

Ensuring a Green Future: Sustainable Financing of the Forestry Sector in the Chittagong Hill Tracts

Summary

The Chittagong Hill Tracts (CHT) has been experiencing unprecedented degradation of forest and biodiversity loss. Historically, this area experienced conflicts which were resolved by a Peace Accord in 1997. Bangladesh Forest Department (BFD) over the last two decades has tried to plan and implement several forestry projects in the region but none of them materialized due to inadequate community support. The prolonged period in which BFD had little scope to act has aggravated deforestation and forest degradation. CHT now requires a significant amount of investment for forest ecosystem restoration to be sustained over the medium to long term.

In recent years, Government of Bangladesh (GoB) has underscored the importance of forest restoration, and the regional leaders are in consensus in working to restoring the reserved forests and conserving the watersheds. Now it's high time, GoB should secure financing from national and international sources to ensure long term investment for landscape level restoration in CHT. Besides private financing for the forestry sector should also be mobilized through eco-tourism related activities.

Current Investment Gap in the CHT Forestry Sector

- Bangladesh Country Investment Plan for Environment, Forestry and Climate Change (2016-21) indicates 90% financing gap for the sustainable management of forests and biodiversity conservation.
- In FY 2021-22, the Ministry of Environment, Forest and Climate Change (MoEFCC) received 0.23% (BDT 542 crore) of the total national budget, out of which BDT 443.25 crore was allocated to Bangladesh Forest Department. GoB and external donors co-financed BDT 422.57 crore for the implementation of 22 ongoing forestry sector projects, all excluding CHT.
- Currently, the multi-donor funded *Strengthening Inclusive Development in CHT Project* under the Ministry of Chittagong Hill Tracts Affairs (MoCHTA) is financing BDT 24.08 crore through its watershed co-management component for small scale restoration in some reserved forest areas which ended in July 2023.
- The ongoing SUFAL project of BFD - jointly financed by the World Bank (BDT 1470 crore) and GoB (BDT 32.7 crore) - has also excluded the CHT area⁵.
- The total estimated value of the primary tree and forest products collected is about 3% of the GDP⁵ which is growing annually by 5%. Proceeds from the sale of forest products are estimated at 1.29% of GDP. During FY 2021-22, the sector generated BDT 124.1 crore of revenue. The revenue from the CHT was only BDT 10.5 crore while against a budget allocation of BDT 50.5 crore^{2,3}.
- Under the World Bank PROGREEN activity, Arannayk Foundation has developed a 10-year landscape management plan for Reinkhyong Reserved Forest (75,780 ha) that requires approx. BDT 520 crore to restore, conserve, and sustainably manage the forest resources while ensuring sustainable livelihood of forest dependent communities. Following a similar modality, an estimated BDT 3,793 crore financing will be required for ten years to sustainably manage the entire landscape including reserve forest, protected areas, and Unclassed State Forests (USF) in CHT.

Why invest in the CHT?

- More than one-third of the total forest land of Bangladesh is in the CHT region which is currently under severe threat of deforestation and degradation, where forest cover has declined by about 8% since 2000⁵.

- Almost 90% of the ethnic communities in CHT are dependent on forest resources⁶.
- Hill forests in Bangladesh have been identified as contributing to the highest forest-related emissions (85% of the total) but also highest in carbon removals (52% of the total) and have been the prime focus of the present Bangladesh National REDD+ Strategy (BNRS) 2016-2030⁷.
- Despite its rich biodiversity, the CHT region has remained mostly untapped for ecotourism opportunities.
- The alarming rate of forest land conversion in the CHT is mainly due to overexploitation, shifting cultivation, horticultural expansion, tobacco cultivation, increase of unauthorized settlement, and expansion of linear infrastructure projects. The current rate of deforestation not only leads to high levels of carbon emissions, but also increases soil erosion, reduces productivity of cultivable land, and causes frequent landslides⁶⁻⁹.
- CHT has high social capital and robust tribal governance structures which, if correctly incentivized, can align well with sustainable landscape management goals.
- The ethnic communities and regional leaders in CHT were against the reserved forests declared in USF lands after the independence of Bangladesh criticizing the declaration process as faulty due to insufficient consultation, and they also demanded review of the social forestry rules to make it aligned with the CHT context. There was insufficient consultation to resolve this position of the regional leadership.
- Against this backdrop, limited forestry activities were planned in the region and had received minimum government budget allocation in the forestry sector compared to other sectors.
- However, in recent years, several consultations organized by Prime Minister's Office, Bangladesh REDD+ National Program, SID-CHT Project, SUFAL Preparatory Phase, and Arannayk Foundation PROGREEN Study found the ethnic communities and regional leaders now fully appreciate the importance of combatting land degradation trends.

Why an investment gap in CHT forestry?

- Prior to the Peace Accord 1997, the region experienced social conflict and violence for a long period. After the agreement, social tensions calmed down and institutional arrangements were devised to include local voices in the decision making and resource management.
- In the Post-Peace-Agreement period, development efforts have been taken by other government departments, units and NGOs including newly established statutory institutions such as Ministry of CHT Affairs and District Councils.
- In the CHT, 64% of total forest land is considered as Unclassed State Forests (USF). However, 98% of the USF is owned and managed by district administration on behalf of the Ministry of Lands, having no forestry activities on regular basis. However, the new institutional arrangements have provided the Hill District Councils with the authority to operate all activities including forestry operations in the USF lands.
- The prevailing mistrust and gaps between local communities, institutions and government authorities need to be resolved through the adoption of community-based forest management (CFM).
- Strong political commitment at both national and regional level, engaging all the stakeholders, is essential to adopt CFM and resolve or minimize the land tenure / rights issues and create a win-win scenario.
- Within the CFM framework multi-year management plans may be drawn up to identify and prioritize key investments. These can be used to secure investment from domestic or international sources, including results-based carbon payment or voluntary carbon market to undertake appropriate landscape-level forest restoration programs in CHT.
- Eco-tourism related activities, women-led and locally made traditional materials, non-wood forest products based small scale industries, and establishing seasonal fruit preservation and processing plants are some of the potential scopes for private sector investment that may generate alternative source of income for the forest dependent communities.

What should be done?

What can we achieve?

Adequate and continued investments in the forestry sector of Bangladesh, especially in the CHT, will contribute to the following developments:

- Achieving the 8th Five Year Plan (FYP) target of restoring 130,580 ha hill forest¹⁰, resonating with Sustainable Development Goals (SDGs) 13 and 15, the UN Decade on Ecosystem Restoration (2021-2030) and 2050 Global Biodiversity Framework of the Convention on Biological Diversity (CBD).
- Additionally, sustainable financing of SLM could ensure restoration and conservation of forests, biodiversity hotspots and endangered species; secure safe drinking water through improved watershed management; and enhance livelihood of local communities and reduce their vulnerability to climate change impacts.
- Promotion of ecotourism-based alternative income opportunities could reduce forest resource dependency, empower women, and attract private sector investment in landscape development.

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10. GoB. *8th Five Year Plan, General Economics Division (GED), Bangladesh Planning Commission, Government of the People's Republic of Bangladesh* (2020).

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2. GoB. *Bangladesh Country Investment Plan for Environment Forestry and Climate Change 2016-2021* (2016).
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7. GoB. *Bangladesh National REDD+ Strategy (BNRS): 2016-30* (2021).