department based on the policy, implements the plan (Do), checks and corrects in line with the plan (Check), and reviews the policy or plan if unsuccessful (Act). It is necessary to constantly review the system to attain continuous improvement. The PDCA cycle model is shown in Figure 1, and summarized as follows.

1-3-1 Planning

The plan is an environmental management program to achieve the objectives or targets, developed on the basis of the corporate environmental policy and "environmental aspects" with significant impact. The "environmental aspects" are activities, products and services that impact the environment. In ISO14001, aspects of great impact are called "significant environmental aspects".

1-3-2 Implementation and Operation (Do)

It is necessary to determine organizational structure and delegate responsibility and authority in order to implement an environmental management system effectively. At the same time, documentation control is regarded as an important aspect. There are a number of documents, regulations and operational manuals that need to be prepared, including the environmental management systems manual, the core component of documents. Furthermore, instruction and training of employees is imperative to operate the system accurately, thus detailed instructions of training, awareness and competence respectively are a requirement of ISO14001.

1-3-3 Checking and Corrective Action (Check)

It is required to conduct an internal environmental audit at least once a year in order to verify whether the environmental management system is being properly promoted. The audit is executed by those who have been licensed as internal environmental auditors.

1-3-4 Management Review (Act)

In order to further improve the environmental management system, the management (system manager) is required to conduct reviews and reevaluations at least once a year based on the results of the internal environmental audit, and to modify the environmental

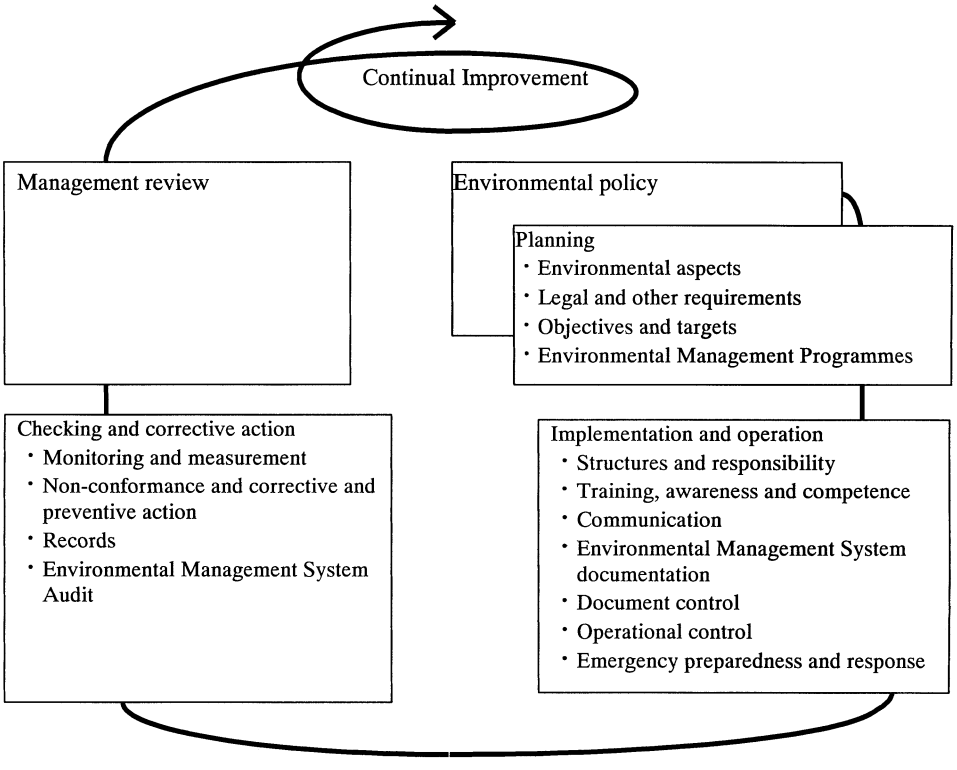

Fig. 1 Environmental management system model.
Source: "Environmental Management System" Japan Standard Association

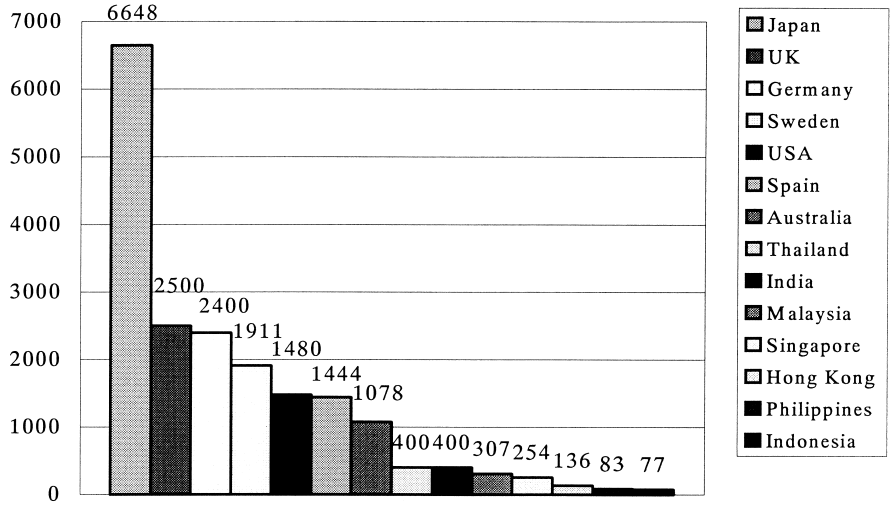

Fig. 2 Numbers of Certificates Issued by Countries: World total 30,303 certificates (as of June 2001). Source: ISO

policies, objectives, and targets as appropriate. If a flaw is confirmed in the environmental management system, it is necessary to take steps to correct these measures.

* Note: Cited from p. 40 and p. 43 of Noriyuki Kobayashi "Environmental Corporation and Forest in the 21st century".

The seventeen ISO14001 "standard requirements" such as environmental aspects, objectives and targets, organization and responsibility, displayed in Figure 1, are rules of the environmental management system. For third-party certification, assessment and surveillance, the system must conform to these standards (rules) in order to be certified.

Third-party certification is required to obtaining ISO 14001 certification. There are forty-twoISO14001 certification bodies in Japan (as of August 2001). All are private institutions accredited by the Japan Accreditation Board for Conformity Assessment (JAB). The accreditation certificate is valid for three years, on the basis of successful annual periodic surveillance visits ensuring the conformity of the environmental management system.

1-4 Status of the ISO14001 Certification around the World

As of June 2001, there are 30,303 ISO14001 certifications have been issued. Figure 2 shows top seven countries in numbers of certificates issued. There are more ISO 14001 certificates in the developed countries compared to that in the developing countries, and the 6648 certificates issued in Japan constitute twenty percent of the total issues around the world. The European countries of the United Kingdom, Germany and Sweden follow Japan, and the United States of America comes in fifth with Spain following. For the developing countries, Thailand and India are at the top of the list with about 400 certificates, and Malaysia and Singapore have more than 250 issues, followed by Hong Kong, the Philippines and Indonesia. It is assumed that the importing market in Japan, Europe and the U.S. for the exporting industries drove acquiring of ISO14001 certification among the mentioned developing countries' exporting industries.

Table 2 Status of the ISO14001 for Wood and Building Material Related Industries.

Industry	Number of certificates issued
General Construction	433
Waste Processing	239
Paper and Pulp	145
Trading Corporations	51
Wholesale	52
Furniture & Accessory	33
Wood & Building Material	16
Forestry	1
Local Authority	223

Source: Author's analysis based on data from the Japanese Standards Association Foundation.

1-5 Dissemination Status of the ISO14001 in Japan

As of end of July 2001, there are 6786 ISO14001 certifications issued in Japan. The certifications are concentrated in the manufacturing industry such as electric, chemical and machinery industries, but are also seen in a wide range of industries. For example, there are 223 certifications have been issued to local authorities, the general construction has been issued 433, the waste processing industry has been issued 239, eleven in the agriculture holds, and one in forestry. The housing manufacturers have been issued approximately fifty certifications and the wood and building material manufacturing industries have been issued roughly thirty certifications. Table 2 shows analysis of the number of ISO 14001 certifications issued for industries directly and

indirectly related to the wood products and woodwork. The ISO14001 is prevalent in the related industries, and it is assumed that the wood and building material industries will be prompted to take active measures for the ISO14001 certifications. Dissemination of the ISO14001 in local authorities will be beneficial in emphasizing environmental aspects of public construction works or promoting green purchasing.

2 ISO14001 and Forestry Certification

The following discusses the background of ISO14001 Environmental Management System's application to the forestry industry, and the technical reports (ISO/TR 14061).

2-1 Background of the Development of the ISO Technical Report (ISO/TR14061)

Deforestation was the important theme in the 1992 United Nations Conference on Environment and Development (the Earth Summit), and the "Forest Principles" was adopted in order to globally promote Sustainable Forest Management (SFM).

On the other hand, with the heightening of consumers' environmental awareness, it has become essential to make claims on the wood and pulp products' "environmentally friendliness". At the same time, it will become necessary to claim that the forests themselves, which are the supply source of the raw materials, are under environmentally sound management. Hence, it becomes essential to demonstrate SFM in internationally recognizable methods, and to make evaluations of the performances in just manners. This is also necessary to eliminate trade barrier in environmental aspects. These given backgrounds have prompted increasing concern from the forestry industry and related parties from all over the world to apply ISO14001 to the forestry field.

Canada and Australia submitted a proposal at the 1995 Plenary Meeting of TC207 in Oslo, for the SCI to formulate an ISO14001 forest management application guideline, but a resolution was passed not to draft guidelines by sector, and the proposal was voluntarily withdrawn.

As a result, an informal study group, convened by New Zealand, was formed outside of the ISO and meetings were held in November 1995 (Wellington) and February 1996 (London) with the study group looking into the re-proposal of ISO TC207.

On viewing this at the 1996 TC207 Rio de Janeiro Plenary, the Technical Committee 207 (TC207) resolved that a formal Working Group (WG2 Forestry) would be established to prepare a report describing informative reference material for the implementation of ISO14001 (Environmental Management System) to a forestry organization. The WG2 has since met in Toronto in November 1996, and Helsinki in January 1997. Some sixty experts from over thirty countries have been involved in the process. Mr. Toru Hayami (Hayami Forestry) of the Japan Forest Enterpriser's Association of Japan and the author participated as specialists from Japan and Mr. Ozawa, Forestry Planning Director of the Forestry Agency attended as an observer.

At the first and second meetings, the technical reports could not be parted by sectoral standards, and much time was consumed in debating how to prepare a report to assist forestry organizations when utilizing the ISO 14001 Environmental Management. At the Third conference in Kyoto, the examination made a significant development with the SC1 and SC6 representatives present, in conjunction with the TC207 Kyoto Plenary. The issue on sector standards was resolved by inserting case studies in the appendix by the SCI chairman's advice, and concluded at the fourth meeting in Paris. For reference, the participants of the Kyoto conference are as follows.

There were a total of twenty-one countries: New Zealand, U.S.A, Canada, France, U.K., Australia, Switzerland, Sweden, Finland, Norway, Denmark, the Netherlands, Indonesia, Malaysia, China, Thailand, Brazil, Argentina, Chile, South Africa, and Japan. Major forestry product manufacturers and consumer countries participated.

The WWF, FSC, Global Forestry Policy, and Consumer International took part as NGOs.

Professor Yoshizawa of Tsukuba University, Forestry Agency Assistant Manager Mr. Ida, Mr. Toru Hayami (Hayami Forestry) and the author participated as specialists, in addition to Forestry Agency Assistant Manager Mr. Sakota and Section Chief Mr. Yamazaki, and National Federation of Forest Owners' Co-operative Associations Deputy General Manager Mr. Shiga who attended as observers.

2-2 ISO, TC207/WG2 National Review Formation

In Japan, a national TC207/WG2 (Forest Management) task group was formed to review and deliberate and five meetings were held. The task group consisted of Professor Yoshizawa of Tsukuba University as the chair and twelve members from the Forestry Agency, Forest Enterprisers' Association of Japan, National Federation of Forest Owners' Co-operative Associations, Japan Federation of Wood-industry Associations, Japan Paper Association, Importers' Association, and other forestry related organizations. The Ministry of International Trade and Industry Management System Standard Division is the group's administrative office, and is supported by experts from the Forestry Agency Wood Products Marketing Division Wood Products Trade Office.

In addition, the wood product certification and labeling study group met six times, with the Japan Federation of Wood-industry Associations, National Federation of Forest Owners' Co-operative Associations, Forest Enterprisers' Association of Japan, and Japanese Plywood Manufacturers Association, and also deliberated ISO14001.

The Forestry Agency set up the "wood product certi-

fication, labeling, and forest management research" and "research and analysis on wood product certification and labeling" in 1998, and is conducting research and investigation; ISO14001 is a matter of significant attention.

2-3 The Purpose of the ISO Technical Report (ISO/TR14061)

Many forest managers seek to understand how to achieve sustainable forest management at forest operation sites, as well as methods of application of the criteria and indicators on site. The ISO technical report ISO/TR14061 answers the forest managers' such needs and can be used as a guidebook.

The objective of applying the ISO14001 Environmental Management System to the forestry field is to effectively operate ISO14001 standard based environmental management system, in order to achieve sustainable forest management. Also, the purpose of the ISO/TR14061 is to link the sustainable forest management principles, criteria and indicators with the environmental management system objectives, targets and management plans, and to employ monitoring of management plans.

2-4 Summary of ISO Technical Report (ISO/TR 14061)

The TR went through an official ISO vote, and after the ballots closed in March 1998, there were thirty-one approves, zero disapproves (three abstentions) and was adopted as TR14061. TR14061 has a feature that serves as a bridge document between the ISO14001 standard "Environmental Management System (EMS)" and "Sustainable Forest Management (SFM)". The main focus will be on linking international principles, criteria and indicators such as the Montreal Process or ITTO, with the seventeen ISO14001 standard requirements in order to achieve "sustainable forest management".

TR14061 consists of eight sections. Sections 1 through 4 discuss the scope, terms and definitions, a summary of the ISO14000 series of standards, and reference material for forestry organizations (explanation of SFM such as the Montreal Process and ITTO, etc.) Section 5 is the main body, and discusses how to apply the seventeen ISO14001 standard requirements to forest management in the order of environmental policy, planning, implementation and operation, checking and corrective action, and management review. The outline and aspects of Section 5 are shown in Table 3.

Section 6 discusses guidelines for small-scale forest ownerships and operations. It states that the small-scale forest owners can choose to implement ISO14001 by grouping together to obtain the required efficiencies of scale. The organizational unit must be able to demonstrate that it has its own functions and administration. This is in compliance with Article 3 Section 12 of the ISO14001.

Section 7 discusses certification, and Section 8 discusses communication.

Appendix A is an outline of referenced ISO14010, 14011, 14012 and ISO/DIS14031. Appendix B gives examples of international agreements, inter-governmental criteria and indicator process (Montreal Process) and non-governmental organization initiatives on sustainable forest management. Table 4 shows IPF, ITTO and Montreal Process standards. Appendixes C through I introduce case studies of large-scale plantation projects such as those in Brazil and South Africa, as well as small-scale forest management case studies such as those in Finland, France and Austria[2].

2-5 Status of ISO14001 Forestry Field Certification

There are increasing case examples of ISO14001 certifications in the forestry field, around the world. The area of certified forests is estimated to be at least 86 million hectares as of November 2001. The ISO does not have world ISO14001 certifications data sorted by field, thus the author has compiled Table 5, total area by country, based on data from each country and corporate environmental reports.

The general status for each country is as follows:

The first company to introduce the environmental management system to forest management was Sappi Forest of South Africa. The system was implemented on 400,000 hectares of pine plantation management before the official ISO14001 issuance in 1995. The first to obtain certification in the forest management field was Bahia Sul of Bahia, Brazil in 1996, on 115,000 hectares of mainly eucalyptus plantation management. Brazilian pulp producers Bacell and Riocell have obtained certifications as well, but it is unknown whether the forest management division is covered in the scope of the certification.

In New Zealand, Weyerhaueser New Zealand Inc. and two other companies have obtained ISO14001 certifications in 1996. Subsequently, Rayonier, P.F. Olsen and several other companies have obtained certification. In New Zealand, the Natural Resource Management Act of 1991 stipulates requirements for forest managers to obtain local authority consent for most operations including forest road construction, land preparation and harvesting. In some local authorities, ISO14001 certification is sufficient, and compensates for consent for individual processes. Such administrative simplification will act as an incentive and may lead to an increase in the number of ISO14001 certifications.

An increasing number of companies are obtaining forest certification in the Canadian forestry industry as a counter measure for European and American boycott campaigns. According to the Canadian Forest Management Certification Status Report on November 1, 2001, the current certified forest area excluding double counts

[2] "ISO14001 Environmental Management Manual", Japanese Standards Association, 1999

Table 3 ISO/TR14061 Summary and Aspects of Section 5.

Section	Section name	Summary and aspect of each section
5.2	Scope	The forestry sector has many different kinds of operations such as silviculture, harvesting, wood transportation, and the processing of products. All operations may be applied, or particular operations (such as harvesting), but require cooperation with related professionals outside the applied operation.
5.3	Policy	Commitment to comply with relevant legislations, to continual improvement, and prevention of pollution are required to be included in the environmental policy as well as the concepts of Criteria and Indicators stated in the Montreal Process.
5.4.1	General	Planning relates to the following EMS elements: environmental aspects, legal and other requirements, objectives and targets, environmental management program (ISO14001: 1996, 4.3)
5.4.2	Environmental aspects	Examples of potentially significant environmental aspects and related impacts specific to forest management organizations include: harvesting, site preparation, road construction and reforestation.
5.4.3	Legal and other requirements	ISO14001 requires an organization to identify and to have access to all relevant legal and other requirements to which it subscribes. Typical requirements for forest management relate to the following matters: water, soil and air quality; fish and wildlife and their habitat; rare plant and animal species; forest fire; pest and disease; heritage sites; and appropriate use of chemicals
5.4.4	Environmental objectives and targets	ISO14001 requires establishing environmental objectives and targets that are consistent with its environmental policy and take into account significant environmental aspects. In order to establish the objectives and targets, it is necessary to incorporate the Montreal Process or ITTO Criteria and Indicators and other relevant standards. The importance of public participation is stressed for establishment.
5.4.5	Environmental management program	ISO14001 requires that an organization establish and maintain a program(s) for achieving its objectives and targets.
5.5	Implementation and operation	ISO14001 requires that an organization employ a number of procedural measures to facilitate the implementation and achievement of its environmental policy, objectives, targets, control procedures and programs.
5.6	Checking and corrective measures	ISO14001 requires that an organization establish procedures for monitoring and measurement, investigating and handling non-conformance, taking corrective and preventative action, as well as conducting and recording environmental management system
5.6.1	Monitoring and measuring	ISO14001 requires for an organization to regularly monitor and measure the performances of its objectives and targets involving the use of the Montreal Process or ITTO Criteria and Indicators. In addition, examples of the performance indicators are shown.
5.6.2	Auditing of the environmental management systems	ISO14001 requires that an organization establish and maintain a procedure for periodically auditing its environmental management system. (ISO14001 standard 4.5.4). The audit will determine whether the environmental management system conforms to the standard and planned arrangements, is properly implemented and maintained, and is capable of achieving the forest management objectives and targets.
5.7	Management review	ISO14001 requires that an organization must review its environmental management system periodically, in order to ensure continued suitability, adequacy, and effectiveness. (ISO14001 standard 4.6) There is a need for the forestry organization will need to monitor changes in legal requirements, advances in science and technology, and changes in expectations and views of interested parties as an input to the management review process

Source: Based on Table2-2 of "Environmental Corporations and Forests in the 21st Century", Noriyuki Kobayashi, Japan Forestry Investigation Committee Inc.

Table 4 Summary of Sustainable Forest Management Standards.

IPF	ITTO	Montreal Process
1. Extent of forest resources 2. Health and vitality 3. Productive functions 4. Biological diversity 5. Protective and environmental functions 6. Developmental and social needs 7. Legal, policy and institutional framework	1. Maintenance of conditions for sustainable forest management 2. Conservation of forest resource 3. Health and condition of the forest ecosystem 4. Forest production flow 5. Biological diversity 6. Conservation of soil and water resources 7. Economic, social and cultural aspects	1. Conservation of biological diversity (9 indicators) 2. Maintaining forest ecosystem productive capacity (5 indicators) 3. Maintaining health and vitality of the forest ecosystem (3 indicators) 4. Conservation of soil and water resources (8 indicators) 5. Forest contribution to global carbon cycles (3 indicators) 6. Social needs (19 indicators) 7. Legal, institutional and economic framework (20 indicators)
7 Criteria	7 Criteria and 106 Indicators, 117 Indicators	7 Criteria and 67 Indicators

Source: Based on ISO/TR14061, FAO2001 Annual Report on Forestry, 2000

Table 5 ISO14001 Area of Forestry Field Certification.

	Area (10,000 ha)	Number of certifications
New Zealand	31	4
Canada	7,741	26 companies (63)
U.S.A.	81	2
Finland	50	2
Sweden	655	4
Japan	4	1
South Africa	40	1
Brazil	12	1
Total	8,614	8,614

Stora-Enso Celbi's, Portugal has also been certified.

Source: Canadian Sustainable Forestry web page; Standard New Zealand; Environmental Reports from 1997, 1998 of: Metsaliitto, Metsa-Serla, Sodra, Stora-Enso and Graninge

where certified by multiple certification schemes is reported to be 72,533,000 hectares as of November 2001. Breakdown by certification scheme is: 72,410,000 hectares for ISO14001; 5,940,000 hectares for CSA; 123,000 hectares for FSC; and 4,940,000 hectares for AF&PA-SFI. It is evident that the share of ISO14001 is significantly high.

In the U.S., certification under the AF&PA-SFI scheme is mainstream, which has certified 38 million hectares as of November 2001. ISO14001 has certified 480,000 hectares of the East Forest Resource Department of the International Paper Company, in addition to 330,000 hectares of the corporate forest in the State of Georgia, of the Weyerbaueser Company, but this figure is believed to increase in the future.

For the three Scandinavian countries, major Swedish companies such as SODRA, Stora-Enso and Assi Doman have obtained ISO14001 certifications. At the same time, SODRA has obtained EMAS, and Stora-ENSO and Assi Doman have obtained FSC certifications. In Finland, Metsaliitto has obtained certification for its 500,000 hectares forest, but the certified area for Kusamo FMA is unknown and not included in the area in Table 5. The FFCS (Finnish Forest Certification Standard) is mainstream in Finland, and its certified area has reached 21,900,000 hectares.

Furthermore, the Pan European Forest Certification Scheme (PEFC) is a framework that mutually certifies various forest certification systems in the European countries, and 36,400,000 hectares have been certified.

3 Current Status of the Forest Certification System in Developing Countries

3-1 Unevenly Distributed Certified Forest Area in Developed Countries

Chapter 6 'Forest Management' of the FAO Forest Resource Assessment 2000 (FRA2000) gives an analysis of the areas of the certified forests around the world.

The FRA2000 reports the total certified forest area of the world of various forest certification schemes mentioned in the previous section to total 110 million hectares, constituting 2.8 percent of the world forest share as of yearend 2000. Table 6 shows area by region excluding ISO14001, where the total area is 80.7 million hectares.

According to Table 6, ninety-six percent of the certified areas are concentrated in Europe and North and Central America. Table 9 from FRA supporting material show certified forest area by country, which confirm that ninety-two percent of the certified areas are concentrated in the U.S., Finland, Sweden, Norway, Canada, Germany, and Poland. The certified forests are unevenly distributed, and focus on North America and the three Scandinavian countries, or, the forestry product

exporting countries of the developed countries. This tendency increases if the ISO14001 certified area is included as shown in Table 5.

On the other hand, certified tropical rainforest area total 1,800,000 hectares, and the four countries that have more than 100,000 hectares of certified areas are Bolivia, Brazil, Guatemala and Mexico, according to the FRA2000 report. The analysis points out that forest certification is spreading mostly in developed countries such as Europe and North America, and in developing countries, especially tropical rainforest, initiatives are comparatively weak.

The following are examples of Indonesia and Malaysia, which countries are relatively advanced in its initiatives in reviewing certification schemes.

3-2 Initiatives for Forest Certifications in Indonesia

The Ecolabel Institute (Lembaga Ecolabeling Indonesia, LEI) was established in 1994. Subsequently, the "Ecolabel Certification Program for Forest Management Level for Sustainable Forest Management" was developed and adopted as a national standard in 1998. The standard determines certification systems such as criteria, indicators, certification criteria and certification processes. It draws upon ITTO standards, and stipulates seven criteria at the production level and nine at the management level[3].

LEI and FSC concluded an agreement (Memorandum of Understanding, MOU) in September 1999. According to MOU, both LEI and FSC will collaborate to develop and establish a joint ecolabeling certification system that includes sustainable forest management certification. The collaboration stems from grounds that a certification system by LEI alone would be difficult to earn credibility in the European and U.S. Markets. The joint certification system based on MOU has yet to be implemented.

On the other hand, LEI is organizing the certification framework by certifying four companies in August 2000 as the certification body of the aforementioned LEI's ecolabeling certification program established in 1998. The four companies are PT. TUV International Indonesia (joint venture company with Germany), PT. SGS (joint venture company with Switzerland), PT. Sucofindo, PT. Mutuagung Lestari.

In view of the aforementioned forest certification scheme initiatives in Indonesia, the Indonesian government is attempting to develop a forest certification scheme with LEI at the core, but significant development is unknown. The first company obtained its certification in June 2001 by the above certification institution based on the LEI certification system, and several more companies are currently reported to be under assessment.

LEI and related organizations are holding orientations and seminars to disseminate the forest certification scheme in the forestry and wood industries.

One reference material presented at one of the seminars is "Forest Certification and Ecolabeling of Indonesian Forest Products" (Feb. 2001) by Par Tri Nugrohs[4]. It has been recognized as a report analyzing dissemination problems and issues of the Indonesian forest certification system. The merits and demerits of ISO14001 and FSC in Indonesia are pointed out in this report as follows.

First, regarding the potential dissemination of wood product ecolabeling in Indonesia, it states as follows:

> In view of the Indonesia forestry context, wood ecolabeling schemes are likely to be viable only if they are (a) market-driven, (b) objective and practical, (c) able to track wood from forest source to labeled product (chain of custody), (d) allow price or other market signals of sufficient strength to reach forest managers, (e) cost-effective, (f) credible and reliable, (g) voluntary for concessions and (h) not exclusive, i.e., not based upon a government-approved sole agency for all forest certification. Thus, whereas there may be an argument for LEI as the sole agency for certification of forest for the Ministry of Forestry's purposes, it is important that other institutions be permitted to pursue their own ecolabelling initiatives insofar as these are funded by the private sector. Ideally, the system should develop along the lines of ISO9000 quality assurance scheme, which allows both state and private enterprise certifiers.

Secondly, the FSC and ISO14001 are analyzed by contrast as follows:

Table 6 Certified Forest Area by Geographical Regions.

Geographical regions	Certified area (1,000 ha)
Africa	974
Asia	158
Oceania	410
Europe	46,708
North/Central America	30,916
South America	1,551
Total	80,717

Source: Table 6-2 of the FRA2000 Main Report
Note: 1) Data as of 2000 yearend; 2) In addition to the above numbers, according to the text footnotes, Canada has 27 million hectares and New Zealand has 0.3 million hectares of ISO14001 certified area.

[3] Osamu Hashiramoto, "Forest Certification and Wood Products Labeling from the an International Debate on Trade and Environment", "Forest Economics", 2000. 8

[4] M.P.L Tobing "Forest Certification and Ecolabelling of Indonesian Forest Products" Page 2, 10, 2 March 2001, Jakarta

> FSC model is the only useful thing to be considered for a short-term Indonesia's forest products, remembering the relevance with the market. ISO 14.000 is possibly better in the internal management of the company but it has a small market value of the identification label side or trade mark impression. In that case FSC is far more valuable. As an example, England as one important market for Indonesia's forest products, FSC label at present has a strong market position and becomes the most option. Every labeled product will definitely have special market profitability. In the early stage most of Indonesian LSMs did not agree with the FSC concept, because they were doubtful on this concept could be applied by countries with repressive power regime. Some Indonesia's LSMs were more expecting the benefit potential of the certification in their country and part of them already joined together with FSC.

In addition, it points out issues for applying FSC criteria to forest management as follows:

> There is an opinion of certain parties, in particular LSMs, which stated that it will be better if the property aspect on land and forest resources has higher level in the criteria list of FSC - where in Indonesia, there is no forest management unit that nominated as qualified until a very fundamental reform occurs;

These claims made by Nugroho well depict the current status of Indonesia in that it emphasizes the following: That certification labeling shall be responsive to market demand, certified wood shall be of preferable quality and consideration for the cost effects of certification. At the same time, certification schemes and accredited certification bodies are better off when more than one exist, and this is exemplified in the current position of ISO9000. Furthermore, when comparing ISO14001 and FSC, ISO 14001 is wider introduced in the forestry and forest products industry, whereas among the markets of Europe, FSC is better recognized than ISO14001, it is analyzed. However, in the face of Indonesian forestry, FSC is considered a higher barrier. This analysis by Nugroho points out issues for dissemination of forest certification in Indonesia, and will be further explored in the following section.

3-3 Current Status and Dissemination Issues of Forest Certification and Labeling System in Indonesia

ISO9000 certification, an ISO International Quality Standard, is widespread in Indonesia. The Indonesian Wood Panel Association (APKINDO) promotes its member companies to obtain certifications, and many plywood industry companies have obtained the ISO9000 certification. There are seventy-seven ISO14001 certifications in Indonesia as of June 2001, which is the seventh among the developing countries, but it can hardly be described as a large number. In the plywood industry, approximately ten companies have obtained ISO14001 certification, such as PT. KUTAI TIMBER INDONESIA and PT. SMALINDO LESTARI JAVA. There are no reports of ISO14001 certification in the forestry field.

There are reported to be 100,000 hectares between two companies that has been certified FSC in Indonesian forests[5]. There are twenty chain of custody certifications, most of which are teak wood product processing companies that purchase teak material from PERUM PERHUTANI[6]. Therefore, only a limited number of FSC forest management certifications and chain of custody certifications have been obtained, and can hardly be said to be widespread.

As described, in contrast to the country's forest product industry and forestry scale, by no means is either ISO14001 or the FSC forest certification and labeling system prevalent in Indonesia. As previously mentioned, the Indonesian government is promoting the LEI certification scheme, and it is anticipated that the joint certification scheme with FSC, for international credibility, will develop in the future.

It can be said that the Indonesian wood products and forestry industry will easily accept ISO14001 forest certification and labeling system, as the ISO9000 is prevalent in the plywood industry as is ISO14001 in the industrial sector. This is due to the fact that both ISO9000 and the 14001 are formed on the basis of organizational management systems. Once the ISO9000 has been implemented, ISO14001 is an already facilitated process for certification. Simultaneously, ISO14001 can be implemented into various corporations and organizations in various fields. Subsequently, it is advisable that Indonesia enhances international competitiveness for ISO 14001 certification to gain widespread use in the plywood, wood product and other forestry fields in conjunction with disseminating the LEI certification scheme for Indonesian forest certification and labeling schemes.

3-4 Current Status and Issues for Forest Certification and Labeling System in Malaysia

3-4-1 Current Status and Issues

Malaysia has taken measures to operationalise sustainable forest management, which began in 1994 with by the establishment of a National Committee on Sustainable Forest Management under the Ministry of Primary Industries. Members of the Committee are from the Forestry Commission, related forestry research institutes (FRIM), related forestry councils and universities to formulate collaboration among the academia, govern-

[5] Japan Forest Products Journal, November 20, 2001

[6] M.P.L Tobing "Forest Certification and Ecolabelling of Indonesian Forest Products" Page 2, 10, 2 March 2001, Jakarta

ment and industry[7]. A wood product certification pilot program was launched in 1996 with cooperation from the Netherlands. Strong demands by Dutch consumer groups for goods produced from sustainable forest management led to the start of this pilot program[8]. In 1997, The National Timber Certification Council (NTCC) was established, and is working towards organizing Malaysia's own certification system.

FSC forest certification is still limited to 55,000 hectares, and one certification.

Malaysia has obtained 307 ISO14001 certifications, third most among the developing countries. There are examples of certifications for lumber processing companies, but none reported in the forestry field.

Similar to Indonesia, Malaysia's performance in forest certification and labeling schemes are limited. However, active measures are necessary to suit the European and U.S. wood products market needs. Gaining widespread use of existing ISO14001 and FSC certification systems in conjunction with development of government-initiated Malaysian certificate system is a realistic measure.

3-4-2 Initiatives for Sustainable Forest Management Criteria and Indicators

As a member of the International Tropical Timber Organization (ITTO), Malaysia is committed to the achieving sustainable forest management. The Malaysian government is working with the Malaysian Timber Certification Council (MTCC) towards dissemination of Criteria and Indicators (MC&I). MC&I consist of seven Criteria and sixty-four Indicators at the national level, and seven Criteria and fifty-six Indicators for individual forest management units, based on the ITTO Criteria and Indicators for sustainable forest management. The government has decided to apply these Criteria and Indicators (MC&I) to the MTCC forest certification scheme. In addition, the government is developing assessment methods for monitoring and evaluating sustainable forest management based on MC&I with the cooperation of German GTZ.

Wood products that are produced from MC&I applicable forest management are expected to meet the Dutch wood product certification labeling standards (Dutch Minimum Requirement for Timber Certification). In mid-2000, based on the Malaysia-Netherlands wood products certification arrangements, forest management assessment was implemented in Selangon, Pahang and Teregganu regions applying MC&I six criteria and twenty-nine indicators. Johor, Keda, Perak and Negeri Sembilan are scheduled for November 2001[9].

It is apparent from the movements described above, that the Malaysian government is comprehensively promoting initiatives for forest certification and labeling schemes and sustainable forest management. It is also worth noting that this development is based on cooperation from the Netherlands and Germany at the beginning atage.

4 Characteristics and Issues of the ISO14001

The objective for applying ISO14001 environmental management system to the forestry field is to ensure effective operation of environmental management system based on ISO14001 standards, to achieve sustainable forest management. In addition, the key is whether it is possible for sustainable forest management principles, criteria and indicators to be incorporated into the environmental management system objectives, targets and management plans, and to be effectively used for monitoring management plans. The following analyzes ISO14001 forest certification characteristics and issues from these perspectives.

4-1 Performance Evaluation for System Certifications

There have been observations from environmental NGOs that whereas FSC is a performance-based certification (achievement measured certification), ISO is a standard that evaluates systems for continuous improvement of environmental impacts, thus cannot sufficiently assess the impact to the natural environment. ISO/TR14061 Technical Report stipulates its objectives and certification subjects as follows.

The objectives for applying ISO14001 to the forestry field is to factor in criteria related to sustainable forest management, to the ISO14001 environmental management standard and to promote continuous improvement of environmental loads for forest management. The subject of certification is the environmental management system for forest management. The technical report goes on to give examples of and endorse sustainable forest management criteria and indicators such as Montreal Process, Helsinki Process and ITTO criteria and indicators, but does not specify the performance levels. The main principle of ISO14001 is its application to environmental management of various field and organizations. Thus, the major premise of forming a technical report is to not make it a sectoral standard and to not determine specific environmental performance levels. Therefore, the performance measures for criteria and indicators are not given.

In cases where ISO14001 based on TR14061 will be applied to forest management, the manager is required to prepare an environmental policy, analyze environmental aspects, determine objectives and targets, then formulate and implement an environmental man-

[7] Thang Hool Chiew, The Use of Criteria and Indicators For Monitoring, Assessing and Reporting on Progress Towards Sustainable Forest Management In Malaysia, Nov. 2001, Yokohama

[8] Japan Forest Products Journal, November 20, 2001

[9] Thang Hool Chiew, The Use of Criteria and Indicators For Monitoring, Assessing and Reporting on Progress Towards Sustainable Forest Management In Malaysia, Nov. 2001, Yokohama

agement plan, followed by assessment of the results. In practice, they are required to determine specific objectives and targets and formulate environmental management plans to minimize environmental impact on areas such as forest road construction and harvesting, area of significant environmental impact. How to measure and assess the performances of criteria and indicators will depend on those companies or organizations to be certified and their objectives and targets establishment.

As mentioned above, the objective of ISO14001 is, a standard required in formulating a mechanism to continuously improve environmental performance. Therefore, a quantitative assessment on the performance level is necessary to evaluate measures on performance improvement, and will be emphasized during the audit.

There is a need to address "performance levels". ISO 14001, Section 3.8 defines environmental performance as follows; "A measurable result for environmental management systems pertaining to environmental aspect management by organizations based on environmental policy, objective and targets". In other words, implementation and execution of the environmental management plan to achieve environmental management objectives and targets is "performance". Therefore, the environmental performance level is a quantitative and qualitative measure (such as target levels) of the implemented plan. Subsequently, it can be said that although ISO14001 is a system certification, performance measures are significant evaluation items and thus adequately assess the improvement of impacts on the natural environment.

4-2 Effectiveness of Continuous Improvement by Using PDCA Cycle for Forest Management

Forest management and other related operational activities are a form of productive activity. Quite naturally, plantation and silviculture, operations that pertain to the tending of stands shall be included as productive activities, let alone harvesting. Productive activity is a mobile process, and the impact it has on the environment should not be determined at one static moment in time, but instead through the entire active procedure; this will prove more effective and realistic. Using the PDCA cycle mentioned in the section 1-3 and developing continuous improvement is an effective method to improve environmental impact. Therefore, ISO14001 can be described as a management system suitable for production at factory sites, as well as suitable for forestry production activities. Application of ISO14001 to forest management is effective for companies or organizations promoting forestry activities.

The aforementioned seventeen requirements for ISO 14001 standard is key in promoting continuous improvement as a system, and especially vital are, objectives, targets, documentation control, structure and responsibility. However, if the company and the personnel operating the system are unreliable, regardless of the standard environmental improvements will be halted. Voluntary initiative is essential for any given system or standard.

4-3 How will ISO14001 Address Labeling Issues?

ISO14001 series consists of three pillars; namely, environmental management, environmental labeling and LCA. Therefore, it is possible that ISO14020's environmental labeling standards can address issues on labeling. However, there are views that since the ISO 14001 certification has large effect on inter-company procurement and trade that perhaps need for labeling individual products is low[10]. In addition, in Japan, there are fewer situations where consumers are in direct contact with the final wood products, compared to Europe and the U.S., thus need for labeling would be low, and forest certification shall suffice.

4-4 Internationality, Trade Issues and Transparency

As previously mentioned in 1-1 of this paper, it can be seen from ISO's past international performances and WTO/TBT agreements that there are no concerns on trade, for applying ISO14001 to forest management and international credibility is high. ISO14001 forest certification is the least problematic in this respect, among all other certification schemes in the world that apply to forestry. It is possible to attain transparency through preparing and disclosing environmental reports of certified companies or organizations.

5 Conclusion (Issues for Widespread Use of Forest Certification and Labeling System)

5-1 Potential Dissemination and Issues in Japan

ISO14001 and green purchasing are increasingly becoming widespread in environmental initiative of companies. As stated in 1-5 of this paper, there are close to 7,000 ISO14001 certifications in Japan. According to the Tokyo Chamber of Commerce and Industry survey[11], the major reasons for obtaining certification are infiltration of environmental improvement activities at 64%, group policy at 59%, and bolstering corporate image at 47%. It is noteworthy that group policy is almost 60%. It can be said that ISO14001 is infiltrating group companies and clients with large corporations at the center, in the form of "inter-company chain reactions". Tokyo and Saitama prefectural governments list ISO14001 certification as preferential treatments for bidding and procurement conditions. It is anticipated that local authorities will increasingly apply such measures in the future.

One form of "inter-company chain reaction" is green

[10] Osamu Hashiramoto, "Forest Certification and Wood Products Labeling from the an International Debate on Trade and Environment", "Forest Economics", 2000. 8

[11] "Investigative Report on ISO14001", Tokyo Chamber of Commerce and Industry, 1999. 3

purchase. According to the Nippon Keizai Shinbun survey in February 1999 targeting 2,779 people, 55% of the companies have already implemented green purchasing, and this number rises to 83% when including those which with plans for implementation. In addition, there are close to 3,000 companies that are members of the Green Purchase Network. The Green Purchase Law was implemented in April 2001, and is presumed to spread to the corporate world in addition to the government and local authorities. Green purchase requires formulating environmental management systems in conjunction with disclosure on the product's environmental load. Green purchase and ISO14001 are becoming prevalent as conditions for transactions or public construction biddings. Companies and organizations that cannot respond to this trend may find it difficult to continue operations in the future. The housing and forestry industry are no exception.

It is rare that wood materials such as sawn timber, plywood and doors, directly reach the hands of the consumers in Japan. Rather, houses and furniture are directly linked to consumers. Under such circumstances, there is little possibility of forming a buyer's group like that of Europe and the U.S. and for the certified wood products to be on the market in large quantities. If anything, there is a stronger possibility that the dissemination of ISO14001 and green purchase will influence the forest certification and labeling schemes. In such cases, it will spread in the form of "inter-company chain reaction" instead of individual product labeling, thus there is little need for labeling pillars, plywood and lumber.

Housing manufacturers are at the core of wood product distribution, and are connected upstream through wood processing, raw wood production and forest management. It is also connected downstream through deconstruction, waste material processing and recycling. Therefore, housing manufacturers are in a position to exert environmental influence to their clients such as material manufacturers through their initiatives of ISO 14001 and green purchase. It can be said that housing manufacturers are at the base of forest certification.

In Japan, there is potential for the ISO14001 centered forest certification and labeling system to become prevalent along with the development of housing manufacturer and construction industry's environmental initiatives.

5-2 Global Dissemination Possibilities and Issues

5-2-1 Current World Status and Issues

The area of certified forests around the world is 110 million hectares and concentrated in Europe and Northern America, as previously stated in the section 3. of this paper.

There are at least ten types of forest certification systems in the world. On a global scale, there are ISO 14001 and FSC, and on a regional scale, European PEFC, and lastly, and at the national level, AF&PA's SFI and AFTS (U.S.), CSA (Canada), FFCS (Finland), UKWAS (U. K.), etc. Table 7 shows total certified areas by certification schemes. Excluding ISO14001 and FSC are forest certification systems of the developed countries. ISO 14001 is widely used in developed countries, and FSC is working on spreading its use in the developing countries with environmental conservation groups at the core, but the certified area is mostly in the developed countries.

When taking a look at the forest certification system from a global perspective, it can be said that the forest certification is prevalent in developed countries excluding Japan, while its profile is very low in the developing countries. Therefore, the issues for developed countries are to establish the forest certification system upon gaining consumer acceptance, and for developing countries is to establish a system that is possible to expand in the developing countries.

5-2-2 Issues for the Developed Countries

It can be said that environmental conservation group campaigns played a major role in promoting the dissemination of forest certification and labeling in developed countries. The fact is that the forestry and wood products industry took measures to avoid losing product markets. This is apparent when looking at the development of various forest certification schemes as well as the main reason behind the establishment of these systems.

In some countries, particular environmental groups would recognize only a certain forest certification scheme, and resulted in companies having to obtain multiple certifications by multiple schemes. It can be said that only permitting certain kinds of certification systems may lead to reducing the choice for consumers, which may also lead to constraining prices in free competition. Additionally, this may hinder free trade.

The author believes, that the forest certification schemes shown in Table 7 should be recognized as effective systems for sustainable forest management initia-

Table 7 Certified Area by Forest Certification Scheme.

Forest certification scheme	Area (10,000 ha)
1) ISO14001	8600
2) SFI	4250
3) PEFC	3640
4) FSC	2460
5) FFCS	2190
6) ATFS	1000
7) CSA	594
8) UKWAS	86

Source: Noriyuki Kobayashi, The 21st Century an Environmental Era of Forestry and the Lumber Industry. and *Japan Forest Products Journal* Series No.20, Nov. 21, 2001

tives. Time is ripe to consider international schemes for mutual certification.

5-2-3 Issues for Dissemination in Developing Countries

The reasons that the forest certification system is not widespread in developing countries are that there is no demand in the domestic market, the expense to obtain certification is costly, and there is no domestic certification system. On the other hand, the necessity stems from the demand in the developed countries that the wood products are exported to.

The forest certifications and labeling system initiatives in Indonesia and Malaysia will prove to be good case examples for the developing countries. In order to achieve a system accepted by the environmental conservation groups of the developed countries, cooperation from European and U.S. aid agencies and NGOs may be necessary, but the key to dissemination is maintaining the country's originality. In addition, in order to gain widespread use, the certification system must be practical and applicable to the forestry sites of forest management companies in those developing countries, as well as to come at a low cost. For establishing criteria and indicators, realistic measures should be taken, such as raising the criteria and indicator levels gradually instead of aiming high from the beginning.

FAO's FRA2000 Section 5 deems the forest certification system to be a marketing tool, and defines as follows:

> Certification is an instrument used to confirm the achievement of certain predefined minimum standards of forest management in a given forest area at a given point in time. Certification is essentially a marketing tool, used by forest owners who perceive an economic benefit form undergoing the certification process.

Achieving dissemination cannot be expected for forest certification or labeling system in developing countries unless it can contribute to the healthy and sustainable development of forestry and forest product industry as a marketing tool.

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Progress of the Forest Certification Systems in the World and Japan

Norihiko SHIRAISHI

Department of Forest Science, Graduate School of Agricultural and Life Sciences, The University of Tokyo

Abstract: In response to claims of commercial harvesting as a factor contributing to forest destruction especially in developing countries, forest certification schemes, which label forest products that derive from sustainable managed forests and promote sustainable forestry through market demand have been established. Currently, the Forest Stewardship Council A.C. (FSC) conducts forest certification on a global scale ; other certification schemes have also emerged, but operate on a regional basis. Certified wood products coming from these certification schemes have started to circulate in the market. FSC certification is conducted openly, in fairness and in justice, and is a scheme that bases assessment standards on performance levels. Other aspects of FSC that make it distinct from any of the other certification schemes lies in FSC's emphasis on community participation, environmental and social aspects and its universality. On the other hand, other certification schemes assess processes and require for the achievement of the minimum level of forestry in the subject region. These circumstances conduce to the current situation where some certification schemes have established systems for mutual recognition, whereas FSC has not taken positive positions on this issue. Forest certification is well-developed especially in countries with wood exporting markets, and recently, there has been expansion among the environmentally conscious markets as well. Japan, the world's greatest wood importer, has also been exhibiting interest in forest certification, especially towards FSC. However, recognition of forest certification among Japanese consumers is very low, and wood processing industries too have not shown outstanding interest. It is the forest owners and managers, as well as local forestry administration that are most active in the subject. This trend, a rare case on the global scale, stems from anticipation that certification—a value-added, will contribute to contending with stagnant forestry management in Japan.

Forest certification has the potential as a tool for adding value to individual management units on a microscopic scale ; and on a macroscopic scale holds potential for uplifting forest management standards. However, the effects of certification only merit the subject management unit, and thus in order to have effects on broader scales, there is need for considering other certification schemes that put uplifting management standards as an objective.

Key words: forest certification, Forest Stewardship Council (FSC), mutual recognition, Japanese wood market

1 Forward

Deforestation of tropical rainforests became evident in the 1970's, and drastically accelerated in the 1980's, eventually leading to boycott campaigns for tropical wood, primarily in Europe. In 1986, the ITTO was established to promote tropical forest conservation and adequate usage of tropical timber, and in 1991, "The Year 2000 Objective", an objective which restricts the export of tropical timber in international trade to come from sustainable forest management produced materials by the year 2000, was adopted. In addition, the ITTO formulated the "Guidelines for the management of Natural Tropical Forests" in 1993, preceding others around the world. This operational guideline for tropical forests was insufficient in environmental and social considerations, but was epoch-making as a prototype of Criteria and Indicators. On the other hand, the United Nations convened UNCED in Rio de Janeiro in 1992. Here, Agenda 21 and the Forest Principles were adopted and confirmed that all countries would assume responsibility for forest conservation, thus clarified the direction and initiative for a sustainable forest management. The agreement at the UNCED generated formulation of international initiatives such as the Montreal Process and Helsinki Process, and the development of criteria and indicators for monitoring forests proceeded rapidly. Subsequently, the ITTO made an overall revision of the preceding Tropical Forest Operations Guidelines and thus became comprehensive criteria and indicators incorporating environmental, social, and economic aspects along the lines of the Montreal Process and the Helsinki Process.

Paralleling these international, or governmental and national movements, market-based initiatives by NGOs became active in the 1980's. Emergence of forest certification schemes was a representative movement. The tropical timber boycott campaigns that started in the late 1980's with European environmental organizations and later spread to the general public became a vital issue for not only the exporting countries, but also for the European wood processing industries, and distributors that handled tropical timbers. As a result, the timber certification system was conceived to distinguish those from other wood by labeling products produced from sustainable managed forests. However, as the market became swamped with various different types of labels, some whose claims were questionable, the market ended in disarray and credibility of the labeling and certification system itself was put at stake. In view of establishing a credible certification system that would resolve these confusions and contribute to forest conser-

Address: 1-1-1 Yayoi, Bunkyo-ku, Tokyo, 113-8657, Japan
Tel: +81-3-5841-5201, Fax: +81-3-5841-5429
E-mail: siraishi@fr.a.u-tokyo.ac.jp

vations around the world, WWF and other influential environmental organizations based in Europe played a central role in forming the Forest Stewardship Council (FSC), an international forest certification organization, in 1993.

This report outlines the FSC forest certification, known to be environmentally and socially stringent as well as being widely prevalent, and examines the effectiveness of forest certification as a tool to uplift forest management levels in addition to comparing certification systems in other regions and discussing the trends of development in Japan.

2 General Summary of FSC Forest Certification

The FSC forest certification system is explained in detail in the report by the Meridian Institute. This report was written for the purpose of comparing Sustainable Forestry Initiative (SFI), an American Forestry & Paper Association (AF&PA) certification system in the North America region, and that of FSC. The following six viewpoints introduced in the said report will be discussed here forth.

2-1 Objectives and Structure of the System

The FSC is an international non-profit, non-governmental organization involved in forest certification that was founded in 1993. The Forest Stewardship Council's mission is to "promote environmentally appropriate, socially beneficial, and economically viable management of the world's forests" ; this has remained virtually unchanged to date.

The organization is an association of members consisting of various voluntary forest certification and conservation groups, businesses and individuals, and important issues are decided by member votes. Each member belongs to the Environmental, Economic or Social chamber. Furthermore, each member is categorized into coequal sub-chambers representing the interests of the developed "Northern" or developing "Southern" countries, depending on the countries they represent. The ballots are adjusted to have equal weight between the six sub-chambers, (Environmental, Economic, Social)× (Northern, Southern). The purpose of the chambers is to maintain a balance of voting power between different interests without limiting the number of members. The head office is based in the city of Oaxaca, Mexico ; the location is said to imply the mid location between the Northern and Southern regions. The General Assembly, Board, and Secretariats, in addition to various Board Committees and Working Groups make up the FSC, which reviews the Principles and Criteria, supports formulation of certification criteria for the country or region, accredits certification bodies, and resolves disputes.

2-2 Certification Criteria

The FSC forest certification evaluation standard is based on the Ten Principles for Forest Management (FSC2001a). The Forest Management Principles have undergone several reviews since the establishment of the FSC. The most recent headings of the Ten Principles are as follows, and the next level of detail in the hierarchy is the fifty-six Criteria.

Principle #1: Compliance with laws and FSC Principles
Principle #2: Tenure and use rights and responsibilities
Principle #3: Indigenous people's rights
Principle #4: Community relations and worker's rights
Principle #5: Benefits from the forest
Principle #6: Environmental impact
Principle #7: Management plan
Principle #8: Monitoring and assessment
Principle #9: Maintenance of high conservation value forests
Principle #10: Plantations

The FSC Principles and Criteria for Forest Stewardship shall be applied to all forest management regardless of country, region or forest type. The certification bodies develop generic certification evaluation criteria that comply with these Principles and Criteria to employ during assessments. Once a National or Regional Standard has been endorsed, the accredited certification body will use the endorsed standards itself as the basis for certifications and audits rather than the interim standards.

Performance based standards make the FSC certification standards unique. The concept of performance-based standards is used against the concept of process-based standards as exemplified in the ISO14000 series. Performance based standards require for not only system development but also for a certain level of control to be achieved at the forestry site. A forest management unit aiming to obtain certification may develop a system for management, but will require some time before the results are reflected on the forest's management levels. Moreover, certification bodies need qualified assessors who possess inherent forest and forestry skills required for site evaluations. Site evaluations require a certain number of days, which may result in rising certification costs. For these reasons, the performance-based standards of FSC are considered a major contributor to raising the hurdles for obtaining FSC certification.

2-3 Certification Bodies

There are eleven certification bodies accredited by the FSC as of December 2001, and are as follows (FSC 2001b): Silva Forest Foundation (Canada), GFA Terra Systems (Germany), ICILA (Italy), South African Bureau for Standards (South Africa), Institut fur Marktokologie (IMO, Switzerland), SKAL (The Netherlands), BM TRADA Certification (UK), SGS Forestry QUALIFOR Programme (UK), Soil Association (UK), Rainforest Alliance Smart Wood Program (USA) and Scientific Certification Systems (USA).

This includes organizations involved in forest certification even before the FSC was founded in 1993. For example, in 1989, the Rainforest Alliance established the Smart Wood Program to conduct forest management and Chain of Custody certifications ; similarly, the Scientific Certification System established the Forest Conservation Program in 1991 under the name Green Cross, and independently conducted forest certifications (Meridian Institute, 2001b).

In addition to the above eleven certification bodies, five organizations from Canada, France, Italy, Mexico and Switzerland are applying for FSC accreditation (FSC 2001b).

2-4 Certification Process and Mechanisms

In the first place, certification is the process in which an independent organization will guarantee that certain sets of requirements are met. The FSC certifications emphasize this point and use the term "third-party certification", distinguishing it from other first-party or second-party verification procedures-which are not certifications, technically speaking. Furthermore, FSC is a market based voluntary scheme for certification. The abovementioned fundamental nature is common to that of the ISO.

Within the FSC framework, the forest management certification and the chain of custody (CoC) certification will be evaluated under an FSC accredited certification body. The forest management certification evaluates whether the forest is well-managed according to the FSC Principles and Criteria for Forest Stewardship (Document 1.2), and grants certification if the requirements are met. Forest management certifications are usually carried out in the following procedures:

1. **Determine the Scope of the Potential Project** An initial meeting with the accredited certification body and the client's management is conducted in order to provide information pertaining to the certification program, and to clarify the potential client's goals with respect to forestry certification.
2. **Conduct a Preliminary Evaluation** (**Scoping Visit**) A preliminary evaluation is optional under the FSC system, but is recommended on large or complex operations, or operations in regions where the certification body has little previous experience. The certification body will send an evaluator to inspect the forest sites and provide further information on certifications, the probability for a successful certification, the cost of ensuing evaluation, and the expected time frame necessary for completing a full evaluation.
3. **Execute the Contract** An agreement will be exchanged establishing the geographic and subject matter scope of the desired assessment, and specifies the rights and responsibilities of each party.
4. **Assemble the Evaluation Team** The team is comprised of staff from the certification body and contract/consultant field-level personnel with expertise in relevant disciplines such as forest ecology and forestry of the subject region. The evaluation team usually consists of one to four people depending on the scale or complexity of the forest.
5. **Reviewing/Revising Assessment Criteria and Indicators** The evaluation team determines what modifications, if any, are needed in the numerical weights of the Criteria.
6. **Collect and Analysis Data** Information collected, intended to be the basis for determining if a "well managed" claim can be justified. Resource condition information provides an indication of present and past management practices on the subject property, which is directly relevant to the evaluation, and is one of the most important issues. Interviews with the management, management records and other various documents as well as inspection of forest sites are the major sources of information.
7. **Consult with Regional Stakeholders** The evaluation team is collectively responsible for soliciting input from interested stakeholders who may desire to offer input on the evaluation of the subject operation. This process will enable the evaluation team to acknowledge the local issues as well as be a source of information to grasp the strengths and limitations of the management unit.
8. **Assign Numerical Performance Scores** Based on the data gathered, it shall be scored by a method that is objective, reproducible and comparable to other cases. Both accredited certification bodies located in the United States use a proprietary scoring system as part of the evaluation process for determining whether a forest management or forest operations entity should be awarded a certificate.
9. **Report Write Up** The evaluation team prepares a report based on the criteria established by the FSC. The report may include "Preconditions" that must be met before a certificate will be awarded, "Conditions" that identify actions to be taken by the operation in an agreed upon time fame, or "Recommendations" which are nonmandatory suggestions.
10. **Solicit and Respond to Client Review Comments** The certification evaluation report is submitted to the client for review and feedback. This process is to ensure that the client has no fundamental disagreement with the accuracy of the content of the report.
11. **Solicit and Respond to Peer Review Comments** The peer reviewers review and comment on both the methodology as well as the role of specific

evaluation.

12. **Certification Decision** Should the evaluation results be positive, a five-year certification contract will be executed which includes, as a requirement, annual on-site audits. If granted, the evaluation report and information will be provided to the FSC. However, if an operation is not approved, the certification decision will clearly establish what needs to be done in order for the operation to achieve certified status in the future.
13. **Issue Certification and Public Summary Report** Concurrent to certification from the FSC, a summary report will be released on the website of the certification body. Only the client will receive the full report.

It is preferred that the certification evaluation report is written in English, or Spanish, the FSC official languages, and also in the local language. Evaluation transparency, fairness and reproducibility are assured through these certification evaluation processes.

2-5 Controls over Program Logo and/or Product Label and Supply Chain Verification

Products from FSC certified management unit are eligible to carry the FSC logo marks, provided that the conditions are met as stipulated in the rules and regulations. Products eligible to carry the FSC logo mark are categorized as ; a) solid wood (log, sawn wood) ; b) collections of solid wood products (logs in a pile, lumber in a pack, moldings in a bin) ; c) non-timber forest products (mushrooms) ; d) chip and fiber products comprised of at least 17.5% by weight of the total chip or fiber used in manufacturing the product line, and at least 30% by weight of the new virgin wood chip or fiber used in the manufacturing of the product line is FSC certified ; e) assembled products (furniture, packaged wood pieces that make up a single product) that include more than 70% certified material of the total weight.

All parties involved in processing, distributing or selling certified material under its ownership, and claimed as certified is subject to a chain of custody evaluation. This is with the exemption of material that will not enter any further links of the chain, meaning that retailers are not subject to an evaluation, if the labeled product will be sold unaltered from the previous chain holder. In other words, the chain of custody confirms the status of the certified material from the "stump to the store".

The FSC prescribes six principles on chain of custody certification (FSC 2001c). The headings are as follows.

Principle #1: Documented control system
Principle #2: Confirmation of inputs
Principle #3: Separation and/or demarcation of certified and non-certified inputs
Principle #4: Secure product labeling
Principle #5: Identification of certified outputs
Principle #6: Record keeping

In the FSC certification schemes, it is generally possible for certified forest products to be traced back all the way to the manufacturer.

Chain of custody certification ensures that the certified timber coming from a certified forestry management is not mixed with non-certified timber. Unlike the forest management certification, the chain of custody certification does not address environmental, social, or economic aspects.

2-6 Current Situation of Certified Forests

As of December 2001, the forests certified within the FSC forest certification framework total to fifty-one countries, 25,100,000 hectares (FSC, 2001d). This corresponds to approximately 0.7% of 3.4 million hectares, the total forest area around the world.

3 Regional Forest Certification Systems

The FSC has expanded internationally, steadily increasing its certified forest area since its foundation, but on the other hand, regional forest certification schemes have developed around the world especially among countries with wood export markets. Some representative examples are ; the Sustainable Forestry Initiative (SFI) by the American Forestry & Paper Association (AF&PA) ; forest certification schemes by the Canadian Standard Association (CSA) ; Pan-European Forest Certification Scheme (PEFC) by the European Helsinki Process member countries including the Finnish Forest Certification Scheme (FFCS) and the UK Woodland Assurance Scheme ; programs by The National Timber Certification Council of Malaysia (NTCC) ; and programs by the Indonesian Eco-labeling Institute (LEI). The following will address the similarity and differences between the FSC and the regional forest certification schemes, especially the U.S. and Malaysian programs.

3-1 Sustainable Forestry Initiative (AF&PA)

3-1-1 Nature of the Certification Program

This forest certification program by the American Forestry & Paper Association, a merger between the American Forest Council and the American Paper Institute was developed in 1994. Subsequently, the Sustainable Forestry Board, independently established from AF&PA, assumed responsibility for the program, and has since taken on the responsibility of overseeing the SFI Standard and Verification Processes. AF&PA will retain six of the fifteen seats on the Sustainable Forestry Board, thus displays a strong industry presence (Meridian Institute, 2001a).

Both SFI and FSC are rooted in the Brundtland Commission Report and the Agenda 21 from the 1992 Rio de Janeiro Environment Summit, and aim to improve forestry management practice. However, the origins of the establishment process differ among the two. An influential environmental NGO played a central role in setting up the FSC, whose purpose and the purpose of the organization is the conservation of the ecosystem

from an environmental and social aspect in addition to economic aspects (sustainable management). It aims for versatility that has applicability to the various forest types and social or environmental circumstances around the world. On the other hand, SFI was founded by American industry groups in light of increasing consumer concerns toward forest management. Canada subsequently became a member of SFI, followed by environmental and social organizations from both countries, and became what it is today. As suggested by the fact that the Canadian Standard Association, an ISO affiliated organization, is the Canadian counterpart, the SFI is a process-based standard, similar to the ISO. It mainly targets North American forests and envisions to exert appropriate forest management performances under American regulations.

The purpose of establishment and the targeted levels vary between SFI and FSC. The SFI aims to secure minimum level of a broad scope of management units, whereas FSC focuses on granting market based advantages (premium, preferential treatment, competition) to well-managed management units.

3-1-2 SFI Certification Standards

For certification Criteria, FSC has ten Principles and fifty-six Criteria as opposed to SFI having five Principles, eleven Objectives and thirty-five Performance measures. The FSC program only permits third-party certifications and the Criteria are mandatory ; whereas SFI offer selectivity for those apart from Objectives that are core to each Principle according to management environment or regional characteristics, and the evaluation process takes the form of self-verification, in which the manager conducts an annual self-audit and files to the AF&PA. Third-party certification by an independent auditor is optional. For the thirty-one significant issues that may be of concern for the interested parties, the comparative study report identifies noteworthy distinctions by comparing Principles and Criteria of the two programs (such as defining plantations, sustained yield requirements, Management planning framework, etc.) (Meridian Institute, 2001a).

3-1-3 SFI Logo Mark Control

The two programs vary somewhat in its usage policies for the certification logo marks. The SFI logo mark has been revised twice The third version being the most recent has not been put to use ; only the second version is being used in the market. The third version logo mark is currently being prepared, and will be used only by the management units that have had third-party certification evaluations.

For Chain of Custody Certifications, the SFI program makes a distinction between primary processors such as manufacturers and paper manufacturing facilities that source 50% or more of a manufacturing unit's raw materials directly from primary sources, and secondary processors such as furniture or plywood manufacturers that source 50% or more of a manufacturing unit's raw materials from secondary sources. For a primary processor to use the product label, the product must be sourced completely (100%) and certified by SFI accredited programs (SFI, FSC, American Forest Foundation's American Tree Farm System, Canadian CSA, Swedish certification standard, European PEFC, UK Woodland Assurance Scheme and other certification schemes are included). For secondary processors, at least two-thirds of the material supplied by the primary processor need to be certified by SFI accredited programs (as above). In the United States, approximately 70% of the forest products are supplied by small and medium-scale Non-industrial Private Forest (NIPF) owners, and the NIPF owners conduct wood production through more than 50,000 loggers nationwide. As a result of these circumstances, the SFI program uses a two-pronged approach to Chain of Custody Certification: "direct certification", which directly confirms its distribution route, and "procurement systems approach", which estimates the certification ratio of the wood supply source based on random sample field checks (Meridian Institute, 2001c). The "procurement systems approach" does not require for attachment of proof of certification on each wood, but only that it exceeds two-thirds of the total certification ratio. Although there are differences in the requirement levels of documentation control, as a result, it varies little from the FSC rule that labeling is permitted if more than 70% of the total Assembled Product weight is certified wood.

3-2 Malaysia

3-2-1 Sustainable Forest Management Criteria and Indicators

Malaysia is one of the few countries that continue to export tropical wood in Southeast Asia. According to the 1998 statistics, forestry and the forest products industry make up 3% of the GDP and 5% of total exports, and accordingly is considered to be an important industry in Malaysia. For these reasons, Malaysia has shifted towards sustainable use of forest resources (Thang, 2000). When the ITTO Guidelines for the Management of Natural Tropical Forests were revised in 1998 and changed to a comprehensive guideline similar to the Criteria and Indicators under the international initiative, Malaysia revised its Criteria and Indicators for Sustainable Forest Management in line with the ITTO revisions. The Criteria and Indicators used the revised ITTO version and incorporated Required Activities at a lower level, and Management Specification at a further lower level, thus developing Criteria and Indicators with four levels in hierarchical structure. Required activities are listed to achieve issues written in Indicators, and Management Specifications describe detailed description explaining the Required Activities (for example, related laws and regulations, referred statistics, and quantities or items that define management). These Criteria and Indicators are built on two levels, the national level and

the management unit level, similar to that of the ITTO.

3-2-2 Certification Criteria

Malaysia showed strong interest in forest certification as a country with wood exporting markets. The National Timber Certification Council of Malaysia (NTCC) was established by representatives of governmental administrations, wood material related industries, researchers, and nature conservation groups at the initiative of the federal forestry commission in 1998 with the purpose of reviewing certification systems. The forestry commission asserts that they are entitled to be involved in the foundation of the certification system in Malaysia, where forests are all state-owned. The NTCC is responsible for forest certification related activities such as certification criteria review, certification body accreditation, certification grants, and promoting enlightenment, and considered to be independent from the state. Therefore, NTCC qualifies as an organization equivalent to the FSC with similar functions, and it can also be said that Malaysia aims to develop a different certification scheme other than the FSC.

NTCC revised the preceding Criteria and Indicators by liaising with the Peninsular Malaysia Forestry Commission to utilize for the primary objective of monitoring sustainable forest management ; in addition to granting forest certification criteria functions (Thang, 2000). Specifically, the Management Specifications was amended to the Standards of Performance and the contents were amended from Specifications for monitoring forests to standards determining the performances. Examples of the relationship of Management Specifications and Standard of Performances can be illustrated as follows: "forest areas by various types" corresponds to Indicators that should be monitored ; "periodically compiling forest statistics" are Required Activities ; listed "various forest types" are Management Specifications ; and "for natural forests areas to not drop below the planned scope" are Standards of Performance. According to such revisions, Malaysia developed the Criteria and Indicators for sustainable forest management under ITTO, as well as integrating certification criteria for forest certifications.

3-2-3 Relations to Europe

Europe is one of the important markets for Malaysia grown rare and high quality tropical timber. In order to export to European markets that are sensitive to environmental issues, NTCC has been liaising with the Dutch Keurhout Foundation to explore trading Malaysian material as certified wood. In 1997, the Dutch government established the Keurhout Foundation (Taiga Rescue Network, 2001) to evaluate imported wood to meet minimum requirements of the forest certification. The Netherlands may have intended to ensure its position as the agent for importing certified material into European markets by establishing this Foundation.

Malaysia proceeded with the preparations through deliberations with the Keurhout Foundation, by selecting twenty-nine "prioritized standards" from Standards of Performances developed under the new ITTO Criteria and Indicators for forest certifications. The deadline for the Keurhout Foundation to determine whether to accept the Malaysia grown wood material certified within this framework, was set for March 2001 (according to author's research). Further hearsay reports that the lumber is not being used as certified material but that Malaysia was requested to review the certification criteria (individual hearsay). On the other hand, Keurhout Foundation initially accredited the FSC followed by Finland's FFCS, but did not go so far as to accredit numerous certification schemes. The Foundation draws criticism from the Dutch government that it "is not fulfilling it's duty" on the basis that it does not secure sufficient certified wood.

4 Outlook for Mutual Recognition

Mutual recognition refers to an agreement by two parties to mutually recognize the application of certified logo marks from one program to a certified wood product of another program, provided that the two forest certification schemes recognize both parties as completely equivalent and compatible. Even if such agreements are not exchanged, one party may recognize the other when certification scheme requirements are met and is worthy of certification. Such one-side recognition is called an endorsement. With this framework, there is a possibility for a certification scheme from a certain region to be recognized in another region of the world, and thus promote substantial dissemination of the forest certification system.

In recent years, mutual recognition has become the topic of debate within the FSC as well as among various other certification schemes, leading to mutual or one-side recognitions in some cases. For example, the European PEFC endorsed certification schemes of the Nordic countries (Finland, Sweden and Norway) in May 2000. In addition, as previously mentioned, the American SFI endorsed seven programs such as FSC, PEFC, FFCS, CSA, UKWAS and others (Meridian Institute, 2001c). The FSC regards UKWAS as a national standard under the FSC framework for the reason that the UKWAS is a program jointly developed by the national forest management organization, UK Enterprise and the UK FSC members. However, the UKWAS proclaims mutual recognition with the FSC (Japanese Forest Agency, 2001). In addition, comparisons and reviews are actively conducted for various forest certification schemes by foreign governments and private organizations. Nevertheless, the numbers show that there are not many examples of mutual recognitions or endorsements in spite of increasing interest. Taking a look at the FSC's perception of the UKWAS example indicates that FSC has not permitted mutual recognitions with other certification schemes.

In August 2000, European environmental groups met

in Belgium and criticized the PEFC certification scheme. The summary of the criticism can be described as follows (Fern, 2000).

i) Certification schemes are not clear whether it will effectively link to the improvement of forest management
ii) UNCED spirit should be valued and all interested parties should be given equal participation opportunities
iii) A universal interchangeability should be secured

Subsequently, European environmental organizations convened in Rome in February 2001 to discuss certifications and released a joint statement. The statement mentions, "Mutual recognition means substantial equivalence of program components, and the credibility of the framework as a whole can never be any greater than the credibility of its weakest link. No certification scheme is likely to intentionally sacrifice its credibility by accepting, as its own, the serious weaknesses of other programs. Wide disparities currently exist between forest certification schemes" (Fern, 2001). Many of the environmental organizations gathered at these meetings were FSC members, and such statements could be taken as warnings against regional certification schemes aiming for mutual recognition with the FSC.

As mentioned above, European environmental organizations that played a leading role in the FSC are skeptic towards the FSC exchanging mutual recognition with other certification schemes. The reasons are that they consider the FSC and the other certifications to differ in their essential components, as well as not wanting to sacrifice the social and environmental credibility. Specific differences between the FSC and the other schemes can be summarized as follows. The non-FSC schemes:

i) do not have a clear stance on the performance standards,
ii) have weak environmental and social aspects concerning certification criteria,
iii) have insufficient guarantee of stakeholders' involvement for criteria formulation and evaluation processes, and
iv) lack universality and versatility in its regions, systems and forest types.

These issues are substantial elements that affect the basis of forest certifications.

Judging from the current situation, it would appear that there are still issues to be resolved regarding mutual recognition between FSC and the other certification schemes around the world, and there is little possibility of the situation developing in short time. In contrast, mutual recognitions within the regional certification schemes may develop in time as the differences and issues are resolved. Most regional certification schemes are process-based, with set minimum requirements for forestry management aiming to uplift the levels, and are considered to have many common objectives and procedures amongst the programs.

5 Forest Certification Development in Japan

The WWF Japan, the only FSC member at the time, played a central role in hosting forest certifications related symposiums and workshops in 1997 in Japan, and succeeded in attracting attention from forest owners and local governments. In October 1998, the American certification body SCS conducted a preliminary evaluation for Hayami Forestry, an independent forest owner in Mie prefecture, while visiting Japan to promote forest certifications. Hayami went through a full evaluation in September 1999, and obtained the first FSC certification in Japan in February 2000. In Yusuhara of Kochi prefecture, the Forest Owners' Association obtained the first group certification in Japan as the resource manager. Yusuhara was evaluated by the SmartWood Program of Rainforest Alliance in May 2000, and obtained certification in September of the same year. In September 2001, Asahi Breweries, Ltd., which owns 2,169 hectares of forests in Hiroshima prefecture, was evaluated by the SCS and obtained certification. Subsequently, in October 2001, the university forest of the Tokyo University of Agriculture and Technology was granted certification by SGS's QUALIFOR Program. The Tokyo University of Agriculture and Technology certification was the fourth case in Japan in addition to being the first of its kind in the world to obtain certification as a university forest, which primary objective is research and education (Fujiwara, 2001).

Yusuhara went through its first annual audit in October 2001, when more than 1,000 hectares of forests were additionally evaluated against as new members of the Group. As a result, the total certified forest area has grown to 3,335 hectares in Yusuhara. One of the contributing factors for this development is that there were initial apprehensions, in which the forest owners were hesitant towards FSC certifications fearing additional strict constraints on natural forests and secondary forest management ; through the certification process, this apprehension proved to be groundless. Yusuhara's inception of new projects involving subsidies for thinning is considered as another incentive (individual hearsay).

The number of CoC certification issues is increasing, parallel to forest management certifications. Initially, at the time of Hayami Forestry certification, only a nearby sawmill and a processing plant had obtained CoC certification. However, during the annual audit an year later, there were seven CoC facilities including Forest Owners' Association markets and pole timber processing plants that obtained certifications and helped to promote the regional CoC network. In addition, foreign timber import companies and paper mills that produce paper using certified foreign pulp chips began to obtain CoC certifications. As of October 2001, there are twenty CoC certification issues in Japan. Increasing interests from the supply side have brought about Forest Trade

Network movements by the distributors who handle priority certified products (The Timber Press, 2001). As of December 2001, there are four organizations that are FSC members in Japan, and a few other organizations that are anticipated to join shortly. Also, there are plans to start activities to develop National Standards in January 2002.

As stated above, the FSC forest certification developments are showing a steady growth after a slow start. However, activities are limited to the supply side such as forestry managements and the forest administration, thus the recognition of forest certification and certified wood materials among consumers are still low. There are distributors showing interest in certified wood products due to increasing environmental awareness, but they continue to be a minority.

6 General Prospects on Forest Certifications

6-1 Characteristics of Forest Certification Developments in Japan

There are generally two types among countries that have been actively working to implement forest certification systems around the world. The countries with wood exporting markets are one type, and the other, the environmentally conscious markets. Examples of the former are Malaysia, Indonesia, Finland, Sweden and Canada, and the latter are the U.K. and Germany. The U.S. contains both characteristics. Countries with wood exporting markets are considering forest certification as a means of verification of sustainable management when exporting its domestically grown wood. Whether the certified export wood material will display a positive force or have a negative impact, or no bearing at all, will depend on the circulation volume of certification material and the environmental awareness level of the importing countries. In either case, preparation for certification for countries with wood exporting markets is becoming unavoidable, in view of the future.

Environmentally conscious countries recognize special added value for "environmentally friendly" certified materials and promote its dissemination. In countries such as the U.K. and Germany, where there is a considerable amount of certified wood products in the market, there were no consumer demands initially for certified products. B&Q, a DIY franchise instigated this movement in the U.K., and similarly for publishing industry in Germany. It is to say that these retail stores and publishing industry exerted enormous initiative in purchasing certified wood products or paper, approached the consumers, which led to placing pressure on the forestry management and hence promoted the development of certified products market (Michael B. Jenkins & Emily T. Smith, 1999).

Japan, a country without a wood exporting market, is a rare case on a global scale. Interest towards certified wood is low for all stages of the wood market side, and it is the forestry managers that show the most interest. This stems from the never-ending structural recession the Japanese forestry industry is suffering from. The degree of lumber self-sufficiency has fallen to 20% ; hence the wood price standard is determined by foreign wood. With low wood prices over the years and forestry costs relatively increasing, it is difficult to increase earnings from thinnings ; and clearcutting alone cannot cover reforestation fees. There are small-scale part-time forest managers, whose incomes are not dependent on forestry, who have begun to abandon forest management.

A characteristic of the development forest certification in Japan is such that under these circumstances, forest owners and local self-governments with a sense of impending crisis are showing interest in certifications as a tool to differentiate by appealing its "environmentally friendliness" to the consumers. Two of the four cases certified in Japan produce only a small amount of wood from managed forests, and there seems to be a clear distinction between the foreign certification cases in that they anticipate compensation other than forestry means, although "environmental" appeal does not directly link to merits in forestry management.

It can be said for the Japanese forestry wood production industry, that the individual management units of the forestry and forest products industry, such as the forest owners, loggers, sawmills and processing plants are mostly small-scale, independently and separately operated, and not vertically consolidated. Such production structure hinders the dissemination of certifications.

In addition, many of the Japanese forestry management set their business objectives as producing constructional posts from *Cryptomeria japonica* (*Sugi*) and *Chaemaecyparis obtusa* (*Hinoki*) plantations. A majority of the wood consumption (including foreign wood) in Japan is consumed by the housing industry for construction use. However, a method for the house owner to choose the wood material being used is very rare in Japan and involves commission of the architect, and at the same time, the Japanese lifestyles does not take the consumers to DIY stores to purchase wood for themselves.

In summary, in order to contend with stagnant forestry management in Japan, the forest owners aim to obtain forest certification and aim environmental appeal in order to differentiate themselves in the market, but the CoC framework of forestry and forest production industry is small-scaled and complex, making the process between the producers and consumers long, thus it is not easy to promote the certification management chain. Even if new routes were to be developed and the certified wood conveyed to the wholesaler, there is no market mechanism for the consumers to prefer purchase of certified material. In addition, price competition is high in the residential housing markets, thus makes it difficult

for uncompetitive, and unstable supplies of certified material to circulate. In this way, Japan is a difficult market for certified material producers.

6-2 Forest Certification Potential as a Tool for Forest Management

Stephan (2001) lists forest certification objectives and benefits as follows:

1. improve forest management and enhance multiple values from forests
2. improve mechanisms for producer accountability
3. challenge policy/legal frameworks and improve government roles
4. reduce government's forest monitoring burdens by bringing in independent certifiers
5. maintain or improve market access/share
6. obtain a price premium for certified products
7. obtain or defend the producer's access to forests, resources and capital
8. reduce the producer's environmental and social risk
9. improve the awareness, skills, or morale of staffs and stakeholders

Numbers one through four are government and the public benefits, and five onwards are managerial benefits. Of the managerial benefits, number five and six are relative and external benefits based on advantages and differentiation of certifications. These benefits tend to disappear if the majority of the management units obtained certifications, or through lapse of time. Numbers seven through nine are benefits that surface inside the management units and will contribute directly to the qualitative improvement of the management as well as being more absolute compared to numbers five and six.

Forest certification is an incentive for individual management units on a microscopic scale, but it also holds prospect as a tool to enhance forest management standards on a macroscopic scale. However, the effects of the certification as well as public side benefits only merit the subject management unit. In the Japanese market, which is contemplating certifications as a tool for differentiation, this can be a paradox because the more certifications obtained, the less advantageous and less different it will be from the others. In addition, as a country with a wood exporting market, there is little prospect of major forests obtaining certifications for the purpose of differentiation, since the present situation allows only a limited export of domestically grown wood.

Accordingly, there are two scenarios of consequences that can be foreseen in the long term for market based forest certification systems such as the FSC, in which certification can become a tool for preference and differentiation. The first scenario is that the burden of obtaining certification and the benefits generated will balance the percentage of certified forests. The second scenario is for the certification system to develop to a level where certification itself will become the new "norm", and management units that do not have certification will be forced to withdraw from forestry management, thus only a certain percentage will continue to be managed. These may seem different at first glance, but the advantages and differentiations will diminish with time and reach the same conclusion. As a result, such certification process initially designed to implement a positive differentiation such as price premiums and advantages will transform into a process to question the qualification for forestry management as the system develops concurrent with the transformation of the society.

In this manner, uplifting levels of forest management, and measuring up social benefits of the forests to prospect level singly through forest certification is difficult, and that the forest certification systems be used concurrently with other programs aimed to uplift the level of a broader scope of forest management will become inevitable.

The same can be said for the tropical regions where there is progressing forest destruction. There are some cases of FSC certifications in developing countries, but these cases usually represent special exporting cases or pilot projects and most other forests are exposed to threats of deterioration. The reason for this is that the forests harvested for local consumption in developing countries are not linked to markets where there are "environmental" incentives, thus it is difficult for the forest certification system to function.

There are many levels of programs aimed to uplift the level of forests in both developed and developing countries, but the most direct method would be to enforce loose constraints on all forests by way of legal restrictions. Furthermore, it is possible to implement an optional voluntary certification system as that of the American SFI system. The accreditation system for forest management plans of Japanese private forests is positioned in between the two, as a highly universal system that contains a guided characteristic. Whether the program will function effectively will depend on the country, the society in the region, and the economic situation. By combining the appropriate program, it will be possible to see the path towards sustainable forest management that surpasses the individual management limits.

7 Conclusion

There are said to be four different roles in relation to forest certification, namely, the forestry management, the consumers, the intermediary processing distributors and those that have influence on the preceding three such as the mass media, government and environmental organizations. These four groups are interrelated to the forests and forest certification systems, and can all positively approach the forest certification system, at least from a macroscopic prospective. This is because the forest certification system is a framework fundamen-

tally based on justice and ethics. Consequently, the forest certification system will develop as a "self-driving" system in the foreseeable future.

There are many forest certification systems with a variety of objectives, styles, and methods, from extremely high standard such as the FSC (which may result as no one being able to achieve certification) to those that entail implementing minimum requirement, aiming to uplift the entire level of forest management. All have their advantages and disadvantages, history, necessity and raison d'etre. It is not appropriate to determine the priority or force integration of certification system, or to link the certification to accessibility of wood trading.

In the extreme, the forest certification system is a verification of the accomplishment of a set standard for the individual management unit. In search for sustainable forest management, it is inevitable that it be applied in conjunction with other programs operating on a larger scale.

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