

Summer School on  
**MULTI-LEVEL FOREST GOVERNANCE IN RUSSIA AND EUROPE**  
 St. Petersburg Forest Technical University (FTU)  
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**Setting the scene:  
 regulative and voluntary instruments  
 for responsible forest management**

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**Outline**

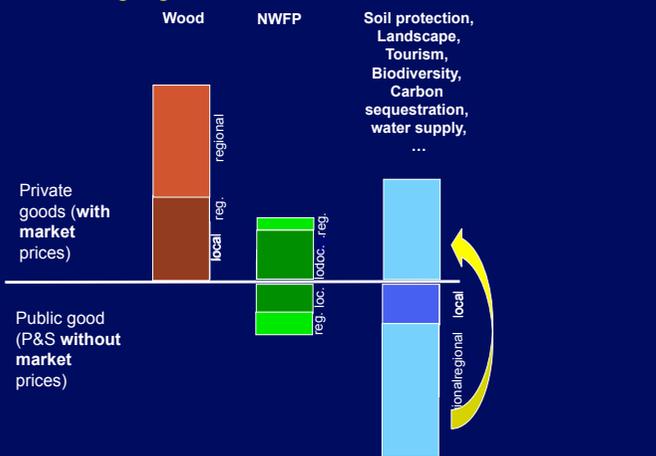
- Setting the problem: why we need policy tools?
- Regulative instruments
- Voluntary instruments
- Conclusions

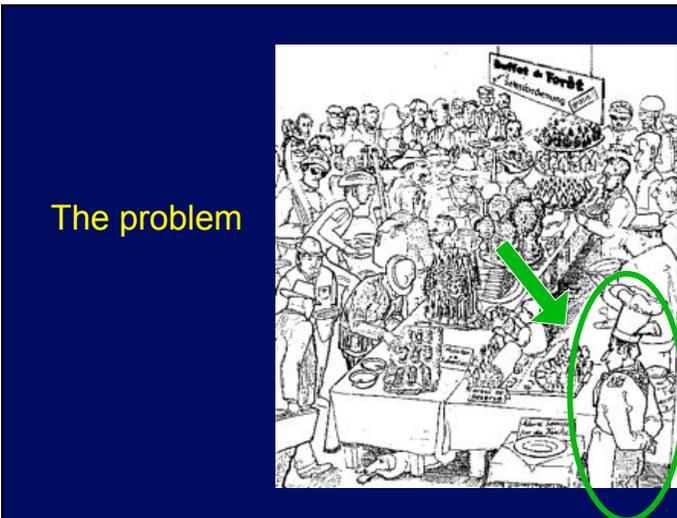
*Slides can be downloaded from my web site (Google: "Pettenella")*

**Setting the problem:  
 why we need policy tools?**



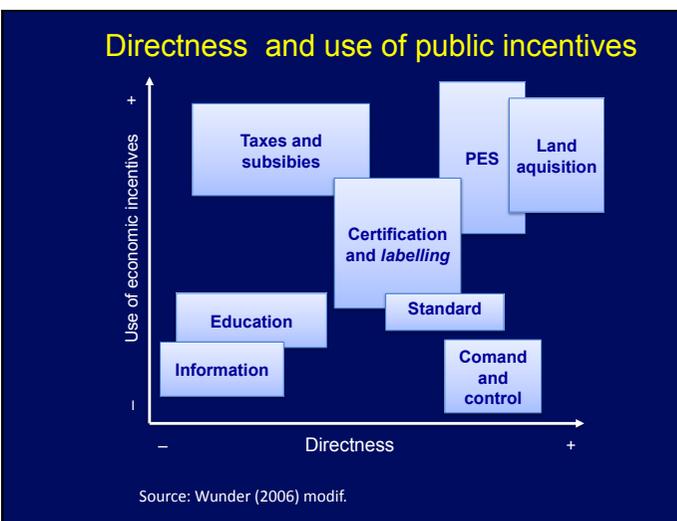
**A changing structure of forest values ↔ P&S**





### How to support the supply of public goods by the forestry sector?

Tools	Direct costs for the public sector	Transaction costs for the public sector	Approach	Participation by the privates		
Passive: Command and control	Thresholds, limitations, constraints	Relatively low	Relatively low	Top down	Compulsory	sticks
Active: creation of new sources of income	Tax deductions, tax exemption	Relatively high			Voluntary or imposed by the State	
Soft tools	Fixed compensation				Voluntary	carrots
	- PES schemes	Zero costs	Relatively high	Bottom up	Voluntary	
	- PES-like schemes	Very low	Low	Mixed	Compulsory for some parties	
	- PPP	Relatively high	Low	Top down	Voluntary	
	- Land acquisition by public authorities or large companies (lease, concessions, ...)	Relatively high	Low	Top down	Normally voluntary	
	- Tradable permits (cap & trade schemes)	Relatively low	Low	Mixed	Compulsory for some parties	
	- Certification and labelling (premium price)	Zero costs	Zero costs	Bottom up	Voluntary	
- Sponsoring, donations (philanthropy)	Relatively high	Low	Mixed	Voluntary	sermons	
- Information, provision of services, goods free of charge or a low prices	Relatively high	Low	Mixed			



### From Command-and-Control (CAC) to Market Based Instruments (MBI)

CAC License, permit, limitation, ... right/duty implementation

MBI Economic tools used to drive human behavior

Source: OECD 1994, Stavins 2001, Windle et al. 2005

### An example of MBI The PES for the Vittel mineral water (Vosges, F)

30 years contracts with the farmers of the catchment area to reduce the use of fertilizers (→ reduced amount of nitrogen in the mineral water):



- 1,700 ha of farmland producing corn converted to organic
- 92% of the area involved in the program
- 200 €/ha/year of compensation for missed profits
- 25 M € spent by Vittel in the first 7 years (1.52 €/m<sup>3</sup> of bottle water produced)

→ 10 years of negotiation!

### A similar type of classification

- **Regulative instruments promoted by public institutions:** international, national and local regulations and laws, binding conventions and agreements

- **Voluntary instruments and initiatives:** implemented by private organisations (and local authorities) and in some cases supported by public institutions

- **Partnership**

Participation, horizontal and vertical subsidiarity, transparency, accountability, ...  
**governance**

### Regulative instruments

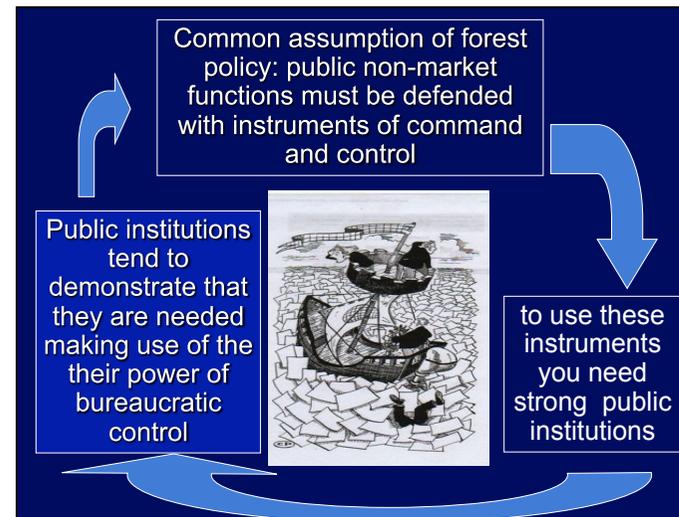


### Regulative instruments promoted by public institutions

- **Legally binding:** command and control instruments (→ sanction procedures)
- **Politically (morally) binding:** implementation based on:
  - Contents (concrete, clearly defined targets ... dream lists; enforcement procedures)
  - Commitments by the parties (political relations, associated objectives, area of influence, ...)
  - Pressure by civil society (mobilization of shame)

## Positive aspects of regulative instruments

- Involving all the designated target actors
- Relatively easy to be defined
- Relatively low implementation costs (not including control costs)
- Easily monitored and evaluated
- (Reinforcement of the role of public institutions)



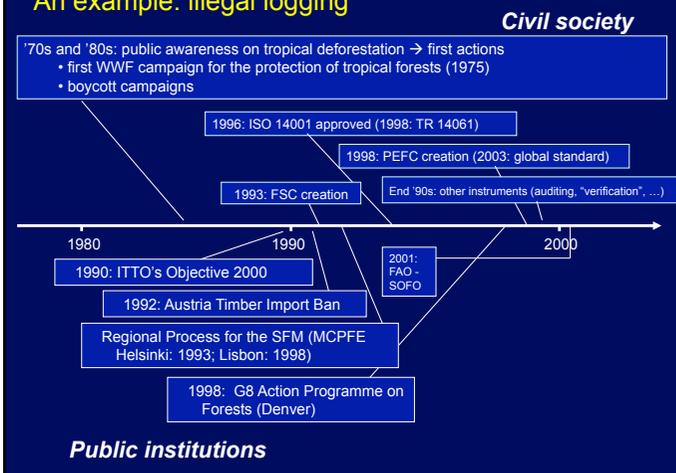
## Voluntary instruments



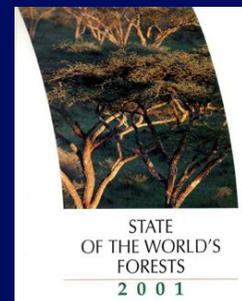
## Positive aspects of voluntary instruments

- Based on active involvement of stakeholders
- Less expensive for the public budget
- More oriented to specific target groups
- Inducing imitative process
- Rapid response (civil society is normally more reactive when new problems arise)

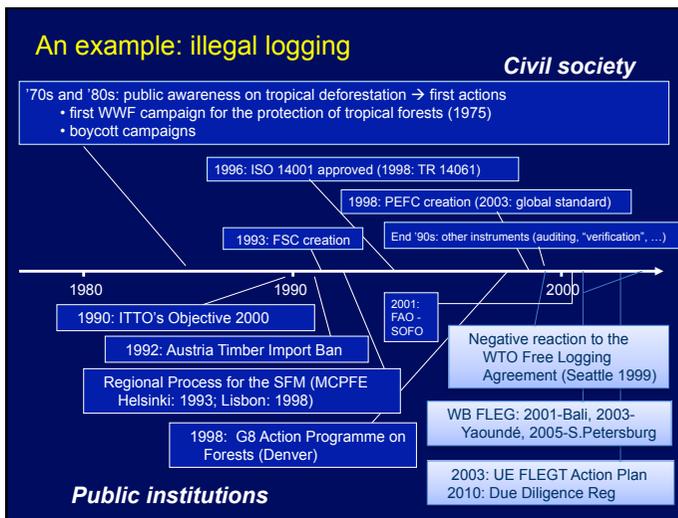
### An example: illegal logging



2001, State of the World Forests by FAO: the first official UN document using the terms "illegality" referred to the forestry sector



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### Payments for Environmental Services (PES)

Definition (Wunder, 2005):

- "a **voluntary** (1) transaction where
- a **well-defined ecosystem service** (2) (or a land-use likely to secure that service)
- is being bought by a (**minimum one**) ecosystem **buyer** (3)
- from a (**minimum one**) ecosystem **provider** (4)
- if and only if the ecosystem service provider secures ecosystem service provision (5) (**conditionality**)".

- ### Focus on PES in many official declaration at international level
- **4th Ministerial Conference on the Protection of Forests in Europe** (Vienna, Austria, 28–30 April 2003)
  - **Statement of the Ministerial Meeting on forests** (Rome, Italy, 14 March 2005)
  - **UN Commission on Sustainable Development, 13th Session on water, sanitation and human settlements** (New York, 30 April 2004 and 11–22 April 2005)
  - **9th Meeting of the conference of the contracting parties to the convention on wetlands** (Kampala, Uganda, 8–15 November 2005) **Resolution IX.3: Engagement of the Ramsar Convention on Wetlands in ongoing multilateral processes dealing with water**
  - **International Tropical Timber Agreement** (Geneva, Switzerland, 27 January 2006)

6<sup>th</sup> SESSION OF THE UNITED NATIONS HIGH LEVEL DISCUSSION GROUP  
 Fifth Ministerial Meeting  
**RECOMMENDATIONS FOR PAYMENTS FOR ENVIRONMENTAL SERVICES IN INTEGRATED LAND-USE MANAGEMENT**  
 2013-14 Program of the Legally Binding Agreement: development of innovative instruments = PES  
**Payments for Environmental Services: a Way Forward for Mediterranean Forests?**  
 November 27, 2012, 16:00-18:30  
 Unique science-policy dialogue  
 Payments for Environmental Services (PES) in context of the CAP and the new EU Forest Strategy  
 Discuss the potential of PES to address specific problems of Mediterranean forests (e.g. forest fires, profitability of forestry, etc.)  
 In collaboration with MEPs: Helmut Kuhn, SED; Ramona Tronca, ALDE  
 FACILITATED BY EUROPEAN FOREST INSTITUTE  
**WARSAW RESOLUTION 2**  
 Forests and Water

### The most advanced fields of implementation of the PES approach

- REDD+ projects:** "Reducing Emissions from Deforestation and Forest Degradation is an effort to create a financial value for the carbon stored in forests, offering incentives for developing countries to reduce emissions from forested lands and invest in low-carbon paths to sustainable development" (UN-REDD programme web site)
- Water related projects:** land management for water absorption and purification and soil erosion reduction (sedimentation of artificial water basins)

However, in Europe, pure PES are far from being implemented at large scale ...

### Few payments for ES with the RDP

**Natura 2000 payments (measure 224, article 46)**

**Forest environment payments (measure 225, article 47)**

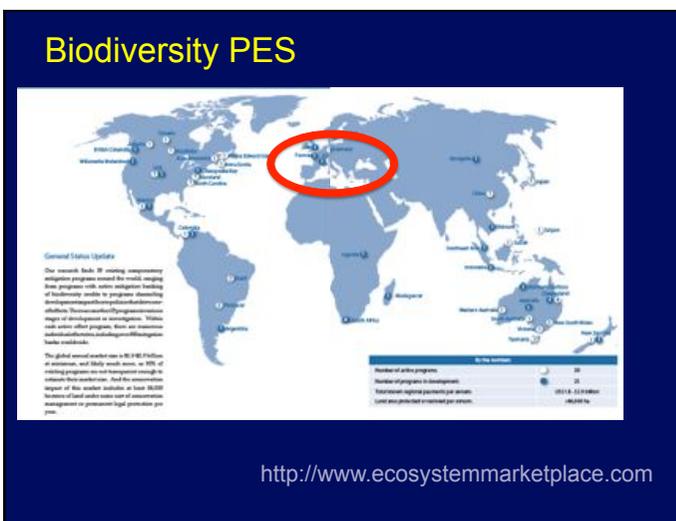
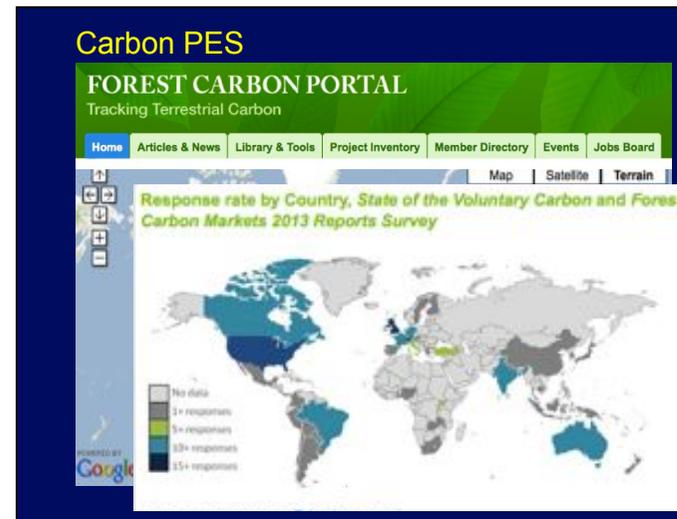
Source: DG AGRI, 2009, Report on implementation of forestry measures under the rural development regulation 1698/2005 for the period 2007-2013

### Water related PES

Table 2: Summary of Transaction Data for 2008 and Historically

	Programs Identified	Active Programs	Transactions 2008 (US\$ Million)	Hectares Protected 2008 (million ha)	Historical Transactions through 2008 (US\$ Million)	Hectares Protected Historically
Latin America	101	36	31	2.3	177.6	NA
Asia	33	9	1.8	0.1	91	0.2
China	47	47	7,800	270	40,800	270
Europe	5	1	NA	NA	30	0.03
Africa	20	10	62.7	0.2	570	0.4
United States	10	10	1,350	16.4	8,355	2,970
Total PWS	216	113	9,245	289	50,048	3,240
Water Quality Trading	72	14	10.8	NA	52	NA
<b>Totals</b>	<b>288</b>	<b>127</b>	<b>9,256</b>	<b>289</b>	<b>50,100</b>	<b>3,240</b>

Stanton, Tracy; Echavarria, Marta; Hamilton, Katherine; and Ott, Caroline. 2010. State of Watershed Payments: An Emerging Marketplace. Ecosystem Marketplace. <http://www.foresttrends.org>



### Growing opposition to PES

(mainly by radical greens and grass-root development movements)

**“Financialization of Nature”**

Strong criticism to the idea that the only way to save nature is to show its economic value  
 → pricing nature → commodification process → biodiversity can be offset, compensation and trading in ES are always feasible (Habitat banks) = a licence to pollute?

**In the European context an important role played by PES-like (or quasi-PES)**

A frame regulation introducing some general obligations and defining the “rules of the game”

**An example: mushrooms and truffle picking permits in Parma province (Italy)**

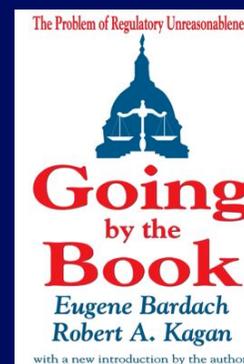
National frame law, Regional Acts and local regulations → daily permits of 5-15 €/persons per max 2-3 kg

**Borgotaro Forest Community** (Parma province – Emilia-Romagna Region)

- Total number of permits sold: 25-36,000 €/year
- Annual revenue from permits: 300-420,000 €
- Revenues from PES: 15-19 €/ha/year
- Revenues reinvested in forest maintenance and local development policies

Enterprises: 62 (in 2008); > 100 in 2011

- 15 Agritourisms/ Farm businesses
- 12 Hotels/Guest quarters
- 8 Bed & Breakfasts/Inns/Hostels
- 9 Cheese, sausage and wine producing factories
- 2 Didactic farms
- 3 Museums/Private collections
- 30 Restaurants/Porterhouses
- 26 Typical products sellers



**Conclusions**

A reference book on this topic

## Main points for reflection

Still the **traditional regulative instruments** are playing a **fundamental role** in the forest sector:

- A **passive role** of the civil society
- “Soft” tools require a **proactive public administration** open to partnership, negotiation, innovative attitude in sharing responsibilities, costs (from training too loss of political power) and benefits, ...

## A gap between official statement and the real behaviour by public institutions

In a sector where the role of regulative instruments is already strong we are introducing new command and control tools

- FLEGT (VPA) licence
- EUTR (Due Diligence)
- New “Accounting” Directive 2013/34 (26 June 2013)
- *Legally Binding Agreement on Forests in Europe*

Which role of voluntary instruments (SFM and CoC certification, legality verification, Independent Forest Monitoring, ...?)

## A golden rule

- The market and the voluntary instruments whenever possible,
- The regulative instruments only when absolutely needed

More than a problem of conflicts between two instruments, it's a problem of **coordination** and **harmonization** (see the case of PES-like schemes)

- ... without forgetting the “**sermons**”: in a period of State budget cuts many countries are reducing public spending in information, technical assistance, R&D, ...

Public administration has the responsibility of **changing its culture** and general approach ...

... from a passive role in controlling the resources ...



... to an active partnership in rural development ...

