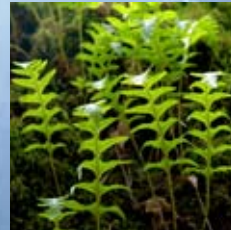




# FERN Annual Report 2005



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## Contents

<b>Foreword</b>	3
<b>An ecosystem for change</b>	5
<b>On communication</b>	6
<b>On networking</b>	7
<b>Our campaigns in 2005</b>	8
Getting a better deal / Improving EC development aid	8
Stopping the rot / Controlling the trade in illegal timber	9
Trading places / Why carbon trading is not the answer to climate change	11
Raising standards / Why credible forest certification has to happen	13
Finding a new way forward / United Nations Forum on Forests (UNFF)	15
Looking at the bigger picture / The social and environmental impact of European forest management	17
Putting a halt to risky business / The European ECA Reform Campaign	18
<b>FERN financial information (to insert)</b>	20
<b>FERN publications</b>	21
<b>Board / Staff / With thanks</b>	24
<b>About FERN</b>	back cover



*FERN's ten years of successful campaigning merits the party in September 2005 at FuturArt Gallery in Brussels.  
A tree trunk made of waste paper by paper sculptor Christopher Coppers.*

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FERN office Brussels

4 Avenue de l'Yser, B-1040 Brussels, Belgium

Tel: 00-32-2-7352500 Fax: 00-32-2-7368054

FERN office UK

1c Fosseyway Business Centre, Stratford Road, Moreton-in-Marsh, GL56 9NQ, United Kingdom

Tel: 00-44-1608-652895 Fax: 00-44-1608-652878



Email: [info@fern.org](mailto:info@fern.org)

Web: [www.fern.org](http://www.fern.org)

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## Foreword

### Ten Years of FERN

When FERN was established in 1995, no-one could have foreseen how much the organisation would grow. From our modest beginnings, with only two part-time staff and an annual budget of 25,000 Euros, FERN has developed into a successful and sustainable organisation with eight staff and an annual turnover of around 700,000 Euros.

During a decade of hard work, FERN has:

- brought to light the undue and unjust influence of large companies on environmental and social laws in host countries executing large projects, such as the Chad-Cameroon oil pipeline;
- improved the integration of environmental concerns into EC aid programmes and EC aid policies;
- convinced the European Parliament to reject the scientifically flawed concept of “carbon sinks” to reverse climate change;
- co-ordinated an NGO campaign leading to the presentation by the European Commission of an EU Action Plan to combat illegal logging;
- and successfully co-ordinated the European network for the reform of export credit agencies, leading to the adoption of environmental guidelines for Export Credit Agencies.

Ten years of successful campaigning certainly merits a party, so we held one on 29th September 2005 at FuturArt Gallery in Brussels. The gallery’s inaugural exhibition was organised in our honour, and appropriately featured four artists whose work, in a variety of media, focussed on forests and forest products.

FERN staff were joined by over 300 people, including colleagues from environmental and social NGOs, Commission and national government staff, and MEPs. Heleen van den Hombergh, fresh from the North Sea Jazz Festival and the Amsterdam Concertgebouw, performed songs from her newest release, *A Rush in the Wood*, an album she composed about the rainforest. To keep things festive and demonstrate that at FERN we don’t approve of waste only two speeches were given.



*Children in house on the Nakai Plateau, Laos which will be inundated by the Nam Theun 2 reservoir.*

*Picture taken from the ECA Watch report 'A Trojan horse for large dams'.*

*Photo: Virginia Morris and Clive Hill*

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## An ecosystem for change

### How FERN works

With so many issues affecting forests globally, FERN has decided to focus on the underlying causes that in many cases lead to forest loss. These include financial flows, the international trade in timber and other forest products, and government policies.

These issues are complex and call for a complex response: although many of our core activities are focused on forests, our remit is much wider. EC aid and trade policies all have a direct impact on forests, as have financial institutions. In response, FERN has expanded its work beyond forests to focus on the wider EC aid and trade debate, and specifically on Export Credit Agencies.

All of our work must also increase the political and economic space in which to advocate a more balanced society, one capable of a true respect for forest peoples, for human rights, and for environmental and social values. We work to understand and advance a community of interacting organisations and their political environment: an ecosystem for change.

Change means being part of decision-making procedures and creating political space for our partners to bring forward their ideas. It also means making compromises: FERN is not only interested in making a point but in achieving practical results. In no single area do we operate on our own; instead, FERN works to affect change by joining forces with environmental and social NGOs all over the world, creating a broad and vigorous system of alliances in various campaign areas. These include climate change, Export Credit Agencies (ECAs), illegal logging and certification, development co-operation, EU forest and biodiversity policies, and forest peoples. We work closely with these partners, and are committed to and motivated by their concerns – from locally-based struggles for rights, to national and regional campaigns against destructive practices, to lobbying for international solutions.

FERN provides its partners with research, analysis, facilitation, co-ordination, support, education, and advocacy. FERN's unusual approach and organic structure are stronger, more flexible, and more responsive: by challenging established thinking, finding new and creative ways to advance, provoking discussions within the different environmental and social movements as well as within government, we hope to address seemingly intractable global concerns.

## On communications

All of FERN's policy staff are dedicated to spreading strategic environmental messages to our target audiences. Our communications strategy focuses on activities to enhance FERN's performance in delivering messages through different channels such as publications, the Internet, media work and the newsletters *EU Forest Watch* and *EC Forest Platform News*.

In 2005, to link with our ten year anniversary, our website, [www.fern.org](http://www.fern.org), was redesigned and relaunched. It is now updated on a regular basis, with news items and new publications by all staff members. As a result, the website has become increasingly popular with the number of hits doubling in the month that we went live. Many site visitors come to the site to seek publications from our well-stocked and free archive.

Since February 2004, FERN's SinksWatch website, [www.sinkswatch.org](http://www.sinkswatch.org), has added further visibility to FERN's activities and, given that this is a primarily a campaigning site, it has helped to increase FERN's profile beyond our current target audience.

FERN also strives to increase visibility and reach new audiences by making its newsletter, *EU Forest Watch*, free of charge and by promoting it prominently on the home page of our website, which has increased its readership significantly.

*Each of FERN's networks operates differently but the common theme for each one is forests and people.*

*Picture taken from the FERN report 'Forest governance in the Democratic Republic of Congo'.*

*Photo: Kjell Kuhne/  
Rainforest Foundation*



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## On networking

FERN is a networking organisation: it does not form part of a single formal network, but a compilation of many different networks comprising of hundreds of organisations all over the world. Working with others in Europe and in the South, as well as in the USA, is central to FERN's work. No single campaign is purely a FERN campaign, and in all campaigns our role is one of facilitator and co-ordinator for joint action; often we provide the analysis underlying the joint campaign. We aim to take a lead from our partners, frequently in the South, and translate their concerns to actions to be taken at EU level or in EU Member States.

One of FERN's central activities is co-ordinating and informing NGOs that are working on forest issues. FERN builds strong and effective campaign networks and utilises them to co-ordinate activities and issue many joint statements on subjects of shared concern. The Forest Movement Europe (FME) is the oldest and strongest forest network in the world. FERN has co-ordinated the Forest Movement Europe since it came into existence nearly fifteen years ago. NGOs such as Friends of the Earth, Greenpeace, WWF, Rainforest Foundation, Global Witness, Robin Wood, and Urgewald, are just a few of the 70 organisations which are members of FME.

FERN is also on the steering committee of the World Rainforest Movement and Taiga Rescue Network, and together with Forest Peoples' Programme, FERN is the Northern Support Office for the World Rainforest Movement. Each of these three networks operates differently but the common theme for each one is forests and people.

Participants of these networks believe that the current forest crisis cannot be properly addressed without taking the social aspect of forests into account in all policy decisions and practices.

On specific issues, FERN has created both temporary and long-term networks of NGOs to pool resources and encourage effective joint campaigns. These include NGO networks on illegal logging, intergovernmental fora, EC aid, forest certification, and Export Credit Agencies.



## Our campaigns in 2005

As in previous year our work centred on five campaign areas: Climate Change; Forests and Biodiversity; Trade and Investment; Forest Peoples' Rights and Development Aid.

Within these five areas we carried out the following campaigns in 2005:

- **Export Credit Agencies**
- **Illegal logging**
- **Forest certification (including timber procurement)**
- **Climate change**
- **EC development aid**
- **United Nations forum on forests**
- **European forests**

Our remit of activities has grown over the years to include a number of issues that are often linked to forests, yet which have conventionally been considered as non-forest issues. Now, as FERN addresses issues such as rights, trade and aid, our contacts with grassroots organisations ensures that all of our activities remain clearly linked to reaching our overall goal of ensuring direct improvements on the ground for forest-dependent peoples and other local communities.

## Getting a better deal

### Improving EC development aid

In 2002, FERN created the EC Forest Platform with the aim of opening up windows for co-operation and participatory policy-making between the EC institutions and FERN's partners in the South. This platform is the starting point for FERN's campaign for improving the quality of EC aid so that it contributes to the protection and sustainable use of forests and respect for forest peoples' rights.

More and more people are becoming interested in following EC Forest Platform debates. At the end of 2005, our National Platforms – totalling 30 organisations in Cameroon and 27 in Indonesia – have started to effectively use their activities to push for increased transparency and accountability in EC and government spending and policy-making. In 2005, we actively participated in the debate leading to a new EU development policy, which helped improve the integration of environmental and forests issues in the general EC development policy. The European Commission's new Development Policy Statement, adopted in July 2005, makes considerable improvements to the current framework by highlighting the strong linkages between environment-development issues, and by including the 'environment and sustainable management of natural resources' (particularly the management and protection of forests) as action themes for the European

Commission and EU Member States. What's more, the document incorporates *for the first time* the obligation to mainstream indigenous peoples' rights throughout the EC development policy and notes the key role of civil society in improving environmental and social governance.

In general, FERN's work shows results: the new set of Country and Regional Strategy Papers (CSPs/RSPs), detailing how EC aid is spent in different countries and regions, integrates environmental concerns much more than the existing documents. Also, consultation processes are becoming common practice within EC aid programming. EC Forest Platform in Indonesia has been invited to become the main interlocutor on EC development and forest issues, and concerns from local and national NGOs have been conveyed to the government and the EC delegation.

Because of FERN's and FERN's partners' activities, the EU has proposed changes to simplify existing procedures and has increased Southern NGO access to EC funds, specifically through the creation of a small grants' fund, created within the EC Forest budget line.

Together with its partners, FERN has catalysed several key changes in EC policy:

- EC forest policies now include references to the linkages between natural resources management (in particular forests) and development; the need to integrate indigenous peoples' issues throughout the EC development policy is now a requirement;
- NGOs in the South have increased access to EC aid via a new small fund opened within the EC Forests' budget line. The creation of this fund means that at last small projects can become eligible, where previously only €1m projects qualified, excluding most Southern NGOs;
- In Cameroon and Indonesia, a large group of NGOs now fully comprehend how the EU works and are effectively monitoring the EC forest programme on the ground;
- The EC delegations in Cameroon and Indonesia now routinely consult with NGOs on issues relating to EC aid and forest, and are consequently more aware of the problems on forest governance in these countries.

## **Stopping the rot**

### **Controlling the trade in illegal timber**

An estimated 50 per cent of all tropical timber imports into the EU are illegally sourced, as is an estimated 20 per cent from the boreal region. In response to five years of widespread campaigning initiated by FERN, the EU has now drafted legislation to control timber imports from partner countries. Although this is a breakthrough, it is only the first step in getting the EU to address the issue of large imports of illegally and/or unsustainably harvested timber. If implemented correctly, the legislation could become a tool in the

fight for social and environmental justice, and address issues of customary rights and corruption. If implemented badly, it could serve to legitimise unlawful trade and forestry practices.

FERN serves as an important hub for both Northern and Southern NGOs in the battle against illegal logging. In 2005, FERN developed a close alliance of NGOs working at EU level to support demands and requests from our partners in the South, and helped to link Southern NGOs working on illegal logging. We presented a set of safeguards to the EU for regulation, and co-ordinated joint NGO statements to the European Commission and EU Member States. A delegation of Ghanaian MPs visited FERN to discuss the NGO perspective of a voluntary partnership agreement between the EU and Ghana, followed by a delegation including the Vice Minister for Forestry in Ghana.

Just as importantly, we helped bring Southern NGOs and their issues closer to European and Member State institutions, inviting five of our NGO partners from Africa to a meeting with DG Trade of the European Commission, and one NGO partner from Africa to a meeting hosted by the Royal Institute of International Affairs in the UK. FERN also co-operated with Greenpeace and WWF to organise a large seminar on illegal logging hosted by the European Parliament; this seminar was hosted by the UK Liberal Democrats in the European Parliament and included key note speakers, such as the Director General of DG Environment, the Dutch Timber Trade Federation and several MEPs.

#### **FERN's key activities and successes**

- Following a four year campaign, the EU adopted legislation to control the imports of illegally sourced timber from partner countries.
- EU Member State governments adopted some of FERN's key principles for voluntary partnership agreements with producer countries.
- FERN established a network of NGOs in Cameroon, Indonesia, Malaysia, and Ghana to work jointly on controlling illegal logging and improving forest governance.
- FERN is working with local NGOs in Indonesia to monitor projects in Jambi and South Kalimantan. The projects will be implemented in 2006.
- FERN worked with several NGOs in Ecuador, and supported them in their proposal to the EU for developing a partnership agreement with the EU to control illegal logging.
- FERN has published several NGO updates and organised several NGO co-ordination meetings on the EU FLEGT process and facilitated a joint NGO statement on illegal logging.
- FERN supported and financed the organisation of a meeting of social NGOs in Malaysia to discuss the possibilities and problems of a potential partnership agreement with the EU.
- FERN hosted meetings with the Ghanaian vice-Minister for Forestry and several Ghanaian MPs in Brussels, and met EU Delegations in Cameroon and Indonesia, with our partners, to present our joint demands for partnership agreements.

## Trading places

### Why carbon trading is not the answer to climate change

FERN's work on climate change and forests aims has helped to build a broad grassroots movement for climate justice. To achieve this goal, FERN and colleagues in the Durban Group on Climate Justice, have analysed the impact of carbon trading and, based on this analysis, have challenged the assumption that carbon trading is an effective instrument to avert climate chaos.



*The 'fake carbon credit card'*

FERN's analysis of carbon trading has been supplemented by research and monitoring of individual carbon "offset" projects, particularly projects involving tree planting. The popular "fake carbon credit card", offering ten reasons why planting trees as carbon "offsets" will not slow the climate crisis, has proved to be one of the campaign's most successful tools.

In 2005, FERN co-founded the Durban Group for Climate Justice, a movement for climate change and justice issues. The Durban Group's critical analysis of carbon trading has gained increased acceptance amongst academics, carbon market analysts, economists, and grassroots NGOs and social movements, helping to expose the flaws of tree-planting "offset" projects. The result is that such projects remain hard to sell in the emerging carbon market.

FERN have also outlined the dangers of promoting biofuel imports as a "green" fuel. The campaign raised awareness amongst European climate NGOs of these dangers and of the need to initiate a broad-based discussion with Southern organisations, in particular organisations from those countries that will be the most likely mass exporters of biofuel into the EU – specifically Brazil, Malaysia, and Indonesia.

### FERN's key activities and successes

- The European Parliament and European Commission remain convinced of the need to exclude carbon "offset" projects that involve tree planting from the EU's Emission Trading Scheme (ETS), despite pressure from consultancies and development agencies to reverse the current exclusion of carbon credits from such projects.
- Only one carbon "offset" project involving tree planting has been accepted under the Kyoto Protocol's Clean Development Mechanism.
- Corporate and institutional investors recognise that carbon sinks are a risky investment; many have specifically excluded such tree planting "offset" projects from their carbon "offset" portfolio.
- The leading UK-based carbon "offset" consultancy has changed its name from "Future Forests" to "The Carbon Neutral Company", in recognition of the controversial nature of tree planting "offset" projects.
- FERN has become the first point of call for carbon analysts seeking a thorough analysis of carbon "offset" schemes and carbon trading, combined with on-the-ground information of specific projects. From January 2005 to December 2005,

61 information requests were received in writing alone, of which 16 were from the media, nine from senior academics and carbon analysts, and 36 from other sources. Leading carbon analysts have regularly picked up information informally provided by FERN.

- Grassroots organisations and movements increasingly share FERN's analysis of carbon trading and carbon "offset" schemes, as indicated by invitations to participate in panel discussions such as the G8 Alternatives Summit in Edinburgh, Scotland in July 2005, and the German environmental campaign group Robin Wood's strategy seminar on climate change in April 2005.

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## Seven myths about carbon trading

Carbon trading is effectively an administrative approach to controlling pollution (the release of greenhouse gases) by offering economic incentives for achieving reductions in emissions. A limit or cap is set by a central authority – usually a government agency – and companies that emit pollutants are given credits which allow them to emit a certain amount. Companies that pollute beyond their allowances must buy credits from those that pollute less. This transfer is known as a trade.

### 1. Dangerous illusion

Carbon trading creates the illusion that somehow there is an alternative to cutting our fossil fuel addiction. To avoid catastrophic climate change, industrialised economies will need to cut their addiction to fossil fuels. This requires structural changes, supported by research and development into new forms of energy production and use, and new ways of producing goods. Carbon trading will not provide the incentives for such investments and structural changes. On the contrary, it is counterproductive because it makes us believe there is a way of bypassing the difficult job of broad-based political organising for social and technological change. It only delays the inevitable and leaves fewer choices for future generations.

### 2. More carbon in the atmosphere

Carbon trading allows fossil fuel users to continue burning fossil fuel by paying someone else, somewhere else to forgo their fossil fuel allowance.

### 3. Perpetuating old problems

Governments hand out carbon permits to large industrial emitters of carbon in key polluting industries. The permits give those industries the right to emit greenhouse gases. But if, for example, a company reduces its emissions, it can sell these 'saved emissions' to another company that, in the absence of carbon trading, would have had to switch to / develop a low-carbon technology, reduce its own emissions or cut production once the allocated amount of permits is used up.

### 4. Creating new problems

Carbon trading offers a second alternative to reducing emissions at home with carbon 'reduction' credits. Companies or governments that have run out of carbon permits can buy carbon 'reduction' credits. Reduction credits are generated by projects – located most often in the South – that claim to have saved emissions that would have occurred, had it not been for the carbon reduction project. This supposed reduction in emissions is then sold to a company or government short on permits. With the extra carbon credits, they have bought the

## Raising standards

### Why credible forest certification has to happen

In order to ensure that the Forest Stewardship Council (FSC), the only forest certification scheme that is seen as credible by most environmental and social NGOs, remains a plausible and reliable certification scheme, FERN has focused much of its certification work in 2005 on the FSC plantations' review process.

FERN triggered the review process when it exposed that too many FSC-certified plantations failed to meet the FSC's own standards. As a large number of plantations

right to emit what was supposedly saved by the project selling the carbon credits. The trouble is, many of these "carbon-saving" projects bring new problems; for further information, read *Carbon "offset" Briefing Note* or *To Keep the Oil Flowing*.

#### 5. Trading apples as oranges

Trading in carbon permits and trading in carbon reduction credits are the two forms of carbon trading. Carbon permits and carbon credits are generally considered tradable in the same carbon market. Yet the levels to which their volumes can be verified are worlds apart: permit volumes are verifiable at least in theory, carbon credit volumes are not. The calculation of how much a project reduces its emissions by is based on a counterfactual scenario of "what would have happened without the project". The volume of credits is calculated in comparison to this hypothetical scenario, which by its very nature can never happen, and is thus not verifiable.

#### 6. Financing carbon consultancies instead of low-carbon technologies

A lot of "offsets" are produced by consultants. For example, you own a steel plant in a poor country that turns scrap metal into new steel. It uses an old fashioned basic furnace (BF), which is eventually completely worn out. A rebuild won't do this time; it needs to be replaced. There

is hydroelectric power in your area. You can save a lot of money by buying an Electric Arc Furnace (EAF), and using that for processing your scrap metal. But, you know that an EAF is a lot cleaner and greener than your old BF. Isn't there some way you can get paid for this? Yes there is – call in the local certified consultant from your local carbon market and pay him a fee. He will produce a study certifying that you could have gotten ten more years out of that old BF, and that the only reason you are investing in a new EAF is carbon credits. Voila! The carbon market will examine the report, find it convincing, and a new annual producer of carbon credits is born – which a coal mining company can buy to justify the expansion of its mine: "clean coal".

#### 7. Ineffective in addressing climate change

Carbon trading is modelled on relatively recent US pollution trading schemes for sulphur and lead. The US experience shows that pollution trading tends to offer the easiest, cheapest incremental technological change, while reducing incentives to undertake deeper, broader, more creative shifts. Like US pollution trading schemes, carbon trading may reduce some short-term costs, while wasting time to set in motion a swift shift towards low-carbon technologies.

proved to have significant negative social and environmental effects, even after FSC certificates had been issued, FERN considered this a serious threat to the credibility of the FSC, and insisted that changes must be made to the FSC's plantations' certification practice if the scheme was to remain credible. Of particular concern to FERN was the FSC's reputation amongst Southern grassroots movements, who saw the issuance of an NGO-backed "green label" to plantation companies, known to be damaging or aggressive, as undermining their local struggles for land reform and environmental justice.

Once the FSC issued their plantation review, FERN was elected to represent the Northern environmental members of the FSC in reviewing the certification process, and co-ordinated a discussion among NGOs about the requirements plantations should have to fulfil to justify issuance of the FSC certificate. The FSC is expected to report the outcome of the review in 2006. Certification will remain an important item for discussion for some time to come.

Timber procurement was another important area of our certification work in 2006. FERN recognises that there is great potential for government procurement to become an effective way of contributing globally to responsible forest management. Government purchase of timber and timber products is estimated to account for 18 per cent of total timber imports into G8 countries. Worth Euro 15.7 billion annually, this constitutes a formidable economic force in the international timber market. As part of the EU Action Plan on illegal logging, governments are asked to develop procurement policies to address the importing of illegally sourced and unsustainably produced timber.

During 2005, FERN has been actively monitoring and influencing the procurement debate. This debate has two elements: firstly, to ensure that social criteria are included in a definition of "sustainable forest management," and secondly, to ensure that the criteria

*Governments are asked to develop procurement policies to import sustainably produced timber.*

*FSC timber used for noise barrier and houses. Uithoorn in the Netherlands prescribes the use of FSC certified timber in their building projects.*

*Photo municipality Uithoorn*



for timber procurement policies are sufficiently high to allow only certification schemes that directly contribute to improved forest management.

### FERN's key activities and successes

- FERN was elected by Northern environmental NGOs to the FSC plantations' review to represent European environmental NGOs; the FSC plantations' review report clearly highlights the problems the FSC system currently faces and ways to address them.
- The FSC secretariat has woken up to the concerns of NGOs and is starting to think of ways to address them.
- Three EU governments have adopted procurement policies that allow for the inclusion of social criteria, that currently exclude at least some of the PEFC schemes; FERN has worked on two submissions to the UK and Dutch Governments about the inclusion of social issues.
- The UK Parliamentary Audit Committee has challenged the UK Government on its decision to accept the PEFC as credible scheme, using FERN's evidence against the PEFC scheme to support its argument.
- The UK Minister asked FERN to join its Reference Board to advise the UK Government on Procurement Policies.
- FERN hosted a delegation from Malaysian and Australian NGOs to present their concerns to timber trade federations and governments across the EU about Malaysian and Australian certification schemes.
- FERN published an article on forest certification in the UN's Magazine *Unasylva*;
- FERN met with EU Commissioner for Environment, Mr Dimas, and pushed for inclusion of social criteria and more attention to forest issues.

## Finding a new way forward

### United Nations Forum on Forests (UNFF)

The United Nations Forum on Forests (UNFF) was established in 2000 as successor to the Intergovernmental Panel on Forests/Intergovernmental Forum on Forests (IPF/IFF)<sup>1</sup>. The main objectives of the UNFF are to facilitate the implementation of the Proposals for Action, developed by the IPF/IFF at national, regional and international levels; provide a forum for continued policy dialogue on forests amongst the UN Member State governments; and monitor and assess progress on the implementation of the Proposals for Action at the national, regional and global levels through reporting by governments and regional and international organisations.

Yet the UNFF's track record has been disappointing to say the least. There remains a significant gap between the Forum's stated objectives and its actions. In 2005, the UNFF

<sup>1</sup> These initiatives, together with Convention on Biological Diversity, represent the main outcomes for forests from the 1992 Earth Summit.



held its last mandated meeting, at which the Forum itself was subject to review. FERN and other NGOs were acutely concerned about how governments would carry out the review, what form the next “International Arrangement on Forests” would take, and the inevitable discussions about whether to develop some form of legally-binding instrument for forests, specifically, a Forest Convention. The debate over the pros and cons of a Forest Convention has dominated the forest policy dialogue for more than 10 years, but the debate has led only to inertia.

### FERN’s key activities and successes

- Over the past year, FERN has monitored the processes leading up to UNFF5 and published regular updates in the *Forest Watch* newsletter.
- FERN has also developed, jointly with the Forest Peoples’ Programme, a position paper which was distributed to relevant participants, both before and during the meeting of the fifth UNFF.
- FERN hosted a meeting with EU civil servants and Council Members regarding the future of the UNFF.
- FERN published its assessment of UNFF5 as a special report, *Live or Let Die? – An evaluation of the fifth session of the United Nations Forum on Forests*. Unfortunately, our conclusions were not encouraging: as participating governments could not reach agreement, UNFF5 must be considered a failure.

### Funding for Europe’s forests

The Rural Development Fund provides the largest amount of EC money for Europe’s forests. In the period 2000-2006, nearly 5 billion Euros were spent on forestry measures in Europe. This money could contribute to improved forest management and biodiversity conservation. However, for this to happen, Member States would need to allocate these funds to activities that would actively improve forest practices and conservation methods. In the past, the majority of funds were used for business as usual practices and did not contribute to improved forest management or conservation of many endangered forest species. With the adoption of a new Rural Development Regulation, things should change. This regulation requires the active participation of different stakeholders, including environmental NGOs in developing national Rural Development Programmes. So this is the opportunity for NGOs to get involved and ensure more funds will be allocated to sustainable forest management and conservation. To encourage and support environmental and social NGOs to participate in this process, FERN has produced an NGO guide, *Funding Europe’s Forests – How to use EU funds for sustainable forest management and nature protection*. This guide provides a step-by-step analysis on how to ensure money is channelled into forest protection measures, rather than forest destruction measures.

## Looking at the bigger picture

### The social and environmental impact of European forest management

Understanding and influencing EU legislation for the good of forests and forest peoples around the world is central to FERN's work. Our European Forests Campaign works to ensure that European forests are well-managed, and the rights of Europe's forest-dependent peoples respected. With the accession of 10 new Member States to the EU, FERN has worked to understand the current forest situation in those countries, to effectively inform relevant NGOs about the potential of, and methods for, influencing EU forest-related legislation, and to facilitate capacity building to strengthen national and EU-level campaigning in new Member States.

FERN monitors EU-level policies related to forests, including Natura 2000, the Forest Focus regulation, the Forestry Strategy, and the Rural Development Regulation. The Rural Development Regulation provides for over 4.5 billion Euros of funding to Europe's forests. Unfortunately, many of these funds are misspent or used to support the forestry industry rather than contribute to improved forest management. With a new Regulation being adopted in 2005, FERN, in close co-operation with the Taiga Rescue Network, has been working with NGOs in EU Member States to track and analyse forest-related developments in the revised Rural Development policies to ensure that any funds spent are used in coherence with the EU's environmental legislation, commitments and objectives.

The EU Forestry Strategy, adopted by the Council on 15 December 1998, is the only comprehensive document dealing with forests within the EU. The strategy is, however, heavily biased towards the economic function of forests and neglects the environmental and social functions. In March 2005, the Commission presented a review of the implementation of the forestry strategy and, as a follow-up to this implementation review, plans to develop an EU Action Plan for sustainable forest management. FERN has worked in 2005 to ensure that the Forest Action Plan will include sound social and environmental values.

*The Swedish Sami people depend on their reindeer herd and the vast forests of Northern Europe. Picture taken from the FERN and TRN report 'Funding Europe's Forests'.*

*Photo: Huub Ruijgrok*



## FERN's key activities and successes

- Producing a Briefing Note on a report by the Court of Auditors on Forest Measures in the Rural Development Regulation; *Court of Auditors report: Forestry Measures within the Rural Development Policy*.
- Producing a guide for European NGOs on how to use the new Rural Development Regulation to fund Europe's forest: *Funding Europe's Forests – How to use EU funds for sustainable forest management and nature protection*. This guide is a joint FERN/TRN publication.
- Following the review of the implementation of the EU Forestry Strategy and informing the European Parliament of FERN's vision of the review.
- Provided FERN's vision on an EU Forest Action Plan to the European Commission.
- Contacting NGOs in new Member States and Accession Countries to inform them about the EU legislation on forests and to learn about their forests.
- Publishing Briefing Notes on the state of the forests in new Member States.
- Building good contacts with NGOs from the new Member States and with NGOs from the four accession countries – Romania, Bulgaria, Croatia and Turkey.

## Putting a halt to risky business

### The European ECA Reform Campaign

The fundamental mission of Export Credit Agencies – commonly known as ECAs – is to support their domestic corporations in doing business abroad. Export credit funding supports countless highly destructive and risky operations in the mining, nuclear, pulp and paper, oil, and large hydro power sector, which often have devastating impacts on people's health, their environment or their local economy. Almost all countries, including most EU Member States, possess an Export Credit Agency and, while accurate data is hard to obtain, some estimates suggest that, worldwide, ECAs currently support roughly Euro 3,386 billion in trade and investment – nearly 10 per cent of world exports.

Since 1998, an international NGO campaign has been working to reform the practices of these ECAs. In 2003, the first international guidelines on ECAs' environmental impacts were adopted at the Organisation for Economic Cooperation and Development (OECD).

Founded in 2002, the European ECA campaign,<sup>2</sup> co-ordinated by FERN, has gained remarkable successes. Export credit agency reform was not on the agenda of any of the major EU institutions before 2000. Now the negative environmental and social impacts of ECA financing, and the need for the agencies to reform, are on the radar screen of all major EU institutions. An effective campaign using new EU legislation will force ECAs

<sup>2</sup> The European Campaign consists of: Bern Declaration (Switzerland), Both ENDS (The Netherlands), Corner House (UK), ECA-Iberia (Spain and Portugal), ECA-Watch Austria, Campagna/Mani Tese (Italy), FERN (Belgium and UK), Finnish ECA Reform Campaign (Finland), Les Amis de la Terre (France), Proyecto Gato (Belgium), Urgewald (Germany) and WEED (Germany).

to open up and allow for access to previously secret environmental information held by ECAs. Furthermore, the national campaigns, supported by FERN succeeded in shelving or halting several high-impact projects.

The successes of the European campaign lie to a large extent in the effective networking and strategising of the European groups, lead by FERN. This work is seen by all members as an important element of our success.

### FERN's key activities and successes

- National campaigns managed to stop or shelve the granting of export credits for destructive projects, such as for a munitions factory in Tanzania.
- OECD Export Credit Agencies 'recognise the value of the recommendations of the World Commission on Dams' in a special financing initiative to promote renewable energies.
- EU-based Export Credit Agencies fall under new binding legislation on access to environmental information, as confirmed by the European Commission.
- The European Commission has taken a position, in line with our demands, on several matters vis à vis the Member States, showing a greater acknowledgement of the negative impacts of ECAs (e.g. on need for sector-specific safeguards; enhanced disclosure policies).
- A coalition of human rights campaigners has been educated about ECAs;
- A new coalition between European and Turkish campaign groups has been formed to halt a controversial dam project in Turkey.
- After a request from FERN, the European Commission confirmed that EU-based export credit agencies fall under new binding legislation on access to environmental information. This confirmation has led to a successful EU wide campaign, co-ordinated by FERN, to get access to previously 'secret' information held by ECAs.

### Trade and investment

A preliminary project to map out investment flows (which have changed dramatically over the last ten years) and the roles of different actors (many of which are not yet on the radar screen of social or environmental movements) was commissioned by FERN, following a seminar with NGO experts from all over the world, in August 2004. This report, by Kavaljit Singh, is now ready in draft form and will be discussed by a number of key activists in 2006. We expect that this report will lead to a revision of many different campaigns, including campaigns focusing on ECAs, MDBs (Multilateral Development Banks), private banks, the WTO (World Trade Organisation) and other financial institutions. The report is expected to be launched and discussed with fellow activists during the World Bank Singapore meeting in September 2006.

## FERN financial information

<i>Euro's</i>	<i>2005</i>
<b>Income:</b>	
General Projects receipts	305.395
Core funding	115.201
Agent Moneys received	237.195
Reimbursements	38.453
Contribution to studies	20.000
Income from other sources	7.610
Bank interest received	2.355
	<u>726.209</u>
	<u><u>726.209</u></u>
<b>Expenditure:</b>	
Salaries	323.104
Travel/Meetings	68.797
Consultants	54.450
Printing/Publications	41.383
Post / Telephone/Stationery	16.638
Stationary	-
Rent	12.467
Computers	13.577
Cleaning	-
Bank charges	1.274
Meetings/Seminars	-
Documents	4.927
Miscellaneous	1.222
Agents moneys paid	269.459
Accountancy	10.135
Insurance	1.506
Tax	74
Exchange loss/gain	- 2.776
	<u>816.237</u>
	<u><u>816.237</u></u>
<b>(Deficit) or income over expenditure</b>	- <b>90.027</b>
Income deferred from previous year	-
Taxation	-
	<u>90.027</u>
<b>(Deficit)/Surplus after taxation</b>	- <b>90.027</b>
	<u>90.027</u>
Balance brought forward	<u>285.683</u>
Balance carried forward	<u><u>195.656</u></u>

## FERN publications

### Briefing notes

#### General

##### **A short leaflet about FERN – September 2005**

A short leaflet explaining who we are, what our mission is and how we aim to achieve our mission. It also lists some of the organisations we work with.

##### **Forest Loss and Human Health – May 2005**

Briefing focusing on the interdependence between forests and human health, and reflecting these concerns in the policies, programmes and projects of the EU.

#### Forests and Biodiversity

##### **Tatras National Park in danger – November 2005**

Article outlining the problems in the Tatras National Park, Slovakia by Erik Balaz of Wolf Forest Protection Movement, Slovakia.

##### **Towards an Action Plan for Sustainable Forest Management – October 2005**

FERN's vision for a European Forest Action Plan, submitted to DG AGRI, as input to the discussion of developing a European Forest Action Plan by the European Commission.

##### **Forests of Lithuania – October 2005**

The second briefing in the series of FERN briefings about the forest situation in the new EU Member States, by Andrius Gaidamavicius, Lithuanian Green Movement.

##### **Live or let die? An evaluation of the fifth session of the United Nations Forum on Forests – July 2005**

A FERN special report discussing the failure of UNFF5 and providing a series of recommendations for the future.

##### **Court of auditors' Report: Forestry measures within the Rural Development Policy – April 2005**

A FERN / TRN briefing note. In a special report

about forestry measures in the Rural Development Policy, the European Court of Auditors criticises the European Commission and Member States for spending billions of Euros on forestry measures from rural development funds, without adequate quality controls or documentation.

##### **Hungary – forest degradation with State assistance – February 2005**

The first in a series of FERN briefings about the forest situation in the new EU Member States, by Benedek Jávör – László Gálhidy of Védegylet – Protect the Future Society.

#### Development Aid

##### **Back to the Forest: An evaluation of the EC forest programme in Indonesia – July 2005**

FERN briefing evaluating the EC forest programme in Indonesia and outlining proposals to improve its performance in the future.

##### **After the tsunami: The EC and the environment in rebuilding Indonesia – June 2005**

FERN briefing note discussing the role of the EC in post-tsunami Aceh.

##### **L'Observateur Indépendant a les mains liées – May 2005**

Edith Abilogo, contact local de la Plateforme Forêts – Communauté européenne au Cameroun, explique que les nouveaux termes de référence du projet d'Observateur indépendant du contrôle forestier au Cameroun, financé par la CE, le rendent plus dépendant des autorités administratives. Article publié dans le numéro 91 de Bubinga.

##### **Inefficiency in the EU Development Policy – March 2005**

In this article, published in Hotspot, Issue 36, Iola Leal Riesco outlines key changes that the EC Development Policy should address during 2005.

##### **Yaoundé au coeur des forêts – January 2005**

Dans cet article, publié dans le numéro 87 de

Bubinga, le contact local de la Plateforme Forêts – Communauté européenne au Cameroun, Edith Abilogo, résume les débats qui ont été tenus lors de la réunion annuelle de la Plateforme sur l'impact des politiques et programmes de la CE sur les forêts et les peuples qui dépendent de la forêts.

### Forest certification

#### **Time to measure the impacts of certification on sustainable forest management – May 2005**

Saskia Ozinga discusses certification issues in the FAO's Unasylva journal.

#### **Submission to UK Government re timber procurement – February 2005**

A submission by FERN, FoE and Greenpeace to the UK Environmental Audit Committee arguing the case that social criteria should be included in the UK timber procurement policy.

### Climate Change

#### **Brazil: handouts for repression as usual – November 2005**

Jutta Kill writes about carbon 'offset' tree plantations in *to keep the oil flowing: Conversations on carbon credits*. Dag Hammerskjold Foundation.

#### **Is the US experience with pollution markets really an argument for global carbon trading? Innovation, measurements and sustainability – October 2005**

Article co-authored with Larry Lohmann, Graham Erion and Michael K. Dorsey and submitted to McGill International Journal of Sustainable Development, Law and Policy. Also available as FERN Briefing exploring the lessons that climate negotiators setting up the framework for a global carbon market should have learned from US pollution trading experiences.

#### **Profits from the prototype carbon fund greenwash – October 2005**

Larry Lohmann, Graham Erion, Michael K. Dorsey and Jutta Kill describe how major carbon emitters benefit from the World Bank's Prototype Carbon Fund. Published in *Trouble in the air. Global warming and the privatised atmosphere*. A Civil Society Energy Reader edited by Patrick Bond

and Rehana Dada at the Center for Civil Society, Durban.

#### **Carbon 'offset' – no magic solution to 'neutralise' fossil fuel emissions – June 2005**

FERN explains the myth of carbon 'offset' in a special briefing.

#### **Kyoto: What's to celebrate? Activists put Kofi Annan on notice – February 2005**

The Durban Group on climate justice warns that the 1997 climate treaty not only fails to cut greenhouse gas emissions enough to avert climate catastrophe, but also steals from the poor to give to the rich.

### Illegal logging

#### **Europe and North Asia FLEG: the next steps for civil society – July 2005**

Second FERN and TRN update on the ENA FLEG process. This briefing proposes actions for environmental and social NGOs to take to ensure an effective ministerial and workable declaration and action plan.

#### **Plan de acción de la Unión Europea sobre la aplicación de las leyes, la gobernanza y el comercio forestales – July 2005**

Informe que expone la situación del proceso FLEGT y las acciones que debe tomar la Unión Europea para luchar de manera efectiva contra la tala y el comercio ilegal de productos forestales.

#### **Finding solutions to illegal logging: civil society and the FLEGT Support Project – June 2005**

FERN and Telapak outline the possibilities and limitations of the FLEGT Support Project, an EC-funded project aimed at tackling illegal logging and promoting the role of forests within Indonesia's sustainable development.

#### **Principles for FLEGT partnership agreements – January 2005**

FERN, Greenpeace and WWF's joint briefing highlighting minimum requirements governments should include in the FLEGT (Forest Law Enforcement, Governance and Trade) partnership agreements with producer countries to control illegal logging.

## Export Credit Agencies

### **The Baku-Tblisi-Ceyhan Pipeline: exporting an 'environmental timebomb' – April 2005**

The Baku-Tblisi-Ceyhan (BTC) pipeline is the most controversial pipeline in the world. This dubious honour is due to its damaging geo-political, environmental and social impacts, its role in augmenting the power of corporate interests over national governments, and its alleged violation of the European Human Rights law and Turkey's accession partnership, as well as allegations of corruption, incompetence and malpractice. European export credit agencies are among the financiers of the BTC pipeline.

### **Corruption: European export credit agencies under scrutiny – April 2005**

The UK's export credit agency, the ECGD, recently made the headlines after watering down its anti-bribery rules. Sadly, the lack of tough rules to stamp out corruption and bribery is characteristic of most European ECAs.

## FERN Reports

### European Forests

#### **Funding Europe's Forests – How to use EU funds for sustainable forest management and nature protection – December 2005**

This FERN and TRN guide explains why it is important for NGOs to get involved in the development of Rural Development Strategies and Programmes. It details steps to take to influence rural development funding so that it contributes to sustainable forest management and nature protection

### Export Credit Agencies

#### **A Trojan Horse for Large Dams – September 2005**

Under the guise of an initiative to promote sustainable energy technologies, governments are about to grant subsidised export credits for hydropower projects. This report examines dams financed with official export credits during the

last ten years. It finds that these projects have had massive social and environmental impacts, including large-scale involuntary resettlement, human rights abuses, the loss of critical habitats of endangered species, and, in some cases, greenhouse gas emissions greater than those from thermal power plants. If the governments go ahead with their plan, they will turn an environmental effort into a Trojan horse for environmental destruction.

### **The OECD Arrangement and New Subsidies for Dams: The Case for Strengthened Standards – August 2005**

Export Credit Agencies (ECAs) have a long history of granting support for large dams in the South – often at great cost to the poorest sections of society. The world's most powerful ECAs have negotiated a special agreement within the OECD, which will give dam builders additional subsidies to revive the hydro industry. In this report, FERN and The Corner House argue that privileged treatment for large dams must be conditional on projects complying with international best practice aiming, at mitigating the negative impacts on people and environment.

### Illegal Logging

#### **Illegal logging, governance and trade: 2005 Joint NGO conference – July 2005**

FERN, Greenpeace and WWF report on the 7 April 2005 conference on illegal logging and related trade. The conference, *The 2005 Joint NGO conference on illegal logging, governance and trade*, was a resounding success, with delegates from all sectors agreeing that more both should and could be done to combat illegal logging and promote good forest use worldwide

### Development Aid

#### **Aid trace in the forest – January 2005**

A Telapak and FERN report reviewing the European Community development aid scheme in the forest sector in Indonesia. Case study: South Central Kalimantan Production Forest Project.

*A substantive list of joint NGO statements is available from our website [www.fern.org](http://www.fern.org)*



## Staff

Sylvia Franssen: Financial and Office Manager (since replaced by Mariana Musat)

Jutta Kill: Climate Change

Leontien Krul: European Forests and Biodiversity

Iola Leal Riesco: EC development aid

Sara Manning: Administrative assistant

Judith Neyer: Export Credit Agencies

Saskia Ozinga: Trade and Investment

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## Thank you

**It is important to remember that nothing FERN has achieved could have been done without the support of our donors. In 2005, those donors were:**

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Sigrid Rausing Trust

Dutch Ministry of Agriculture, Nature and Food Quality

Dutch Ministry of Environment

Department for International Development, UK

Swedish Society for Nature Conservation

Interchurch Co-operation (ICCO), Netherlands

Taiga Rescue Network

Thank you for helping us to help forest peoples and the environment.

## About FERN

FERN is a non-governmental organisation (NGO), created in 1995 by the World Rainforest Movement. We work to achieve greater environmental and social justice, focusing on forests and forest peoples' rights in the policies and practices of the European Union.

With many issues affecting forests globally, FERN focuses on the underlying causes that lead to forest loss, such as financial flows contributing to forest destruction, the unsustainable trade in timber and forest products, and negative government policies.

Our campaigns fall within the following five campaign areas: climate change, development aid, forest peoples' rights, forests and biodiversity, and trade and investment. In all these areas, we work very closely with a large number of environmental groups and social movements across the world. Through our work we aim to increase the political and economic opportunities for people to create a more balanced society in which human rights are fully respected, and environmental and social rights are fully integrated.



### **FERN office Brussels**

4 Avenue de l'Yser, B-1040 Brussels, Belgium

Tel: 00-32-2-7352500 Fax:00-32-2-2 736 8054

### **FERN office UK**

1c Fosseyway Business Centre, Stratford Road, Moreton in Marsh, GL56 9NQ, UK

Tel: 00-44-1608-652895 00-44-1608-652878