

Statement for the Record by Jacqueline Schafer Assistant Administrator for Economic Growth, Agriculture and Trade

International Deforestation and Climate Change

Foreign Relations Committee
United States Senate
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Mr. Chairman,

I appreciate the opportunity to submit a statement for the record on this important topic. We are eager to highlight how our government and our team at the U.S. Agency for International Development (USAID) work to address international deforestation and climate change. This cross cutting issue brings together collaboration of many offices in the Bureau for Economic Growth, Agriculture and Trade, which I head as Assistant Administrator. I am proud of the work of the United States on this issue and honored that the many people around the world working for USAID contribute to addressing international deforestation and climate climate.

Tropical forests are critical to the survival and well-being of people around the world. For example, many people depend on forests for food, shelter, income, medicine, and clean water. In addition, tropical forests harbor some of the world's unique and critically endangered biodiversity, for example at least 120 important drugs currently in use were originally derived from naturally occurring plant species. Forests help mitigate climate change by storing carbon in vegetation and soils. Forests also provide other services, such as regulating water quality and quantity by slowing the runoff of rainwater, improving infiltration of water into soils, and filtering water as it flows to streams and aquifers. This helps provide safe and reliable water sources to surrounding communities. Healthy forests enable surrounding communities to be resilient to economic and environmental shocks such as drought. Forests and biodiversity are also important to many people for their spiritual and aesthetic values.

Unfortunately, tropical forests face a number of threats, including conversion to agriculture, illegal logging, unsustainable extraction of timber and other forest resources, climate change, pollution, and policies that subsidize forest conversion to other uses. Deforestation is a significant contributor to climate change: Scientific studies have estimated that 20% of global greenhouse gas emissions are attributable to deforestation. Each year, approximately 10.4 million hectares of forest are lost. To put this into perspective, that is equivalent to losing an area roughly the size of Virginia each year. The World Bank estimates that illegal logging represents a loss of \$10-15 billion per year to developing countries. Illegal logging also fuels corruption and in some countries finances conflict. Loss of forest cover, riparian buffers and mangroves also represent a significant increase in regional and local vulnerability to climate variability and climate change.

To address these concerns and to ensure that forests and biodiversity continue to play an important role in sustainable development, USAID supports programs around the globe that aim to improve the conservation and sustainable management of forests and biodiversity.

In order to address the societal context in which deforestation occurs, it is important to have an integrated response that includes promoting sustainable economic development, alleviating poverty, strengthening forest governance, and conserving biodiversity. USAID works in partnership with recipient countries, NGOs, and other partners on many fronts. The goal is to first empower local communities. Local populations are the most immediate custodians in the management of tropical forests, and USAID recognizes that engaging these users is critical to sustainably managing and protecting those forests. Second, we aim to improve forest policy. We work with host country governments to establish favorable forest management laws and policies, ensure transparency and stakeholder participation, and build capacity to implement those policies. Third we promote sustainable practices. We help establish sustainable forest management practices in forest enterprises. Fourth, we coordinate efforts across borders. Important tropical forests often cross political boundaries; we support programs that work across borders to promote effective large-scale forest conservation. And finally, we make it a priority to involve the private sector. Through public private

partnerships, USAID successfully leverages private sector financing and commitments to facilitate legal and transparent trade of forest products derived from legitimate operators and well managed forests. By forging partnerships that function at local, national, and international levels, the US Government is implementing a wide range of effective initiatives and programs that reduce deforestation and associated greenhouse gas emissions while also supporting sustainable development goals.

I would like to highlight for the Committee some of the key U.S. efforts in this area. As reported in our most recent performance report, USAID supports sustainable forest management and conservation around the globe, investing approximately \$85 million in tropical forest activities from all funding accounts in FY 2006¹. These investments led to significant accomplishments in Africa, Asia, the Near East, Latin America and the Caribbean. In addition, the Tropical Forest Conservation Act program receives an annual budget of \$20 million per year allocated to the Debt Restructuring Account (DR) in Treasury in which USAID plays a key management role. In 2006, \$27 million from this account leveraged \$42.7 million for forest conservation through local NGOs and community groups.

Activities I would like to highlight include:

The President's Initiative Against Illegal Logging (PIAIL) assists developing countries in their efforts to combat illegal logging in the key tropical forest regions of the Congo Basin, the Amazon Basin and Central America, and South and Southeast Asia. In Africa, PIAIL works through the Congo Basin Forest Partnership (CBFP) and USAID's Central African Regional Program for the Environment (CARPE) to reduce the rate of forest degradation and biodiversity loss in Cameroon, Central African Republic, the Democratic Republic of the Congo, Equatorial Guinea, Gabon, the Republic of Congo, Burundi, Rwanda, and Sao Tome. CARPE supports a network of national parks and protected areas, improves management of forestry concessions, and assists forest communities. Residents of the Lac Télé Community Reserve in the Republic of Congo created natural resource management committees who mapped development, buffer, and protected areas, and mounted community patrols in protected areas. By allowing local communities to make their own resource use decisions, the communities were able to return to the customs of their ancestors, regulate use by non-locals, and resolve conflicts between both families and villages. In February 2005, Central African Heads of State signed a treaty to coordinate protection and management of the regional tropical forest resources. The treaty was followed by a Presidential decree to regulate logging concessions in the DRC and an agreement between Cameroon, Gabon, and the Republic of Congo to implement landscape and wildlife management plans for the Dja-Minkebe-Odzala Tri-National Landscape. The CARPE program will improve the management of over 200 million hectares of forest.

Tropical Forest Conservation Act (TFCA) agreements are offered to eligible developing countries to relieve certain forms of official debt owed to the United States government while simultaneously generating funds for forest conservation activities. The TFCA is an interagency program led and jointly managed by State, USAID, and Treasury. As of December 2007, approximately \$95 million in congressionally-appropriated funds have been used to conclude TFCA agreements with Bangladesh, Belize, Botswana, Colombia, Costa Rica, El Salvador, Guatemala, Jamaica, Panama (two agreements), Paraguay, Peru, and the Philippines. The local funds created under these programs will together generate more than \$163 million for grants and projects over time to help protect and sustainably manage tropical forests in beneficiary countries.

The Liberia Forest Initiative (LFI) was created in early 2004 to support the rehabilitation and reform of the Liberian forestry sector and to ensure forest resources are used for the benefit of the Liberian people. Programs under LFI are jointly implemented by the US State Department, US Forest Service, USAID and the US Treasury Department together with non-governmental organizations such as Conservation International and the Environmental Law Institute. The initial two years of LFI focused on helping Liberia reform the process of allocating and managing forest concessions so that the UN would remove timber sanctions. Sanctions were lifted in early 2006 after the new democratically elected government developed and initiated a transparent concession process. The Liberian parliament has passed a new forestry law supporting a policy of increased transparency in forest management, greater community involvement, more equitable access to forest resources, and improved forest conservation. Successful implementation of these policies promises to reduce illegal and unsustainable logging and improve management of Liberia's approximately 4 million hectares of forests.

For the past 15 years, USAID has worked closely with Madagascar to protect its exceptional biodiversity and forest ecosystems while addressing its significant poverty through our Madagascar Environment and Rural Development program. In 2005, the President of Madagascar announced his goal of tripling the size of the country's protected area network. Working with the government of Madagascar, USAID helped to achieve this goal by assisting in the development of a framework and a participatory process that guided the creation of thirteen new protected areas. The US Government also helped to ensure the long-term viability of the protected areas by establishing the Protected Areas and Biodiversity Trust Fund with an initial capital investment of \$4 million from three founding

donors-the Government of Madagascar, WWF, and Conservation International. To reduce slash-and-burn agriculture and to address rural poverty, USAID continues its work to introduce improved agricultural techniques, to encourage the transfer of natural resources management to local communities and to link producers to markets. In addition, USAID and the US Forest Service have helped the Malagasy Forest Service develop a far-reaching strategy for institutional reforms, a competitive forest permit bidding system, and a forest zoning process that balances conservation and production needs. US government investments benefit over 13 million hectares of forest in Madagascar.

In Indonesia USAID works through The Nature Conservancy (TNC) - World Wildlife Fund (WWF) Alliance to Promote Forest Certification and Control Illegal Logging. This Alliance has created a comprehensive legality standard and timber tracking system for wood products, allowing purchasers to differentiate legal and illegal timber. In addition, the Alliance has helped directly improve forest management. For example, WWF helped two new companies carry out baseline assessments and devise an action plan to achieve forest certification. As a result, over 200,000 hectares of forest will be under improved management. Through this Alliance, USAID has helped improve the management of nearly 1.2 million hectares of forest in Indonesia. USAID also protects endangered orangutans and their habitat through community and local government participation. Grants have been given to the Orangutan Foundation International, The Nature Conservancy, World Education and Conservation International to work on the islands of Borneo and Sumatra. A major focus includes conducting forest patrols, training park officials, and using Geographic Information Systems (GIS) to help monitor and manage Tanjung Puting National Park. Additionally a 38,000 hectare former logging concession has been handed over to and managed by indigenous Dayak communities for forest and orangutan conservation.

Leveraging expertise and funding from private sector partners like Johnson & Johnson, TetraPak, Home Depot, Gibson Guitars, and Ikea, the Sustainable Forest Products Global Alliance (SFPGA) between USAID, Metafore, WWF and the worldwide membership of the Global Forest Trade Network is working as a public-private partnership to increase the demand for products made from sustainably managed forests. This is improving the economic viability of sustainable forestry. In Africa, SFPGA works in a number of countries to foster sustainable forest management. In Cameroon, WWF's Central Africa Forest & Trade Network obtained commitments from logging companies to help develop sustainable forestry systems by assisting the formation of village forest committees to provide input into local forest concession management. In Ghana, the Forest and Trade Network has achieved similar participation from the forest industry, leading to a recent conference that developed management prescriptions for High Conservation Value Forests, a key step in obtaining forest certification.

The long term goal of USAID's forestry program in Brazil is to significantly increase the area of the Brazilian Amazon under sustainable forest management, reconciling the desire for economic growth with the need for healthy, working forests. USAID's partners provide training in forest auditing procedures and forest management techniques and a major opportunity exists to support the newly established Brazilian Forest Service by expanding on the long-standing relationship between USAID, the Brazilian Ministry of Environment, and the USDA Forest Service. USAID has helped place an additional 1.4 million hectares of natural forest under sustainable management in the Brazilian Amazon. With technical assistance from USAID partners, Conservation International and Instituto Raoni, Brazil also achieved the largest area of certified tropical forest in the world: an area of 1.5 million hectares of Amazonian forest has been certified for sustainable extraction of Brazil nuts by Kayapo indigenous communities in southern Para State. To date, nearly three million hectares of forest are under management plans or are certified for sustainable extraction. Nearly 3,900 people were trained in sound forest management techniques in FY 2006 and nearly 10,000 more were taught best practices, including fire management and land use planning.

Mr. Chairman, USAID is dedicated to applying our experience in the design of programs going forward. The long term success of USAID's development programs will depend upon how climate change is considered in planning and implementation. We will work with nations to adapt to the impacts of climate change, strengthen resilience, disseminate tools and methodologies to improve vulnerability and adaptation assessments, and integrate adaptation into development. By incorporating - mainstreaming - climate change into existing priority programs, development success becomes more robust when viewed in the long term.

In response to the May 31, 2007 speech by President Bush on climate change, USAID requested an increase in climate change-specific funding in the President's FY09 Budget. The bulk of these efforts will add to the extensive forest conservation and biodiversity programs at the Agency, and will create new efforts to support adaptation efforts in development assistance. The activities will contribute to an improved global environment through climate change mitigation and adaptation while at the same time contributing to poverty alleviation and economic growth in countries USAID serves.

Activities in the forest sector address forests and climate change strategically. Our programs work to reduce CO2

emissions from deforestation, promoting sustainable forest management and forest conservation, and increase CO2 sequestration through reforestation. Activities seek the significant co-benefits of economic development and improved livelihoods that come from local economies that are diversified through productive integration of trees in agricultural lands, and sustainable use of existing forests. Reforestation is a way to accomplish economic development, increase food security, meet energy needs, provide environmental services like improved water supply, and reduce sources of conflict.

Healthy forests also help buffer against future climate changes and increased weather variability. Sustainable forest management can help communities' resilience to changing temperature regimes, precipitation patterns and runoff. Sustainable forests help maintain water table levels, continue local precipitation patterns, provide buffers for flooding, and absorb heavy rains. There are a number of key elements to USAID's proposed FY09 program. USAID will manage four regional forest conservation/sustainable forest management programs (CBFP, ICAA, Asia, West Africa) covering heavily forested areas of the tropics and subtropics in the developing world. We will continue country-based biodiversity programs addressing the identified biodiversity hotspots, their relationship as habitat for endangered species, and alternative livelihoods and economic growth for the local people. USAID will create targeted reforestation programs to increase forest cover in areas concerned with degraded lands, impacts from extreme weather events, desertification, water harvesting, and drought resilience. And finally USAID will invest in sustainable efforts that help developing countries meet their own energy demands domestically while providing for food security and improved livelihoods of people.

In closing, Mr. Chairman, forests were once seen simply as an important economic asset: a source of timber and game, or land for conversion to agriculture. Now we know the importance of forests and biodiversity in other roles. They regulate water supplies; they provide non-timber assets including tourism, biodiversity, and culture; and they influence the global climate and carbon cycles.

Deforestation is understood to be a threat to biodiversity and also to watersheds, livelihoods, and indigenous people - illegal logging represents a significant lost asset to the country. We now know that deforestation is a significant contributor to global GHG emissions, thus reducing deforestation is essential for reducing or offsetting emissions. Deforestation also increases vulnerability to climate change, at the site and downstream - changing precipitation patterns, water retention, water quality, increasing run off especially in extreme events - but also results in a lost economic backstop, the 'supermarket of last resort'.

As such, USAID will continue to address forests and biodiversity management as part of an integrated response to address the drivers of deforestation. This response includes promoting sustainable economic development, alleviating poverty, strengthening forest governance, and conserving biodiversity, while incorporating climate change mitigation and adaptation approaches to apply science to reach sustainable and enduring development outcomes.

1. This testimony contains performance results from the report: "Foreign Assistance Act Section 118: Tropical Forests, FY 2006." Results from FY 2007 are currently being collected and will be presented in the FY 2007 Section 118 report.