



BASIC PRINCIPLES OF SUSTAINABLE DEVELOPMENT OF FOREST CONCESSION SYSTEMS

STATEMENT BY THE WORLD BANK

1. Forest concession (lease) management should be based on clear procedures and criteria. There have to be officially approved guidelines (“manual”) according to which concessions should be planned, identified, selected, monitored, etc.
2. The role of the State is important. Those who set the rules and policies (forest administration) should not be in charge with concession (lease) management (selection, day-to-day administrative issues, monitoring of procedures) and both should be separated from forest police, control, etc.
3. A baseline National Forest Inventory is a key instrument in state management of a forest concession (lease) system. Inventories provide the macro decision-making tool, which are needed to get the optimal outcome from concessions (leases) in terms of: identification of potential concession areas, basic management principles, setting of site-adapted silvicultural targets and procedures, annual allowable cuts, determining the value of the standing stocks, cutting cycles, etc., land allocation and zoning.
4. National Forest Inventory cannot be replaced by “operational” Forest Management Plans which the concession (lease) holders need to prepare as an absolute must anyway.
5. National Forest Inventory should be accompanied by, and based on, a thorough land-use plan and zoning procedure that clearly identifies the rights of local communities and populations.
6. The forest concession (lease) system needs to be accompanied by a conducive taxation system.
7. The duration of forest concessions (leases) needs careful attention. Long-term concessions (leases) might be good for making long-term investments, but they also could be very bad in case the owner is not performing well. At least, the

concessions (leases) should be subject of revision every 5 years, and the concession (lease) should be revoked in case of mismanagement.

8. In the context of developing commercial utilization of forests, independent forest certification is a “must” from the World Bank’s point of view. The World Bank’s Operational Policy on Forests (OP 4.36) requires that if the Bank is to be involved in supporting industrial-scale forest utilization, forest management needs to be certified according to a system acceptable to the World Bank. Similar approaches (called the ‘Equator Principles’) are adopted by major internationally operating commercial banks. The Forest Certification Assessment Guidelines (FCAG) developed jointly by the World Bank and WWF provide a more detailed framework for assessing acceptability of a forest certification system or scheme.

9. Bidding procedures for a forest concession (lease) are of key importance to avoid mismanagement of resources. There are basically two approaches:

- a. pre-select of bidders on the basis of certain capacity and quality criteria and then go for the highest bid;
- b. organize the bidding process in away that the selection criteria include quality aspects and that the decision is made on the basis of a combined quality and quantity assessment.

10. The Forest Law Enforcement and Governance (FLEG) aspects are of key importance in forest concession (lease) planning and management. There should be evidence that transparency is assured, the corruption addressed and the capacity of forest inspection services strengthened.

11. In addition it might be important to better understand the rationale behind the decision of a forest concession (lease) system. A clear economic and financial calculation is needed. There are other forms of forest management arrangements which also could be of interest and more suitable. In particular, given the partially low value of the forests, concessions might not be profitable at all. And nothing is worse than a non-profitable concession. There might be a need, at last for large tracts of the forests, to use other management systems than concessions or leases (contractual management of forests, selling standing trees, etc.). It is important that the forest administration is able to respond to these management needs as well and does not build its structures around concessions (leases) only.