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Facilitating Financing for Sustainable Forest Management in Small Islands Developing States and Low Forest Cover Countries

An analytical report prepared by Indufor
for the United Nations Forum on Forests

Country Case Study: Fiji

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**Helsinki
26 July 2010**

**The views expressed herein are those of the author(s) and do not necessarily reflect
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Abbreviations and acronyms

ADB	Asia Development Bank
AusAID	The Australian Agency for International Development
CI	Conservation International
CROP	Council of Regional Organizations in the Pacific
FAO FRA	Food and Agriculture Organization of the United Nations- Global Forest Resources Assessment
FD	Forestry Department
FDB	Fiji Development Bank
FFF	Future Forests Fiji Limited
FHCL	Fiji Hardwood Corporation Limited
FIBOS	Fiji Islands Bureau of Statistics
FIRC	Foreign Investment Registration Certificate
FIRCA	Fiji Islands Revenue and Customs Authority
FPL	Fiji Pine Limited
FSC	Forest Stewardship Council
GEF	Global Environment Facility
GTZ	German Technical Cooperation
HDI	Human Development Index
IAS-USP	Institute of Applied Science at the University of the South Pacific
IUCN – MESCAL	The International Union for Conservation of Nature Project Mangrove Ecosystems for Climate Change and Livelihoods Project
LTA	Land Transport Authority
NBSAP	National Biodiversity Strategy and Action Plan
NGO	Non-Governmental Organization
NLTB	Native Land Trust Board
NTF	The National Trust of Fiji
NZAID	New Zealand Assistance for International Development
PFE	Permanent Forest Estate
RBF	Reserve Bank of Fiji
REDD	Reducing Emissions from Deforestation and Forest Degradation
SFM	Sustainable forest management
SMEs	Small and medium enterprises
SPC	Secretariat of the Pacific Community
SPC/GTZ-CC	SPC/GTZ Pacific-German Regional Programme on Adaptation to Climate Change in the Pacific Island Region
SPC/GTZ-PGRFP	SPC/GTZ-Pacific German Regional Forestry Programme
UNDP	United Nations Development Programme
USP	The University of the South Pacific
WAF	Water Authority of Fiji



EXECUTIVE SUMMARY

The United Nations Forum on Forests (UNFF) commissioned this case study to determine the gaps, obstacles, opportunities and enabling environment for financing sustainable forest management in Fiji. The Fiji case study represents an example of a Small Island Developing State in the first stage of the UNFF initiative of a facilitative process on forest financing, to assist countries to mobilize funding from all sources.

Data for this case study was collected through a questionnaire, interviews and a workshop, all of which produced the preliminary results for further discussion. Input was sought from all government and non-government forest and cross-cutting sectors representing finance, environment, indigenous peoples, and intergovernmental/bilateral aid agencies.

Fiji is tropically situated around the geographic coordinates 18°00'S 179°00'E, consisting of approximately 330 islands (total landmass of 18,270 km²), with the highest peak on Viti Levu Island at 1,324 m elevation. Indigenous people make up 57 per cent of the population and communally own 83 per cent of the land. Fiji is heavily reliant on agriculture for local food security and the export of produce. As a result, agriculture is the main driver of deforestation, followed by human settlement. Moreover, tree extraction and downstream value-adding processing is promoted, further encouraging deforestation. Fiji's current forest cover is approximately 60.9 per cent of the country's landmass.

The Government of Fiji established pine and mahogany plantations from the 1970s in efforts to afforest and reforest respectively. The Government-owned commercial companies, Fiji Pine Ltd. and Fiji Hardwood Corporation Ltd., have since taken over the management of these plantations and together make up 14.6 per cent of Fiji's forested land and 90 per cent of the forest economy.

Recent Forestry Department projects undertaken in the shift towards sustainable forest management include collaboration with the SPC/GTZ-PGRFP and SPC/GTZ-CC; reviews of the National Code of Logging Practice and the national forest policy, followed by the on-going legislative review; REDD Policy and National Forest Certification Project. Other initiatives for SFM include reforestation and afforestation by CI and FFF; SFM awareness by NFMV; forest parks management by NTF; and the IUCN-MESCAL Project in the promotion of sustainable mangrove forest management.

As a result of these recent initiatives, investment into SFM has been on the rise; however, there are still gaps to finance SFM, for which the 2007 Fiji Forest Policy provides the framework. In addition to the Forestry Department being understaffed and underfinanced to fully assume its roles as set out in the new Forest Policy, finance is lacking for the participation of indigenous people in forestry, and the conservation of forests and biological resources is only partially funded.

The key challenge in creating an enabling environment for SFM will be how to create sustainable access routes to private and public-sector funds for forest rehabilitation via afforestation and reforestation. This could be achieved by several means, including grant funding; trading carbon stocks within a REDD+ framework; creating a scheme in lending institutions to allow for loans with lower interest rates and longer repayment terms; or offering incentive packages for investment into the forest sector by the local and international private sectors, including enterprises, indigenous peoples, groups and individuals.

The recommended strategy for increasing financing flows for SFM is the National Forest Development Strategy, which would include a National Forest Financial Strategy. The Forestry Department must initiate formulation of this as soon as possible. All forest stakeholder groups should have input into the National Forest Development Strategy, which then could be used to lobby for an increase in funds budgeted to the Forestry Department by the Government of Fiji, as well as to lobby other international donor agencies and the private sector.

1. INTRODUCTION

1.1 Background

In October 2009, the Member States of the UNFF adopted a decision on means of implementation of sustainable forest management (SFM) during a special session of the ninth session of UNFF. The decision launched two initiatives to catalyse funding for SFM. The Forum established an intergovernmental Ad Hoc Expert Group, which will analyse existing financing strategies for SFM and explores ways to improve access to funds. The second initiative is a “facilitative process” on forest financing to assist countries to mobilize funding from all sources. The facilitative process addresses the special needs of countries that have faced a 20-year decline in forest financing. These specifically include, among others, Small Island Developing States and Low Forest Cover Countries.

Sustainable forest management is a target in forest development in the global forest forums (Intergovernmental Panel on Forests (IPF), Intergovernmental Forum on Forests (IFF), United Nations Forum of Forests (UNFF)). However, various studies have demonstrated that unsustainable management (e.g., “cut and run” harvesting of native forests) is much more profitable than SFM in similar forests in the short term. Various studies have further shown that the average return on investment when practicing SFM in natural tropical forests remains clearly much below the normally expected business returns. Well-managed fast growing plantations can be, however, attractive investments.

Available statistical data indicates that the vast majority of investment flows/financing to the forest sector, and presumably also to SFM, come from the private sector. Public sector financing has an important catalytic role, but its volume is clearly minor compared with private sector financing. The role of private sector financing in developing countries and countries in transition is expected to grow further.

Loss of forest cover is a major global concern, and there are various direct and indirect reasons for deforestation. Land use and forest management decisions are driven by social and economic considerations. According to many studies, the most common reason for deforestation is the land use change from a less profitable option (forest/forestry) to more profitable use such as agriculture or animal husbandry. The difference in profitability is real, at least in the short term, but it is often caused by agricultural subsidies, or other policies that favour agricultural expansion. Consequently, there are at least two effective means for reducing deforestation: (a) regulatory control of land use change, and (b) increasing the profitability of forestry compared to alternative land use options. The latter includes the elimination of agricultural subsidies and the increase of the use of payment for ecosystem services that forests provide in areas where the policymaker wishes to decrease the deforestation rate.

Currently under discussion in climate change negotiations, Reducing Emissions from Deforestation and Forest Degradation in developing countries (known as the REDD+ mechanism) specifically addresses this issue by providing additional income to forest conservation and SFM, thus increasing the profitability of keeping land under forest cover. New and emerging climate change and forest related financing can be particularly important to Small Islands Developing States in adaptation to climate change risks (e.g., coastline stabilization and management). Similarly, Low Forest Cover Countries’ financing for increasing forest cover through afforestation and reforestation (plantations) can be an important opportunity for combating climate change.

Other factors also contribute to market imperfections. The externalities of forest management do not usually enter into the profitability calculations of the landowner, as landowners are not compensated for global and local environmental services. Another example is the distorted competition in the marketplace, due to unscrupulous operators who do not respect regulations and thereby succeed in cutting their costs. This problem, compounded by widespread corruption

related to weak forest governance in many countries, makes it difficult or even impossible for responsible operators to cover their costs of sustainable forest management.

1.2 Study aim and objective

The study aims to compile all forest financing relevant information available in the country and to analyse the current and potential funding sources and flows and the related gaps, obstacles, opportunities and enabling environment to increase financing for sustainable forest management. The Fiji case study represents an example of a Small Island Development State, and the objective is to increase understanding of forest financing in the country and in the respective country group.

DRAFT

2. METHODOLOGY AND DATA COLLECTION

This study was conducted by way of a desk study, a questionnaire, interviews and a workshop in which experts representing different stakeholders participated. The questionnaire was distributed to approximately 40 people, organizations and companies active and knowledgeable in the forest sector. The questionnaires were followed up with approximately 20 interviews, and those interested were invited to further participate in the workshop for the study. See Annex 1 for the case study consultation list.

The workshop, entitled “Financing Sustainable Forest Management in Fiji”, was held at the Studio 6 Conference Facility on 26 May 2010. It was attended by 34 representatives from a wide cross-section of the forest sector, the environment quarter, finance personnel, Fiji Development Bank representatives, Secretariat of the Pacific Community (SPC) – Forest and Tree Programme representatives, landowners, plantation managers, wood processors, international consultants knowledgeable on forest finance matters, and Forestry Department staff, including the Conservator of Forests and his two Deputies. The preliminary results of the study were presented and the gaps, obstacles, opportunities and the enabling environment were confirmed and further discussed. See Annex 2 for workshop outcomes.

The Forestry Department organized a second consultation follow-up workshop with key forest stakeholder representatives at their Forestry Training Centre on 12 August 2010. The purpose of the meeting was threefold: (a) to present the findings and recommendations of the previous workshop, (b) to address issues of cross-sectoral management of Fiji’s forest resources and (c) to address impacts of the political instability spanning more than 23 years that resulted in four coups carried out in Fiji from 1987 to 2006. See Annex 3 for the follow-up workshop outcomes.)

The FJD:USD conversion rate is FJD 1: USD 0.5226, as of 12 April 2010.

Challenges encountered in data collection

Although the Fiji Forestry Department assisted the study with letters of support and invitation to cross-sectoral departments, some of the government departments did not respond within the time frame of the survey, and others only managed to come in for the workshop.

Overall, more time is needed to obtain data from the forestry sector in developing countries, and even more so when it is desirable to include the sectors traditionally not considered to be in the realm of forestry, such as agriculture and tourism. Persons vital to the survey were often away (i.e., out of the country) during much of the study period and busy upon their return, which made it difficult for the consultant to interview them and/or to have them participate in the workshop. Furthermore, sufficient time after the workshop is necessary to allow the participants to verify the data written on their behalf, or to allow the persons not able to attend the workshop to also provide input for the draft report.

3. OVERVIEW AND KEY FACTS ABOUT FIJI

3.1 Physical geographical data

The Republic of the Fiji Islands consists of approximately 330 islands located around the geographic coordinates 18°00'S 179°00'E. Fiji's total land mass amounts to 18,270 km², and most of this is situated on the two main islands of Viti Levu (10,429 km²) and Vanua Levu (5,556 km²). The other bigger islands include Taveuni (470 km²), Kadavu (411 km²), Gau (140 km²) and Koro (104 km²). The highest point on Viti Levu is Mount Victoria at 1,324 m elevation, and the highest point on Vanua Levu is Mount Thurston at 960 m.

3.2 Climate

Rainfall is highly variable and mainly influenced by the island topography and the prevailing south-east trade winds. These south-east trade winds are often saturated with moisture, causing any high land mass lying in their path to receive much of the precipitation. Thus, the mountain ranges on Viti Levu and Vanua Levu create wet climatic zones on their windward sides and dry climatic zones on their leeward sides, resulting in the main islands having pronounced dry and wet zones. Little climatic differentiation occurs on the smaller islands.

Rainfall is usually abundant during the wet season (November-April), especially over the larger islands, and it is often deficient during the rest of the year, particularly in the "dry zone" on the north-western sides of the main islands. Annual rainfall in the dry zones averages around 2,000 mm, whereas in the wet zones, it ranges from 3,000 mm around the coast to 6,000 mm on the mountainous sites. The smaller islands receive various amounts according to their location and size, ranging from around 1,500 mm to 3,500 mm. As a result, Fiji has a tropical humid climate (Fiji Meteorological Service, 2010).

3.3 Population data and socio-economic background

Only about 100 of Fiji's islands are inhabited, by approximately 838,000 people in total. Indigenous Fijian people make up 56.8 per cent of the population, Indians make up 37.5 per cent, and the remaining 5.7 per cent is comprised of other ethnic groups, including people of Chinese or European origins and minority Pacific Island races indigenous to Fiji, such as Rotumans and Rabians. The population density in Fiji is approximately 45 persons/ km² (FIBOS, 2007 Census of Population).

88.2 per cent of land in Fiji is communally owned by indigenous people; 3.9 per cent is State land and 7.9 per cent is freehold land. The land that is communally owned by indigenous Fijians is held in the custody of the Native Land Trust Board (NLTB).

In relation to human development, Fiji was ranked 108th among the 182 countries in the Human Development Index (HDI), ahead of Turkmenistan and behind the Syrian Arab Republic in the 2009 Human Development Report of the United Nations Development Programme. Fiji's HDI value was calculated at 0.741. It falls into the category of 'medium human development'. The HDI provides a composite measure of three dimensions of human development: living a long and healthy life (measured by life expectancy, which is 68.7 years for the average Fijian); being educated (measured by gross enrolment in education, which is 71.5 per cent in Fiji); and having a decent standard of living (measured by Purchasing Power Parity income, which is USD 4,304 for the average Fiji citizen). However, only 53 per cent of the population has access to safe water and proper sanitation. Access to sanitation is at 75 per cent for urban areas, but only at 12 per cent for rural areas.

The Fiji Government's household survey conducted in 2002/03 reflected a similar situation. The results indicated that 34.4 per cent of the population lived below the Basic Needs Poverty Line. Most of those living in poverty were situated in rural areas, particularly those from the Indian community. According to the Asia Development Bank (ADB) Country Strategy and Program Update for Fiji (2006), the range of factors contributing to rural poverty includes:

- Increasing displacement of sugarcane farmers due to expiring land leases and declining incomes resulting from the gradual reduction in the sugar subsidy
- Loss of employment in the garment industry due to the closing of preferential access to the main export markets
- Rising consumer prices reflecting global conditions
- Low real growth in wages
- Deterioration in many Government services

3.4 Economy – Foreign investments and trade

3.4.1 Foreign investments in the forest sector

Table 1 summarizes the foreign companies registered with the Fiji Trade and Investment Board (FTIB) to undertake forestry-related business activities in Fiji from 2005.

Table 1 Foreign companies registered with the FTIB with investment interests in Fiji's forest sector

Year	Registered		Yet to be implemented		Implemented		Cancelled	
	No. of projects	Proposed investment (FJD/USD)	No. of projects	Proposed investment (FJD/USD)	No. of projects	Investment to date (FJD/USD)*	No. of projects	Proposed investment (FJD/USD)
2005	4	26 119 784	3	26 030 000	1	89 784		
2006	4	17 225 000	2	16 350 000	1	61 000	1	825 000
2007	14	56 142 964	7	2 820 000	6	3 885 786	1	250 000
2008	3	350 000	1	50 000	2	1 680 000		
2009	2	6 500 000	2	3 500 000	0	0		
FJD Total	27	106 337 748	15	48 750 000	10	5 716 570	2	1 075 000
FJD:USD = 0.5226, 12 April 2010								
2005	4	13 650 199	3	13 603 278	1	46 921		
2006	4	9 001 785	2	8 544 510	1	31 879	1	431 145
2007	14	29 340 313	7	1 473 732	6	2 030 712	1	130 650
2008	3	182 910	1	26 130	2	877 968		
2009	2	3 396 900	2	1 829 100	0	0		
USD Total	27	55 572 107	15	25 476 750	10	2 987 479	2	561 795

* This is a provisional figure which is likely to change as the Bureau receives more information on implemented projects via the monitoring/update process.

Source: FTIB database as of 19 May 2010

The top half of table 1 is in FJD, and the bottom half is in USD. The first column shows the funds that registered companies proposed to invest. There was a sharp increase in the year 2007 in response to Fiji Government changing its policy in 2004 so that foreign

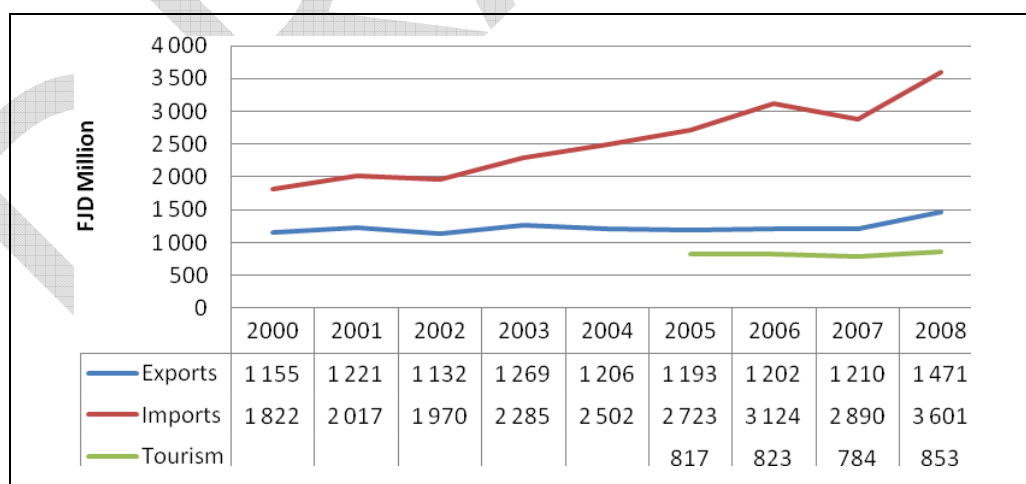
investors need not team up with local investors to the value of one-third the proposed venture, as had previously been required. The following columns show the current status of those registered in the respective years. For example, of the 14 investors registered in 2007, seven ventures are still undergoing establishment, six have been implemented or established, and one was cancelled. The figures provided above in the 'Implemented' column were obtained as a response to the FTIB annual surveillance forms. The companies are not obliged to respond, and the information they provide is not verified, in case they do send in feedback. The large gap between proposed and implemented investments may reflect this fact.

3.4.2 Gross domestic product

In 2008, Fiji's gross domestic product at current prices stood at 4.9 billion (USD 2.5 billion) whilst GDP per capita for the same year was FJD 5,808(USD 3,035). Despite the occurrence of four coups within a period of 20 years i.e 1987(2), 2000 (1) and 2006 (1), Fiji's GDP per capita has generally increased annually from 2005 - 2008.

In 2005, contributions of certain sectors to the GDP can be broken down as follows: sugar contributed 6 per cent to the GDP, other agricultural products also 6 per cent, the fisheries sector 3 per cent and the forestry sector only 1.3 per cent. Sugar production and export has had a substantial contribution to Fiji's GDP since the colonial era, although it has started to decrease (see below), while tourism is becoming increasingly important to Fiji's economy, earning FJD 853.1 million (USD 446 million) in 2008 (approximately 12.5 per cent of Fiji's GDP). Fiji's GDP has been particularly affected by the coups because neighbouring countries enforced trade bans, thereby effectively crippling exports and industries reliant on the import of materials for processing (e.g., the garment industry) until new markets were found. Neighbouring countries also issued travel advisories, affecting the tourism industry. The total imports and earnings from exports and tourism are tabulated and illustrated in Figure 1.

Figure 1 Imports and Earnings via Exports & Tourism



Source: Fiji Islands Bureau of Statistics, 2010

3.4.3 Exports and imports

Fiji's total domestic export value for 2009 was FJD 894,830,000. Over the last 100+ years, Fiji's main export product has been sugar derived from sugarcane. The British introduced sugarcane farming into Fiji during the colonial era, and they brought over Indians from India to provide labour for the farms. The export value of sugar has been approximately 24 per cent of Fiji's annual export earnings over the last 10 years, but the figure has been generally decreasing as the industry faces a multitude of problems relating to land tenure, efficient land use, reduction in the European Union price support, etc.

Fiji has approximately 2,900 km² of land (16 per cent of the total) that is suitable for arable agriculture (including sugarcane), and a further 7,900 km² (43 per cent) is available for tree crops and grazing. This land supports the exports of various fruits, vegetables, kava and ginger to account for 4.7 per cent of the total export earnings.

Fiji has a policy of not exporting logs; hence, value adding downstream wood processing activities are mandatory. The export of wood products makes up approximately 4.6 per cent of the annual export earnings. Natural artesian bottled water is an indirect non-wood forest product that has become important over the last 10 years, growing from 3.3 per cent to 9 per cent (FJD 80,154,000) of the total export earnings.

Canned and fresh food exports have increased twofold over the last ten years and accounted for 17.5 per cent of the total 2009 export earnings. Other noteworthy exports in 2009 include garments at 9.4 per cent and gold at 4.6 per cent. Fiji imports all types of commodities and evidently imports far more products than it exports, as clearly shown Figure 1.

4. FORESTS AND THE FOREST SECTOR

4.1 Basic forest information

Fiji has forest covering 1.1 million hectares, that is, 60.9 per cent of the country's landmass. 85.4 per cent of the forest is natural (lowland and upland rainforest, and mountainous cloud forest), while plantations of predominantly mahogany and pine make up the remaining 14.6 per cent. Table 2 shows the breakdown of the various forest types with proportions relative to the total forest area, with the change in forest types occurring between 1991 and 2007.

Table 2 Fiji's forest types and the change in forest cover – calibrated data

<i>National class (1000 ha)</i>	<i>1991</i>	<i>2007</i>	<i>2007 (% area)</i>	<i>Δ Area</i>	<i>Δ/year over 16 years</i>
Closed Native forest	704.9	587.8	32.2	-117.065	-7.3166
Open Native forest	223.5	362.2	19.8	+138.668	+8.6660
Pine plantations	49.6	98.8	5.4	+49.183	+3.0740
Mahogany plantations	39.2	63.9	3.5	+24.640	+1.540
Coconut plantations	34.6	28.7	1.6	-5.891	-0.368
Non-forests		665.4	36.4		0
Inland water		20.3	1.1		0
Total land area		1 827.0	100.0		

Source: FAO FRA 2010 – Fiji Country Report

Calibration factor: 1.05644675

There has been a conversion of closed to open native forest at a rate of 7,300 hectares per year over the last 20 years with conventional forest practices. Native forests are subdivided into three management categories, including preserved forests (e.g., nature reserves and forest reserves) protected forests (e.g., steep areas and designated water catchments), and multiple use forests (e.g., forest for all uses, including harvesting operations). The following table shows the proportions of each of the categories.

There are extensive mangrove areas in Fiji (totalling 38,742 hectares as of 2007), and its management is still a major challenge to the Forestry Department. Mangrove forests are not considered to be on terra firma (which is a criterion for inclusion in Table 3).

Table 3 Major forest management types – calibrated data

<i>FRA categories</i>	<i>Forest (1000 hectares)</i>			
	<i>1990</i>	<i>2000</i>	<i>2005</i>	<i>2010 (Forecasted)</i>
Plantation forests	85.7	117.0	132.6	176.5
Protection forests	304.2	304.2	304.2	92.1
Preserved forests	68.8	68.8	88.8	88.8
Multiple use forests	465.7	501.2	499.0	780.6
Total	924.0	991.0	1,025.0	1,137.9

Source: FAO FRA 2010 – Fiji Country Report

Calibration factor: 1.05644675

4.2 Conventional forest practices and forest degradation

Logging of Fiji's native forest has been ongoing since the colonial era of the nineteenth and twentieth centuries. During the colonial era, forest land was parcelled out as concessions, whereby the companies harvesting the trees had rights to the trees and land for up to 30 years and paid royalties and a harvesting premium to the landowners. Eventually, the landowners became displeased with the long delays in having their forests harvested, as it also meant delays in payment of royalties. This has resulted in the current arrangement whereby they are able to obtain a short-term "Right to Log Licence" from the Native Land Trust Board and the Forestry Department to harvest their trees themselves or sell the standing trees to a company for felling, extraction and processing. The latter option is most often utilized, as the landowners usually do not possess the necessary machinery to undertake the forestry operations themselves. This system is illustrated in Figure 2.

Environmental safeguards are built into the soft-law National Code of Logging Practice (recently revised into the Fiji Forest Harvesting Code of Practice), which requires a draft logging plan to be submitted to the Forestry Department to verify and approve as part of the procedures to secure a Right to Log Licence. The logging plan must have a map with detailed information on the area, compartments, waterways, buffers, water crossings, skid trails, major and minor haulage roads, landings, campsites, topography and details of the logging contractor (personnel with equipment/machinery). Right to Log Licences are granted with a validity period of one year.

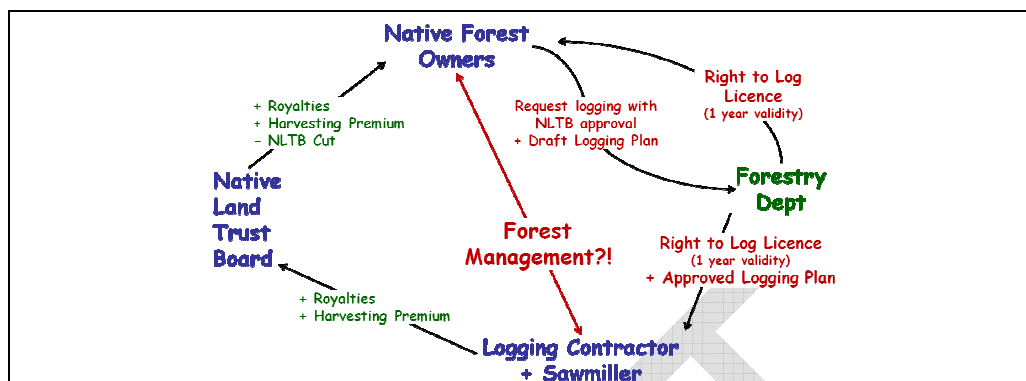
After extracting all merchantable species with a minimum diameter at breast height (DBH) of 35 cm, the logs are mostly scaled at the landings before being taken to the sawmill. The logging contractor pays royalties and a harvesting premium to the NLTB, which in turn pays these to the forest owners after taking the NLTB share. Native forest owners in effect sell their standing trees, while the logging contractor/sawmillers realize most of the monetary benefit after selling the sawn timber.

Illegal logging has also significantly contributed to the deforestation rate. This occurs when payments are made directly to the landowners (or licensee) without the operation being approved by the NLTB, Forestry Department or even the rest of the *mataqali*¹ members. It is one of the problems in an industry where all payments are not transparent and thus one is unable to accurately determine the costs.

Sustainable forest management as practiced so far in Fiji has been questionable, as there has been no pre-harvest inventory implemented before logging activities and no subsequent active management, resulting in much degradation and often conversion of forest land to other land-use such as agriculture and/or settlement. These conventional practices result in closed forests becoming open forests at a rate of 7,300 ha/year (refer to Table 2), if not converted to other land-uses. As a countermeasure, SFM techniques are now included in the new Fiji Forest Harvesting Code of Practice (FFHCOP) and the new Forest Policy. Implementation and enforcement will soon be in place, pending adequate financing.

¹ *Mataqali* - small traditional landowning units

Figure 2 Native forest system



4.3 Drivers of deforestation and downstream impacts

Besides the unsustainable harvest of Fiji's forest resources for monetary gain by the resource owners or the tree felling/extraction/processing companies, agricultural expansion has been identified as a major driver for deforestation (Herold and Payton, 2009).

The demand for land to support agriculture has been increasing for various reasons. Firstly, Fiji's population and the tourism industry have been steadily growing, thereby increasing the local need for root crops, fresh fruit and vegetables. In addition, there has been rising international demand for the same. Secondly, the Government of Fiji has actively promoted the expansion of agriculture through policies and assistance to farmers via loans (one can get a loan for almost anything required, including a farmhouse, land, seeds and animals) and technical support from the Ministry of Agriculture. Thirdly, the land under agricultural use has often not been fully utilized in an environmentally acceptable manner nor rehabilitated for reuse by the agricultural sector. Instead, new land is usually sought to maintain output, while the old land is converted for human settlement.

These unsustainable forestry and agricultural practices have often resulted in heavy soil erosion, causing degradation of Fiji's freshwater ecosystems and downstream marine ecosystems; siltation, leading to the riverbeds rising and being more flood-prone; and subsequent dredging of the riverbeds and estuaries. As mangrove forests are located in the estuary areas, they are also sometimes destroyed in the process, leading to the loss of the habitat that provides the nursery for many marine fish and invertebrates, further degrading coral reefs. The holistic result is greater poverty amongst the communities that depend on these resources for their livelihoods, as well as degradation of natural resources, which are in fact national assets that draw tourists to Fiji.

Furthermore, mangrove forests in particular have been cleared for land reclamation to provide space for human settlement, industrial sectors, and hotels and resorts.

The stressed ecosystems are additionally more vulnerable to fires. This was seen in early 2010 following Cyclone Mick that struck Fiji in mid-December 2009. Cyclone Mick was reported to have gusts up to 150 km/hour, and it created a lot of debris when trees were damaged. The month after the cyclone was very hot and dry (during the middle of the normally wet season), and the debris became prime fuel for the indiscriminate fires that swept along the Coral Coast of Viti Levu in January and February of 2010.

The fires penetrated into the forest and into the mahogany plantation, which had never experienced fire. Besides the fire being difficult to control, the emitted carbon contributed to global emissions and destroyed trees that are part of the solution to addressing climate change. Moreover, the aftermath of the fire events saw more secondary and invasive species growth taking place, which itself is more easily burnt the following dry season in a cycle of aggravating damage. This was an unprecedented case of fires occurring in and around forests during a normally wet season, with subsequent long-term 'downstream' effects of land degradation and erosion plus siltation and increased flooding.

4.4 Plantation establishment

In attempts to improve the management of its forest resources, the colonial Government of Fiji experimented and organized trials with a variety of species during the 1950s and 1960s. Caribbean pine (*Pinus caribaea*) was selected for the drier areas with nutrient-poor soils (locally referred to as *talasiga* land) with extensions out to the outer islands, while mahogany (*Swietenia macrophylla*) was selected for establishment in logged-over rainforests in the wet regions on Viti Levu and Vanua Levu.

Each species is now managed by Fiji Government-owned commercial companies, Fiji Pine Limited (section 5.4.2, page 23) and the Fiji Hardwood Corporation Limited (section 5.4.1, page 22), and the plantations make up 14.6 per cent of forested land. Despite occupying only 14.6 per cent of forest land, the plantation industries account for 90 per cent of the monies earned and the labour force in the forest sector. The remaining 10 per cent is from native forests, which occupy approximately 85.4 per cent of forested land.

4.5 Sustainable forest management

As there is no national definition of SFM, the UNFF definition which has been widely accepted since it was introduced in the Non-Legally Binding Instrument in 2007 is hence adopted and is stated as follows: "Sustainable forest management as a dynamic and evolving concept aims to maintain and enhance the economic, social and environmental value of all types of forests, for the benefit of present and future generations."

The seven thematic areas encompassed in the definition are:

- | | |
|--|---|
| 1. Extent of forest resources | 2. Forest biological diversity |
| 3. Forest health and vitality | 4. Productive functions of forest resources |
| 5. Protective functions of forest resources | 6. Socio-economic functions of forests |
| 7. Legal, policy and institutional framework | |

The initiatives for sustainable forest management implemented by, or in collaboration with, the Fiji Forestry Department over the last 15 years include:

- a) **The SPC²/GTZ³-Pacific German Regional Forestry Project (PGRFP)** (1995-2008), which developed SFM techniques for Fiji (including boundary demarcation, pre-harvest inventory, volume-species calculation to obtain the species specific diameter limit table (essentially the prescription for selective harvesting) and natural regeneration with reduced impact logging practices).
- b) **A Rural Land Use Policy for Fiji** was developed to provide some guidance to land-use planning in Fiji and implementation is underway. Its development was funded by

² SPC – Secretariat of the Pacific Community

³ GTZ – German Technical Cooperation

SPC/GTZ-PGRFP, in collaboration with the Department of Agriculture and the Forestry Department.

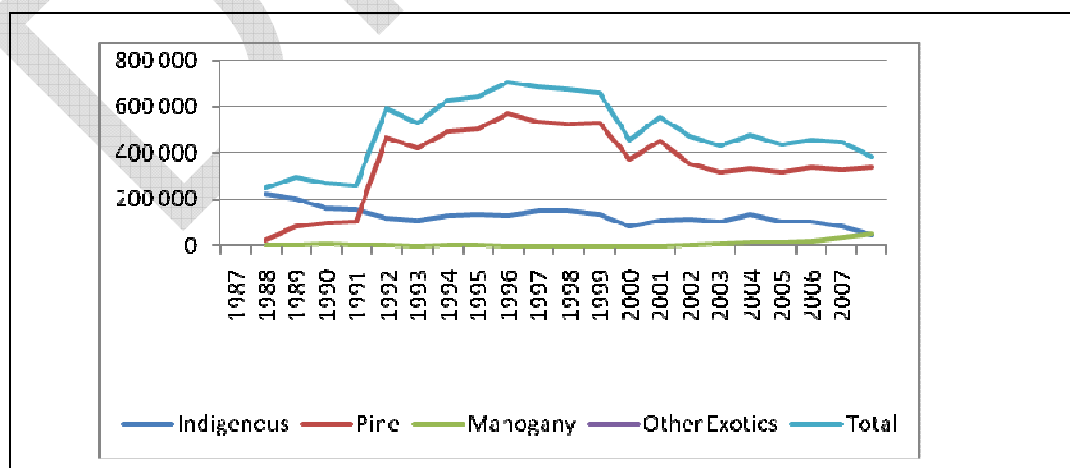
- c) **Fiji Forest Harvesting Code of Practice** is a revision of the National Code of Logging Practice, which better encompasses reduced impact techniques for forestry operations. The review is complete and awaiting Fiji Cabinet endorsement.
- d) **Forest certification** involves the promotion of forest certification and the development of the Fiji Forest Certification Standard which conforms to internationally accepted guidelines for the management of native forests and plantations. The process has developed locally adapted criteria and indicators for SFM. It prepared forest management enterprises such as the Fiji Hardwood Corporation Ltd. for certification audits, and to gain access to international markets seeking wood products that are sustainably sourced. This process is ongoing.
- e) **Fiji Forest Policy 2007** is the Fiji Forest Policy endorsed by the Cabinet in November 2007. Alignment of current legislation, operations, licensing systems, etc. to the new framework is ongoing.
- f) **Review of forest legislation** is underway as a part of the forest sector realignment to the 2007 Fiji Forest Policy.

4.6 Forest production

4.6.1 National log production

As shown in Figure 3, the total log production increased dramatically with the maturity of pine trees during the 1990s, peaking at 701,958 m³ in 1995. Pine (plantations managed by Fiji Pine Ltd.) makes up approximately 75 per cent of total production and has been on a decreasing trend over the last ten years, as the industry has been impacted by natural disasters such as cyclones and fires. Total log production has averaged just below 0.5 million cubic meters annually since 2001. Logs sourced from native forests have been steadily decreasing and now produces less than 100,000 m³ annually. However, mahogany log production (managed by the Fiji Hardwood Corporation Limited) commenced in 2001 (harvesting first rotation) and significantly increased in 2006, when most land-tenure issues were resolved. Harvesting volumes are illustrated in Figure 3 with details in Annex 4.

Figure 3 Annual log production 1997 – 2007



Source: FD, 2007

4.6.2 Wood processors

Fiji has a firm policy against the export of logs. In 2007 (FD Annual Report, 2007), forty-five sawmills (26 static and 20 portables), 23 timber treatment plants, and 26 kiln driers were licensed to operate.

Fiji has approximately 200 registered wood working/processing companies involved in construction, furniture manufacture, handicraft boat building, etc. that produce products for local and international markets. Fiji also has high-end woodworkers to outfit luxury hotels, resorts, homes and businesses with inter alia in-built cabinets, flooring and decking.

4.6.3 Wood and paper products exported and imported

The export of wood products makes up approximately 4.6 per cent of the annual export earnings. Other exported products include sawn timber, ply-board, mouldings, veneer, *balabala* (tree fern roots), seeds and coconut columns. Fiji also imports many wood products, particularly sawn timber and high density boards, as well as paper and paper-based products. Paper and paper-based products account for 96 per cent of the wood material imported. The values of major wood and paper products exported and imported are listed in Table 1.

Table 4 Major wood and paper products exported and imported, 2007

Commodity	Exported			Imported		
	Quantity	Value (FJD)	Value (USD)	Quantity (m ³)	Value (FJD)	Value (USD)
Pine chips	297 461 tons	26 925 274	14 071 148			
Sawn timber	16 381 m ³	15 855 792	8 286 237	2 265 114 m ³	1 351 335	706 208
Sandalwood	116 tons	2 679 886	1 400 508			
Ply-board	1 442 m ³	2 334 715	1 220 122	725 932 m ³	742 703	388 137
Mouldings	1 030 m ³	968 087	505 922	83 510 m ³	17 258	9 019
Veneer	250 m ³	390 877	204 272			
Lake pine board				162 500 m ³	94 608	49 442
Laminated beams				15 000 m ³	104 858	54 799
Logs				2.5 t	24 750	12 934
High density board				8 377 879 m ³	1 243 763	649 991
Paper & paper products		18 799 000	9 824 357		96 104 000	50 223 950
Total		67 953 631	35 512 566		99 683 275	52 094 480

Source: Forestry Department Annual Report 2007 and FIBOS 2010
1 FJD = 0.5226 USD, 12 April 2010

4.6.4 Other forest products and services

Fiji is reliant on its native forest for a variety of products and services. It is a traditional and direct source of building materials, medicines, food and water. Its ecosystem services (carbon sequestration, fresh water provision, clean air) are increasingly recognized.

4.6.4.1 Water

Nowadays, some water catchments are managed to supply urban areas with water. The Vaturu water catchment and dam services western Viti Levu, and the Savura forest reserve/water catchment services the Tamavua Reservoir, which supplies water to the Suva City area. These water catchments supplying water to urban areas are managed by the Water Authority of Fiji, which leases the land from the landowners.

Water catchments are also managed for the collection of water refilling the Monasavu Hydro-dam on Viti Levu. This allows Fiji to have a renewable source of energy that currently caters for approximately 60 per cent of the national energy demand.

Water that filters down through the forest and soil feeds into the natural aquifers which supply companies such as FIJI Water with mineral water, most of which is exported to the United States of America. The export of mineral water has been on an increasing trend over the last 10 years, growing from 3.3 per cent to 9 per cent (FJD 80,154,000) of the total export earnings by 2009.

4.6.4.2 Building materials, medicines, food, water and firewood

Rural communities rely on what forest they may have still available to them for their supply of building materials, medicines, food, water and firewood. There is increasing pressure on the forests from unsustainable harvesting of building materials and firewood, particularly on the mangrove forest ecosystems along the coastline.

4.6.4.3 Carbon

The sale of carbon credits in response to climate change initiatives is a new concept in Fiji, and the policies for Fiji's engagement in this arena are in development. Fiji will soon finalize a Policy on Climate Change and a Policy on the Reduction of Emissions from Deforestation and Forest Degradation.

Fiji is already active on the voluntary carbon market, whereby the FIJI Water company is providing funds for reforestation and afforestation activities. This is further discussed in the Conservation International section 5.6.6, page 28.

5. POLICIES, INSTITUTIONS AND INTER-SECTORAL LINKAGES

5.1 Policies, strategies and legislation

The Fiji Forest Policy Statement was endorsed by the Fiji Cabinet in November of 2007. The following is the outline of the policy areas:

1. Conservation of forests and biological resources
2. Integrated forest resources management
3. Resource owners and community involvement in sustainable forest management
4. Upgrading of the forest industries and promotion of high quality products
5. Institutional framework and human resources

Financing SFM is discussed in Section Six of the Fiji Forest Policy. However, to date there has not been much implemented towards this end. The realignment of legislation, operations and supporting financial framework is ongoing.

The other major national policies, strategies and legislation that have substantial implications on the forestry sector are outlined below, with the full list in Annex 5.

- a) **A Rural Land Use Policy for Fiji** was developed to provide some guidance to land-use planning in Fiji as the first step towards establishing a Permanent Forest Estate that would safeguard forest land. The Fiji Cabinet endorsed this in 2005.
- b) **The Environment Management Act** was endorsed in 2005 for the protection of the natural resources and for the control and management of developments, waste and pollution. The Act makes environmental impact assessments mandatory for any development proposal or undertaking that is likely to alter the physical nature of the land in any way. It includes the construction of buildings or works; the deposit of wastes or other material from outfalls, vessels or by other means; the removal of sand, coral, shells, natural vegetation, sea grass or other substances; dredging; filling; land reclamation; mining; or drilling for minerals. Application of this Act to the forestry sector entails that any forestry operation of significant size (minimum size is yet to be determined) requires an environmental impact assessment.
- c) **The Fiji National Biodiversity Strategy and Action Plan** was developed as the local implementation plan for the Convention on Biological Diversity (CBD). The CBD has three main objectives: the conservation of biological diversity, the sustainable use of the components of biological diversity, and the fair and equitable sharing of the benefits arising out of the utilization of genetic resources.
- d) **The Native Land Trust Act** endorsed in 1940 makes the NLTB the designated trustee of all native land, which comprises 87 per cent of total land area in Fiji. As the lessor and/or licensor of native land, the NLTB is involved in monitoring relevant conditions of leases and licences that cover native forest, plantations, and conservation areas falling within native land. In addition, it is obliged to control activities and land use such as harvesting, planting and/or ecotourism taking place on native land.
- e) **The Mahogany Industry Development Decree** of 2010 is meant to assist efficient development of the mahogany industry for the benefit of its landowners. It ensures that the mahogany plantation estate remains intact and within the administration of a coordinating forest management enterprise (Fiji Hardwood Corporation Ltd.) and the Fiji Mahogany Trust to manage the interests of its landowners.

- f) **The Fiji Pine Decree** of 1990 was likewise endorsed to facilitate the acquisition of pine forests and lands for the incorporation of Fiji Pine Limited and the establishment of the Fiji Pine Trust.
- g) **Forest Decree** is in draft to align forest legislation with the 2007 Fiji Forest Policy Statement.
- h) **REDD Policy** is in draft to establish the framework for the engagement of Fiji's forestry sector in carbon trading.

5.2 Key government / public sector forestry-related institutions

The government departments and institutions that can influence forestry matters in Fiji are detailed below.

5.2.1 Forestry Department

Mission Statement

"The Department of Forests, as a public-oriented entity, fosters Fiji's economic and human development by effectively implementing policies and enforcing relevant legislations for the sustainable management of Fiji's natural resources through strategic alliances and efficient coordination with relevant stakeholders towards this goal.

The Forestry Department oversees the conservation, protection, management and utilization of Fiji's forest resources and its biodiversity, while ensuring that the productive capacity of the forests for both goods and services is maintained or enhanced for the sustainable development of all stakeholders. The role of the Forestry Department, therefore, is to coordinate the implementation of the forest policy within the regulatory framework established to achieve its mission."

The Forestry Department is located within the Ministry of Agriculture, Fisheries and Forests. The Ministry has a Minister, Permanent Secretary and Deputy Secretary for Fisheries and Forests to serve the Forestry Department. The FD is headed by the Conservator of Forests and two Deputy Conservators (for Operations and Services).

The budget and actual expenditure for the years 2003 to 2009 are outlined below. The Forestry Department budget has been generally on the rise since 2000, particularly as the Permanent Secretary appointed was knowledgeable on Government budgetary submissions and preparing funding proposals, skills which he trained his staff in, thereby increasing their fundraising capacity.

Table 5 Forestry Department budget and actual expenditure (2003-2007) in Fiji Dollars

Year	Budget			Actual expenditure		
	Operations	capital	Total	Operations	Capital	Total
2003	5 644 171	38 925	5 683 096	5 644 145	38 925	5 683 070
2004	5 765 000	39 000	5 804 000	5 646 508	39 000	5 685 508
2005	6 462 310	100 000	6 562 310	5 869 643	100 000	5 969 643
2006	8 752 000	20 682 000	29 434 000	3 001 000	15 385 000	18 386 000
2007	5 163 000	4 808 000	9 971 000	4 284 000	4 632 000	8 916 000
2008	5 539 500	600 000	6 139 500	5 539 500	600 000	6 139 500
2009	5 405 800	650 000	6 055 800	5 405 800	650 000	6 055 800

Operations = 50% salaries + 50% operating costs

Capital = Special projects costs (e.g. Wairiki Port construction in 2006)

Source: Forestry Department

5.2.2 Department of Agriculture

Despite often being within the same Ministry as the Forestry Department, the Department of Agriculture is unfortunately managed quite separately (agricultural activities are majorly responsible for the conversion of forest land to other land use). The Forestry Department will soon be renewing their relationship with the Department of Agriculture to jointly promote agroforestry in order to rehabilitate degraded farmland and improve food production, thereby lessening the pressure on forests.

5.2.3 Department of Environment

The Department of Environment is beginning to work more closely with the Forestry Department to coordinate forest conservation and sustainable forest management. The Department of Environment is also the Global Environment Facility (GEF)-Designated National Authority and thus manages the GEF funds, some of which are allocated to the forest sector.

5.2.4 Department of Lands

The Department of Lands is vested with the control and management of mangrove forests. Sustainable management is questionable, as vast tracts of mangroves are sometimes destroyed, often with the licensed approval of the Department. The ownership and custody of the mangroves lie with the State; hence minimal payments are required for wood that provides good building material and firewood. Mangrove forest sourced firewood is utilized at subsistence level or sold in small bundles at outlets for weekend home barbecues. There are verbal reports that they are also being used to fire boilers at local food canning factories.

The newly established IUCN-MESCAL Project (section 5.5.3) is working very hard to tackle the issues surrounding the unsustainable use of mangroves in Fiji.

The Forestry Department, via its 2007 Fiji Forest Policy, advocates the management of mangrove forests for conservation purposes and subsistence use only.

5.2.5 Ministry of Finance

The Ministry of Finance is responsible for formulating and implementing fiscal, financial and monetary policies. Furthermore, it is responsible for the evaluation and review of the governmental programs and their associated expenditures, including that of the Forestry Department.

5.2.6 Ministry of National Planning

The two major divisions of the Ministry of National Planning, the National Planning Office and the Bureau of Statistics, formulate the economic and social policies and strategies. These policies and strategies include the analysis of economic and demographic trends and their implications for the labour force and social services, including those associated with the forestry sector. The Roadmap is the main document with which the Government outlines its policy priorities. The Strategic Development Plan is often used in discussions with development partners. Fiji does not have a formal Poverty Reduction Strategy Paper, as other countries do.

5.2.7 Ministry of Industry and Trade

The overall responsibility of the Ministry of Industry and Trade is to formulate and implement policies and strategies that promote investment, commerce, small business development, consumer protection and fair trade in the domestic market. Through its policy role, the Ministry aims to create a supportive business and commercial environment that is stable, secure, transparent and free of lengthy approval processes for all investors, be they from industry, commerce, cooperatives, small business or micro-enterprises.

The Ministry has responsibility for two statutory bodies: the Fiji Islands Trade and Investment Bureau (FTIB, section 5.3.4) and the Consumer Council of Fiji.

5.2.8 Ministry of Tourism

The Ministry of Tourism has a policy and strategy to sustainably develop ecotourism and village-based tourism. The Ministry realizes the need to promote environmental awareness and conservation throughout the tourism industry, to reduce the negative impacts of tourism on the environment at all levels and to promote forms of tourism that will have positive socio-cultural and environmental effects. The implementation of the strategy is still in progress, and the Ministry needs to foster its relationship with forests to better support the management of protected forest areas.

5.2.9 Department of Energy

The Department of Energy does not yet have a unit that specifically addresses renewable energy originating from woody/plant material, although this material can be used in two or three types of electricity generating equipment promoted at village level. These include gasification technology, where biomass is burnt at a very high temperature and pressure to produce electricity; biodiesel mills that combine 20 per cent diesel with 80 per cent coconut oil; and diesel engines that are converted to run wholly on coconut oil.

The Department supports carbon trading initiatives, of which Fiji already has a few. For example, there are the Tropik Wood Limited power plant, fuelled by bio-fuel or wood base

residues, and the Fiji Electricity Authority hydro dam. The hydro dam supplies electricity to approximately 70 per cent of Viti Levu. The Department is currently collaborating with the Department of Environment and other stakeholders to develop policies for more carbon initiatives in Fiji; of particular relevance is Fiji's REDD Policy (in draft).

The energy sector also indirectly benefits from initiatives such as the FIJI Water Foundation-Conservation International community programme, which funds a reforestation/afforestation programme. The communities involved in the programme realize an improved economic status and therefore have funds to participate in the Department's Rural Electrification Programme. The communities are then able to contribute their required five per cent of installation costs for the infrastructure (including electric wiring for homes) needed to connect homes, etc. to the national electricity grid.

As a part of the Rural Electrification Programme, the Department of Energy secured a 50 per cent guarantee from the World Bank for loans accessible to local people. Of the banks in Fiji, only the Australia and New Zealand Banking Group Limited (ANZ) joined the Programme to offer a loan package with an 11 per cent interest rate. This is only 1 per cent less than the normal interest rate one can expect on a regular loan package. This is an example of a finance scheme developed with international and local banks for the improvement of rural livelihoods. It shows that despite the support from the World Bank, local commercial banks are unwilling to facilitate development of a perceived high-risk group of people. Most people that have land and other resources to commit to forestry activities fall into this category; therefore, the development of the forest sector through low interest, long-term loans will not be easy.

5.3 Statutory bodies

5.3.1 The Native Land Trust Board (NLTB)

The Native Land Trust Board is a statutory body that has custodian and administrator roles for the indigenously owned communal land in Fiji. The NLTB links investors to the *mataqali* that own the land earmarked for any type of development.

NLTB's core funding is sourced from a 15 per cent levy (also known as poundage) on the lease payments made by the investors to the landowners. In addition, the NLTB collects fees on work it carries out on activities such as 'lease application', receives Government grants for projects, and gets occasional assistance from other organizations like Conservation International (for a cadastral survey that cost FJD 60,000 for the Sovi Basin Conservation Area).

Finances are constrained in the NLTB, particularly as the levy has been reduced from 25 per cent to 15 per cent. There is a potential threat that the levy will be further reduced to 10 per cent or less.

5.3.2 Water Authority of Fiji (WAF)

The Water Authority of Fiji was established late 2009 and amongst other functions, it is mandated:

- To be environmentally responsible in the performance of all its activities
- To assist in protecting, managing and conserving water resources
- To assist in the formulation and implementation of national policies or urban and rural land use planning, relating to the use and control of water bodies and resources

Therefore, the WAF has been vested with the management of its forested water catchments and supply of water to municipalities. The WAF leases the water catchments from indigenous landowners and also provides some compensation for the use of their resource. The WAF in turn collects water rates from users in the municipalities. The WAF inherited its roles and responsibilities from the Department of Water and Sewage. The concept of payment for ecosystem services is not so new in Fiji in this case. There is no formal cooperative agreement between the Forestry Department and WAF for the collaborative management of the water catchments.

5.3.3 Fiji Development Bank (FDB)

The Fiji Development Bank has a mission to “Provide finance, financial and advisory services to assist in the economic development of Fiji and in particular in the development of agriculture, commerce and industry.”

The Bank is funded by the Government of Fiji and provides loans in the following categories:

- a) Agriculture and small and medium enterprises (SME) loans, with subcategories for hotels, motels and resort constructions; agriculture; fisheries; forestry and logging; etc.
- b) Corporate loans and micro loans, with subcategories for hotels, motels and resort construction; etc. Forest enterprises are not mentioned in the loan subcategories.

For “Forestry and Logging” specifically, the loan is meant for “sawmilling, further processing and working capital”. The maximum loan term can range from 3 to 15 years depending on the loan type, up to a maximum of FJD 162,500 (~USD 85,000) under the Seed Capital Revolving Fund. This specific fund was created to promote establishment of downstream value-adding enterprises and is currently suspended, although the fund still exists. Annex 6 compares the types of loans that the Fiji Development Bank offers in their product group of Agriculture & SME Loans.

Other loan types that the FDB offers with relevance to the forestry sector include ‘Manufacturing’ (e.g., furniture making), ‘Other Industries’ (e.g., for infrastructure construction and support services to forestry), and the ‘export credit facility’ (e.g., for assisting new and existing exporters in raising short-term working capital requirements for exporting).

While there are a variety of loans specifically for the agricultural sector, there are no loan types that cater for the establishment of nurseries, woodlots or plantations. Given that some thinning of timber trees (depending on species and other ecological/social/economical conditions) can occur when the trees are aged 12 (for example, with teak), and harvest at maturity at 20 years (e.g., pine), 25 years (e.g., teak) and 30 years (e.g., mahogany), and longer for native species, it is clear that there are no viable loans for forest establishment.

5.3.4 The Fiji Trade and Investment Bureau (FTIB)

FTIB is mandated to promote, facilitate and stimulate increased investment and exports and is essentially the marketing arm of the Government of Fiji. Any foreign person/business wanting to invest in Fiji must first register and be approved by the FTIB before being granted a Foreign Investment Registration Certificate (FIRC). Upon receipt of the FIRC from FTIB, it is mandatory for the investor to obtain approvals for permits and



licences from all the following first-tier investment approval agencies at least within the first three months from date of registration with FTIB:

1. Department of Immigration
2. Registrar of Companies
3. Reserve Bank of Fiji
4. Fiji Islands Revenue and Customs Authority
5. Local town/ city councils for business license to operate in the respective area

The second tier of approvals depends on the nature or sort of business the investor wishes to undertake. For example, for fishing or sawmilling licenses, the investor would require a licence from the Ministry of Agriculture, Fisheries & Forests. Commercial operations must begin within 12 months for projects with an investment level below 2.5 million FJD (~130,650USD) and 18 months for investment level on or above 2.5 million FJD (~130,650USD) effective from the date of registration of the project with FTIB. The FTIB also monitors companies registered with them to ensure that the companies continue to operate within the laws of Fiji after establishment.

5.3.5 The National Trust of Fiji (NTF)

The National Trust of Fiji was established in 1970 to provide for the protection of Fiji's natural, cultural and national heritage. The NTF manages designated protected areas such as the Sigatoka Sand Dunes National Park and the Waisali Forest Park. In addition, the NTF assists communities in establishing management and marketing of their own designated protected areas for community-based tourism, whereby monies earned from visitors supplement income derived from agriculture, etc. These community-managed sites for ecotourism include the Bouma National Heritage Park, the Koroyanitu National Heritage Park and the Muanakaka Bird Sanctuary.

The NTF is a statutory body funded jointly by the Government of Fiji, independent donors and multi-lateral projects. The financial constraints faced by the NTF are that the Government provides less than half its budget, and there are difficulties in accessing sufficient funding from donor agencies via grants, partnerships, etc. Besides the core administration costs of staff salaries and operational costs (e.g., building maintenance, water and electricity) of each of its offices, there are other costs incurred by annual lease payments for each of their sites to the respective landowners, track maintenance, weeding exotic species, etc.

The NTF has been exploring opportunities to raise its income from visitor numbers and services within the areas surrounding their park sites by implementing education programmes for local children (eco-camps) and making facilities available for community workshops. The NTF has actively expanded marketing of their parks to the hotels/resorts in the vicinity and has provided a small commission to taxi drivers who transport visitors to the parks.

The NTF has also been able to form partnerships with organizations like Conservation International to manage the Sovi Basin Protected Area (refer to Conservation International section 5.6.6 for more information).

5.4 Fiji Government-owned forest companies

5.4.1 Fiji Hardwood Corporation Limited (FHCL)

Fiji Hardwood Corporation Limited is a company owned by the Government of Fiji that focuses on managing mahogany plantations on land leased from indigenous Fijians. The



combined estate totals 53,843 ha. Its activities include road-making, harvesting, replanting, plantation maintenance, and forest protection, including native forest, in its leased area. The FHCL also has facilities to produce sawn timber and kiln-dried, treated and moulded timber products. The company objectives are to manage forest assets to maximize commercial returns while maintaining the social and environmental values of their resources.

Since the company has recently streamlined its operations to harvest, extract, process and sell its products, a steady profit has been realized. This enables the company to finance specific projects such as forest certification and the various assessments of the environment, social circumstances, High Conservation Value Forest and pest risks that are required. Forest certification would allow continued and wider market access, and perhaps access to marginally higher prices for products. Anticipated intangible benefits of forest certification include a better company image, with the tangible benefits being improved efficiency and reduced costs.

FHCL pays land lease and log stumpage fees as well as a seven per cent commission of contract logging payments to the landowners. Benefits to landowners and local communities include employment in replanting activities, contract logging, road building and surveying. Clean air and water for local communities are products of good forest management, though seldom appreciated.

There are currently no perceived risks for investment into SFM by the FHCL.

5.4.2 The Fiji Pine Group (Fiji Pine Limited (FPL) and Tropik Wood Industries Limited (TWI))

Fiji Pine Limited is the government-owned parent company of the Fiji Pine Group, which includes Tropik Wood Industries Limited and its subsidiaries. Fiji Pine Limited is a softwood plantation company involved in the management of pine plantations and the processing and marketing of softwood timber and wood-based products. The pine plantation consists mainly of *Pinus caribaea* (variety *hondurensis*), with a total stocked area of over 46,000 hectares. It is established in western Viti Levu and Vanua Levu.

The company is involved in plantation establishment (planting), maintenance (e.g., weeding), harvesting (felling) and log transportation to Tropik Wood. The subsidiary companies of Tropik Wood Industries Limited and Tropik Wood Products Limited are its processing and marketing arms. Tropik Wood has diversified its product profile with the installation of a power plant fuelled by biofuel or wood-based residues. The FPL produces solely pine logs exclusively sold to TWI. TWI produces pine wood chips, sawn timber and roundwood (posts/poles), as well as electricity.

The company's primary objective is socio-economic development of rural areas and the alleviation of poverty through the generation of the rural economy; the establishment of plantation-related business ventures; creation of employment opportunities; and support for education and training of the rural people, particularly for the landowners that the FPL leases land from.

There is an array of financial sources for the Fiji Pine Group:

- Equity: There are two shareholders, which are the Fiji Government (99.98 per cent) and Landowners (0.02 per cent).
- Debt: This is with the Fiji Government, Fiji National Provident Fund, European Investment Bank and Westpac Banking Corporation.
- Own savings: This comes from log and timber sales.



There is reportedly ample financing available; however, there is also an option to utilize available overdraft facility with the Westpac Banking Corporation. The main financial constraint is the current debt servicing, which has restricted any form of investment for diversification or even growth.

The pine forest landowners and local communities benefit from Fiji Pine activities through lease payment (FJD 12 per hectare), a log stumpage share (12 per cent of net log sales), and contracts for all field operations (FJD 14 million per year).

5.5 Official Development Assistance conduits

5.5.1 Secretariat of the Pacific Community – Forest and Trees Programme

The Secretariat of the Pacific Community is a regional intergovernmental organization that provides technical and policy advice and assistance to its Pacific Island members. SPC was established in 1947 and has 22 member countries and territories, excluding Australia, France and New Zealand. The Forest and Trees Programme of the SPC Land Resources Division is based in Narere, Fiji.

The Forest and Trees Programme is primarily funded through SPC Programme funding, which chiefly comes from AusAid. Over the last few years, the Programme has provided technical and funding assistance of varying extents to the Forestry Department for specific tasks. These include the forest policy review (public consultation), the National Forest Certification Project (field-testing the national standard, participation at international forums for forest certification, computer and internet access), and the National Code of Logging Practice Review (engagement of consultants to draft the new Code).

5.5.2 SPC/GTZ Pacific-German Regional Programme on Adaptation to Climate Change in the Pacific Island Region (SPC/GTZ-CC)

This Programme “aims to build and strengthen the capacities of Pacific member countries and regional organizations, to adapt to, and mitigate climate change, as a fundamental element for the sustainable management of land-based resources.”⁴ The Programme has a four-year duration that commenced on January 2009, with a German contribution of up to € 4.2 million, and will focus its activities in Fiji, Vanuatu and Tonga.

Specifically in Fiji, the planned outputs include: drafting a National Climate Change Strategic Adaptation Plan on land-based natural resources; setting up a Climate Change database, (c) establishing pilot projects for Climate Change Adaptation; ensuring its stakeholders and skilled trainers are educated on climate change; developing national REDD policy and facilitating the development of an institutional framework and capacity to implement the policy (e.g., the capacity to monitor, report and verify carbon stocks); and facilitating the development of a Carbon Financing Instrument (e.g., National REDD Strategic Action) and the establishment of REDD pilot projects. In 2010, this project is likely to be expanded in scope and time-frame to 2015.

⁴www.sprep.org/climate_change/pdfs/pccr/SPC-GTZ-Adaptation%20on%20climate%20change%20in%20the%20Pacific%20Island%20Region_overview.doc

5.5.3 IUCN – Mangrove Ecosystems for Climate Change and Livelihoods Project (IUCN – MESCAL Project)

The project's overarching objective is “to help Pacific Islanders effectively manage their mangrove and associated coastal ecosystems to build resilience to the potential consequences of climate change and variability on coastal areas and support/enhance livelihoods.”⁵

Specific project objectives include awareness and capacity building exercises, stakeholder engagement, governance and policy work, and conservation/restoration work at demonstration sites. The project will also investigate the feasibility of obtaining carbon credits for mangrove conservation/restoration projects. Beneficiaries of the joint-partnership arrangement of project implementation are expected to be the vulnerable coastal communities, traditional/customary decision makers, government-level decision makers, and non-governmental agencies.

The German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU) funds the project, which will focus on the five Pacific Island countries of Fiji, Samoa, Solomon Islands, Tonga and Vanuatu. The project is of four years duration (December 2009 to December 2013), with a budget of € 2.3 Million (FJD 5.7 million or USD 2.83 million) for the five countries.

5.5.4 Institute of Applied Science (IAS) at the University of the South Pacific

The IAS is located in Suva, Fiji and caters for all Pacific Island Countries and others. It is active in conservation research and in the development of young professionals who will undertake natural resource management in Pacific Island countries.

The IAS has an annual approximate budget of FJD 500,000 (USD 255,400) sourced from the Global Environment Facility, private foundations (e.g., The David and Lucile Packard Foundation, The Ford Foundation, The Darwin Initiative and The MacArthur Foundation) and other donor organizations, such as the Critical Ecosystem Partnership Fund, AusAID and NZAID.

Some funds going into the Institute are derived through provision of services such as floral and faunal surveys, environmental impact assessments, forest certification auditing, and specialist training commissioned by organizations like Conservation International, GTZ, SPC, etc.

5.6 Key forest private sector institutions, companies and NGOs

5.6.1 BirdLife International – Pacific Partnership Secretariat and Fiji Programme

The BirdLife International Pacific Partnership Secretariat, which includes the BirdLife Fiji Programme, has been based in Fiji since 2002. In keeping in line with the main themes of BirdLife to work with people to conserve bird species, sites and habitats, BirdLife has identified 14 Important Bird Areas in Fiji, of which 10 are situated in pristine forest ecosystems. BirdLife works together with the Fiji government and local partner organizations (including the National Trust of Fiji and NatureFiji-MareketiViti) to undertake the conservation activities for these Important Bird Areas. Therefore, particularly as birds are an “umbrella group”, their conservation also translates to the conservation of the pristine forest ecosystems.

⁵ www.iucn.org/about/union/secretariat/offices/oceania/oro_programmes/oro_initiatives_pmi/oro_mescall

5.6.2 NatureFiji-MareqetiViti (NFMV)

Established in mid-2007, NatureFiji-MareqetiViti is the only entirely local conservation non-governmental organization in Fiji. Its mission is "to enhance biodiversity and habitat conservation, endangered species protection and sustainable use of natural resources of the Fiji Islands through the promotion of collaborative conservation action, awareness raising, education, research and biodiversity information exchange."⁶

Current project activities involve raising awareness on the 2007 Fiji Forest Policy with priority forest communities, focusing on the concept of the Permanent Forest Estate. Other activities include researching endangered forest species, targeting youths in awareness and training in forest biodiversity conservation, and assisting communities in establishing nurseries so that they may raise native seedlings to undertake reforestation.

Since its launch in 2007, the organization budget has steadily increased. The NFMV has so far secured 70 hectares for sago palm conservation, and it has approximately 400 persons in its project communities and nature clubs. Forest conservation advocacy materials include a website, brochures, reports, workshops, public campaigns/presentations and a video.

Cash raised from donor funds and memberships (individual/ family/ corporate categories) finance the NFMV. There has not been much difficulty in fundraising for project activities in line with donor interests; however, there are difficulties in raising sufficient core funds for the administrative sustainability of the organization.

Financial constraints are faced when there is a late delivery of donor funds. Donor interests are also not always consistent with organizational and/or national interests and needs. In addition, it has not been easy to raise membership numbers because of the non-appreciation of forests and biodiversity. The basic financial position of international/national donor organisations, as well as individuals, has substantially worsened in the last couple of years, so it has been increasingly difficult to raise monies from them. Special one-off payments or costs for the NFMV include land purchase, surveying, and capital for both vehicles and field equipment.

5.6.3 Viti Land and Resource Owners Association & Other Landowners

The Viti Land and Resource Owners Association is an association of indigenous resource owners that have stewardship of native forests/ plantations/ conservation areas. They partake in all aspects of forest activities whenever possible. The main interests of the Association include agroforestry, sustainable forest management, carbon trading, and biodiversity conservation.

The members of the Association and other indigenous landowners have equity investments of land, forests and labour, but little capital funds. Financing forestry operations on their own is severely restricted, as they often do not have any leverage, track record or security, particularly because the communal lands and forest assets cannot be traded with banks directly. More controls are imposed by the government licensing system, and NLTB has control of resources as trustee, manager, agent, etc.

⁶ www.naturefiji.org/mission.php

5.6.4 RiversFiji

RiversFiji is an American-owned company that began ecotourism operations in Fiji during 1998 to utilize the natural beauty in the Serua, Namosi and Navua Provinces in Viti Levu primarily for river rafting and river/mangrove forest/ocean kayaking. They are world renowned for their Upper Navua Conservation Area, which encompasses a river portion with a 200-metre buffer zone in a designated RAMSAR⁷ site leased from the landowners.

RiversFiji was established with an investment of USD 2.4 million for all equipment, vehicles and expatriate staff accommodation. Most of the staff, including specially-trained river guides, are local and from the areas that host the RiversFiji activities. Besides providing locally sourced employment, the company also pays lease monies to the resource owners through the NLTB.

With recent streamlining of business operations, the company has now started to realize a profit. However, it continues to combat issues of logging by other companies engaged by landowners within its leased no-take 200-metre river buffer zone in the Upper Navua Conservation Area.

The company also experienced a major decrease in visitor numbers due to these external factors affecting the tourism industry: (a) natural disasters such as the recent floods and cyclones and (b) political and social issues arising from the coup of December 2006 and on-going political instability.

5.6.5 Future Forests Fiji Limited (FFF)

Future Forests Fiji Limited is a private company establishing and managing teak plantations on freehold land, land leased from indigenous Fijians and native land via their out-grower scheme. The company was established in 2005 and its objectives are (a) to increase shareholder value; (b) to carry out sustainable plantation management, by growing the best possible trees, acting as a socially responsible operator in rural development, and engaging in environmental management; (c) to promote teak plantations to other growers through its out-grower scheme; and (d) to participate in carbon trading.

Their operations are financed by equity capital, grant, donor-assistance funded expertise, and in-kind contributions by company founders. The sources of financing include individual investors, the AusAID Enterprise Challenge Fund and the Australian Business Volunteers.

Direct financial benefits from the FFF to their landowners are the annual land lease fees and timber royalties (10 per cent from 2012). The local communities benefit through wages to locally sourced staff for planting and management, weeding and pruning contracts, skills development, thinning and transport contracts (from 2012).

Indirect benefits to the FFF landowners and communities include village nurseries developed to assist communities in planting teak and money received from wages. Despite all tangible and intangible benefits, the FFF finds access to new land for plantation expansion difficult, even though there is a fair amount of vacant deforested land.

⁷ RAMSAR - The Convention on Wetlands of International Importance, called the Ramsar Convention, is an intergovernmental treaty that provides the framework for national action and international cooperation for the conservation and wise use of wetlands and their resources.

Special one-off payments or costs for Future Forests Fiji include key payments at the start of lease commencing (affordable), land surveys (costly) and Forest Stewardship Council (FSC) certification. The company is operating within the framework of SFM and is intending to undergo an FSC audit later in 2010. FSC certification is costly for a small start-up plantation company, as the audit teams need to be flown into the country and be accommodated.

Tangible benefits anticipated and/or experienced from SFM and FSC certification include good environmental practices, better market access, expected higher/premium price in local and export markets, potential carbon trading, and a good marketing trademark for capital-raising. The intangible benefits consist of having a good image and the promotion of good land management practices.

5.6.6 Conservation International (CI)

Conservation International is a conservation non-government organization. Its main interests in Fiji involve the establishment of conservation areas (e.g., Sovi Basin) as well as reforestation and afforestation for the conservation of biodiversity and the improvement of community livelihoods.

The establishment of the Sovi Basin Protected Area is supported by a Trust Fund currently capitalized at USD 3.75 million from contributions from the FIJI Water Foundation and the Global Conservation Fund. The National Trust of Fiji will use the interest from the Trust Fund for three purposes:

1. To pay lease monies and royalties to the NLTB (The timber royalties are based on the current value of foregone timber income, as assessed by Forestry Department. The lease and past timber royalty is reviewed every five years.)
2. To manage the Sovi Basin as a Protected Area through a co-management approach between Government, the National Trust and the landowning communities
3. To contribute to a community "development fund" for which the communities need to submit viable proposals to access monies

Conservation International, through funding from the FIJI Water Foundation, also supports community reforestation and afforestation activities in the Ra Province. This initiative has an annual budget of one million Fiji Dollars. CI pays annual lease monies to the NLTB, purchases native and exotic tree seeds from the Future Forests Fiji, and contracts the communities to plant and maintain their young forest stands for the first five years in exchange for the carbon credits accrued over the 30-year period of the lease. This up-front payment method to finance reforestation and afforestation is a crucial point in the programme, as the Foundation assumes all the risks. Risks include natural disasters, such as fires and cyclones, and social risks that usually centre on land tenure security.

The forests are established at a rate of 100 hectares per year on naturally nutrient-poor soil that is common in the drier areas (locally called *talagisa* land). The funds are also in the process of being utilized for carbon/biomass assessment and certification via the Climate, Community and Biodiversity Alliance and the Voluntary Carbon Standard.

The community agreement between CI and the communities in the Ra Province is for 30 years, after which the communities have the option of harvesting their timber trees following sustainable forest management principles and practices that will allow the area to continue to be under forest cover. The potential for timber production has been a major

incentive for the communities to participate in the programme. Agroforestry is also encouraged with forest establishment, whereby fruit trees, pineapple, vetiver grass and sandalwood trees are also planted. The *talasiga* area is rather fire-prone due to its dry conditions, so firebreaks have been established with the growth of vetiver grass (as a fire retardant) and coconut trees, which are the local totem.

Ownership of the resource and programme is enhanced by the communities' active participation, which also serves to address land tenure security for forest activities. Other intangible benefits include both the FIJI Water Company and the communities' taking pride in their efforts and enjoying a better image and reputation. This programme has proven to be quite popular, as communities in the vicinity have offered 250 hectares for replanting in 2010, and CI has to choose which one(s) to work with.

5.6.7 The Fiji Islands Hotel and Tourism Association (FIHTA)

The Fiji Islands Hotel and Tourism Association has amongst its objectives (a) to maintain and promote standards within the tourists industry in Fiji by encouraging reliability and honest dealing and discouraging unfair practices and (b) to promote the service rendered to the public by members of the Association by offering constructive suggestions and disseminating information amongst its members, and by advertising and marketing generally.

Included in the abovementioned objectives of FIHTA are standards and codes for environmental management and protection, as well as the offer to disseminate information on protected areas or species, if appropriate. However, gaps faced in the aforementioned opportunities involve a lack of coordination and information-sharing with the forest sector. Furthermore, in the construction of a number of up-market hotels recently, the tourism sector experienced difficulties in sourcing locally-made high-quality furniture and fittings, etc. in the quantities needed within the required time frame at international market prices.

5.7 Cross-sectoral management of Fiji's forest resources

Fiji's forest resources have been traditionally managed somewhat independently by various stakeholders over the years. This is the result of a number of factors:

- Ownership by numerous small traditional landowning units (locally called *mataqali*)
- Mistrust of long term management for *mataqali* land, as experienced during the colonial era when large areas of forest were parcelled out as concessions for 30 years (see Section 4.2, page 10)
- The drive for agricultural expansion into forested land encouraged deforestation and the conversion of land use generally did not take account the need for cross-sectoral management of forests. Thus, the governmental administrative structure has been split with a Permanent Secretary for Agriculture and a separate one for Fisheries and Forestry.
- The under-appreciation of forests and of the diversity of products and services which these provide.

However, in the last few years, in particular as a consequence of the role of projects such as the SPC/GTZ-PGRFP in raising general awareness of sustainable forest management and its benefits, the wider values of forests have begun to gain deserved recognition.

Consequently, the 2005 Fiji Rural Land Use Policy was developed with wide cross-sectoral consultation to include all forest stakeholder representatives, as was the 2007 Fiji Forest Policy and the Fiji Forest Certification Standard (in draft). Implementation of these policies has only just commenced, so there is understandably still a significant way to go to achieving full cross-sectoral management of the nation's forest resources, especially as the engagement in forestry-related activities of non-traditional forest stakeholders like the agricultural sector is proving to be challenging.

A very positive current development is the national initiative aimed at the identification, mapping and standardized management of terrestrial and marine areas vital for biodiversity conservation at national scale. This is coordinated by the Protected Areas Committee, of which most relevant government departments are members, as well as the environmental NGOs and other interested parties working with protected areas.

During the follow-up workshop for this study, it was recommended that forest stakeholders, and in particular, the Forestry Department, be actively engaged in the national land use planning exercise that is currently underway. Additionally, the forestry sector needs to become much more participatory in collaborative fundraising and in organizing forest finance mechanisms to minimize/prevent deforestation and forest degradation.

Land tenure was identified as a crucial cross-sectoral issue pertaining to SFM. The Government of Fiji has initiated a Land Bank Concept in mid-2010 in an effort to facilitate and encourage enhanced long-term access to land in the national interest. Therefore, *mataqali* units would be able to commit their land to the Bank for lease to others for 99 years, while all activities on such land would need to be compliant with the relevant laws. Hence, land acquisition procedures for afforestation or reforestation should be streamlined and more attractive to potential investors.

6. PRESENT FINANCIAL FLOWS FOR THE FIJI FORESTRY SECTOR

Table 6 outlines some of funds available to the forest sector from the year 2000. The top half of the table is in FJD and the bottom half has the same figures expressed in USD. The first row is the annual budget for the Forestry Department. There was a significant increase in 2006 due to a port facility constructed to provide direct access for ships and a pine chipping mill built to promote the export of pine chips from Vanua Levu.

Fiji Hardwood Corporation Ltd. was established in 1998 to manage the Government's mahogany resources worth approximately FJD 200 million. The company only started to realize a profit in 2009 (FJD 33,100,000) when its operations were streamlined.

Table 6 Current source of forest related financing in Fiji

<i>Funding source</i>	<i>FJD/USD</i>	<i>2000</i>	<i>2004</i>	<i>2006</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>
Public domestic	Forestry Dept	2 707 760	5 804 000	29 434 000	6 139 500	6 055 800	Data not yet available	
Official development assistance	SPC		26 300	45 000	5 536			
	SPC/GTZ-CC					650 000	650 000	650 000
Mixed public/private income	IUCN-MESCAL						285 000	285 000
	National Trust	191 039			631 474			
	NatureFiji				202 666	300 000		
	IAS-USP		500 000	500 000	500 000	500 000	500 000	500 000
1 FJD = 0.5226 USD 12 April 2010	FJD Total	2 898 799	6 330 300	29 979 000	7 479 176	7 505 800	1 435 000	1 435 000
	USD							
Public domestic	Forestry Dept	1 415 075	3 033 170	15 382 208	3 208 503	3 164 761		
Official development assistance	SPC		13 744	23 517	2 893			
	SPC/GTZ-CC					339 690	339 690	339 690
Mixed public/private income	IUCN-MESCAL						148 941	148 941
	National Trust	99 837			330 008			
	NatureFiji				105 913	156 780		
	IAS-USP		261 300	261 300	261 300	261 300	261 300	261 300
	USD Total	1 514 912	3 308 215	15 667 025	3 908 617	3 922 531	749 931	749 931

The consolidated value of the Fiji Pine Group assets is approximately FJD 105 million, which includes plantation crop (FJD 59 million) and plant/equipment (FJD 46 million). Its only investment is in its subsidiary company, worth over FJD 12.5 million, which was built in 1987.

SPC provides varying amounts of funds for specific needs in the Forestry Department (as previously explained). The SPC/GTZ-CC Project commenced at the start of 2009 to run for at least four years. The IUCN-MESCAL Project commenced at the start of 2010 and will also run for at least four years. Both these projects are multinational; hence their total budgetary figures were divided by the number of countries and years in their respective projects to reach the above approximation.



The National Trust of Fiji, NatureFiji and the Institute of Applied Science at the University of the South Pacific (IAS-USP) have various sources of income. Management of the NTF changed in 2000, and the current manager gradually more than tripled the income of the organization since the time of her appointment. NatureFiji was established in mid-2007 and is growing very quickly. IAS-USP is also relatively new, established in 2002, and the above figure is an approximation of its annual budget.

Besides the erosion of human capacity, as people emigrated from Fiji in the aftermath of each of the four coups, there has been a complete withdrawal of overseas development assistance/funds that were earmarked for Fiji's forestry sector. This assistance had been vital for the establishment of the nation's pine and mahogany plantations during the 1970s and 1980s.

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7. DEMAND FOR FINANCING FOR SUSTAINABLE FOREST MANAGEMENT

The framework for SFM in Fiji is the 2007 Fiji Forest Policy, which provides guidance for the roles and responsibilities of various forest stakeholders in the sector. During the first workshop held for consultation and further discussion on the preliminary results of the questionnaire, the actions for the implementation of the Forest Policy were based on the current funding status and sorted into categories of 'Funded' and 'Not Funded' (see Annex 2 for details), with the current, expected or potential funding sources.

The majority of the responsibilities fall on the Forestry Department. The FD initiates and coordinates various activities that engage other stakeholders from the social sector (resource owners, communities and forest workers), from the private sector (mostly tree felling, log extraction and processing companies, but also forest managers), from the environmental sector (primarily NGOs), and from other government departments and agencies.

However, the Forestry Department is understaffed and lacking mid-level professional foresters with tertiary training. This is a result of the decrease in university scholarships offered to Fiji citizens to study forestry since the mid-1990s. It has also been difficult to retain the few young professional foresters that have come through the system in the Forestry Department, as well as other staff members, as there has been a general trend of these people moving to the higher-paying private and NGO sectors, locally and abroad.

Furthermore, the Department is also underfunded and often not able to properly carry out its functions. For example, there is the shortage of road-worthy field vehicles; therefore, the field officers must rely on the harvesting contractors for transport into the harvesting operations site. Thus, the field officers are often placed in a position where there could be a conflict of interest, as they are usually outnumbered and dependent on the contractor for transport out of the isolated area.

Some of the Forest Policy areas do have funding, and the implementation of actions is underway. These include the following:

- The National Forest Inventory (The Forestry Department funded this with some assistance from SPC and GTZ for engaging technical expert consultants.)
- A legislative review (This is GTZ funded.)
- Mangrove conservation and management (Work on this has commenced with the new IUCN-MESCAL Project.)
- Fiji Forest Harvesting Code of Practice (A review of the old Code is complete, funded by the Forestry Department and SPC; however, nation-wide training, implementation and enforcement is still underway.)
- Forest Certification Standard (Forestry Department and SPC funded 70 per cent of the development of this. The document is still in draft. Nation-wide training, implementation and compliance are still underway and largely unfunded.)

The 2007 Forest Policy has prioritized these areas for support and action in its Chapter Six:

- 6.1 Financial strategy
- 6.2 Forestry Department revenue
- 6.3 Forest Sector Development Fund
- 6.4 Trade and commercialization measures
- 6.5 Financing conservation and protection measures
- 6.6 Financing through international & regional forestry cooperation

8. FINANCING GAPS AND KEY CHALLENGES

1. While there is a large potential for forest conservation activities in Fiji, the resourcing of forest conservation activities needs to be enhanced. The current challenge is to increase funding for the forest sector, especially in areas of forest conservation and the management of forest conservation areas. This includes the strengthening of landowner awareness and participation in the management of forest conservation areas.
2. Forest degradation has been identified as a major issue in Fiji. Addressing the drivers of deforestation and forest degradation is a key challenge, especially in a country where the bulk of forest land is owned by indigenous people, who will certainly need financial and technical assistance to undertake any form of forest restoration.
3. There is a lack of programmes within national financial institutions targeting forest management-related activities. Incentives are needed in order for financial institutions to equally fund forest management activities, including afforestation and reforestation.
4. There is an increasing awareness on the importance of forests and the multiple roles it plays in ecosystems and environmental conservation. A key challenge is to capitalize on this wave of awareness and create appropriate incentives for sustainable sources of private sector finance, by capitalizing on the increasing awareness and concern about environmental issues at the global and local level.
5. There is a lack of incentives for the private sector to improve sustainable forest practices. Operations such as forest harvesting, transportation and milling should receive tax concessions for engaging in areas that encourage sustainable forest practices.
6. There is a large potential for private and corporate investors to invest into forest-related activities, and there is a need to put in place incentives for afforestation and reforestation activities.

9. CONDITIONS FOR PRIVATE INVESTMENTS AND THE ENABLING ENVIRONMENT FOR FINANCING SFM

1. The provision of incentives for investing into the forest sector is crucial in order to attract potential investors from the private sector. Examples of private sector sources of funding include the following:
 - The agencies Conservation International and the National Trust of Fiji act as conduits and facilitators for private companies investing in community tree planting, such as FIJI Water.
 - Local/international individuals or groups of people/communities invest in private companies such as Future Forests Fiji, which establishes and manages plantations.
 - Local/international individuals or groups of people/communities become members of NGOs, such as NatureFiji-MareketiViti, which advocates for forest conservation.
2. Specifically identified opportunities and possible incentive structures necessary to promote private sector financing include:
 - Accessing funds for forest rehabilitation (via reforestation or afforestation) through grant funding and/or through trading carbon stocks within a REDD+ framework
 - Establishing opportunities for tourists to pay to enjoy Fiji's forested environments either directly through the establishment of a tourist or green levy
 - Encouraging local businesses, particularly of the national airline and hotel industries, to offset the carbon emissions of their operations by using local projects to attract environmentally conscious consumers
 - Developing the capacity of local companies to audit carbon and forest certification projects in order to reduce the cost of bringing these projects to market
 - Creating a scheme in lending institutions such as the Fiji Development Bank to allow for loans with lower interest rates and longer repayment terms for local investors
3. Tax incentive packages should be developed with the involvement of forest stakeholders and the Fiji Islands Revenue and Customs Authority (FIRCA), NLTB, the Reserve Bank of Fiji (RBF), and the Ministry of Industry and Trade to address the different stages of wood production; i.e., planting, harvesting and the various processing levels. There would also need to be an assortment of supportive incentive packages for the different markets targeted: the domestic market (for substitution of imported goods/services) and international markets (to promote exports).
4. The forest sector could also develop suitable incentives for attracting investments (e.g., tax deductible support), taking into account high capital investment and long-term returns. This should be in conjunction with creating awareness on returns and risks in forestry to attract private, institutional and community investments to the forestry sector. Forest companies would also appreciate a reduction in import duties for machinery and equipment for operations complying with SFM certification.
5. Having knowledge of the potential investors as well as having a reputation for being reliable, accountable and transparent are prerequisites for attracting investors. One needs to know how best to market the forest investment to them. Likewise, important points for fundraising in the conservation sector include having a good reputation and a solid capacity for project proposal preparation; that is, having the ability to identify needs and to collect and analyse information for proposal submission. It is also highly advantageous to be aligned with other organizations that have these capacities for

collaboration on project proposal development and implementation, and to have established, well-known persons or organizations submitting the funding proposals. Also vital is to have knowledge about donors pertaining to what they want and how they want submitted proposals to be written.

6. There are several other factors contributing to the enabling environment. First, the overall managerial conditions play a role. Secondly, administrative conditions are an important factor: although Fiji already has good policies, codes and standards for SFM, they are not fully practiced due to inadequate resources. Furthermore, indecision clogs development of the enabling environment. Thirdly, certain legal aspects, such as a lack of law enforcement, impede progress. Finally, the comfortable social status of communities is vital, so that they are secure in their current welfare and then able to invest into the future is also a contributing factor.
7. The enabling environment for enhanced cross-sectoral management of Fiji's forest resources may require a restructuring of the administrative framework in the Ministry of Agriculture, Fisheries and Forests. Recommended is the creation of a Permanent Secretary to be responsible for the agricultural, fisheries and forestry sectors in order to facilitate balanced decision-making for these resources that are integral to the natural environment. The next tier-level could consist of Deputy Secretaries for the respective sectors.
8. Political stability is a key factor in reducing risks in the long-term management of a resource such as forestry; in turn, the minimization of risks is crucial for attracting investors to the forestry sector. For politically unstable situations, participants at the follow-up workshop recommended avoiding government-to-government lobbying for funds or forestry financing. Instead, official development assistance/funds are possibly available through such conduits as the SPC-Forest and Trees Programme, SPC/GTZ-CC, IUCN-MESCAL Project and the Institute of Applied Science at the University of the South Pacific. Self-help projects should also be encouraged to decrease reliability on the Government.

10. RECOMMENDATIONS: STRATEGIES FOR INCREASING FINANCING FLOWS FOR SFM, INCLUDING NEW AND INNOVATIVE SOLUTIONS

The following recommendations are a reflection of the outcome of the two stakeholder consultations that were carried out in May and August 2010. They focus on the strategy for increasing financial flows for SFM, including new and innovative solutions:

1. Formulate a **National Forest Development Strategy** (NFDS) that includes a **National Forest Finance Strategy** with an appropriate committee to guide and monitor its development. This would provide the implementation framework for the Forest Policy and become the firm base for the prioritizing of activities and sourcing of funds. The NFDS could be incorporated into the Fiji Roadmap or into the National Strategic Development Plan to attract official development assistance (ODA) from international sources.
2. Strengthen collaboration with the Council of Regional Organizations in the Pacific (CROP) agencies and NGOs in areas of forest conservation and in accessing **conservation grants** in particular. The collaboration is to address the fundraising and implementation challenges of SFM.
3. Encourage the private sector and corporate entities to exhibit **Corporate Social and Environmental Responsibility** with a tax rebate, e.g., commercial banks, telecommunications, infrastructure, power utilities, etc. Airline companies and hotels could be encouraged to offset their carbon emissions locally, and this could be used as a means for raising funds for afforestation and reforestation projects.
4. Encourage **SFM certification** to secure the future of overseas markets for forest products. This will include the completion and implementation of the draft Fiji Forest Certification Standard.
5. Encourage **Public-Private Partnerships** to fund large-scale public infrastructure developments, such as the management of forested watersheds, and the improved provision of water to urban areas. A portion of the water bills should be returned to forest investment, particularly water catchment management.
6. Review of the **licence and service fees** of the forest towards a user-pay system, in view of a revolving fund for the funding of monitoring and enforcement operations.
7. Establish **incentives** for forest establishment and sustainable forest-related activities.
8. Encourage the development of **non-timber and non-wood forest products** linked with assistance provided towards Small and Medium Enterprises, particularly value adding, bio-prospecting, etc.
9. Levy a **Green Fee** on foreign visitors (e.g., port tax) and earmark the proceeds for forest conservation activities, or contribute to a Trust Fund for long-term reforestation and afforestation programs.
10. Introduce a **levy** system on the sales of logs sourced from native forests to be paid by the industry to fund SFM activities.
11. Promote **agroforestry** practices such as grazing of livestock in the understory of young plantations and woodlots to promote complementary land use practices with multiple stages of return on investment before the final maturity of tree crops.
12. Promote **forest-based ecotourism** for both the international and local markets as an additional source of revenue for the financing of SFM.
13. Implement the **REDD+ policy** enabling local parties to engage as soon as possible in REDD+ activities; most important are the areas of co-benefits of REDD+, SFM, and forest conservation.

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Annex 2: Financing SFM in Fiji - workshop outcomes

Session 1 – Group 1: Financing

- 1) Set up an Integrated Extension Committee to include plantations
 - To meet twice/year
 - Report to the Forestry Board
- 2) Forestry extension
 - SFM (Permanent Forest Estate) – levy
 - Plantation
 - Conservation (compensation)
- 3) Extension curriculum
 - Schools – primary and secondary
 - Tertiary – Fiji National University
- 4) Extension Activities – ongoing

Financing

- a) Financing Strategy – priority areas
 - Forest certification
 - Extension programmes
 - Conservation
 - SFM
 - Small & Medium Enterprises
- b)
 - i) Fiji Development Bank – current loans
 - Funding maximum term – 15 years
 - Cartage, downstream processing
 - Mills (portable)
 - ii) Ministry of Finance – submissions from Ministry Levels
 - iii) Private sector – enabling environment
 - iv) NGOs
 - v) Ecotourism
 - vi) ODA
 - vii) Conservation Grants
 - viii) REDD + Carbon Trade
 - ix) Forest Sector – Master Plan – developed for sourcing funds (e.g., from donor agencies)
 - x) Review of licensing fees & fines
 - xi) Review legislations (e.g., FEA Act)
 - Small holders and agroforestry
 - Water Authority

**→ Ministry of Finance and the Forestry Dept need to have discussion of funds →
Forest Sector Master Plan → submission of proposals to donor agencies for funds**



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Annex 2

Session 1 (Before Lunch) – Groups 2 and 3

Policy chapter	2007 Fiji forest policies and strategies	Actions funded	Actions not funded	Potential funding sources
5.1	Conservation of forests and biological resources			
5.1.1	Land use planning and forest classification	<ul style="list-style-type: none"> – Develop and disseminate effective programmes to raise landowner awareness and ensure that resource owners are able to contribute to land use planning and forest classification. – Prepare land use plans at the national, provincial and district levels. 	<ul style="list-style-type: none"> – Elaborate and issue a Forest Function Map, based on forest functions, ecological differences and management criteria. Four categories of forest will be identified. 	Not aware of funds in land use planning
5.1.2	Forest inventory	<ul style="list-style-type: none"> – FD will conduct a National Forest Inventory (NFI) that covers native forests and plantations. – The results of the NFI will be made public by FD. Specific data and information will be accessible for interested parties on request. – The FD will develop, maintain and, on a periodic basis (10 years), update a National Forest Inventory database . 	<ul style="list-style-type: none"> – Forest inventory at the forest-management-unit level will be required for the elaboration of forest management plans. – Resource owners and timber company personnel will be trained in basic forest inventory techniques. 	
5.1.3	Biodiversity conservation	<ul style="list-style-type: none"> – The FD will lead the work with resource owners, NLTB, Ministry of Environment, National Trust for Fiji, the private sector and other stakeholders towards establishing a system of conservation areas. – Conservation of mangrove ecosystems to maintain their ecological, cultural, and social values will be a priority. – Forest management will be based on multifunctional approaches, including that areas for ecotourism will be created in forest management units, where appropriate. – FD will work with the Department of Environment and NGOs to deliver environmental awareness programmes. 	<ul style="list-style-type: none"> – Biodiversity conservation will be incorporated in the management regimes of natural forests and plantations. 	
5.1.4	Watershed management and soil conservation	<ul style="list-style-type: none"> – FD will liaise closely with organizations and communities concerned with watershed management in the identification and management of watershed areas – FD, in collaboration with stakeholders, will develop guidelines for forest management in designated watershed management areas. – Watershed management and soil conservation will be included in forest 	<ul style="list-style-type: none"> – The FD will assist communities to establish soil conservation projects & to implement rehabilitation works on severely eroded sites. 	



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Annex 2

Policy chapter	2007 Fiji forest policies and strategies	Actions funded	Actions not funded	Potential funding sources
		management plans. – Reduced impact logging will be promoted to avoid soil erosion as a consequence of harvesting operations.		
5.1.5	Mangrove management	– FD will contribute actively to a Government review of mangrove management and will undertake the role assigned to it following the review. – FD will advocate for the permanent conservation of mangroves to serve sustainable customary uses.		IUCN-MESCAL
5.1.6	Forestry and international agreements	– The FD will strengthen its internal capacity through awareness programmes for understanding the scope and importance of the conventions and agreements at national and global levels and the opportunities arising from the international networks to promote sustainable resource management in Fiji internal capacity through awareness programmes referring to the scope and importance of the conventions. – The FD will ensure that the National Climate Change Policy devised by the Department of Environment takes into consideration forest-related issues. – The FD will cooperate with other public agencies, national and international NGOs related to natural resource management in attracting bilateral and multilateral assistance for partnership projects in the frame of the international agreements and the related financial mechanisms.		SPC
5.2	Integrated forest resources management			
5.2.1	Delineation of management units for sustainable forest management (SFMU)	– The FD will develop criteria for the delineation of management units for sustainable forest management, taking into account the geographical and ecological conditions, the availability of forest resources, the socio-economic situation of the landowners, and the existing or potential capacities for the utilization of forest products and their processing and commercialization. – The FD will encourage resource owners to group their land into forest management units (FMUs) in a size suitable for effective forest management. The area of forest management units will be delineated in collaboration with resource owners.		– On Action 2: NLTB to facilitate, jointly financed by FD & NLTB. – Possible support from the Industries, NGOs & regional organizations.
5.2.2	Management	– For all native and plantation forest management units, the FD has to approve a		User-payment for



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Policy chapter	2007 Fiji forest policies and strategies	Actions funded	Actions not funded	Potential funding sources
	plans	<ul style="list-style-type: none"> management plan before harvesting operations can take place. – FD will, in collaboration with key stakeholders, develop guidelines for the preparation of Management Plans, their submission and approval procedures. – Resource owners will be involved in the development of forest management plans to guide all forest protection and development measures and the preparation of harvesting plans. – Forest Management licensees will be required to prepare a strategic harvesting plan each year showing the locations of proposed road-making and harvesting operations for the next two years. – The FD ensures that all plans comply with the provisions in the EIA. 		FD services
5.2.3	Forest management systems	<ul style="list-style-type: none"> – FD will issue the regulations concerning the selection of a silvicultural system. – FD will foster the introduction of reduced impact logging (RIL) techniques in natural forest. – FD will encourage the development of cooperative silvicultural research programmes. – FD will develop and issue guidelines and standards for the silvicultural treatments in natural forest. – Management plans must include the assessment of the needs for silvicultural treatment measures and specifications of methods and techniques to be applied under the different stand conditions. – The management plans and strategic harvesting plans can only be approved by the FD when the execution of the silvicultural treatment is secured by guarantees such as bank guarantees, bonds or payment of fees. – Forest plantation and woodlot owners, managers and operators shall establish forest management plans for plantation areas. – Plantation areas will be confined to existing plantation areas or areas identified as suitable for forest plantations. – Plantation establishment with mixed indigenous or exotic timber species will be promoted, subject to compliance with quarantine requirements. – The measures needed to ensure the sustainability of the resource base (reforestation, regeneration) will be specified in the licences, taking into account the specific conditions for long-term forest management licences and short-term special 		FD, private sector and others



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Annex 2

Policy chapter	2007 Fiji forest policies and strategies	Actions funded	Actions not funded	Potential funding sources
		<p>harvesting licences. The attachment to the licences specifies the responsibilities for the execution of the restitution measures as well as the obligation and modalities for the provision of guarantees.</p> <ul style="list-style-type: none"> – The FD will provide technical advice to industry and land owners for planning plantation establishment programmes. – The FD will undertake activities that support reforestation, including seed collection, nursery production, tree-breeding, silvicultural, management and forest protection. 		
5.2.4	Fiji Forest Harvesting Code of Practice	<ul style="list-style-type: none"> – The Fiji Forest Harvesting Code of Practice (FFHCOP) will be revised for conformity with the Rural Land Use Policy 2005 and the Environmental Management Act 2005. – Regular revision of the FFHCOP will involve consultation with key stakeholders such as harvesting contractors and FD. – Requirement for compliance with the FFHCOP will be written into an amended Forest Decree or superseding legislation. – Compliance with the FFHCOP will be monitored and enforced by the FD in conjunction with Forest Wardens selected from resource owners and communities. – All supervisors, chainsaw and machinery operators working in forestry operations must be trained and certified. – The FD will encourage the adoption of the standards specified in the FFHCOP by all Government departments and agencies for any other land-based operation, including road-making. – The FD will establish a Steering Committee to drive the implementation, monitoring and review of the FFHCOP. 		SPC + GTZ + FD
5.2.5	Forest Certification Standard	<ul style="list-style-type: none"> – The Standard for forest certification of native and plantation forests will include adherence to domestic and international laws and agreements. – The Standard will be developed along internationally accepted guidelines to be used in forest management audits. – The Government will endorse the Standard. – The Government will revise the Fiji Forest Certification Standard every ten years. 	<ul style="list-style-type: none"> – The FD will actively support landowners and the forest industry in implementing sustainable forest management according to certification standards and in marketing of certified forest products. 	Private sector, Govt, International Funding Agencies
5.2.6	Forest licences	<ul style="list-style-type: none"> – The FD will introduce a new licensing system to promote a long-term sustainable 		Private Sector, Govt + NGOs



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Annex 2

Policy chapter	2007 Fiji forest policies and strategies	Actions funded	Actions not funded	Potential funding sources
		<p>approach to the utilization of Fiji's forest resource to the mutual benefit of key stakeholders.</p> <ul style="list-style-type: none"> - The FD will charge appropriate fees for processing and monitoring of all licences. - The licences system will include managing, harvesting and milling licences. - FD will conduct a periodic review of performance and compliance with the stipulated licence conditions. 		
5.2.7	Log scaling	<ul style="list-style-type: none"> - The FD will train and licence all log scalers and encourage resource owners to be trained in log scaling procedures and to scale logs to be removed from their land. - The FD will use its own trained staff as log scale checkers, who will randomly check logs measured by licensed log scalers. - New regulations will be introduced to the Forest legislation to govern the measurement of logs. 		Private sector + FD + Landowners
5.2.8	Forest protection	<ul style="list-style-type: none"> - The FD will develop appropriate measures to protect forests from fire, pests and pathogens, including preventive forest health and quarantine measures. - The FD will develop fire protection protocols for pine and mahogany plantations, and will request FPL and FHCL to develop fire management systems. - The FD will prepare extension materials on fire prevention and management, conduct awareness and education campaigns, and encourage community cooperation in the implementation of fire prevention and fire management programmes 		FD + SPC + Private Sector
5.2.9	Environmental standards in forest management and environmental impact assessments	<ul style="list-style-type: none"> - The FD, in consultation with the Department of Environment and environmental NGOs, SPC, SPREP, NLTB, FAB and other stakeholders, shall review the Fiji Forest Harvesting Code of Practice, which will set the minimum environmental standards required for all forestry operations. - The scope for EIA in the forest sector will be defined and guidelines will be prepared in accordance with requirements of the Environment Management Act 2005. - The FD will train managers and harvesting licensees about their environmental responsibilities under the Fiji Forest Harvesting Code of Practice. - The FD will train resource owners on the environmental requirements of the FFHCOP and any other environmental protection requirements. 		



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Annex 2

Policy chapter	2007 Fiji forest policies and strategies	Actions funded	Actions not funded	Potential funding sources
5.2.10	Non-timber forest products	<ul style="list-style-type: none"> – Resource assessment of non-timber forest products will be incorporated in forest inventories, research and resource assessments for forest management planning. – The FD will prepare and implement a strategic development plan to encourage and facilitate the sustainable use of non-timber forest products by resource owners, communities and private investors. – The FD will support the sustainable production of high value multiple purpose species, or the harvest of non-timber forest products and items of cultural significance, through the provision of extension advice, technical services, and market information to villages and communal groups. – Private sector investments will be promoted in order to utilize the full potential as well as to domesticate and commercialize products with high demand. – Non-timber forest products should be protected during harvesting operations in consultation with resource owners. 		FD, Landowners + Private Sector
5.3	Resource owners and community involvement in sustainable forest management			
5.3.1	Community forestry	<ul style="list-style-type: none"> – The FD will provide extension and technical support to resource owners and communities for planning, implementation and monitoring of sustainable forest management. – Community-based forest industries for value added production will be promoted. – The FD will encourage the development of community forestry plantation projects with adequate attention given to ecological, economic and marketing aspects. 	<ul style="list-style-type: none"> – The FD will support community-based management of natural forests and foster the active cooperation and support of Forest Management licensees in such management activity, based on fair benefit-sharing arrangements. 	<p>REDD+</p> <p>PES</p>
5.3.2	Agroforestry	<ul style="list-style-type: none"> – FD will conduct research and studies to identify/develop an appropriate and reliable agroforestry system that is suitable to local environments and that will provide regular returns to the communities involved. – FD will take the initiative in establishing agroforestry farm models in cooperation with other public agencies and NGOs and will ensure that new and appropriate technologies are applied. 	<ul style="list-style-type: none"> – The Forestry Department is to provide appropriate advice, assistance and technologies to communities in order to improve and sustain their livelihoods and to strengthen and promote their socio-economic, environmental and cultural values. – The Forestry Department will conduct an awareness and 	REDD+



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Annex 2

Policy chapter	2007 Fiji forest policies and strategies	Actions funded	Actions not funded	Potential funding sources
			education campaign for landowners/resource owners to emphasize the importance of agroforestry in the socio-economic uplift of the communities.	
5.3.3	Participation	<ul style="list-style-type: none"> - The FD will promote business management training for resource-owned forestry businesses and sustainable use of the forest. 	<ul style="list-style-type: none"> - The Government will encourage establishment of forest associations to promote more effective participation of resource owners in forest utilization. - The Government will encourage the development of resource-owned forestry businesses. - The Government will periodically review the operation of forestry assistance programmes, joint venture forestry enterprises and other mechanisms for their effectiveness in promoting local participation, and will facilitate the establishment of successful ventures within Fiji. 	
5.3.4	Awareness and training		<ul style="list-style-type: none"> - FD, together with community groups and NGOs, will conduct forestry awareness programmes in the relevant areas. It will strengthen and implement the awareness programmes formulated with the assistance of ITTO. - FD will work closely with the forest industries to provide technical training to all people working in the 	



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Policy chapter	2007 Fiji forest policies and strategies	Actions funded	Actions not funded	Potential funding sources
			forestry sector.	
5.3.5	Compensation payments	<ul style="list-style-type: none"> – The Government will amend the Forest legislation to provide for compensation payments to resource owners when logging causes specific damage. – The FD will work with Ministry of Environment and NGOs to deliver environmental awareness programmes to resource owners and resource users and will assist interested resource owners to protect forests with significant environmental values. 	<ul style="list-style-type: none"> – The Government will develop clear guidelines & mechanisms for conflict resolution and for compensation assessment. – The Government will develop and establish financial instruments and mechanisms for the payment of environmental services of the forests and the compensation for forgone income due to protection and conservation measures. 	
5.3.6	Indigenous Intellectual Property Rights	<ul style="list-style-type: none"> – The FD, in cooperation with the DOE, will develop legislation and guidelines for bio prospecting and economic use of genetic material and products that incorporate fair provision for rational knowledge and ownership. The Government will amend the Forest Decree to provide for recognition of Indigenous Intellectual Property Rights. – The FD will encourage collaborative research and exploration for economic use of genetic materials and products. – The FD will develop and adopt guidelines for all research activities, which, amongst other requirements, ensure that the community owner has an understanding of and approves of the research. 		GEF
5.4	Upgrading the forest industries and promotion of high quality products			
5.4.1	Industry development and investment for value added processing	<ul style="list-style-type: none"> – The Government will work with forest industries to improve coordination of planning, development and optimization of the wood flow from the forest to the export markets, and will work on expansion and upgrading of harvesting and production facilities and marketing. – The Government will address disincentives, which currently constrain investment into the forestry sector, including investment security and financial and administrative constraints. – The Government will support investment in the development of value-added timber processing and furniture manufacturing industries, by considering a granting of 		Tax incentives



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Policy chapter	2007 Fiji forest policies and strategies	Actions funded	Actions not funded	Potential funding sources
		<p>exemption from duty for imports of equipment, machinery and materials to be used for value-added processing, and by introducing export tax rebates for value-added timber products.</p> <ul style="list-style-type: none"> – The Government will encourage the development of local value-adding industries for high value non-timber forest products, especially in a village or community forestry context. – The Government will promote domestic and overseas market development for high value-added forest products. 		
5.4.2	Certification	<ul style="list-style-type: none"> – The FD will actively support resource owners and the forest industry in the implementation of sustainable forest management according to certification standards and in the marketing of certified forest products. – The Government will support the tracking of products from certified forests as these are processed by various companies. – The Government will support Certification of Wood Packaging material in accordance with internationally accepted standards. 	<ul style="list-style-type: none"> – Certification of forest management units and chain of custody will remain voluntary, and forest management companies wanting to gain an internationally recognized certification label would make their own arrangements to do so at any time. 	Govt + Private Sector
5.4.3	Export and import controls	<ul style="list-style-type: none"> – The importation of logs and flitches will continue to be subject to strict quarantine control and will be free of import duty if they are to be processed into value-added products for export. – The Government will review current export and import procedures to strengthen biosecurity control in compliance with domestic and international standards. 	<ul style="list-style-type: none"> – The Government will collaborate with international partners and trade partners in establishing or joining voluntary agreements on verification of legality for imported timber. 	
5.4.4	Employment and training	<ul style="list-style-type: none"> – The FD will promote apprenticeship training. – The FD will provide training for the forestry industry and allied workers at FTC and TITC or through additional training providers. FD will accredit courses and programs to TPAF to ensure the retrieval of the training levy paid by the sector to TPAF. 		Govt with support from Private Sector
5.4.5	Species classes	<ul style="list-style-type: none"> – The First Schedule Amendment to the Forest (Amendment) Regulations 1990 under the repealed Forest Act Cap 150 will be further amended with respect to the listings of Species of Timber Tree in each Class. – Classification will be based on actual market value. 		FD + Govt



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Annex 2

Policy chapter	2007 Fiji forest policies and strategies	Actions funded	Actions not funded	Potential funding sources
5.4.6	Timber utilization, product development and marketing	<ul style="list-style-type: none"> – The FD shall provide research information as well as support the industry in developing new products as demanded by viable market segments and supported by a sustainable resource base. – The FD will coordinate with the relevant line Ministry to regularly revise the Building Code to give greater recognition to the use of sustainably sourced domestic timber in construction. – The FD will revise the standards for seasoning and grading by species and end use in consultation with the forest industries, and prepare new regulations for timber seasoning and grading. – The FD will monitor timber preservation standards and ensure training is provided for industry personnel in the proper use of preservation plants. – The FD will closely cooperate with the Fiji Trade and Investment Bureau and market information relevant to forest-based commodities domestically manufactured and processed. 		Private Sector + NGOs

Session 2 – Group 1: Landowners, Forestry Dept, Environment + Finance

1. Which current funding sources can we increase?
2. What is needed to access and increase the fund flow from the current sources?
3. What are potential, but un-utilized funding sources and what is required to tap them?

Potential funding source	Strategy to access more funding to/from the funding source
1. Govt budget	<ol style="list-style-type: none"> 1. Improved information & coherent financing strategy for effective lobbying to government for improved funding. Be sure to use the 'buss phrases': Export promotion & Import Substitution! 2. Need to create the National Forest Development Strategy – provides the implementation plan for the Policy. 3. FD to organise consultation workshop to identify finance priorities → to be ready for budget submission 2011.
2. Licensing	<ol style="list-style-type: none"> 1. Review license & services fees → user pay system (e.g., exporters) & Green Fees 2. Review & Reactivate the revolving fund in FDB (SCARF), introduce the 'incubator concept', especially for SME.
3. ODA	<ol style="list-style-type: none"> 1. Increase FD capacity to access emerging donor funds. E.g. REDD+ 2. Refer to National Forest Development Strategy
4. Domestic private sector 5. Foreign private sector	<ol style="list-style-type: none"> 1. Incentive package <ul style="list-style-type: none"> - involving FIRCA, NLTB, RBF & communicated to FTIB - for different stages, from planting, harvesting & all stages processing - for different target markets i.e. domestic use (import substitution) & foreign (export promotion) 2. Corporate Social + Environmental Responsibility (CSER) – tax rebate 3. Public-Private Partnerships <ul style="list-style-type: none"> - Legislated - E.g. for big infrastructure like roading for plantations that could become public roads (~10 Million+) - Needs big return (e.g. bridge with toll gate!)
4. SME	<ul style="list-style-type: none"> • Ecotourism opportunities • Private nurseries • Bee products (honey, propolis, candles, etc) • Minor forest products (balabala, resin tapping, etc.) • Cooperatives could help with NTFPs marketing
5. Land owners	<ol style="list-style-type: none"> 1. Could commit royalties to forest investment (e.g. tree planting) – e.g. sandalwood regeneration levy 2. REDD+ Access <ul style="list-style-type: none"> - Increase capacity, strengthen institutional framework - Increase incentives to plant trees - Increase PES <p>→ Revolves funds to plant more trees!</p> 3. Strengthen cost-sharing schemes with landowners (e.g. tree planting) 4. Landowners have contribution in-kind to offer. E.g. labour, equity, enforcement, land, fire fighting manpower.
5. H ₂ O authority	<p>Portion of water bill should go to forest investment e.g. water catchment management</p> <p>Differentiation between residential and commercial use in water rates.</p>
6. Conservation grants	<ol style="list-style-type: none"> 1. Strengthen CROP/NGO partnerships with Govt to implement the National Forest Development Strategy. The NFDS should take into account the NBSAP, Rural Land Use Policy & FAB. 2. Awareness campaigns to advertise biodiversity values to local and international donors and landowners 3. Build fundraising and implementation capacity of Govt and landowners.

Session 2 – Group 2: Forest Industry + Finance

Which current funding can we increase?

- Licensing Fees – review of process, opportunity to direct the income generated, i.e, from the central coffers (consolidated fund) to the FD
- ODA – Climate Change mitigation & adaptation Funds
- ODA – shorter timeframes of project implementation needs to be reviewed
- Private sector – No incentive, high perceived risks, can be increased but Need some investment initiatives, e.g. tax relief incentives
- Foreign investors – security of the investment, favourable framework conditions and enabling environment, eg, tax relief on duty, dividends, and returns, incentives for Plantation as in downstream processing and harvesting
- SME – Finance incubator idea, Energy Project with World Bank (\$500 000USD), SCARF, Down streaming subsidy

Are other potential funding sources that are not currently used in the Fiji forest sector?

- REDD
- Carbon financing
- Eco-Tourism
- Forest Sector Development Trust Fund
- Private/Public Partnership
- Service user

What is needed to access and increase the fund flow from the current sources and what is needed to tap the potential new sources?

- Capacity Building in Proposal writing
- Capacity to implement
- Need to develop an incentive package, put together by FIRCA, government, FTIB
- Capacity to mobilize support from other agencies and partners
- Creating an enabling environment
- Incentives for forest workers
- Private/Public partnership
- Debt for nature swaps
- Attractive Loans Package – e.g. government guaranteed loans, World Bank Guaranteed loans
- Group/Association joint ventures
- Venture Capital funds
- Revolving Funds
- Private sector investment

Annex 3: Financing SFM in Fiji - Follow-up workshop outcomes

Group 1: Cross-sectoral management of forest resources

1. Forestry to be part of the Land use Plan
 - Rural Land use Plan Zoning
 - Need National Land use Plan
2. EMA } Identify gaps and streamline
 FNCOHP } → i. Quick turnaround time
 } ii. Investor friendly
 } iii. Stimulate business in the sector
3. Forest Conversion to other land uses – actively participate and can secure funding to minimise or prevent deforestation
4. Review Policies – NLTB, Mining, Forestry, Tourism
 – Establishment of National Land Bank
5. Mahogany Development Decree
6. Fiji Pine Decree
7. Forest Decree
8. REDD Policy

Remarks

Policy & Legislation – To ensure close linkages with agencies for sustainable forest management for finalizing funds for implementation

Group 2: Effects of Political Instability

To attract investors:

New investors- readily available investors package

- There are not bureaucracy
- Cross-sectoral linkages

Current investors

- We need to look at incentives that we give e.g. tax free regions etc.

Foreign Aid

- Reduction in aid
- Avoid government-government contact
- Use of CROP agencies
- Fund for plantation e.g. Lions Club, Galoa.

Infrastructure

- Economic Growth (positive and negative)
- Alternative Livelihood-
- Self Help projects

Self Help Projects

- Move away from Govt reliance
- Set up alternative livelihood programs e.g. ecotourism projects, bee keeping, regeneration funds (NLTB)

Group 3: Issues of Land Tenure

Key Questions:

- Does simpler access to land increase financing for SFM??
- What type of investors are interested in funding SFM? Different from mainstream investors – need to find out what their concerns are on land issues

Answers

1. Nationalize
2. Land Bank Concept – 99 yrs lease
3. Capacity Building and Awareness
 - Landowners
 - Govt. and NGO's
4. Planting of more trees for flood mitigation – need more awareness about the value of forest ecosystems
5. Marketing the value of SFM to the investors and sources of Finance

Annex 4: Annual log production 1987 - 2007

<i>Year</i>	<i>Indigenous (m³)</i>	<i>Pine (m³)</i>	<i>Mahogany (m³)</i>	<i>Other exotics (m³)</i>	<i>Total (m³)</i>
1987	221 757	22 966	3 815		248 538
1988	203 578	83 874	6 170		293 622
1989	162 163	97 333	6 964		266 460
1990	153 820	100 803	2 331		256 954
1991	120 077	465 991	2 742		588 810
1992	108 991	417 211	1 295		527 497
1993	129 674	493 699	3 653		627 026
1994	135 954	503 541	2 762		642 257
1995	129 506	570 815	1 637		701 958
1996	149 821	534 654	247		684 722
1997	151 941	522 614	0		674 555
1998	134 327	525 088	0		659 415
1999	83 030	370 206	88		453 324
2000	106 672	448 465	169		555 306
2001	113 847	352 851	2 624		469 322
2002	103 951	312 815	11 201		427 967
2003	132 293	328 227	15 753		476 273
2004	101 859	315 655	16 910		434 424
2005	104 484	335 719	17 406		457 609
2006	79 480	326 821	37 216		443 516
2007	45 122	336 111	50 092	805	383 187
Totals	2 672 347	7 465 459	183 075	805	17 787 145

Source: Forestry Department Annual Report 2007

Annex 5: Principal forestry legislation and instruments

1. Fiji Forest Policy 2007
2. Fiji National Code of Logging Practice 1990 (soon to be replaced by the Fiji Forest Harvesting Code of Practice)
3. Forest Act 1953
4. Forest (Reserved for Estates) (revocation) Order 1996
5. Forest (Preservative Treatment) 1992
In relation to native land:
6. Native Land Trust Act 1940
7. Native Land (Forest) Regulations 1943
8. Native Land Trust (Leases and Licences) Regulations 1984
9. Native Land (Native Reserves) Regulations 1940
10. Native Land & Fisheries Commission Act
11. Land Conservation and Improvement Act, Cap 141
12. Land Development Act, Cap. 142
13. Land Sales Act, Cap. 137
14. Land Transfer Act, Cap. 131
15. Property Law Act, Cap. 130
16. State Lands Act, Cap. 132
17. Fijian Affairs Act, Cap. 120
In Relation to Mahogany Plantations:
18. Mahogany Industry Development Decree 2010
In relation to Pine Plantations:
19. The Commissions forests (Maintenance and Protection) Regulations 1987
20. Fiji Pine Decree 1990
In relation to forest workers:
21. Health and Safety at Work Act 1996
22. Employment Relations Bill 2007
23. Training and Productivity Authority of Fiji Act
24. Fiji National Provident Fund Act
In relation to the environment:
25. Environment Management Act 2005
26. Fiji National Biodiversity Strategy and Action Plan
27. Rivers and Streams Act 1982
28. Rural Land Use Policy
29. Endangered and Protected Species Act 2002 and the Regulations (2003)
30. Biosecurity Act
31. Quarantine Promulgation Act 2008
Other legislation that has relevance to forestry includes:
32. Public Health Act
33. Litter Act/Decree
34. Land Conservation and Improvement Act 1953
35. Town Planning Act 1946
36. Land Conservation and Improvement (Fire Hazard Period) Order 1969
37. The Prevention of Fire Act 1878
38. Land Transport Authority Act
39. Civil Aviation Authority of Fiji Islands (in case of heli-logging)
40. Coconut Industry Development Authority Act 1998
41. Factories Act Cap. 99
42. National Fire Service Authority Act 1994
43. National Road Safety Council Act 1994
44. Surveyors Act, Cap 260

**Annex 6: Fiji Development Bank
Agriculture and small & medium enterprise loans**

<i>Loan category</i>	<i>Features</i>	<i>Term of loan</i>
Forestry & logging	Forestry & logging loans are available for saw milling, further processing and working capital.	The maximum loan term can range from 3 – 15 years depending on loan type, of which the maximum loan amount is FJD 162,500 under the Seed Capital Revolving Fund.
Fishing	Fishing loans are available for purchase of fishing vessel and equipments.	The maximum loan term is available up to 7 years. Maximum loan amount will be determined based on debt serviceability.
Sugarcane	Sugarcane loans are available for: buying or starting up a sugarcane farm, farm implements, farm house, farm vehicles, etc.	The maximum loan term is 15 years, and the maximum loan amount is determined on a case-by-case basis.
Manufacturing	The types of loans available under Manufacturing are food wholesale/retail, footwear manufacturing, furniture making , oil & fat manufacturing, other food manufacturing, working capital, etc.	The purpose and type of project will determine the term of the loan on a case-by-case basis.
Other Industries	The types of loans available under other industries are infrastructure construction and support services to forestry and other industries.	The purpose and type of project will determine the term of the loan on a case-by-case basis.
Farm Purchase	Farm purchase loans are available to purchase land for production other than sugarcane or to construct farm housing on non-cane farms.	The capacity of the project to generate income determines the maximum loan term, but it is not to exceed 15 years.
Farm development	Farm development loans are available for cash crops, fruits, root crops, etc.	The maximum loan term available for this product is up to 15 years.
Livestock	Livestock loans are available for beef, dairy, poultry, goat and piggery.	The maximum loan term can range from 8 to 15 years. The maximum loan amount for beef and dairy is FJD 50,000. Poultry, goat and piggery will be based on debt serviceability or on a case by case basis
Agricultural projects	Agricultural Project loans are available for horticulture, coconut, grains and pulses.	The maximum loan term available is 15 years. The maximum loan amount for coconut loan is FJD 50,000.
Other agricultural projects	Other agricultural project loans are available for farm vehicles, machinery, equipment, land sub-division, construction of farmhouse, etc.	The loan term should end short of the useful economic life of the vehicle or equipment, but it is not to exceed five years.
Export credit facility	The initiative of the export credit facility is to boost Fiji's export industry and to improve the nation's economy. This fund can assist new and existing exporters in	The term of loan is up to 180 days. The maximum loan amount is FJD 200,000 per export.

<i>Loan category</i>	<i>Features</i>	<i>Term of loan</i>
	raising short-term working capital requirements for exporting. The types of loans available under the export credit facility are agro business, forestry , marine products, mineral water, ICT, and audio visual.	
Wholesale, retail, hotels & restaurants	The types of loans available under wholesale/retail & hotel are commercial buildings for rental, meat & meat product wholesaling/retailing, farm product wholesaling/retailing, hotels, motels, resort constructions, working capital, etc.	The purpose and type of project will determine the term of the loan on a case-by-case basis.
Mining & quarrying	The types of loans available under mining & quarrying are mineral exploration services, other mining services and sand & gravel.	The purpose and type of project will determine the term of the loan on a case-by-case basis.



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