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Negotiating Partnerships for Governance Reform: the Draft Code of Conduct for Forest Sector Development Cooperation

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This paper reviews experience with the 2001 Draft Code of Conduct for Forest Sector Development Cooperation. The Code aims to help donors engage more effectively with the institutional and policy contexts affecting forests, and to shift the governance agenda from conditionality to positive incentives for change.

Policy conclusions

- The Draft Code of Conduct for Forest Sector Development Cooperation provides a basis for partnership development and mutual accountability. It helps to reconcile donors' pre-occupation with good governance and increasing emphasis on national ownership of the development process.
- As a generic framework to negotiate country-level memoranda of understanding between donors and their development partners, the Code can help build trust and confidence.
- The Code seeks to link sector-based support with the many extra-sectoral processes that affect forests – principally within the framework of national forest programmes (nfps). This creates an entry point for cross-cutting governance reform.
- Partnerships between donors and central governments are unlikely to be the only kind in a productive sector such as forestry where government's mandate may be unclear or contested. The Code promotes broader national ownership through a range of partnerships including central and local government, civil society and the private sector.
- Although designed to support a sector-wide approach, the Code can also be applied where donor assistance is channelled through projects.
- Application of the Code must overcome the concerns of donors about setting cross-sectoral precedents, and of national partners who might perceive it as 'hidden conditionality'.
- Implementing the Code may involve high initial transaction costs for long-term returns, and changes in the way donors and partner institutions operate.

Why a 'Code of Conduct' in the forest sector?

A code of conduct is a statement of principles and guidelines governing the behaviour of an organisation. As the role of the state is increasingly seen as setting the regulatory framework in which the private sector and civil society can function, codes of conduct provide a means to set standards and to manage the public/private interface. They also help to define mutual expectations in other forms of public partnership, including those between donors and recipients of international aid.

The Code of Conduct for Forest Sector Development Cooperation (hereafter referred to as 'the Code') reflects growing donor emphasis on national ownership of the development processes, the enabling environment of laws, policies and institutions, and national financing (Box 1). It was formulated recognising that responsible governance

demands as much from the international community as it does from host governments and forest-local populations (see Brown *et al.*, 2002). The draft Code is included with this paper, as an annex.

The Code seeks to overcome a number of limitations to conventional development assistance, including:

- the fragmentation of project-based interventions;
- their inability to address the broader governance context;
- the multiplicity of donor procedures and interests;
- the coordination problem this leaves for host governments.

It is not a binding instrument but an aspirational document to help create a common vision between donors and their partners. It also provides a framework for formulating more detailed cooperation principles in specific country contexts.

The Evolution of the Code

The Code builds on principles established by the 1999 EU Council Resolution on Forests and Development. These highlight the centrality of good governance.

The Code was drafted by the European Tropical Forestry Advisors Group (ETFAG) in response to the Council Resolution. At its meeting in October 2000, ETFAG decided to field test the Code under a variety of scenarios. In November 2001, ETFAG agreed to review this experience and to extend awareness of the Code to a wider group of donors within and beyond the sector. This paper responds to this mandate. The Code is currently awaiting adoption as part of the draft EC strategy on Forest Development Cooperation. The Code is rooted in two parallel processes:

- A shift from project-based aid delivery to sector-wide approaches (SWAPs), strengthening donor co-ordination and support for a single, nationally-led sector policy and expenditure programme.
- The emergence of national forest programmes (nfps), and related partnership arrangements, as the leading framework for forest-sector reform. The 1999 EU Council Resolution affirms nfps as the principal mechanism for stakeholder co-ordination, and coherent forest-related development. Nfps evolved out of the post-UNCED forest policy dialogue, including the Intergovernmental Panel and Forum on Forests (IPF/IFF), and the present United Nations Forum on Forests (UNFF).

These processes are complementary: an nfp is a comprehensive policy framework within which to co-ordinate sector development, and a SWAP is a delivery mechanism by which to channel aid in support of that framework.

Box 1: What is a code of conduct for development cooperation?

Various codes and best practice guidelines have been formulated to simplify and harmonise donor procedures, and to facilitate partnerships. Generic guidelines include the OECD/DAC *Working Checklist for Strengthening Development Partnerships*. Sector-specific codes include a WHO *Guide to Sector-Wide Approaches for Health Development (1997)*, offering best practice guidance for Memoranda of Understanding between governments and donor agencies, as well as the *Horizon 2000 Code of Conduct for Education Sector Funding Agencies (1997)*. Codes to guide sector-wide development have also emerged at the country level, including *The Kaya Kwanga Commitment: A Code of Conduct to guide partnership for health development in Mozambique (1999)*, prepared by the Ministry of Health and external partners.

These and the Forest Sector Code share similar principles, including:

- national ownership, including technical assistance driven by partner institution priorities and national coordination of external inputs;
- transparency, e.g. information sharing and joint monitoring and evaluation;
- operational efficiency, including integration of donor investments and procedures with national programmes and structures.

These principles help to define donor-partner relationships at the national level, and provide standards against which to assess progress towards sector-wide approaches over time. They also enable actors to build confidence and manage risk.

The Code builds on these synergies, providing the first set of consolidated principles for sector-wide support to nfps. In focusing on aid delivery, the Code does not address particular thematic priorities. These are left to individual countries to define within their nfp processes. Nor does the Code seek to impose SWAPs. Rather, the Code provides a basis on which to gradually evolve towards them from a looser association of coordinated initiatives.

How might the Code improve forest sector governance?

Setting the donors' houses in order

For developing countries, external support is often indispensable for the development and implementation of innovative forest policies and programmes. Thus, the Code is directed in the first instance at the donors themselves. It embodies many elements of best practice in aid delivery, challenging donors to become more transparent, to share information more widely and to support national governments in coordinating aid, and in identifying and meeting technical assistance needs.

Balancing donor interests with country ownership

The donors' preoccupation with good governance in partner countries could be construed as an externally-driven conditionality. This conflicts with growing emphasis on country ownership by aid recipients, especially within the framework of poverty reduction strategy processes (PRSPs). Heavy donor pressure arguably hampers national commitment to reform (Savenije, 2000). If governance reform is to achieve its own momentum at the national level and below, more positive forms of engagement are needed that balance national

leadership with accountability to donors. The Code presents a way forward, as a basis for dialogue, partnership development and two-way accountability between donors and their national partners.

In focusing on nfps, the Code embodies an incremental approach based on a realistic assessment of national capacity. For instance in Vietnam (Box 2) the Code inspired a set of Principles for Forest Sector Cooperation. These enable partners to assess progress towards a common vision and hold each other to common targets. Support for nationally defined priorities was crucial to government ownership of this process securing a sound footing for legal, policy and institutional change.

Linking sector-based support to cross-sectoral reform

There is a potential conflict between SWAPs, which encourage line ministries and sectoral agencies to pursue their own interests, and the cross-cutting processes which donors also favour for public service reform, improved fiscal management and decentralisation. In recognition of this, many donors are beginning to shift towards cross-sectoral budgetary support. This channels programme aid through the governmental system, normally focusing resources on economic growth, poverty reduction and institutional reform.

In the forest sector it is particularly difficult for line ministries to operate in isolation because:

Box 2: Use of the Code in support of the Vietnam national forest programme (nfp)

The Vietnamese nfp and partnership approach

In 1998, the Government of Vietnam (GoV) launched the National Five Million Hectare Reforestation Programme (5MHRP). This aims to re-establish 43% forest cover by 2010 through a comprehensive programme towards strengthening environmental protection, reducing poverty and increasing the contribution of forestry to the national economy. Through a Consultative Group Meeting in 1998, the GoV and the donor community agreed to form a partnership to deliver comprehensive and effective support to the forest sector. Spanning government, international donors and NGOs, the partnership aims to account for the wider institutional and policy environment, and to strengthen required national capacity. A Forest Sector Support Programme (FSSP) was subsequently negotiated, enabling the partnership to deliver sector-wide support to the Forest Development Strategy 2001-2010 (including the 5MHRP). The FSSP optimises deployment of national and international resources for sector development and is enshrined within a Memorandum of Agreement (MoA) signed by the partners in November 2001.

Use of the Code

In early 2001, the Code was informally introduced to the partnership process to assist in developing the FSSP. The FSSP Joint Formulation Team was mandated to 'Develop guidelines for operation of the FSSP in the form of a Code of Conduct'. The Code provided the basis for a set of locally appropriate Principles for Forest Sector Cooperation, ultimately incorporated into the FSSP MoA. The FSSP reflects the spirit of the Code in its emphasis on partnership, support for nationally defined priorities, move towards SWAPs, as well as its commitment to internationally agreed principles for nfps of wider relevance to governance reform. These include national ownership, participation and transparency, equity and benefit-sharing, use of intersectoral approaches, incorporation of environmental values, and decentralisation.

- extra-sectoral factors including trade, market regulation and structural adjustment have a strong impact on forest industries and people;
- forests constitute an important fiscal base for local and national government, while also delivering key environmental services;
- forests are crucial to poverty reduction and provide a safety-net in remote rural areas.

The Code channels support at nfps given their capacity to account for these cross-sectoral linkages. The Code therefore provides a framework by which sector-based support might secure broader governance reform. For instance, the forest partnership process in Vietnam triggered similar initiatives in other sectors including environment, poverty alleviation, health and education. Achieving cross-sectoral benefits will be an important measure of the Code's success.

Looking beyond central government as the main agent

Although pledged to wide participation, many SWAPs envisage government as the lead actor. This may be problematic in a productive sector such as forestry, in which the role of the government is in question. With big revenues at stake and a wide range of actors competing to capture the different values that forests offer, the role of state and line ministries may be poorly-defined and often contested. This is in contrast to welfare sectors like education and health, where the government's mandate is usually clearer.

The forest sector code does not challenge the leading role of government, as this may be essential for effective country ownership. But it does emphasise the importance of national policy and financing mechanisms for increased civil society and private sector participation in forest development and conservation, and acknowledges that alternative partnerships may often be necessary.

The Code as process

The institutional and policy conditions for a SWAP are rarely ideal. It takes time to secure donor co-ordination, partner country ownership and changes in planning, budgeting and management processes.

Nfps face similar obstacles. In a sector characterised by competing and vested interests, an nfp is likely to be highly political. Consensus may be difficult to obtain. Nfps also vary greatly. Some are genuinely inclusive with strong linkages to extra-sectoral processes. Others are narrow technocratic exercises with limited cross-sectoral impact.

So, rather than impose a blueprint for sector-wide support to nfps, the Code encourages movement along a continuum, from project-level interventions through jointly financed programme packages to full integration into national budgetary procedures. This may help to institutionalise the iterative cycles of policy formulation, implementation, lesson learning and adjustment that are central to the nfp concept.

An initial focus on project-level interventions may be most appropriate where donors focus their efforts on civil society. Parts of the Code provide a useful basis for designing and assessing project-level interventions (Box 3).

The Code is not a magic formula

The Code is not a set of project activities that can be implemented in an off-the-shelf way. It presents real challenges for donors and their national partners, requiring fundamental changes in the way they work.

Box 3: Applying the Code to bilateral field projects: experience with Finnish forestry cooperation

The Code has yet to be approved as an official tool for Finnish forestry cooperation. The Finnish Department for International Development Co-operation has nevertheless used it to perform a 'fitness-test' of two bilateral forestry projects in East Africa and Southeast Asia. In each case, the 2001 mid-term review missions were asked to compare project operations with the vision presented by the Code.

The exercise established that the projects had effectively promoted: (i) national ownership, by aiming to adjust projects to the national policy environment; (ii) national capacity building for enabling conditions, including the private sector; and (iii) national financing. The Code also helped to identify weaknesses in project operations and in the promotion of country-specific partnership arrangements.

With respect to the Code's general applicability to bilateral field projects, the exercise concluded that:

- The Code did not conflict with existing Finnish ODA principles and procedures for best practice.
- It helped to highlight poor project performance that proved the need for the Code.
- Although applicable to bilateral projects, the Code is probably most useful in its original ambit, i.e. programmatic cooperation including SWAPs.
- Given differing social, economic, political and cultural environments between project sites, applying the Code requires creativity and common sense.
- If the Code is to improve project efficiency, effectiveness and sustainability, it requires active promotion by donors and guidance on its use.

Based on this analysis, the following suggestions were made:

- The Code requires internal endorsement by donor organisations as a practical guiding tool for project work.
- The Code could be used to facilitate bilateral negotiations and annexed to project contracts and documents.
- Instructions could be developed for the application of the Code at each stage of the project cycle, from project identification to review.

Partners may be wary of committing themselves

There is a danger that the Code will be interpreted as a set of binding standards, increasing the suspicion of both parties.

Donors may be concerned that the Code impinges on development cooperation beyond the forest sector, in areas where they may not wish to be bound by the same standards. And some donors may favour looser co-ordination rather than full integration of sector support on a joint implementation basis. This could involve parallel financing of common sectoral milestones rather than pooled ('basket') funding. Box 4 explores the donor response to the Code in Cameroon.

Host governments may also be concerned. In some sectors, codes of conduct have been jointly formulated by national governments and groups of like-minded donors; the 'Kaya Kwanga Commitment' on health sector development cooperation in Mozambique is one case (Box 1). However, the forest sector Code was elaborated by donors without direct relevance to a specific country and with limited participation. National partners may thus see it as a new form of conditionality. They may be reluctant to agree to increased accountability in return for long-term funding when faced with a co-ordinated donor position.

Box 4: Donor response to the Code in Cameroon

The problem: By the late '90s, Cameroon's forest policy environment was looking grim; economic crisis and structural adjustment had weakened government, donor coordination was poor, and the sector was awash with fragile and failed initiatives. The Ministry of Environment and Forests found it hard to track the differing agendas of multiple partners. Without a framework for regular dialogue with development partners, transaction costs rocketed. Then in 1999, the Yaoundé Summit gave the sector new impetus through presidential commitments to reform.

The response: Government and donors responded with an Emergency Action Plan to address outstanding policy issues. By 2001 donors felt it was time to develop a Sector Programme with government and saw the Code as a means to work more effectively with each other and with government.

Demand for the Code: Donors initially wanted the Code to help reduce transaction costs and coordinate policy dialogue, and as something to offer government in return for the tough decisions it was being asked to make. The draft Code was circulated in March 2001 to all donor partners in preparation for a joint donor/government sector review mission. Preparatory meetings allowed donors to discuss the Code. But several donors were not fully at ease with the Code's implications and eventually withdrew their support.

The way forward: Nevertheless, discussions between donors and government demonstrated mutual demand for something like a Code. It was eventually agreed to work towards the Code's aspirations within the Forest and Environment Sector Programme. In the mission Aide Memoire, donors made a commitment to the government to develop a joint donor framework based on the Code.

Issues arising:

- Uncertainty over the status of the Code made donor representatives nervous about making commitments without approval from donor headquarters.
- The aspirational nature of the Code was not fully understood by all donors.
- Some partners were nervous about developing this sort of relationship with a still recalcitrant government.

High initial transaction costs

Structuring a donor/country partnership in keeping with the Code requires protracted negotiation. Transaction costs may also be incurred in establishing new coordinating structures, and in monitoring and adjusting implementation. Vietnam's Forest Sector Support Programme (Box 2) took over two years to negotiate, involving the government, nineteen international donors and NGOs. A significant amount was spent on staff and consultancy inputs (Brown *et al.*, 2000). However, this did achieve strong government ownership and made donor behaviour more transparent to partners. Its implementation is also expected to reduce project planning and monitoring costs.

A positive environment for reform can be elusive where the revenues at stake are high

For SWAPs to work, governments need to agree on the need for a sector strategy. Government ownership of sector reform is strongest when political leadership (with the support of state agencies and civil society) recognises that policy changes are desirable (Killick, 1998). But the power of the forest industry may present an obstacle to change, particularly where

the standing value of timber is high. There may also be significant barriers to civil society (particularly local community) participation and ownership, especially where tenurial rights are weak and where forests are *de facto* 'owned' by the logging industry. It is too early to judge the Code's performance in such a scenario.

The way forward

The Code is emerging at a time when many donors are shifting away from sector-based interventions in favour of central budgetary support. This shift in aid delivery seeks to enhance national ownership of the development process as well as cross-sectoral integration. Although focused on only one sector, the Code underlines donor commitment to the centrality of good governance. Given the values at stake in forestry, sector-based support to nfps has much to offer as a contribution to broader governance reform. The Code also helps look beyond government as a main or exclusive actor, and encourages strategic partnerships with civil society.

Experience in countries where EU donors have used the Code suggests strong demand for such an instrument. It can help:

- minimise transaction costs,
- coordinate policy dialogue,
- build trust and predictability,
- offer partner governments something positive in return for tough decisions over legal, institutional and policy reform.

But its implementation cannot be rushed. Donors need to adapt the Code to local circumstances, using it to assess the current situation, develop a pathway towards the ideal, and then track progress towards compliance. Some donors and their partners take a more formal approach to this sort of document and need time to assess it and feel comfortable with its scope. Donors will also need to monitor the ups and downs of their relationship with national partners, using the Code to judge the balance between sanctions and incentives.

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ANNEX

Draft Code of Conduct for Forest Sector Development Cooperation of the European Commission and the EU Member States – November 2001

The European Commission (EC) and the EU Member States commit to the following principles in their forest sector development cooperation with partner countries, on the understanding that the principles will be flexibly applied, taking into account the realities of each country situation. The Code of Conduct should be understood as an aspirational rather than strictly normative document. Ideally it should serve as a basis for dialogue on improving the effectiveness of forest sector development cooperation with partner countries, as well as within the Commission and EU Member State development cooperation institutions.

- 1 The importance of *ownership by partner countries of joint development efforts* in the forest sector is emphasised. Where credible national forest programmes¹ exist, forest sector programmes and projects financed by the EC and the EU Member States will be embedded in and be fully compatible with them. The term national forest programmes is understood as a generic term for a process towards a comprehensive forest policy framework and programme for the achievement of sustainable forest management, integrated into wider programmes for sustainable land-use. The IPF/IFF conclusions and recommendations on national forest programmes, as well as the further deliberations of the UNFF, will be used to assess whether or not a specific country has a credible forest programme.
- 2 Sound *national policies* and the *institutional and management capacity for their implementation* are preconditions for aid effectiveness. The EC and the EU Member States will support countries to build the capacity to put these enabling conditions in place. In cases where the partner government is not committed to developing national policies and institutional structures in line with the internationally agreed principles, support to forest sector development will be focused towards promoting information generation, consultation, and advocacy for policy reform within civil society, including generating pilot-scale field-level experiences.
- 3 *Sector wide approaches* are increasingly used to improve the effectiveness and efficiency of aid. The EC and the EU Member States support and promote the efforts of partner countries to establish this type of approach to channel support to national forest programme and policy implementation. Sector wide approaches are viewed as processes which ultimately aim at achieving the following characteristics: (i) significant funding supports a single national sector policy and expenditure programme, (ii) the partner government leads and owns the process and implementation, (iii) common procedures are adopted across the sector by government and donors, and (iv) government procedures are used to disburse and account for all funds. It is, however, recognised that a fully-fledged sector approach requires a high level of macroeconomic and budget management, accountability and transparency from the government. Until such capacity exists, sector support may need to be channeled through (i) earmarked funding within a sector programme, or (ii) project type

support within the national forest programme. Furthermore, even within a fully developed sectoral programme there may remain certain types of activity that may not be appropriate for financing through government budgets.

- 4 It is recognised that *civil society and the private sector have an important and increasing role in the implementation of forest related development activities*, both as regards productive forestry and forest conservation. Traditional sector support programmes, e.g. those used in health and education, are designed mainly for improving the service delivery capacity of government institutions at various levels. In the case of the forest sector many of the key actors for “delivery” of sustainable forest management are non-governmental. Therefore an important element of sector wide approaches for the forest sector will be the establishment of national financing mechanisms and instruments² aimed at fostering civil society and private sector participation in forest development and conservation. As such mechanisms and instruments are developed, in the context of nfp processes, and demonstrate their effectiveness and accountability, individual project type support of the EC and the Member States to non-government actors will largely be replaced by support channeled through such national financing mechanisms and instruments.
- 5 Effective *coordination of and information sharing between all development interventions are vital to ensure the maximum sectoral impact of aid*. The EC and the EU Member States actively promote and support the concept of national coordination of all interventions in the context of national forest programmes, and the strengthening of national networks for information sharing. The primary aim of both coordination and information sharing will be to increase the effectiveness of development interventions and improve intersectoral collaboration. In general the partner country should take the lead for such coordination and information sharing – only in cases where it is specifically requested by the partner government is the concept of donor-led coordination and information dissemination (e.g. *chef de file*) supported. Coordination can also be extended to such areas as joint evaluations of projects and programmes as well as common monitoring and reporting formats. Beyond coordination of development assistance, both EU donors and partner countries should seek to ensure coordination and coherence of policies within and outside the forest sector.
- 6 Certain *practical measures will be taken to increase the efficiency, effectiveness and sustainability of forest sector support* regardless of which modality of support (project or programme) is used for delivering aid. The EC and the EU Member States will actively promote that: (i) development interventions are based on the initiative of the partner government and/or civil society stakeholders, so that the partner institutions (including both governmental and non-governmental partners) have the lead role in the planning of all development interventions, (ii) uniform standards and norms are agreed for remuneration and allowances of local personnel and “buying out” of government employees for projects is avoided. In addition, particularly where sector wide approaches are implemented (iii) government planning and budgeting cycles are used as the basis for aid programming, (iv) joint monitoring, reporting and auditing

systems for all donor supported interventions are developed and used, (v) joint evaluations of projects and programmes are carried out, with focus on their sectoral impacts, and (vii) the establishment of project-specific structures is avoided.

- 7 *To ensure that technical assistance contracted to support forest sector projects and programmes produces the highest value for the partner countries*, the EC and the Member States will ensure that: (i) the contracting of technical assistance personnel is driven by the needs and priorities of the partner institutions and takes into account their absorption capacity, (ii) the primary function of technical assistance personnel is to build the capacity of the staff of the partner institutions in their respective fields, and to fill essential gaps, (iii) the partner institutions are fully involved in the drafting of ToRs and in the selection of technical assistance personnel, (iv) technical assistance personnel are accountable to partner country institutions and their ToRs should not restrict them to a single donor project or intervention but enable them to contribute to the broader needs of the partner country, (v) the increasing use of qualified local and regional technical assistance personnel is encouraged, and (vi) expatriate technical assistance personnel from the donor countries is used in a way that is complementary to existing local and regional expertise, and contributes to the further development of such expertise.
- 8 For transparency and effective implementation *the above principles need to be communicated to and discussed with partner governments*. On the basis of this Code of Conduct, the EC and the EU Member States may agree country-specific partnership arrangements for forest sector development cooperation. An incremental approach is suggested, building on existing achievements, taking realistic stock of weaknesses and the need for change among all partners, identifying viable objectives and milestones for their achievement, and maintaining a climate of transparency, openness and accountability in these negotiations.

Finally, it is recognised that the full implementation of the principles defined in the Code of Conduct will require changes in many EC and Member State agencies responsible for forest sector development cooperation, and may take some time. To make these changes happen, the EC and the EU Member States will work towards: (i) identifying and removing institutional or management related barriers which prevent or hinder them from the full application of the above principles in their forest sector development cooperation, (ii) strengthening and decentralising their professional human resources in a way that enables them to effectively participate in country-level dialogue on national forest programmes and related sector wide approaches, (iii) more predictable long-term commitments, in order to enable partner countries to improve the sustainability of their sectoral strategies for forest development and conservation, and (iv) monitoring progress in this change process, both in the partner countries and within EU development agencies.

Endnotes to 'Code'

- 1 The IPF (Intergovernmental Panel on Forests) and the IFF (Intergovernmental Forum on Forests) have agreed on the concept of national forest programmes (nfps) as a viable framework for addressing forest sector issues in a holistic, comprehensive and multisectoral manner in the context of wider strategies and programmes for sustainable development. Nfeps are understood as a generic expression for a wide range of policy and planning approaches leading towards sustainable forest management and conservation, applicable at national and sub-national levels. The IPF/IFF defined *inter alia* the following principles for nfeps: (i) national sovereignty and country leadership, (ii) consistency with the constitutional and legal frameworks of each country as well as with international commitments, (iii) partnership and participation of all interested parties in the process (with special regard for indigenous people and local communities), (v) promoting secure land tenure arrangements, and (v) being based on ecosystems approaches that integrate the conservation of biodiversity with its sustainable use. Nfeps are seen as a continuous cycle of planning, implementation and monitoring. The UNFF (United Nations Forum on Forests) has a mandate to monitor the development and implementation of nfeps.
- 2 The concept of national financing mechanisms and instruments is understood to include both mechanisms and instruments set up by the public sector in a given country to promote and facilitate the participation of the private sector in sustainable forest management and conservation (e.g. government incentives for reforestation or forest management etc.), as well as mechanisms and instruments which are set up by the private sector and/or civil society directly (e.g. conservation funds, foundations to promote NGO activities etc.) or even combinations of these approaches. They also include a variety of mechanisms and instruments aimed at internalising the environmental values of forests (e.g. carbon sequestration, protection of watersheds etc.). Although the term "national financing mechanisms and instruments" is used, it is understood that they may include mechanisms and instruments set up at the national, state, region or local-level. The term national is used to clarify that they are not donor-specific but country-owned.

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