

### ENA-FLEG HIGHLIGHTS: WEDNESDAY, 23 NOVEMBER 2005

On Wednesday morning, delegates convened in a thematic and learning session to hear presentations on improving the investment climate and private sector incentives. In morning and afternoon sessions, delegates met to negotiate the Ministerial Declaration (MD) and the Indicative Action Plan (IAP), while the Civil Society and Industry Dialogue (CSID) continued to formulate multistakeholder input. Throughout the day, civil society and industry participants met in three joint sessions to hear status reports on the negotiations and to provide input from the multistakeholder process.

#### THEMATIC AND LEARNING SESSION

The session's theme was "Key Governance Issues in Improving the Investment Climate and Private Sector Incentives." The session was co-chaired by Robert Kirmse, World Bank, and Dmitry Chuyko, Ilim Pulp Enterprise.

Piotr Borkowski, Ministerial Conference on the Protection of Forests in Europe (MCPFE), reported on activities of the MCPFE, including the recent workshop on illegal harvesting in Madrid, Spain. He highlighted opportunities for synergy between the ENA-FLEG and the MCPFE processes.

Co-Chair Chuyko introduced his company's suggestions related to the theme, including recognition of ownership rights, stable legal and fiscal regimes and customs policy, stimulation of business, investment in infrastructure, and prioritizing enterprises that employ international standards.

Anatoly Petrov, All-Russia Training Institute for Forestry Specialists, emphasized the need to invest in the forest sector, thus creating jobs. He suggested that the state control financial flows in order to achieve equitable distribution of forest income so as to channel a portion into infrastructure.

Ragnar Friberg, Stora Enso, called for giving due consideration to market risks, the working environment and the problem of corruption, and stressed the importance of ensuring long-term wood supply.

Sofie Beckham, IKEA Group, described IKEA's long-term goal of sourcing wood from well-managed forests, and emphasized the need to ensure legality, transparency, and the importance of forest certification.

Mikko Venermo, European Bank for Reconstruction and Development, said that illegal logging is the single biggest issue negatively affecting the investment climate in Central and Eastern European countries. He described various existing risks that result from lack of transparency and corruption, including market and reputation risk, and stressed that governments play a decisive role in marginalizing risk.

Stanley Root, PricewaterhouseCoopers, suggested tools for improving the transparency of the forest sector, such as corporate sustainability reporting, best practices in environmental management, forest certification, and full chain of custody certification.

Jade Saunders, Royal Institute of International Affairs, described work done on, in particular, environmental risk assessment policies, incentives, financial regulators in large capital markets, and increased operational reporting.

Takashi Fujiwara, Japan Federation of Wood Industry Associations, referred to the negative impact of illegal forest activities on the environment, and highlighted his government's policy on ensuring transparency in exporting countries.

#### INTERGOVERNMENTAL NEGOTIATIONS SESSION

ENA-FLEG Co-Facilitators Jag Maini (Canada) and Jürgen Blaser (Switzerland) briefed participants on progress made at the International Steering Committee (ISC) meeting held earlier in the morning, which defined the regional scope of the MD and IAP, and addressed the issue of illegality. Blaser presented a suggested list of 20 ENA countries, and 34 other participating countries composed of EC members, other European countries and countries from other continents. He also noted the ISC's recommendation to subdivide the MD text into national, regional and international sections.

Delegates discussed these proposals, with one representative suggesting geographic, as opposed to political, subdivision, and another delegate questioning the implications of such division for non-EC member states. The subdivision by EC membership was subsequently dropped.

The negotiators then continued considering the MD and IAP, starting with the proposed subsection on regional actions. They debated which paragraphs should be listed under regional and international actions, whether the regional section could be included in the international section, and whether the heading should specify that the section relates to ENA countries only, or refers to transboundary issues within the region. They also discussed references to trade, with one delegate saying trade should be regarded as separate from transboundary issues, and agreed to put references to strengthening transboundary cooperation and making it a national priority. On cooperation, several delegates added relevant organizations to the list of regional and international partners.

Some negotiators added text on increasing transparency of trade activities, and on promoting "legal" trade in timber products and timber. One delegate suggested replacing the recommendation to disseminate information "on the legality

of products” with information “on the voluntary certification of forests”, but others objected to the notion of “voluntary”, though keeping reference to certification.

A new paragraph was suggested, which emphasized work with other regions and multilateral instruments on FLEG-related issues.

One delegation proposed “affirming” instead of “endorsing” the IAP, with some delegates expressing preference for an indicative “list” of actions, rather than an IAP.

A debate ensued over follow-up to the ENA-FLEG Ministerial Conference. Proposals were made to hold a senior officials’ meeting in two or three years, to assess progress made on implementing the IAP, and identify further actions and cooperation needed. Delegates also suggested convening a second Ministerial, though different time-frames were suggested, from two to five years after the current one. Other countries thought it premature to decide on the level of future conferences, and suggested referring to “appropriate level”. One delegation wished to specify that the review meeting be held “together with civil society.”

In the afternoon, delegates focused on the MD preamble, establishing a small drafting group to refine the language of the first preambular paragraph. One delegate stressed that the preamble should state a specific goal for the ENA-FLEG process, that of achieving good governance and sustainable forest management through law enforcement.

Other suggestions to the preamble included adding references to sustainable forest management, governance and transparency. Delegates debated references to corruption, large-scale illegal logging, and consumer/producer countries. One delegate suggested bringing references to forests’ contribution to the achievement of internationally agreed development goals in line with the terminology agreed at the 2005 UN World Summit. By the end of the evening session, delegates completed the first reading of the MD preamble, and reconvened in a late-night session to review the entire document.

### **CIVIL SOCIETY AND INDUSTRY DIALOGUE**

In the morning, CSID participants divided into a civil society contact group and an industry contact group to continue working on elements of the MD and IAP.

In the afternoon, immediately following Joint Session II, several CSID participants thought it would be valuable for each contact group to set two clear priorities for the negotiators to consider. Others thought each group should formulate language on several elements of the MD. Following this discussion, the contact groups continued working on elements of the MD and IAP and prioritizing their respective input for the negotiation process.

The CSID reconvened to report their respective priorities. The industry group said its priorities include time-bound NAPs, enforcement of existing legal frameworks and adoption of reforms where necessary, and promoting trade in legally, equitably and sustainably produced forest products. The civil society group prioritized time-bound NAPs, a time-bound follow-up process, and the enforcement of legal frameworks that promote equitable and sustainable forest management and include public participation.

CSID participants then formulated these priorities into appropriate language for possible inclusion into the MD.

### **JOINT SESSIONS**

**JOINT SESSION I:** In the morning, Co-Facilitator Maini presented paragraphs of the draft MD on the dissemination of information, public awareness, regional cooperation and partnerships. Karin Wessman, WWF International, and Bernard de Galember, International Council of Forest and Paper Associations, presented recommendations from the multistakeholder process, including: that the ultimate goal of the ENA-FLEG process should be legal, equitable and sustainable forest management; the need for time-bound targets for NAPs; the need for a time-bound follow-up process to the ENA-FLEG; and the importance of raising public awareness.

**JOINT SESSION II:** In the afternoon, Co-Facilitator Blaser reported that a small working group had met to clarify the ENA geographic scope, and that national, regional and international subdivisions were reintroduced in the MD. He said a compromise had been reached to include a clear statement in the preamble that states this exercise is collective, and that all have a shared responsibility in implementing the actions proposed in the MD. He highlighted shared responsibility, particularly regarding trade aspects.

Feja Lesniewska, Taiga Rescue Network, asked if “national” referred only to ENA countries and expressed concern that consumer countries may not feel obliged to implement NAPs. One negotiator replied that the issue of consumer countries’ trade measures and donor support for capacity building is taken up in the international paragraphs and in the preamble. Jonathan Buckrell, Global Witness, asked if ENA countries were subsumed within the designation “international.” Co-Facilitator Blaser said that the MD would address recommendations to the ENA countries, and that the other participating countries would help in implementation. He then provided the civil society and industry participants with a suggested list of ENA countries and other participating countries. Buckrell said that, in addition to ENA countries, other participating countries should develop NAPs. Andrey Laletin, Friends of Siberian Forests, said that illegal logging would persist in Russia if consumer countries, like China, do not formulate a NAP. Co-Facilitator Blaser said the negotiators have not yet addressed this issue, but will.

**JOINT SESSION III:** In the evening, Co-Facilitator Blaser explained that a new paragraph to deal with the issue of shared responsibility had been formulated, and that the preamble was being restructured to be more target-oriented. He noted that ENA countries were participating more intensely since an indicative list of ENA countries was drafted. CSID Chair Gary Dunning updated government delegates on the work of the CSID, noting that after agreeing on 11 jointly accepted issues, the contact groups worked to prioritize these issues, and would be submitting text for consideration by negotiators. He then reported on the priorities of the two contact groups, noting that all previously articulated priorities are still important. Co-Facilitator Blaser then briefly commented on how each priority might potentially fit within the MD.