EXECUTIVE SUMMARY

PROGRESS ON THE NEW YORK DECLARATION ON FORESTS

Balancing forests and development

Addressing infrastructure and extractive industries, promoting sustainable livelihoods

Goals 3 & 4 Progress Report · November 2020 · forestdeclaration.org

Over 200 governments, multinational companies, groups representing Indigenous communities, and non-governmental organizations have endorsed the New York Declaration on Forests (NYDF) since 2014, committing to doing their part to achieve its ambitious targets to end natural forest loss and to restore forests. Each year, the NYDF Progress Assessment—conducted by an independent civil society network of research organizations and think tanks called the NYDF Assessment Partners—monitors collective progress towards the NYDF goals.

2020 is a crucial year for review of and reflection on forest goals for the NYDF and the global community. Rather than halving since 2014—a 2020 target in NYDF Goal 1—the rate of natural forest loss has increased. Ending natural forest loss by 2030 will require a rapid paradigm shift by the global community towards valuing forests for their essential benefits and prioritizing their protection.

The 2020 NYDF Progress Assessment focuses on two complementary, crucial goals for achieving sustainable development:

Goal 3. Significantly reduce deforestation derived from other economic sectors by 2020

Goal 4. Support alternatives to deforestation driven by basic needs (such as subsistence farming and reliance on woodfuel for energy) in ways that alleviate poverty and promote sustainable and equitable development

Key findings

Rising risks to forests

The pace of large-scale infrastructure development and natural resource extraction is increasing across many tropical forest regions, posing a rising threat to intact forest landscapes. Demand for mined metals and minerals and fossil fuels is still growing, putting increased pressure on highly biodiverse forests that play host to significant levels of deposits of these valuable commodities.

The largely top-down development plans driving this growth in infrastructure and extractive industries often fail to provide commensurate investments in sustainable local economies. The overall area of shifting agriculture is decreasing, while the area of intensive agricultural production is increasing, a trend likely to lead to increased deforestation. Meanwhile, the number of artisanal and small-scale miners has tripled in the last two decades. Demand for other forest resources like fuelwood, charcoal, and non-timber forest products also shows little sign of slowing.

In order to assess progress toward mitigating these rising risks for forests, this report outlines four strategies **(Figure 2 of the report)** that would, if pursued, contribute to the achievement of Goals 3 and 4. These strategies serve as indicators for assessing the actions of governments, companies, grassroots movements, and the financial sector and international donors.

Figure 2. Strategies for progress in achieving NYDF Goals 3 and 4

Note: The four strategies to reduce forest impacts from infrastructure and extractive industries and to promote sustainable alternative livelihoods address different scales of thought, planning, and intervention. Strategies 3 and 4 apply to projects and interventions on the ground, which are nested within the high-level planning addressed by Strategy 2. In turn, the macroeconomic and strategic planning of Strategy 2 will be bounded by the conceptions of development that Strategy 1 seeks to expand. Adopting Strategy 1, by embracing alternative development pathways, will have cascading positive effects that will make Strategies 2, 3, and 4 easier to follow.

Progress by governments

Forest country governments have taken steps to align macroeconomic planning processes and national policies with forest goals. Almost 18 percent of global forests are designated as protected areas. Dozens of countries have made progress in developing national forest strategies, while many regional governments where mining and infrastructure are drivers of deforestation have adopted policies to address their impacts.

However, implementation of these programs and policies is progressing slowly, while some environmental protections are being rolled back. REDD+ readiness processes have resulted in positive policy changes in many countries, but few countries have yet received payment for results. Few governments have translated high-level forest policies related to mining and infrastructure into forest management plans or systematically assessed forest risks from these sectors. Many governments have also relaxed regulations for protected areas in recent years, accelerated now by the COVID-19 pandemic. It is unclear if and how trade-offs for forests are considered in these decisions.

Though weak design, implementation, or enforcement of regulations is common, most forest countries do regulate infrastructure and extractive industry investments to reduce forest loss. Most countries have adopted requirements for environmental and social impact assessments, mine closure and rehabilitation, and biodiversity offsetting. However, often one or more of these regulating policies are poorly designed and do not reflect best practice in avoiding forest impacts. Even where policies are adequate on paper, enforcement may be lax.

As part of REDD+ processes, many countries are planning support programs that aim to holistically alleviate poverty and provide for alternative and sustainable livelihoods while reducing overall deforestation. Outside of REDD+ programs, though, governments that promote smallholder productivity to remove pressure from forests often fail to pair those interventions with investments in securing smallholder and community rights, institutions, public services, and market access. Support is impaired by a lack of funding and capacity of relevant government institutions.

Progress by companies

Companies within the extractive sector are increasingly recognizing their forest impacts and corresponding responsibilities; however, corporate transparency related to forests remains limited. Most (78 percent) mining companies assessed for this report have made commitments to stop biodiversity loss. However, due to lack of transparent disclosure, it is difficult to gauge ambition and progress or to determine whether the measures taken are sufficient to address their impacts. Only 23 out of 225 total companies invited to disclose in 2019 and 2020 did so. Companies that do report are often performing poorly against CDP metrics and the Global Reporting Initiative's reporting standards.

Voluntary sustainability initiatives have emerged to guide the extractives industry and infrastructure developers. Mining certification standards tend to provide guidelines for mitigating biodiversity impacts, though common definitions for indirect and cumulative impacts are lacking, and uptake has been slow. Sustainability standards for the infrastructure sector have raised awareness of environmental and social pitfalls of poorly designed projects. However, as for extractives, uptake of these standards is minimal compared to the global scale of infrastructure development.

Company support for small-scale supply chain actors and affected local communities is not able to address underlying structural vulnerabilities. Cocoa and palm oil supply chain companies have initiated smallholder support and engagement programs that have led to increased productivity and in some cases have reduced deforestation. But efforts remain limited in scope, failing to reach smallholders at scale. In the mining sector, most companies whose mine sites overlap with small-scale mining operations engage with

these miners, but these relationships are generally motivated by reducing operational risk. Collective efforts that engage companies and governments in mutually beneficial collaboration offer a promising way forward to ensure holistic and complementary interventions.

Grassroots movements

Indigenous peoples, local communities, smallholders, and civil society actors have mobilized to gain access to and influence planning to protect forest lands from harmful development. Grassroots and Indigenous-led movements have tackled power inequities by building international alliances to put pressure on actors and to raise awareness on cross-country impacts of extractive projects and large-scale infrastructure. In some cases, through these mobilizations, they have successfully cancelled or delayed large-scale infrastructure projects. Grassroots movements have also helped embed the rights of nature into legal frameworks, but implementation of these rights through specific policy is limited. Indigenous communities have recently scored legal victories to defend their territorial rights, but redress for harms through the courts has often been slow.

Local communities have also made progress in demonstrating the viability of community-based natural resource management and other bottom-up approaches to development and forest protection. Where forest management is driven and led by communities themselves, it has resulted in increased community self-determination, autonomy, and a less extractive and more sustainable approach to improved livelihoods, along with reduced deforestation. Grassroots movements led by Indigenous communities are also fighting for direct access to climate finance, in recognition of Indigenous peoples' successful sustainable management of their territories.

Progress by financial institutions and international donors

Many financial institutions, multilateral development banks, and bilateral donors have adopted policies, signed on to principles, and developed safeguards meant to address social and environmental risks across all sectors; however, major shortcomings remain in the implementation of these protections. There is a general a lack of transparency in how and whether financial institutions and international donors avoid investments with high forest risks. Even institutions which have adopted safeguards often fail to publish information on their impact on forests. And though some financial actors have made progress with their sustainability commitments, there is still a major and largely opaque financial market without any policies to protect forests.

Funding flows toward interventions to alleviate poverty while reducing deforestation are miniscule compared to non-forest-aligned investments. REDD+ initiatives have mobilized at least USD 7.6 billion of international and domestic public finance, but many of these programs are still in early stages. On the private side, a number of impact investors and nascent platforms show potential to support job creation along with tropical forest protection, but there is limited information on the impacts of these investments so far.

Barriers to progress

A widespread lack of transparency continues to impair accountability of governments, companies, international donors, and other financial actors.

The number of commitments and policy goals to protect forests keeps increasing. Governments are adopting REDD+ strategies; companies are making commitments to address sustainability concerns in mining; financial institutions are signing up to sustainable lending principles. But action is what counts, and there remains little available information on the extent of implementation of commitments and the on-the-ground outcomes of these efforts.

This lack of transparency reflects a general opacity that prevails in the extractive and infrastructure sectors. Macro-economic planning happens largely behind closed doors, and megaprojects are planned and announced by governments and investors without meaningful insight and participation of civil society and grassroots stakeholders. Increasingly complex financial instruments backing infrastructure developments inhibit insights into how social and environmental safeguards are applied. The available evidence is insufficient to understand whether and how forest trade-offs are considered in this planning and decision making.

Accountability in the mining sector is relatively better than in infrastructure, likely because civil society has been more active in calling out human rights violations and the misalignment between corporate action and public-facing pledges. Consumer-facing companies are also increasingly aware of sustainability risks of mined materials, spurring more substantive engagement in sustainable supply-chain initiatives. Agricultural supply chain companies are far ahead of their mining and infrastructure peers in detailed commitments to reduce forest impacts of their operations. However, transparency in this sector is still quite limited, especially in supply chains that rely heavily on smallholder farmers.

Barriers to corporate transparency and accountability are manyfold and include the lack of independent verification of company-reported data on progress; as-yet limited transparency in complex supply chains; the wide variety and lack of common definitions and norms across mining, infrastructure, and agricultural sustainability standards; lack of impact measurement in reporting and disclosures; and the limited incorporation of local communities in monitoring efforts.

Governments often grapple with implementing existing forest policies due to a lack of political will, capacity, and stability. An imbalance in power among government agencies allows vested interests to shape enforcement regimes.

In many forest countries, policies and laws that aim to safeguard forests exist on paper. However, implementation of these policies is often weak, while underlying factors that affect forest loss, like tenure insecurity, are incompletely addressed. Environmental and forest agencies often lack capacity and funding compared to agriculture, mining, and energy ministries, rendering them ill-equipped to counter vested interests in the mining and infrastructure sectors. Instability in governments, whether due to political shifts or internal conflict, can further undermine the strength and efficacy of institutions charged with forest protection.

Political leaders often favor economic development approaches based on resource exploitation and agricultural expansion. At the same time, too many decision-makers give low priority to forests and to forest-dependent people. Measures to mitigate negative impacts on forests, and people dependent on them, are often lukewarm at best. Policies and institutions set up to protect lands and communities from environmental harms have been weakened in many forest countries, especially under cover of the COVID-19 crisis.

Successful poverty-reduction and smallholder support interventions that reduce deforestation are challenging to scale; public-private coordination to align complementary interventions is still in nascent stages.

While promising efforts have demonstrated that poverty and deforestation can be addressed comprehensively, these types of programs are difficult to scale. Support programs delivered by companies to smallholders within their supply chains often focus narrowly on farmers tied to the company through outgrower schemes. An underlying lack of trust often defines company-smallholder relationships, while supply chain complexities impede full knowledge of smallholders already reached—both of these issues limit the extent to which programs can scale.

At the same time, governments have limited capacity to promote the comprehensive reforms and interventions needed to ensure that land developments are sustainable,

protecting forests and contributing to the livelihoods of the rural poor. Many interventions are one-dimensional, failing to address the systemic nature of both poverty and deforestation.

As part of jurisdictional and cross-sectoral approaches, some companies and sectors have started collaborating directly with governments and civil society to address deforestation through collective and coordinated action. These collaborative models have the potential to address the problem comprehensively, though, for now, most are still in the early stages.

The power disparity between governments and companies, on the one hand, and Indigenous peoples, local communities, and other small-scale actors, on the other, restricts inclusive development pathways and can lead to the criminalization and murder of environmental defenders.

Local peoples tend to have little say in economic development approaches and the allocation and use of forest lands. Instead, powerful corporations and national elites influence decision-making to facilitate resource exploitation, while grassroots actors who express their preferences are often shunted aside or ignored. Weak recognition of customary land ownership and territorial sovereignty of Indigenous peoples further undermines community efforts to assert their right to self-determination. In practice, processes that are designed to re-balance power toward communities—like free, prior, and informed consent requirements—often get translated into bureaucratic exercises conducted superficially, thus denying communities a real chance to voice potential dissent.

Recent years have seen increased repression of civil society and escalating violence against environmental defenders, which further limits accountability of companies and governments. Extractive sectors account for a large portion of reported environmental conflicts and were associated with the highest number of murders of environmental defenders in 2019. States have also used criminalization of protest and detention of activists as tools of control and suppression of dissent to how natural resources are used and governed.

Especially in the Global North, economies continue to rely on commodities produced in developing and emerging economies, enabled by production practices linked with deforestation. Governments, companies, and consumers must take more responsibility for environmental and social externalities not reflected in market prices.

REDD+ emerged as a means for developed countries to compensate developing countries for successes in reducing emissions from deforestation and forest degradation through financial partnerships. While many forest countries have initiated reforms and policies to address the problem of deforestation, realization of REDD's potential has taken longer than hoped. Many countries are still in a preparation process after more than a decade, and others are still unable to sustainably implement and scale their activities. Though this delay can be explained in part by the complexity of the needed reforms and capacity-building, as well as a lack of sufficient finance flows for these programs, donor countries have also set a variety of conditions that can create barriers to successful partnerships between forest and donor nations.

An increasing number of demand-side initiatives to reduce and end imported deforestation are still in their early stages or are merely voluntary. Producers and consumer-facing companies in metal and mineral supply chains also have a significant way to go before their efforts will reflect their share of the responsibility for mining-driven deforestation.

Progress toward Goals 3 and 4—reducing deforestation from infrastructure and extractive developments, while supporting sustainable livelihoods—is slow. Without dramatic shifts in economic development strategies—away from a reliance on extraction, exploitation, and consumption, and toward alternative pathways which value forests and people—the world will not meet its ambitious goals for sustainable development, climate, and forests.

Acknowledgments

Please use the following citation:

NYDF Assessment Partners. (2020). Balancing forests and development: Addressing infrastructure and extractive industries, promoting sustainable livelihoods: Executive summary. Climate Focus (coordinator and editor). Accessible at www.forestdeclaration.org.

About the NYDF Progress Assessment:

This report was researched and authored by the New York Declaration on Forests Assessment Partners and coordinated by Climate Focus. It is a collaborative effort that relies on the contributions of countless individuals and organizations.

The NYDF Assessment Partners include:

CDP, Center for International Forestry Research (CIFOR), Chatham House, Clean Cooking Alliance, Climate Focus, Conservation International (CI), Environmental Defense Fund (EDF), Fauna & Flora International, Forest Foundation Philippines, Forest Trends, Global Canopy, Institute for Global Environmental Strategies (IGES), Instituto de Manejo e Certificação Florestal e Agrícola (Imaflora), The Alliance of Biodiversity International and the International Center for Tropical Agriculture (CIAT), International Union for Conservation of Nature (IUCN), Levin Sources, National Wildlife Federation (NWF), Overseas Development Institute (ODI), Rainforest Alliance, Rights and Resources Initiative (RRI), Stockholm Environment Institute (SEI), The Nature Conservancy (TNC), The Sustainability Consortium (TSC), Woodwell Climate Research Center, World Resources Institute (WRI), World Wildlife Fund (WWF-US), Yiaku Laikipiak Trust, and the Zoological Society of London's (ZSL) Sustainability Policy Transparency Toolkit (SPOTT) initiative.

Design and figures: Imaginary Office

Copy editor: Emily Steadman

Date of publication: November 2020

CDP served as a Data Partner for this report.

This project is supported by the Climate and Land Use Alliance (CLUA), the Good Energies Foundation, and the International Climate Initiative (IKI) of the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU) on the basis of a decision adopted by the German Bundestag via the NYDF Global Platform.

Supported by:

Federal Ministry for the Environment, Nature Conservation and Nuclear Safety

based on a decision of the German Bundestag

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