

Public-Private Partnerships in the Forest and Forestry Sector

Current Status and Trends in AFoCO Member Countries

BACKGROUND

Public-private partnership (PPP) has been defined as “a long-term contract between a private party and a government entity, for providing a public asset or service in which the private party bears significant risk and management responsibility, and remuneration is linked to performance.”¹ The concept has been discussed over the last two decades since it was presented at the 2002 United Nations World Summit on Sustainable Development in Johannesburg, where the summit agreed that corporate responsibility must be strengthened in a transparent and sustainable regulatory environment.

While its meaning and concept have evolved throughout the years, the essence of ‘partnership’ has been recognized globally, especially through Sustainable Development Goal (SDG) 17: To strengthen the means of implementation and revitalize the global partnerships for sustainable development. Governments are becoming interested in enhancing their partnership with the private sector to provide infrastructure assets and services for the public through a wide range of sectors.²

In Asia, PPPs in the forestry sector are primarily based on the concept that forestland are to a great extent owned, controlled, and supervised by the public sector. Encompassing various aims and commitments for carbon offsets, forest and forestry activities have become one of the target areas of PPPs, reflected in the REDD+, payments for ecosystem services (PES), and community-based enterprise development programs. Despite these endeavors, PPPs in the sector are still largely unexplored, and it is not easy to find an entry point for the private sector. In addition to focusing on the essence of PPPs, it is timely to actively develop ways of promoting local communities’ interests and active participation through all-inclusive policies and enhanced governance framed by equitable stewardship and benefit-sharing.

Key Messages

1. A comprehensive legal framework is critical for the development of PPPs in the forestry sector.
2. Assessment of baseline information is fundamental for the establishment of effective institutional structures in PPPs.
3. Resources and incentives of various forms need to be considered to successfully implement forest-based PPPs.

As the first capacity building workshop after the launch of the [AFoCO Green Partnership](#), the AFoCO Regional Education and Training Center (RETC) organized a workshop on “Public-Private Partnerships in the Forest and Forestry Sector” from 14 to 18 March 2022 to enhance the understanding of PPPs in the forestry sector. The workshop provided a venue to learn from the experiences of countries in the region in the first phase of integrating PPP implementation into the forest and forestry sector.



POLICY HIGHLIGHTS ON FOREST-BASED PPPs IN THE AFoCO REGION

This policy brief highlights three key messages based on the analysis of the main causes affecting the development of PPPs at the regional and local levels as well as the discussions at the AFoCO capacity building workshop. Participants at the workshop identified current core problems in the region as 'uncertain characteristics of PPPs in the forest and forestry sector' (Figure 1).

1. A regulatory/legal framework for PPPs is lacking in most AFoCO member countries.

Although a lot of initiatives have been formulated to regulate forestry PPPs in many countries, as shown in Table 1, most participants noted that national and local PPP regulations were inconsistent and overlapping, which created problems and gaps in defining effective policies. This may be due to the changing priorities of national leaders and the need for constant coordination and information in the development of PPPs. In addition, most PPP projects are focused more on infrastructure development, which is sometimes considered to be directed only to business and providing sources of income for private entities.

In view of this, the following strategies/actions can be taken to implement PPPs fully in member countries to:

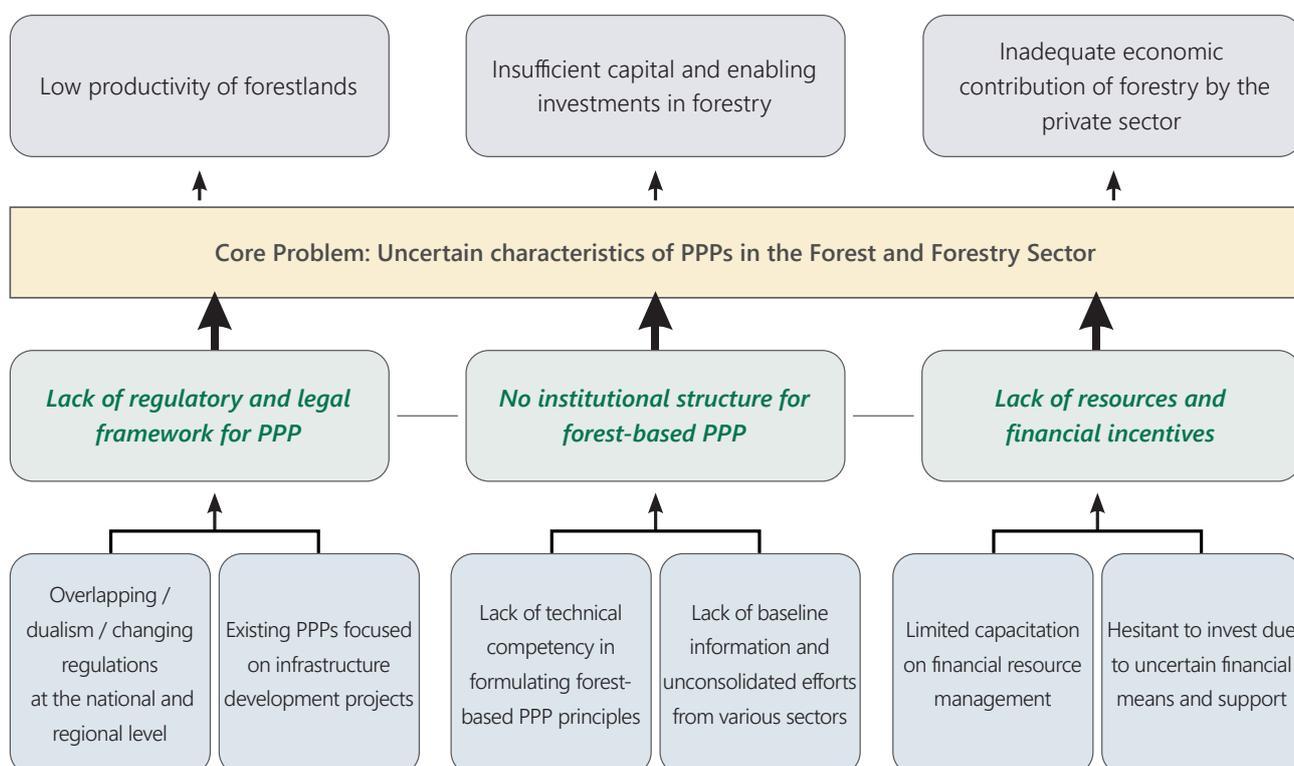
- Expand the scope of national forest policies for PPPs
- Seek the support of forestry leaders in decision-making bodies; and
- Coordinate with national and local actors to address the specific concerns of all stakeholders involved.

2. An institutional structure for forest-based PPPs is needed.

Most member countries face difficulties in implementing forest-based PPPs. The terminology and concept of PPPs are relatively new to most member countries. This can lead to gaps in knowledge and an absence of background information on the principle of forest-based PPPs, which is vital for integrating forest-based PPPs into the public system. Baseline information is essential for making stronger evaluations to monitor the progress made in governing PPPs. The efforts of different sectors should be documented and combined well according to the background information. The institutional structure is important for forest PPPs since it determines the division of duties and responsibilities. The lack of an institutional framework for forest-based PPPs can lead to uncertified practices and structural conflicts of interest.

Government agencies that are the main implementers of PPPs should consider strengthening the technical capacities of qualified personnel, establishing an online directory portal, and institutionalizing PPPs in forestry at the national and local levels.

Figure 1. Problem tree on forest-based PPPs in AFoCO Member Countries



Source: Country reports from the participants at the AFoCO Capacity Building Workshop on Public-Private Partnerships in the Forest and Forestry Sector, 15-19 March 2022

Table 1. PPP related Laws/Policies/Regulations/Guidelines in AFoCO Member Countries

Country	PPP-related Laws/Policies/Regulations	Country	PPP related Law/Policy/Regulations/Guidelines
Bhutan	<ul style="list-style-type: none"> • PPP Policy 2016 approved by the Royal Government of Bhutan • PPP Rules and Regulation 2017 • Guidelines for PPP projects 2019 • PPP Project Screening Tool Manual 2019 	Lao PDR	<ul style="list-style-type: none"> • The Law on Investment promotion, No.14/NA, date 17 November 2016 • Decree on Promotion Commercial Tree planting, No. 247/GOV, date 20 August 2019 • Decree on Public Private Partnership, No.624/GOV, dated 21 December 2021
Brunei Darussalam	<ul style="list-style-type: none"> • Brunei Darussalam National Public Private Partnership Guidelines 	Malaysia	<ul style="list-style-type: none"> • The Malaysia Incorporated Policy, 1981 • The Privatization Policy, 1983 • Guidelines on Privatization, 1985 • Privatization Master Plan, 1991 • Public Private Partnership Guideline, 2009
Cambodia	<ul style="list-style-type: none"> • The Law on Public-Private Partnerships adopted by the National Assembly on 25 October 2021 • Policy Paper on Public-Private Partnerships For Public Investment Project Management 2016-2020 developed • Standard Operating Procedures for PPP Projects (SOP) contain the policies, guidelines and procedures 	Mongolia	<ul style="list-style-type: none"> • 2009 State policy on PPP • 2022-Law on PPP, draft • Forest law of Mongolia, 2012 • State Policy on Forest, 2015
Indonesia	<ul style="list-style-type: none"> • Presidential Regulation No. 67 of 2005 concerning: Public Private Partnership • Presidential Regulation No. 38 of 2015 concerning: Government Cooperation with Business Entities in Infrastructure Provision • Minister of National Development Planning Regulation No. 2 of 2020 concerning: Procedures for Implementing Government Cooperation with Business Entities in the Provision of Infrastructure • Government Regulation No. 6 of 2007 concerning: Forest Management and Preparation of Forest Management Plans 	Myanmar	<ul style="list-style-type: none"> • The Forest Law, 2018
Kazakhstan	<i>No response from the workshop</i>	Philippines	<ul style="list-style-type: none"> • 1987 Philippine Constitution • Government Procurement Reform Act (RA 9184) • Republic Act No. 6957 as amended by Republic Act No. 7718 or the Philippine Build-Operate-and-Transfer (BOT) law
Kyrgyzstan	<ul style="list-style-type: none"> • Law on public-private partnership, adopted in 2019 No. 95 	Thailand	<i>No response from the workshop</i>
		Timor-Leste	<ul style="list-style-type: none"> • Forest Policy 2007, updated in 2017
		Viet Nam	<ul style="list-style-type: none"> • Law on Enterprises • Law on Bidding • Law on Public Investment • Law on Forestry • Law on Environment management

Source: Country reports from the participants at the AFoCO Capacity Building Workshop on Public-Private Partnerships in the Forest and Forestry Sector, 15-19 March 2022

3. Resources and financial incentives are limited.

PPPs represent a collaborative effort between the government and the private sector to share resources and secure and improve a project's effectiveness and efficiency. Even with combined government and private sector resources, however, a lack of resources may still be a problem that has to be addressed. Most participants shared a common view that hesitation to participate in PPPs is associated with the uncertainty of financial means that the private sector will be expected to be provided. The PPP approach aims to fulfill the good public objective, of increasing economic and development through the participation of both the government and the private sector. The government's primary roles are to support policies and regulations in the public interest, while the multiple roles of the private sector to facilitate funding, provide resources, and transfer expertise, technology, and innovation to increase the efficiency and effectiveness of partnerships in terms of projects.

In order for a successful implementation of PPPs, the government and the private partner must work together to make concerted efforts regarding their ability to provide the necessary resources.

For joint efforts to increase resources, facilitation must be accompanied by the careful sorting/selection and monitoring of the respective PPPs in the operation of a project. The government should, therefore, consider the enhancement of policies that will:

- increase financial incentives such as those that will facilitate loans from financial institutions with flexible interest rates that match the capabilities of the private partner;
- offer advice to private partners on access to capital resources; and,
- provide support for private partners to access multiple funding channels.

THE WAY FORWARD

There has been growing interest in incorporating natural resource management into the PPP approach. Yet, existing PPPs in Asia focus predominantly on other sectors, particularly energy, transport, and construction, rather than on the forestry sector. It is essential for the government to recognize country-specific challenges caused by an ambiguous legal framework and an environment that retards support for PPPs in the forestry sector.

The establishment of a comprehensive and harmonized legal framework and policy framework for PPPs in the forest and forestry sector is required to facilitate targeted implementation. REDD+, forest carbon offsets, and forest certification can be important tools in developing PPPs in the sector. The following are recommended for the effective implementation of PPPs in AFoCO member countries:

1. Conduct research on private sector's perception and willingness to participate in PPPs in the forest and forestry sector.
2. Develop appropriate policy frameworks for PPPs in the forest and forestry sector.
3. Explore ESG criteria applicable in forest-based PPP projects.
4. Strengthen strategies, programs, and plans on information, education, and communication (IEC), to effectively promote PPPs in the forest and forestry.
5. Leverage modern technologies to facilitate government initiatives in the forest and forestry sector to expand opportunities for PPPs.
6. Define contract conditions in legal documents that clearly delineate the responsibilities and accountabilities of partners.
7. Provide the private sector with new opportunities through the risk-sharing benefits associated with investments, in particular at an early stage of developing a PPP.
8. Encourage capacity development of supply chain among stakeholders of PPPs.
9. Ensure transparency of information across all stakeholders.
10. Raise public awareness of social and environmental responsibilities.

BOX 1. Workshop Summary

The workshop on "Public-Private Partnerships in the Forest and Forestry Sector" brought together over 60 participants from the government, universities, research institutes, cooperation, NGOs, INGOs, and the private sector involved in the forestry sector of 14 AFoCO member countries: Bhutan, Brunei Darussalam, Cambodia, Indonesia, Kazakhstan, Kyrgyzstan, Laos, Malaysia, Mongolia, Myanmar, Philippines, Thailand, Timor-Leste, and Viet Nam. The workshop was featured participant's country report and action plan presentations, group works, and five (5) presentations of experts from academia and private companies, including the Graduate School of International Agricultural Technology (GSIAT) of Seoul National University, Konkuk University, Yeungnam University, SK Telecom, and SK Forest.

The workshop aimed to:

- enhance the understanding of PPPs in the forest and forestry sector, and
- share knowledge and experiences from best practices among participating countries.

¹ World Bank. 2017. Public-Private Partnerships Reference Guide Version 3. World Bank. Available at: <https://ppp.worldbank.org/public-private-partnership/library/ppp-reference-guide-3-0-full-version>

² United Nations. 2002. Report of the World Summit on Sustainable Development. United Nations. Available at: <https://digitallibrary.un.org/record/478154?ln=en>



Asian Forest Cooperation Organization (AFoCO)

AFoCO is a treaty-based intergovernmental organization that is committed to strengthening forest cooperation and taking concrete actions to promote sustainable forest management and address the impacts of climate change.

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