

# DG VIII

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## Contents

<b>1.</b>	<b>DG VIII – EVOLUTION OF INVOLVEMENT IN TROPICAL FORESTRY</b>	67
1.1	The aid mandate of DG VIII	67
1.2	Structure of the Directorate	67
1.3	The place of the ACP countries in the evolution of forestry aid	69
<b>2.</b>	<b>SYSTEMS OF AID DELIVERY</b>	69
2.1	The Lomé agreements	69
2.2	Aid delivery through the EDF	69
2.2.1	National and Regional Indicative Programming under the Lomé Conventions	69
2.2.2	Focal areas of co-operation	70
2.2.3	Participation of ACP states	70
2.3	The budget lines	70
2.4	Staffing and ratio of forestry advisers to financial commitment	71
2.5	Management of NIPs/RIPs	71
2.5.1	Channels and beneficiaries of DG VIII funds	71
2.6	Strengths and weaknesses of the DG VIII approach	72
2.6.1	Integration of sectoral priorities	72
2.6.2	Tropical forestry in DG VIII	72
2.6.3	Tropical forestry – the definitional issue	73
2.6.4	Strategic use of the budget line	73
2.6.5	Procedural innovations	73
<b>3.</b>	<b>STRATEGY AND POLICY</b>	73
3.1	Past strategy	73
3.2	Tropical forestry in the period 1992–1995.	74
3.3	Forestry and the programming of NIP/RIPs	74
3.4	The Tropical Forestry budget line	75
3.5	Present strategy on tropical forests	75
<b>4.</b>	<b>PROJECTS FUNDED BY REGION, TYPE AND SIZE</b>	76
4.1	Analysis of projects supported in the last two decades	76
4.1.1	Questions of classification	76
4.1.2	Total expenditure on forestry projects	78
4.1.3	Geographical spread of projects (DG VIII – all sources)	79
4.2	Non-budgetary funding	80
4.2.1	European Development Fund (EDF) – financial allocations	80
4.2.2	EDF projects – type and geographical spread	80
4.3	Non-programmable aid	81
4.3.1	STABEX	81
4.3.2	YSMIN	82
4.4	Budgetary funding	83
4.4.1	B7–6201 (ex-B7–5041) Actions in favour of tropical forests	83
4.4.2	Funding under other budget lines	84
<b>5.</b>	<b>PROJECT CYCLE MANAGEMENT</b>	86
5.1	Phases of the project cycle	87
5.2	Evaluation	88
<b>6.</b>	<b>PROJECT REVIEWS</b>	88
<b>7.</b>	<b>CONCLUSION</b>	89
	<b>REFERENCES</b>	91
	<b>KEY CONTACTS</b>	92
	<b>ACRONYMS</b>	92
	<b>ACKNOWLEDGEMENTS</b>	92

## 1. DG VIII – EVOLUTION OF INVOLVEMENT IN TROPICAL FORESTRY

### 1.1 The aid mandate of DG VIII

As the Directorate-General responsible for Development Co-operation with the African, Caribbean and Pacific (ACP) countries, DG VIII occupies an unusual position with regard to development aid. Not only does it control ‘budgetary allocations’ voted by the European Parliament to the respective development-related budget lines, but it also has access to the so-called ‘non-budgetary funds’ in the form of the periodic pledges which are made directly by the Member States to the European Development Fund. Unlike the budget lines, the EDF does not form part of the EC Budget and is thus outside direct Parliamentary control.<sup>1</sup> Unusually, therefore, DG VIII action is conditioned not only by Commission-wide influences such as the Maastricht Treaty, but also by the bilateral and extra-budgetary financing arrangements associated with the multi-annual Lomé Conventions.

DG VIII’s geographical mandate reflects the history of the European Union and the colonial history of several of its Member States. The ACP versus non-ACP distinction is entrenched within the structure of the Commission’s aid management (DG VIII vs DG IB), and was restated in the Maastricht Treaty, Article 130w of which affirms the special status of the ACP countries, in the framework of the ACP-EC Convention. While the future of the EU-ACP association is currently a subject of considerable debate (a Green Paper on this theme was published in 1997), the ACP countries remain important partners for the Commission, and are likely to remain so, in one form or another, well into the next century.<sup>2</sup>

### 1.2 Structure of the Directorate

DG VIII is divided into directorates, some of which are geographical and some technical (see Figure 1). There are three geographical (or ‘vertical’) directorates, and four directorates concerned with ‘horizontal’ (ie. technically-oriented and geographically cross-cutting) themes.

#### (i) Geographical:

The geographical directorates of DG VIII are: VIII/D West and Central Africa; VIII/E East and Southern Africa; and VIII/F Caribbean, Pacific and Indian Ocean.

Each geographical directorate is divided into Divisions (or ‘units’) with narrower geographical responsibilities. Desk officers are responsible for relations with

individual ACP countries or (where country commitments are individually too small) groups of countries. The geographical directorates also include geographically-specific technical divisions. For example, each of the two Africa Directorates has two technical divisions covering ‘Infrastructure’ and ‘Agriculture and Rural Development’. There is no technical division devoted to forestry for any geographical area.

#### (ii) Horizontal:

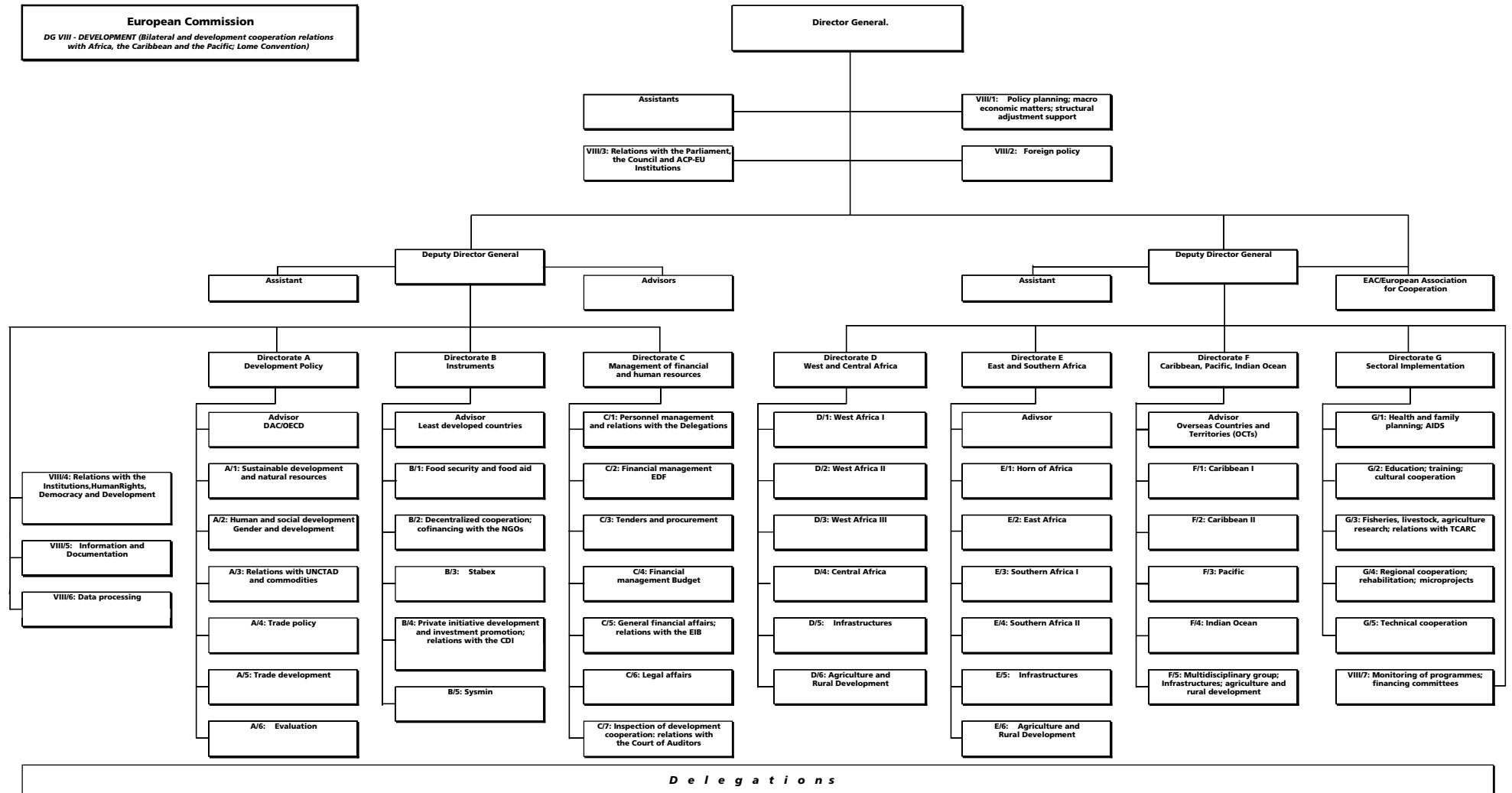
The horizontal directorates of DG VIII are: VIII/A Development policy; VIII/B Management of instruments; VIII/C Finance; and VIII/G Sectoral implementation. The horizontal directorates are also divided into Divisions. The primary responsibility for tropical forestry policy is held by Division VIII/A/1 (‘Development Policy, Sustainable Development and Natural Resources’). Although there is no career Commission official responsible for tropical forests, there is a tradition of appointing a forester to the Division from one or other of the Member States as a ‘National Expert’ (that is, a national civil servant seconded as a tropical forestry adviser). The occupant of this post is a key player in the development and implementation of the tropical forestry policy of DG VIII. Responsibilities of the post include: sectoral policy development; international representation and liaison; sectoral co-ordination; documentation and information; project technical support; and budget line management (particularly the tropical forestry budget line). The Adviser is not involved in the direct field-level management of EDF projects, this being the responsibility of the Desks in Brussels and the Delegations overseas.

Forestry is also covered by a number of other ‘horizontal’ divisions, including those dealing with the environment and the STABEX fund, and features as a component of other technical sections such as agriculture and research. However, the informing principle of DG VIII operations is an unequivocally geographical one, as is implicit in the Lomé Convention signed with individual countries. As a result, horizontal issues such as forestry tend to be less well integrated into the functioning of the Directorate-General than are ‘vertical’ (ie. geographical) concerns.

Division VIII/A/1 has responsibility for tropical forestry policy and also for guidance to desk officers and Delegations on priority sectors for allocation of funds from the EDF with regard to forestry and other sectors (environment, transport, habitat, etc.). Since 1995, it has also been responsible for part of the expenditure under the budget line B7–6201 (formerly B7–5041) ‘Actions in Favour of Tropical Forests’. This budget line was created in 1992. Previously, funding for tropical forestry was covered by the budget line B7–6200 (formerly B7–5040), ‘Environment (formerly ‘Ecology’) in Developing Countries’. Access to funds under this rubric allows DG VIII to implement forestry-related activities without having to pass through the relatively bureaucratic and slow-moving EDF procedures. Formal responsibility for the management of the budget line (including reporting to the European Parliament) lies with DG IB.

1. The lack of parliamentary scrutiny of the EDF leads to complaints of a ‘democratic vacuum’ in the management of the Fund.
2. The main issue of contention is the system of trade preferences given to ACP states, which is challenged both by competitor nations outside this grouping and by many economists who view the system as encouraging inefficiency. Post-Lomé arrangements are likely to lead to modification or abandonment of preferential trading arrangements, possibly combined with a review of aid partnerships, to focus EC aid on the most needy countries of the developing world, regardless of their present affiliations.

Figure 1 Structure of DG VIII – Development



### 1.3 The place of the ACP countries in the evolution of forestry aid

In the 1970s, the financial protocol of the Lomé Convention, the European Development Fund (EDF), provided the main source of funding to tropical forestry. As other sources of funding have become available to tropical forestry through the budget lines, so the EDF's relative importance has diminished. However, it still has important implications for tropical forestry, both in terms of funds earmarked for activities in key sectors of the national programmes of the partner countries, and, more generally, in terms of the forestry impacts of interventions in other sectors.

## 2. SYSTEMS OF AID DELIVERY

An understanding of the ways in which tropical forestry is handled within DG VIII requires consideration of the two different types of fund – the EDF, which has a long history and operates according to institutionalised, if rather complex, procedures, and the tropical forestry budget line, which has a much shorter history, and operates more flexibly. Management of the EDF involves close collaboration between the Commission and its ACP partners, while DG VIII/A/I has a fair degree of independence in its management of the tropical forestry budget line.

### 2.1 The Lomé agreements

The first three Lomé Conventions provided multi-annual financial allocations, on a five-year cycle. The present Lomé Convention, Lomé IV, covers two successive funding periods (Lomé IV and IV *bis*, each of five years) of ten years' overall duration (1990–99).<sup>3</sup>

The introduction of phased programming into Lomé IV was partly the result of problems in disbursing EDF funds. Slow and inadequate disbursement of funds has characterised previous generations of EDF protocols, in part because of the time-consuming and complex process of policy dialogue needed to identify country priorities and sectoral emphasis (Koning, 1997:132). Lomé Conventions form contractual agreements between the EU and the ACP group. The EDF does not operate a deadline for spending its funds, so that if funds committed are not spent during the life of a particular EDF, they can be carried over into the next. Taking into account the programming of successive EDFs, it is thus possible to have a number running concurrently. All EDF funding, apart from funds managed by the European Investment Bank (EIB), is in the form of grants.

### 2.2 Aid delivery through the EDF

Aid delivery through the mechanism of the EDF

3. The full list of the respective Yaoundé (predecessor to Lomé) and Lomé agreements and their associated EDFs is as follows:
- |            |             |             |                          |
|------------|-------------|-------------|--------------------------|
| Yaoundé I  | (1963)      | EDF 1.      |                          |
| Yaoundé II | (1969)      | EDF 2.      |                          |
|            | (1970–75)   | EDF 3       |                          |
| Lomé I     | (1975–80)   | EDF 4.      |                          |
| Lomé II    | (1980–85)   | EDF 5.      |                          |
| Lomé III   | (1985–90)   | EDF 6.      |                          |
| Lomé IV    | (1990–2000) | EDF 7 and 8 | (Lomé IV bis 1995–2000). |

involves two levels of action: the programming exercise which defines the overall character and level of funding of the various *national indicative programmes* (NIPs) and *regional indicative programmes* (RIPs), and the project formulation which converts each programme into a set of viable projects. Both of these form part of a single process of EDF project cycle management.

For the purposes of this chapter the two stages can usefully be separated. The present section reviews the EDF programming exercise, indicating its main points of difference from budget line management, while a later section (Section 5) considers the remaining phases of project cycle management for both the EDF and the tropical forestry budget line.

#### 2.2.1 National and Regional Indicative Programming under the Lomé Conventions

During the process of ratification and signature of the Lomé Convention, a programming exercise is carried out between the EU and each ACP government. The method of programming set out in the Convention involves several steps:

- (i) notice is given by the Commission of the amount of resources (both programmable and non-programmable<sup>4</sup>) available to the country in question;<sup>5</sup>
- (ii) a strategy paper is then drawn up between the Commission and the ACP government, which is the basis for the negotiation of an aid agreement known as the *National Indicative Programme* (NIP);
- (iii) a contract document is signed on completion of the negotiations.

The *National Indicative Programmes* for the individual signatories to the Lomé Convention and the *Regional Indicative Programmes* for regional and sub-regional groupings fulfil a number of functions. They lay down development priorities, define focal areas of co-operation, allocate the resources for meeting objectives, earmark projects and programmes and set out the timetables for implementation.

There are currently 56 EU Delegations covering the 70 ACP states. The Delegations act in a coordinating capacity in the negotiation of the NIPs. Each Delegation provides the Commission with a draft strategy paper based on its discussions with its associated ACP government. This covers the specific constraints and difficulties of the country in question, and recommends sectors or particular areas for EC intervention.

4. Programmable aid includes a country's entitlements in the form of NIP, RIP and the Structural Adjustment Facility. Non-programmable aid is allocated at the discretion of the Commission, on a case-by-case basis. It includes grants for STABEX and SYSMIN, risk capital, interest rate subsidies, refugee aid and emergency aid. It accounted for 65% of EDF6 and 57% of EDF7 (see Koning, 1997: 129–30).
5. The amount of programmable aid allocated to each country is based on a formula which takes into account criteria such as population, GNP per capita, external debt, and special circumstances (whether landlocked, an island state, a least developed country, etc.).

Initiation of the NIP has traditionally been a rather complex and opaque process, involving inputs from the host government, the Delegation and the Brussels desk. Pressure has been growing to increase the transparency of the negotiations, in order to generate a greater sense of host country ownership.<sup>6</sup>

Once the first draft has been agreed by the host government, it is passed by the Delegation to the Country Desk Officer in Brussels. There are likely to be several exchanges of views between the desk, the Delegation and the applicant government, and several revisions of the draft. Each programme is screened by a committee which includes representatives of the main fields of co-operation in DG VIII (the horizontal departments, sectoral experts, technical experts, relevant geographical desk officers). The resulting pre-programming document is then formally presented to the EDF Committee, which has responsibility for financial decisions and is made up of representatives of the EU Member States. Once approved, the pre-programming document forms the basis for the official negotiations between the Commission and the relevant ACP government, leading to the preparation of the National Indicative Programme. Negotiations on the NIP usually take place during an overseas programming mission by officials from Brussels.

### 2.2.2 Focal areas of co-operation

Decisions concerning financial allocations to individual ACP states are made by the Commission and communicated to the recipient country governments. The latter are not directly involved in the determination of the financial commitments, such decisions being the sole responsibility of the Commission. A period of dialogue with each ACP partner then ensues concerning the character of the programme to be developed within the given financial envelope. According to the fundamental principles of the Lomé Convention, it is through the programming exercise that each ACP government decides on the sectors that the NIP should support. The main areas of priority are known as the *focal areas* (sometimes referred to in the Commission as *focal sectors* or *concentration sectors*<sup>7</sup>). The programming exercise also identifies the instruments or types of development assistance that are most appropriate to the country's development needs. Article 281 of Lomé IV *bis* sets out the implementation procedures for the NIP and the information that the ACP partner must provide as regards the resources needed both for focal sector and support activities.

Normally, there are not more than three focal areas of co-operation per country. These tend to be rather broadly defined; for example – to cite a number of recent cases – ‘balanced and regular delivery of transport services’, ‘decentralised local community development’, ‘to address the needs of the majority

with regard to health and education’, ‘to develop agriculture while simultaneously protecting the environment’.<sup>8</sup> Focal areas tend to be those in which the recipient government wishes to see funds spent, and are not necessarily ones which the Commission or Delegation would see as priorities. A variety of factors enter into the decision-making process, including the overall aid profile of the country in question, and the areas in which other donors are either already active or, alternatively, under-represented. The NIP Framework of Co-operation agreement for each country identifies the focal sectors, and indicates the percentages of the overall funding envelope to be devoted to each of them. It also identifies the percentage allocation to operations outside the focal areas.<sup>9</sup>

Focal areas are not to be confused with ‘cross-cutting themes’<sup>10</sup> which all EDF programmes are required to take into account. There are four of these: sustainable social and economic development; the fight against poverty; integration into the world economy; and the observance of human rights and fundamental freedoms.

### 2.2.3 Participation of ACP states

In the early years, negotiations between the Commission and ACP states were largely restricted to consideration of the individual merits of the projects which the latter wished to see financed. In recent years, particularly since Lomé III, the Commission has adopted a more policy-oriented approach in its relations with ACP partners, encouraging the use of EDF funds for sectoral development and reform. The Structural Adjustment facility, which was introduced in 1987 and offers additional aid funds in response to certain performance criteria, has reinforced the policy focus.<sup>11</sup> This has increased the demands placed on the Commission with regard to the fostering of policy dialogue, though there have been criticisms that the Delegations and country desks lack the necessary capacity to ensure that this occurs.

## 2.3 The budget lines

Projects funded from the Tropical Forestry budget line are handled quite differently from EDF programming. DG VIII has a considerable amount of discretion over the use of that portion of budget line funds which it controls. By and large, this discretion is exercised without reference to ACP governments. Creation of the budget line has allowed the Directorate-General to fund activities it regards as relevant to ACP forestry development but which recipient governments have proved unwilling to see funded from their own EDF allocations. Introduction of the budget line has also greatly increased the freedom of action of the Tropical Forestry Adviser, and, as will be discussed later, has allowed for the creative use of the DG VIII allocation in

6. Among the changes mooted has been the proposal that the first draft of the programming document should emerge from a joint Commission/government seminar.

7. The equivalent term in French is *domaine de concentration*.

8. The focal areas for regional programmes would be likely to have a clear regional focus – eg. ‘regional economic integration and, in particular, increased intra-regional trade’.

9. To give one example of the relative allocations: the NIP for Cameroon under Lomé IV *bis* allocates 50–55% of total funds to Focal Area No. 1 (Transport sector policy), 25–30% to Focal Area No. 2 (Decentralised local community development), and a maximum of 20% to Operations outside the focal sectors.

10. Known in French as *thèmes transversaux*.

11. The criteria of positive performance are both economic and political (for example, democratisation) – see Koning, 1997:133.



support of a strategy aiming to heighten the profile of tropical forestry in EDF programming.

## 2.4 Staffing and ratio of forestry advisers to financial commitment

The Tropical Forestry budget line in DG VIII is managed by the Forestry Adviser (national expert) located in A/1, under the Head of Division. Currently, one-third of the overall budget line is managed by this individual (at present (1997) ECU 19 m. per annum). Environment is also handled by a single Adviser, with responsibility for half of the overall environment Budget line allocation (currently ECU 15 m., shared equally between DG VIII and DG IB). Both of these are supported by two accounts officers with financial (budgetary) responsibilities.

A number of other Units within the Directorate-General may have competence over forestry matters, and deal with forestry as part of their wider brief, without being formally designated as such. At present, these include one staff member within the Division G3 ('Fisheries, livestock, agriculture research'), who manages that part of the forestry budget line dealing with wildlife and protected areas; D6 ('Agriculture and rural development' Division of the Directorate for West and Central Africa), the brief of which inevitably impinges on forestry matters; E6 (the parallel Division to D6 within the Directorate for East and Southern Africa); and F5 (a multi-disciplinary group 'Infrastructure, agriculture and rural development' within the Directorate for the Caribbean, Pacific and Indian Ocean). There is also a small number of professional foresters in the Delegations.

With only one professional officer to promote and manage the forestry brief for the whole Directorate-General, the staffing constraint which is apparent throughout the Commission is particularly evident in the area of tropical forestry. There is no explicit fund earmarked for tropical forestry under Lomé (nor does a percentage rule apply to the ACP countries, unlike the regional budgets for Asia and Latin America which have a 10% environment allocation [see the chapter on DG IB]). Lomé IV *bis* stands at ECU 14 billion (one-third of all EU development funds). Expenditure on tropical forestry projects within the Lomé envelope varies markedly from year to year. One recent estimate puts expenditure on tropical forestry from the EDF, over the period 1992–6, at ECU 46.22 m., though varying widely from year to year, with ECU 23.28 m. expended in 1992, but only ECU 889,321 expended in 1993 (Planistat, 1997:28). Average expenditure under Lomé in this period was ECU 9.24 m. Overall tropical forestry related expenditure by DG VIII in the period 1992–6, including EDF and three budget lines (tropical forestry, environment and NGO) has been estimated at ECU 138.73 million (*ibid.*). Using this figure, the professional responsibility of the Tropical Forestry Adviser can be said to be of the order of ECU 28 million per year, of which about half has been under the Tropical Forestry budget line, B7–6201. However, much of the responsibility for the non-B7–6201 expenditure is indirect.

## 2.5 Management of NIPs/RIPs

The National Indicative Programme defines the overall framework of EDF funding to a particular country. Realisation of the Programme is through the vehicle of individual projects. Identification of projects is the joint responsibility of the recipient government and the EC desk officer, supported by the EU in-country Delegation. Project proposals are screened by the EDF Committee which meets monthly. There is no internal review procedure at present, although DG VIII is in the process of introducing a new committee, the Quality Support Group (QSG), which will screen projects prior to their presentation to the EDF Committee. The mandate of the QSG will be to help officials improve preparation and appraisal of EDF operations, and thus improve the 'quality, relevance, viability and sustainability' of EC aid. The Group will have eleven members, representing the various sectoral and geographical Divisions of DG VIII, and it will be chaired by the Head of Directorate A (Development Policy). Previous attempts to introduce similar screening bodies met with rather limited success, due, it is said, to opposition from country desk officers opposed to the heightened influence which such a grouping would give to the policy units (Koning, 1997:139).

Management responsibility within the Commission for all phases of NIP and project identification rests with the Geographical Country Desk. Feasibility studies and financing arrangements are also the responsibility of the desk. During the implementation phase, responsibility within the Commission for supervision of project execution passes from the desk to technical units. Where appropriate technical units exist within the geographical directorates (*viz.* 'Agriculture and rural development' and 'infrastructures'<sup>12</sup>), authority will normally be retained within the directorate. In other cases (for example, 'health' and 'education and training'), responsibility passes to another directorate, normally Directorate G; 'Sectoral implementation'.

In-country supervision of projects (for example, tendering procedures and drawing up contracts) is the joint responsibility of the Delegation and the recipient government. An important role in such procedures is played by the *National Authorising Officer* (NAO), a Minister of the recipient government, who acts as the contact point with the Commission, and represents the government in matters concerning the EDF programme.

### 2.5.1 Channels and beneficiaries of DG VIII funds

As outlined in Article 3.2 of the Council Regulation 3062/95 of 1995 (see Section 3.4, below):

The recipients of aid and partners in co-operation may include not only states, regions and overseas countries and territories but also decentralised authorities, regional organisations, public bodies, local or traditional communities, private industries and operators, including cooperatives and non-governmental organisations and representative

12. These two sectoral units are separate entities within Directorates D and E, though combined as one 'Multidisciplinary group' within Directorate F.

associations of forest peoples, which include the conservation of tropical forests among their objectives or regular activities.

The types of partners engaged in budget line activities tend to reflect the European dimension of the Commission's work. A range of European consultancy firms, national and international NGOs and charitable organisations, and universities/consortia has received funding, sometimes in partnership with counterparts in the recipient countries and regions. Horizontal projects are not necessarily linked to any one country or region.

The range of partners under EDF co-operation tends to be very broad and may include small, medium and large private sector organisations, banks, NGOs and community associations, as well as government departments and agencies, and public services. Management may involve local and expatriate consultancy firms and direct contract staff. Selection of partners is subject to strict tendering and contract procedures, as laid down in the EDF financing regulations.<sup>13</sup> As a general rule, only EU and ACP persons, companies and public or semi-public agencies can participate in EC/ACP tenders under the EDF, and equipment and plant must also be of EU or ACP origin. Tendering procedures vary according to the size of the contract, with the largest contracts involving international calls for prequalification. For smaller projects or provision of services, rules of restricted tender are likely to apply, with invitations being restricted to consultancy companies on the official EC/ACP registers. Primary responsibility for the tendering procedure, as well as for project management lies with the ACP country, particularly the National Authorising Officer, acting in association with the EC Country Delegation (see section 5).

## 2.6 Strengths and weaknesses of the DG VIII approach

The strengths of the DG VIII approach, as it now operates, derive from its relative freedom from political influence. Aid delivery by DG VIII is less influenced by national foreign policy or commercial interests than are the bilateral EU aid programmes (Bainbridge and Teasdale, 1996). Once the size of the EDF has been established, DG VIII has relative autonomy over the programme on the EC side.

### 2.6.1 Integration of sectoral priorities

At the level of sectoral integration, however, existing structures and procedures present a mixed picture. While the more established development objectives are reasonably well accommodated in EDF aid, integration of the newer sectoral priorities (such as forestry and the environment) is arguably rather poor (Koning, 1997: 142). This can be attributed to a number of factors: the time lag between priority identification and the disbursement of aid (so that the newer aims have not yet been fully taken on board); the demanding nature of the emerging themes; and also the tendency to concentrate attention on deliverable outputs, such as infrastructure,

at the expense of complex and cross-cutting social objectives. The consultancy mode in which most EC aid is managed similarly encourages a conservative bias, as does the complexity of EDF aid management. The principle of partnership which is central to the Lomé Conventions also means that recipient governments have considerable discretion in their choice of priority sectors for their NIPs, and external concerns may thus be rather difficult to promote.

At the same time, the structure of the Directorate-General is itself uncondusive to the integration of innovative sectoral themes, including tropical forestry. DG VIII's organisation is primarily along geographical lines, and the integration of horizontal issues is inherently problematic. Neither geographical desks nor delegations are particularly responsive to DG VIII's technical priorities, and serious constraints of staffing, together with the wide geographical and thematic coverage of EC international representation, compound the difficulties.

### 2.6.2 Tropical forestry in DG VIII

With regard to the specific issue of the integration of tropical forestry into development priorities, DG VIII programming is unsatisfactory from a number of points of view. The major issue concerns the points of entry for forestry into EDF structures. The process of drawing up NIP/RIPs tends to be rather cumbersome, and dominated by geographical interests. The two key levels of implementation – the Country Desk Officer in Brussels and the Delegation in the ACP countries – are primarily managerial appointments, without defined sectoral competences linked to their geographical postings. EDF regulations do not commit the Directorate-General to any specific level of funding for tropical forestry, beyond those specified in the focal areas. These rarely identify forestry as a priority.<sup>14</sup>

In order for forestry matters to be adequately taken into account in the processes of project identification, there is need for early recognition of key sectoral concerns by the programming authorities. This rarely happens in practice. Delegation and desk staff have generally lacked skills in the forestry sector, and the massive workload of the sector specialists has prevented them from intervening in EDF programming either early enough or with sufficient commitments of time. Forestry is felt to have been rather poorly represented in the NIP/RIPs of the 8th EDF, even in those instances where it might have been expected to have been a major priority.

While responsibility within the Commission for project management normally transfers from geographical desks to technical units in the execution phase, the desks may hesitate to involve Division A/1 ('Sustainable development and natural resources') in day-to-day management issues, on the grounds that A/1's brief is primarily policy-oriented. Valid as this

13. See: 'The User's Guide to Tenders and Contracts Financed by the EDF', Commission Document DG VIII/151/94-EN (revised 10/96), Brussels, May, 1994.

14. For example, forestry is not a focal area for Cameroon or Uganda under the 8th EDF, despite the fact that these two countries have important forest resources, although transport sector policy is; on the other hand, forestry is a focal sector for the Comores, which is not a major timber producer. Forestry is, however, a focal sector for the RIP for Central Africa, an area which includes Cameroon.

may be, A/1 is the sole Division in DG VIII with a specific mandate for tropical forestry, and the unit best able to promote tropical forestry perspectives in EDF programming.

### 2.6.3 Tropical forestry – the definitional issue

The issue of the limited integration of tropical forestry, as a thematic area, into EDF procedures is important not only in its own right (in that forestry is, or should be, a major area of Commission intervention in all those ACP countries with important forest resources) but also in relation to the issue of environmental impacts. There are two particular areas of concern. In the first instance, forestry may well figure as an important, if subsidiary, component of actions in other sectoral areas, in which the proper management of the forestry component is essential for project success. And secondly, because of the extent to which forestry is influenced by extra-sectoral issues (infrastructural development, trade policy, fiscal reform, policy on land conversion and settlement, etc.), interventions in other areas may have major impacts on the forest sector. In such cases, seemingly peripheral issues of definition and classification may well prove crucial to the recognition of forestry impacts. As yet, management procedures within DG VIII are arguably some way from addressing these cross-sectoral issues. However, with the increasingly strategic deployment of a dedicated Tropical Forestry budget line, as well as certain procedural innovations, there is growing potential for a more integrated and coherent approach.

### 2.6.4 Strategic use of the budget line

DG VIII/A/1's response to the minor role of tropical forestry within the EDF programming procedures has been to adopt an increasingly strategic orientation. In some cases (for example, in relation to work on the evolution of the international timber trade), the budget line is being used to help define EDF policy. In other instances (for example, studies on timber certification), budget line projects are used as pilot activities, the intention being to bring them to a stage of potential replicability, at which point they can be absorbed into the funding procedures of the EDF. The aim in both cases is to heighten the profile of tropical forestry within the Directorate-General, and to ensure that forest impacts become a central concern in all of its aid allocations.

### 2.6.5 Procedural innovations

At the same time, DG VIII management has also recognised the need for greater harmony between policy and implementation, and recent changes in decision-making procedures reflect a desire to strengthen the policy and sectoral implementation units. However, these procedures continue to work within the constraints of staffing shortages and of the partnership principle enshrined in Lomé, and on both counts the Commission has limited ability to impose its will.

Efforts are increasingly being made to integrate EDF management and VIII/A/1 policy at the structural level, to the benefit of tropical forestry. For instance, the setting up of the Steering Committee of the Tropical Forestry and Environment Budget Lines, which com-

prises the Heads of Directorates of DG VIII and representatives of DGs IB and XI, indicates a move towards greater transparency and coordination with other services. The Steering Committee (officially the 'Inter-Service Committee') meets two or three times a year to discuss the projects proposed for funding, and representatives give views on projects that fall within their geographical/technical portfolio. The minutes of the meeting are circulated, as are details of the status of budget line programming. A Background Note was circulated in June 1996 outlining the purpose of the budget lines, and proposing further 'in house' contributions in the form of projects (Background Note of 4/6/97).

## 3. STRATEGY AND POLICY

As the importance of tropical forests has grown within the Commission, so have the accompanying DG VIII structures to deal with them. This section outlines the strategic approach being developed in DG VIII to promote the theme of tropical forestry, in the face of the organisational and management constraints set out above.

### 3.1 Past strategy

Until the early 1990s, there was a fairly *ad hoc* approach to forestry issues in DG VIII, and forestry was generally dealt with as a sub-component of broader activities, such as rural development. Tropical forest projects and interventions were supported from diverse funding sources (for example, the budget line B7-5040: Ecology in Developing Countries), without any overarching strategy or policy.

With the growth in environmental awareness in the 1980s, and especially since the UNCED Conference in 1992, there has been an increase in the capacity-building of Commission services, in terms both of increased funds and of policy orientation. There has also been an increase in strategic thinking, and policies with clearer operational/practical applications.

The period of the late 1980s, in which the awareness of environmental problems in general and tropical forests in particular, came increasingly to the fore, was accompanied by increased activity and reflection within DG VIII. Pressure from the European Green Movement was particularly influential. Commission responses tended to be high in good intentions but with only a limited operational aspect. The 1989 Communication, 'The Conservation of Tropical Forests: The Role of the Community', for example, put its main emphasis on support for programmes external to the Commission, the FAO-supported Tropical Forests Action Programme and International Timber Trade Organisation, despite pressure from the environmental movement for a greater internal policy orientation, and some misgivings as to the effectiveness of the chosen agencies (WWF, 1991:1).

The 1991 review of tropical forestry sector activities, which was undertaken by the International Forest Science Consultancy (IFSC), marked a recognition by the Commission of the growing importance of aid funding to the tropical forestry sector, and an acknowledgement of the inadequacy of its existing approach. The review made a number of recommendations,



including the need for an overall strategy and the development of guidelines for staff of the Commission and Delegations on the identification and formulation of projects so as to ensure its effective implementation.

### 3.2 Tropical forestry in the period 1992–1995.

The 1992 UNCED Conference led to significant changes in the overall legal and policy environment for tropical forestry aid. All signatories (the Commission included) were obliged to implement the undertakings of Agenda 21, as well as meet the legally binding provisions of the Biodiversity, Climate Change and Desertification Conventions. The Commission was also involved in ongoing discussion processes concerning, for example, the possibility of a legally binding instrument for forests to build on the (non-binding) UNCED Forest Principles. The Commission took on a number of responsibilities and legal obligations with regard to Tropical Forests, at the level of both internal policy and international processes. The former included the programme of the Fifth Environmental Action Plan, 'Towards Sustainability', launched in 1993 (EC, 1993b), which dealt with policy and actions relating to the environment and sustainable development, and the latter, inputs into the UN Commission on Sustainable Development and its offspring, the Intergovernmental Panel on Forests (IPF). These changes have led to a greater focus on monitoring and reporting activities, and to the development of more complex systems to classify project commitments and justify activities, in tropical forestry and environment.

The period leading up to, and immediately following, the UNCED Conference signalled a much-increased role of the Commission as an actor on Tropical Forest issues. The period was characterised by a proliferation of Resolutions, Communications and other legal instruments aimed at putting Tropical Forests on the agenda in practical, as well as theoretical, terms.

In terms of follow-up to UNCED, the major actions internal to the Commission were:

- (i) The 'Seminar on European Community Actions in Favour of Tropical Forests', held in Brussels in January, 1993, to take stock of the Rio Conference
- (ii) The opening of the (previously agreed but not yet active) Tropical Forestry budget line (B7–5041/6201) and the introduction of the corresponding Regulation.
- (iii) The negotiation of Protocol 10 to the Lomé Convention.

Again, in seeking to understand such developments, a separation has to be made between issues relating to the EDF and those relating to the budget line.

### 3.3 Forestry and the programming of NIP/RIPs

Over the years the Lomé Convention has been gradually modified to give priority to activities which are likely to promote sustainable forestry and conservation. For example, Article 4 of Lomé IV (1990) emphasises the need for development to be 'based on a sustainable

balance between its economic objectives, the rational management of the environment and the enhancement of natural and human resources'.

Article 14 indicates, among priorities in the main areas of co-operation, that:

Co-operation shall entail mutual responsibility for preservation of the natural heritage. In particular, it shall attach special importance to environmental protection and the preservation and restoration of natural equilibria in the ACP States. Co-operation schemes in all areas shall therefore be designed to make the objectives of economic growth compatible with development that respects natural equilibria and brings about lasting results in the service of man.

In the framework of efforts to protect the environment and restore natural balances, co-operation shall help promote specific operations concerning the conservation of natural resources, renewable and non-renewable, the protection of ecosystems and the control of drought, desertification and deforestation; other operations on specific themes shall also be undertaken (notably locust control, the protection and utilisation of water resources, the preservation of tropical forests and biological diversity, the promotion of a better balance between urban and rural areas, and the urban environment).

A new section on the environment was introduced into Lomé IV (Articles 33–41). Article 33 set out the objective of EU support with regard to environmental issues, including forestry. It stated that:

the protection and the enhancement of the environment and natural resources, the halting of the deterioration of land and forests, the restoration of ecological balances, the preservation of natural resources and their rational exploitation are basic objectives that the ACP States concerned shall strive to achieve with Community support, with a view to bringing an immediate improvement in the living conditions of their populations and to safeguarding those of future generations.

Lomé IV *bis* was signed in 1995 and gave formal recognition to the threat of deforestation, and to the need for joint intergovernmental action on the part of both ACP and EU Member states. Environmental objectives were listed as basic aims to be pursued by ACP states with EU support. The Convention carried a requirement that all future projects should be subject to an environmental assessment. For the first time, tropical forests were included as a specific and discrete topic in the form of a Protocol to Lomé IV *bis*: Protocol 10 'on sustainable management of forest resources'. This summarises concern for tropical forests, and states that 'special priority shall be given to actions which support and encourage the efforts of ACP States and their organisations to preserve, re-establish and use sustainably their forestry resources, including the fight against desertification' (Para 2).

Protocol 10 sets out a number of priority areas within tropical forests where efforts should be concentrated, such as:

- the conservation of endangered tropical forests and their biodiversity;

- the development of buffer zones;
- the sustainable management of forests destined for the production of timber and other forest products;
- afforestation and reforestation;
- institution building;
- strategic and adaptive research;
- improved planning at local, national and regional levels;
- the improvement of timber trade and marketing from forests under sustainable use;
- the certification of forest management and forest products;
- improved access to and transfer of technology and technical co-operation, to help attain the objective of sustainable development (Para 4).

These suggest areas favoured for joint action between the EU and the ACP states within the EDF negotiations. Protocol 10 does not, however, commit any funds specifically to forestry, nor does it oblige the signatories to the Convention to implement its aims.

#### *Focal sectors*

A new requirement was included in Lomé IV *bis*, to the effect that focal sectors should be selected to put ‘emphasis on poverty alleviation and sustainable development’ [Article 281 para 2(b)]. This may be expected to increase the profile of tropical forestry within EDF programming, albeit indirectly.

Tropical forests may be identified as a focal sector where indicated by development criteria. Collectively, the various forest-related Articles of the Convention and the Protocol would suggest the relevant criteria to be:

- large numbers of people relying on forests;
- unique or endangered biodiversity;
- high deforestation; environmental problems stemming from deforestation;
- danger of loss of livelihoods;
- high profile of forest revenue in national income; high-level political backing for addressing forest problems.

In principle, if one of these criteria applies, then integration of forestry into the country’s NIP should be considered (*see*: ‘Sector Programming of the 8th EDF’).

Integration of forestry into NIPs might also be indicated even if there is no awareness or readiness in an ACP country. This is the case when there is a risk of losing unique ecosystems, areas of biodiversity or of social and cultural heritage, where preservation is of global interest. In such a situation, the desk officer in Brussels is likely to have a key role in deciding whether or not to press for an appropriate modification of the NIP.

### 3.4 The Tropical Forestry budget line

The creation of the Tropical Forestry budget line in 1991–2 attests to the greater recognition now being given to the problems facing tropical forests. Its aim is to ‘support operations to promote the conservation and sustainable management of tropical forests and their associated biological diversity’. Its fields of application

are outlined in Article 4 of Council Regulation No. 3062/95 of 1995. Article 4(e) of the Regulation focuses on the need for actions centred on ‘capacity-building to address the need for training schemes for local populations, forest managers and researchers, for legislation for increased political and social support and institutional strengthening, and for organisations and associations active in forest conservation’. There are eight priority areas:

- conservation of primary tropical forests and their biodiversity and renewal of tropical forests which have been damaged;
- sustainable management of forests designed for the production of timber and other products.
- definition and development of certification systems;
- provision of prior information to forest peoples (identification, planning and implementation of actions);
- capacity building;
- strategic and adapted research policy aimed at supplying the knowledge required for the conservation and sustainable management;
- development of buffer zones to assist the conservation or regeneration of tropical forests;
- development and implementation of forest management plans aimed at conserving tropical forests.

### 3.5 Present strategy on tropical forests

A series of influences has thus converged in recent years to heighten the profile of tropical forestry both generally within the Commission and specifically in DG VIII. Some of these influences have been Commission-wide. These include internal pressures (for example, the implications of the IFSC 1991 review) and external ones (the UNCED Conference, for example, and the increased public interest in tropical forestry and environmental issues over the last decade). Others have related to influences specific to DG VIII (for example, the desire to introduce sectoral expertise into the management of the EDF). Collectively, these influences have led to the formulation of the EC strategy on forest sector co-operation.

#### *The EC strategy*

The overall **objective** for the strategy is that ‘sustainable forest development should lead to a reduction and, in the long run, to a cessation of further destruction of irreplaceable resources’.

The **approach** of EC Forest Sector Development Co-operation is to ensure that ‘individuals and communities dealing with forests and forestry, and society at large, benefit in an equitable way from forest-related products and services which are produced on a socially, economically and environmentally-sound basis’.

This will be achieved by promoting sustainable forest management, in line with international principles, in a decentralised and participatory manner and according to a livelihoods perspective that gives due recognition of the interrelationship between forests and other land uses.

The underlying assumption behind the approach is that ‘deforestation is rooted in a complex web of social, economic and institutional problems, and it is

commonly accepted that (the origins of the) problem largely lie outside the forests’.

### *The principles of forest sector co-operation*

The need for all aid management staff to take fully into account the complexity of the influences on the condition of the forest sector, and the extent and importance of out-of-sector influences, has been underlined in a set of guiding *principles* which underpin the strategy and are intended to be applied by all EC staff involved in forest sector development co-operation. These concern the economic, social and environmental dimensions of sustainable development (see Box 1).

### *DG VIII Forestry Instruments*

DG VIII/A/1 has developed a range of tools to support DG VIII’s forestry strategy. This is based on the recognition that a sound legal framework (the Regulation, Protocol 10, etc.) is not, by itself, sufficient to result in the achievement of the key objectives, and that there is need for active engagement with priority topics

#### **Box 1 General Principles to be applied in Forest Sector Development Co-operation**

##### **1) Policy principles**

- Principle 1: Considering strategic processes and compatibility with National/Regional Forestry Programmes.
- Principle 2: Considering forests in a broader pattern of land use.
- Principle 3: Considering customary rights and ownership of land and resources.

##### **2) Social principles**

- Principle 4: Understanding social and cultural features and responding to perceived needs.
- Principle 5: Encouraging participation of all stakeholders in the development process and seeking to empower local communities.
- Principle 6: Seeking to reach poor and disadvantaged populations and seeking to integrate them into the development process.
- Principle 7: Recognising gender roles and establishing equal participation and benefits.

##### **3) Economic principles**

- Principle 8: Considering the role of the private sector.
- Principle 9: Considering the economic dimension of environmental impacts.

##### **4) Environmental principles**

- Principle 10: Seeking to avoid harmful effects on the environment.
- Principle 11: Ensuring that the environment resource base is enhanced for future generation.

(Source: Guidelines for Forest Sector Development Co-operation, 1996: 28.)

through a range of instruments. Two of these in particular – the forthcoming Communication to Council and Parliament and the 1996 Guidelines for Forest Sector Development Co-operation – will provide the context for assistance and policy dialogue in the forestry sector. The Regulation, which was due to be presented in late 1997, will review present strategy on tropical forests and seek to incorporate innovative developments. The *Guidelines* seek to heighten the profile of tropical forestry within the Commission and provide non-specialist staff with a set of accessible principles to facilitate project appraisal from the perspective of forest impacts (see Box 2). The complete range of instruments is shown in Table 1.

## **4. PROJECTS FUNDED BY REGION, TYPE AND SIZE**

The inventories of tropical forestry projects made by IFSC (1991) and Planistat-Europe (1997) indicate that, between 1978 and 1995, a total of approximately 766 projects relating to tropical forestry and timber have been supported by the Commission, to a value of ECU 867m. A total of 256 projects to a value of ECU 397m. were supported in the period 1978–90 (IFSC), and 510 projects to a value of ECU 470m. in the period 1992–6 (Planistat).<sup>15</sup> This section reviews the pattern of expenditure by funding source, as one indication of programme coverage.

### **4.1 Analysis of projects supported in the last two decades**

#### **4.1.1 Questions of classification**

Since forestry can be a component of actions in other sectors, there are problems of both identification and categorisation when dealing with the analysis of interventions by the Commission in the field of forestry. Particularly problematic is the identification of a forestry sub-component of a broader programme (for example, an agricultural or road-building programme) which is coded according to the major activity codes. The coding for projects funded under EDF and budget lines is not harmonised:

- Until 1996 EDF projects were classified by economic sectoral focus, and several technical codes. From March 1996 they have been classified using DAC codes.
- In the case of the budget line, there is no consistent coding. Budget line projects tend to be coded by those who directly manage them, and are not therefore necessarily complementary one with another.

Information for this section has been drawn from two sources – the inventories of tropical forestry projects made by IFSC (1991) and Planistat-Europe (1996). These use different systems of classification of forestry projects and of what constitutes ‘forestry’. Specific problems which have arisen through the use of these

15. The year 1991 is not fully covered under either classification, and data for this year are thus missing from most of the following analysis.

**Table 1 Forestry Instruments**

Level of Intervention	Actions
Legal basis	Protocol on sustainable management of forest resources in the Lomé Convention 1995 Regulation on Tropical Forests guiding Budget Line B7–6201 to the Council on EC Development Co-operation Strategy
Internal approach	Note for programming the 8th EFD EC development co-operation strategy for tropical forests EC discussion paper on certification of forests
Guidance to staff	Guidelines for Forest Sector Development Co-operation
Regional and country analyses	For example: Study on 'Strategy and Possible EU Activities in the field of forestry in the Pacific'
Programme monitoring	Tropical Forestry Projects Database (ODI) Statistical analysis of projects
Implementation of sectoral policy	Direct advice to Delegations and operational services Appraisal of forestry programs at country level
Management of the budget line B7–6201	Launching of studies, pilot projects, etc Programme on Sustainable Forest Management and Certification in Central and Western Africa

(Source: DGVIII/A/1)

**Box 2 The Forest Sector Development Co-operation Guidelines – *Forests in Sustainable Development***

The Forest Sector Development Co-operation Guidelines – *Forests in Sustainable Development* (origin DG VIII) of October 1996 – are an attempt to close the gap between theory and practice in EC aid to tropical forestry. They build on the Regulation, Protocol 10 of the Lomé IV *bis* Convention, and the various post-Rio international activities in the forest sector, such as the IPF. Agreed by both DG VIII and DG IB, they were drawn up after extensive consultation involving the inter-DG group, the Delegations, and the European Tropical Forestry Advisory Group (ETFAG). Workshops were held involving a variety of interested parties (NGOs, the World Bank, etc.). The Guidelines aim to provide a comprehensive overview of the major issues in moving towards the sustainable development of forest resources in developing countries, as perceived by the European Union. They also provide a framework in which EC projects and programmes can be set up, implemented and reviewed. They aim to establish a common understanding of forest sector issues among the Commission and its partners and to achieve increased coherence, complementarity and co-ordination in their aid activities. They also constitute an important tool for problem identification, project design and evaluation.

The Guidelines are in three volumes, the first setting out

the Commission's strategic approach, and volumes 2 and 3 providing tools for project cycle management. There is also an accompanying computer disk which contains a set of support materials; these provide (respectively) guides for preparing Terms of Reference, for Social Impact Analysis and for Environmental Appraisal, as well as a matrix sheet for the Logical Framework, Action Report forms for the various phases of the Project Cycle, and a description of Programming for Forest Sector Development Co-operation.

The target groups of the Guidelines are Commission headquarters staff and Delegations, and also national authorities and institutions dealing with EC forest projects in developing countries. They may also be used by project staff, technical assistants, consultants and NGOs dealing with or working in EC forest sector development co-operation.

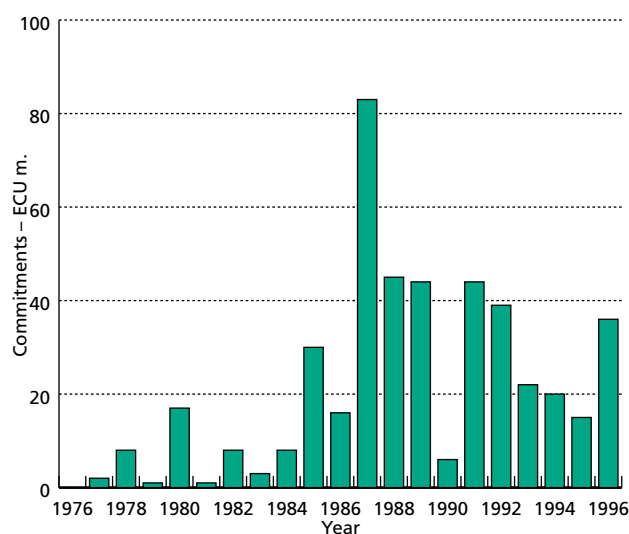
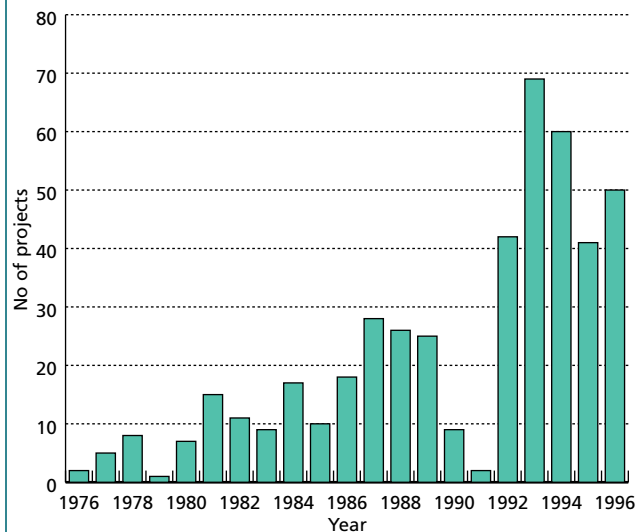
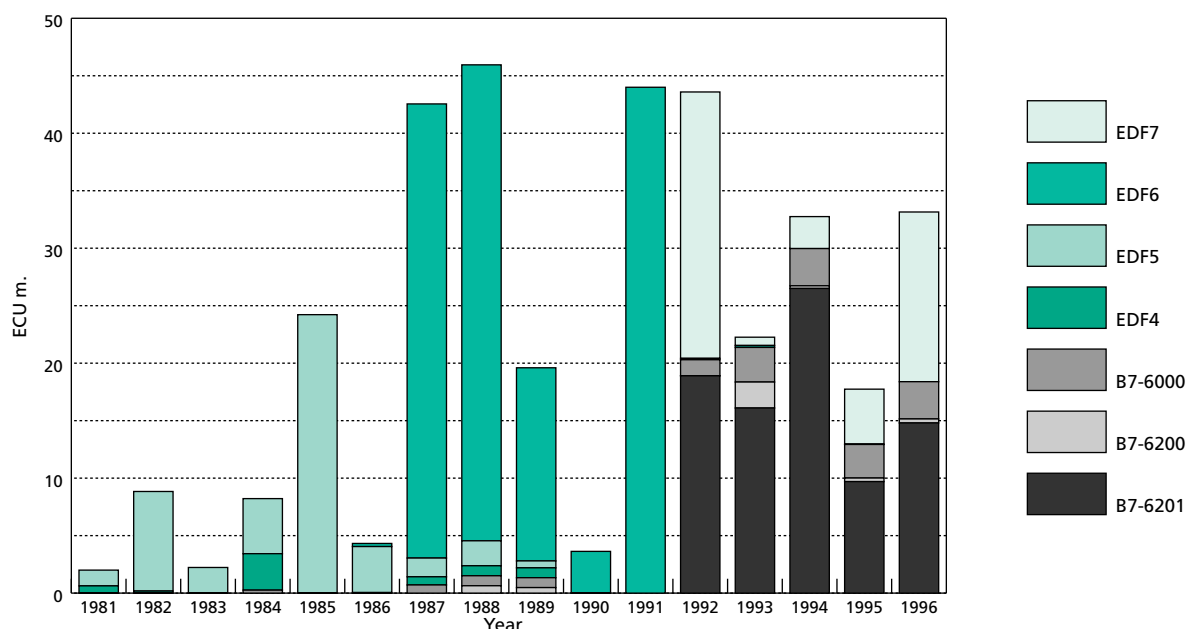
The Guidelines were launched in early 1997 with a one year programme of training and testing with target groups, both in Brussels and the developing countries. There were to be 15 regional and national workshops, involving nearly 100 ACP and ALA partner countries. It is intended that feedback from the training programme will enable periodic adjustments to be made to future editions.

inventories have been: the fact that the year 1991 was not fully covered by either inventory; differences in the scope of the studies; inconsistency of coding; differences in approach to classification of projects with a secondary forestry component, and different ways of recording the funding of such projects. Planistat's overall estimates of forestry commitments, for example, are based on projects funded by DGs XI and XII as well as DGs IB & VIII, and also funds committed to forestry activities within projects with a different overall purpose (provided that the forestry component is evident from the project title). The IFSC study (1991) included projects in five directorates general – DGs I, VI, VIII, XI and XII. Projects were identified as

'forestry' on the basis of DG VIII's 'PIC' project information system; all projects listed in Section 37 of this system ('forestry') were included in the grouping, as were 33 other projects (from 270 potential projects) which the IFSC considered, on the basis of their PICS' classification, to have 'significant forestry activities' (IFSC, 1991:4).<sup>16</sup>

16. A third study of interest is the 1996 inventory of environment and forestry projects by ERM. However, this study excludes both DG XI or XII, and codes only by primary purpose (ERM, 1996:p.26). The ERM classification is thus more restrictive than either of the other two, as far as forestry is concerned.



**Figure 2** Funding commitments for tropical forest activities by DG VIII, 1976–96**Figure 3** Number of tropical forest projects in DG VIII funded by year, 1976–96**Figure 4** DG VIII – Commitments for tropical forestry activities by year, 1976–96

(Source: Planistat 1997; IFSC 1991).

#### 4.1.2 Total expenditure on forestry projects

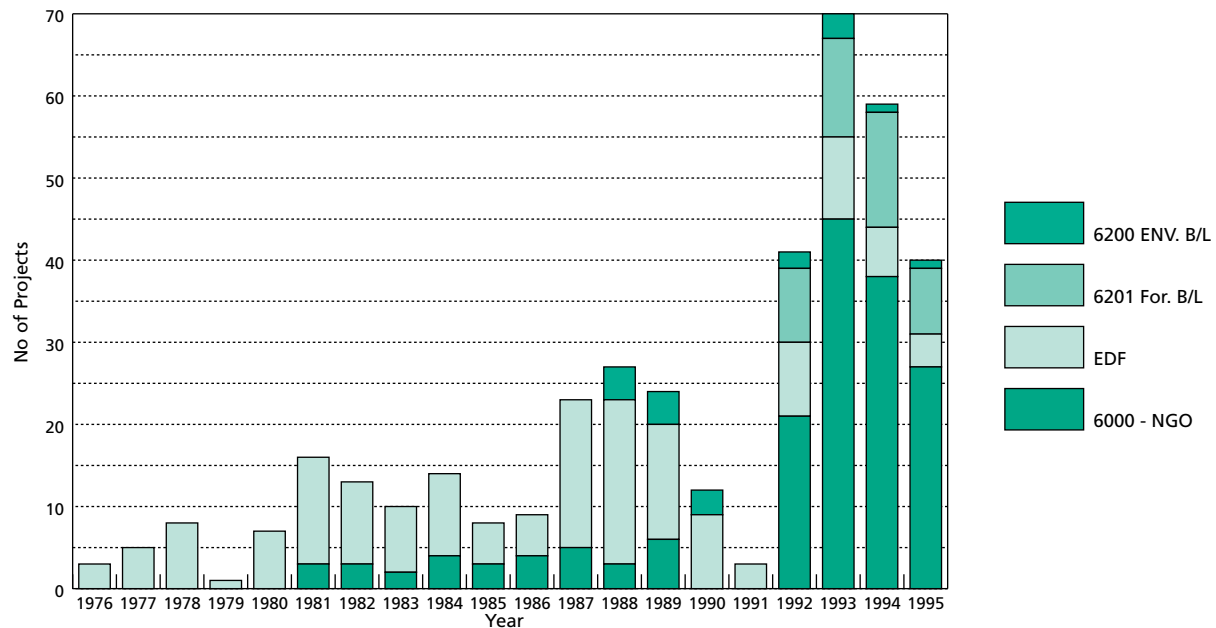
Figures 2 and 3 show the aggregated amount from all sources committed to tropical forest activities by DG VIII, and the total number of projects funded, in the period 1976–96.

Figures 4 and 5 present the amounts of funds committed to forestry activities over the period 1976–96 and 1976–95 respectively.<sup>17</sup> These indicate the changes in the pattern of funding over the years, with the creation of the tropical forestry budget line being the first source of funding explicitly for forestry

projects. The high variability in commitments, year on year, evident in the aggregated figures (Figures 2 and 3), is reflected in the individual commitments for the major funding sources. It is clear that the relative importance of the EDF as a source of funding for tropical forest initiatives has diminished since the introduction of the dedicated budget line. The amounts spent under the NGO and Environment budget lines have always been small, but expenditure under the NGO budget line has increased significantly in recent years, and the number of projects funded under this budget line (though not their size) is now superior to that for any other source.<sup>18</sup>

17. A distinction needs to be made between funds committed and funds spent as there is often a major difference between the two. Payment rates in the period 1992–6 vary between 7% (1996, payments to date) and 63% (1992), with an average of 37% overall. In general, the smaller the project size, the higher the payment rate (Planistat, 1997:52). Except where otherwise indicated, figures in this section concern commitments rather than payments.

18. This is partly due to the fact that the NGO budget line covers all ALA/MED as well as ACP countries; all geographical areas covered by the NGO budget line are included in the data for Figures 2–5.

**Figure 5 DG VIII – Number of forestry projects funded by source and by year, 1976–95**


B7–6000 'Community participation in actions in favour of developing countries, carried out by NGOs' (previously 941: 'Co-financing with NGOs')  
 B7–6200 'Environment in Developing Countries (previously 946: 'Ecology in Developing Countries', and B7–5040)  
 B7–6201 'Action in favour of tropical forests' (previously B7–5041)  
 EDF European Development Fund  
 STA STABEX

(Source: IFSC 1991)

### 4.1.3 Geographical spread of projects (DG VIII – all sources)

The 1991 IFSC study revealed an uneven distribution of countries receiving aid for tropical forests. The ACP group as a whole received a total for the sector of ECU 296 m. in the period 1978–91, which represents 74% of the global total. 53 ACP countries were eligible for aid for tropical forests. Within this group, aid was very unevenly distributed. For example, Senegal was allocated 11 projects over the period, Ethiopia 9 and Côte d'Ivoire, 8. Expenditure for one country, Côte d'Ivoire, was ECU 56 m. – 19% of the total – while some countries received no aid at all (see Table 3).<sup>19</sup>

By the period 1992–6, the overall distribution had changed significantly, with a total of 45 ACP countries receiving aid (out of 75 recipients, globally) although this represented only 22.3% of the overall aid volume. The largest aid recipient for tropical forestry within the ACP grouping was now Nigeria, which received a total of ECU 13.129 m. for four projects, representing 3.5% of total disbursements. In terms of numbers of projects, aid was still very unbalanced, with Burkina Faso receiving a total of 22 projects, Kenya 13 and Côte d'Ivoire 12 (against an overall average of 4.3 projects per recipient).

19. At a global level (not restricted to ACP countries only, nor to DG VIII funding): only 63 of the 115 countries eligible for EC aid in the period 1976–90 benefited from projects in the sector; 10 of these received a total of ECU 253 m. (hence, an average of ECU 25.3 m./country) whereas the remaining 53 countries received a total of ECU 90m. (ie. an average of ECU 1.7 m./country). Of the 10 largest recipients, 9 were in the ACP group (the other country was India). These 9 countries (Ivory Coast, Gabon, Nigeria, Ethiopia, Fiji, Zaire, Senegal, Tanzania, Uganda) received a total of ECU 197 m. aid (an average of ECU 22 m./country). (IFSC. 1991:9, Table 5)

### Coverage by national income

Total commitments to ACP countries by GDP divide as follows: low-income ACP countries – 13.4 % of total expenditures for tropical forestry (all countries); middle-income ACP countries – 8.9% of total. The relationship between geographical allocations to ACP countries and their levels of GDP in the period 1992–6 is explored further in Table 4.

These figures require some interpretation. In the first instance, account must be taken of the commitment of ECU 13m. (3.5% of total forestry expenditure) to 4

**Table 2 Expenditure by region, 1978–91 (ECU m.)**

Region	Total Expenditure	Region, Total	Percent of total
Africa Eastern	43.219		11
Horn of Africa	21.698		5
Africa Southern	4.537	69.45	1
Africa Regional	2.178	2.18	1
Africa Western Coastal	51.882		13
Africa Western Central	44.000		11
Africa Western Sahel	28.329		7
Africa Western West	94.758	192.97	24
Asia Pacific	21.937	21.94	5
Latin America Caribbean	8.965	8.97	2
Rest of World and Global		76.29	20
<b>TOTAL</b>	<b>397.774</b>		<b>100</b>

(Source: IFSC, 1991)

**Table 3** Countries receiving the largest proportion of aid for tropical forestry (ACP Region), 1978–91

Country	Expenditure (ECU m.)	Number of projects	No of TFAP Categories
Regional	63.348	19	5
Côte d'Ivoire	56.094	8	2
Gabon	35.814	7	3
Nigeria	32.868	6	2
Ethiopia	20.338	9	2
Fiji	15.5	4	3
Zaire	13.788	8	5
Senegal	12.497	11	3
Tanzania	11.76	6	2
Uganda	10.918	4	
<b>SUB TOTAL</b>	<b>292.925</b>	<b>82</b>	
<b>% of world total</b>	<b>69%</b>	<b>32%</b>	

(Source: IFSC, 1991)

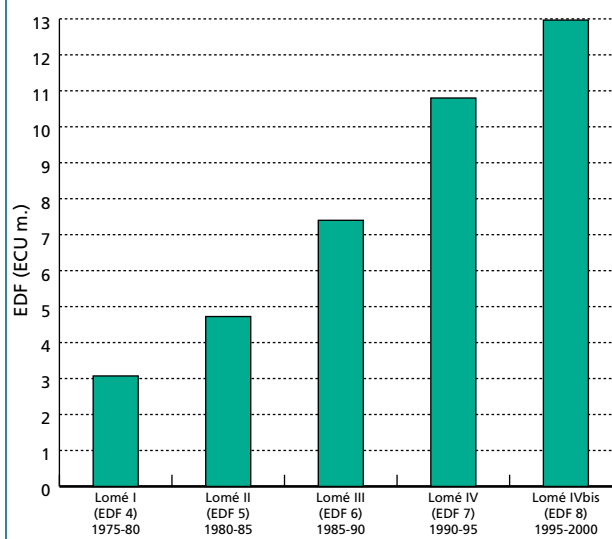
projects in one low-income country (Nigeria). Secondly, there are also indications of uneven distribution of absorptive capacity. Relative expenditure on low-income countries increases progressively as the average size of grants declines, and the number of projects increases proportionately.

## 4.2 Non-budgetary funding

### 4.2.1 European Development Fund (EDF) – financial allocations

The total funds available under the various EDF protocols (all sectors) are indicated in Figure 6. Funds committed to tropical forestry under the EDF are indicated in Figure 7.

Figures for expenditure on tropical forests under each EDF show the importance of this source to be declining

**Figure 6** Total funds available under the Lomé Conventions, 1975–2000 (all sectors)

(Source: OECD Development Co-operation Review Series).

relative to overall forestry funding by the Commission, both in terms of amounts spent, and in numbers of projects funded.

### 4.2.2 EDF projects – type and geographical spread

According to the 1991 IFSC study, much of the expenditure during the 4th EDF was concentrated on the development of forest-based industry (75% of total funding) either in terms of resource development/management or in the provision of ancillary services and infrastructure. Twenty-six countries benefited (41 projects), the majority being on the African mainland, at an average cost of ECU 0.83m. per project.

The 5th EDF involved 50 projects to a total of ECU 49.1m., at an average cost of ECU 0.98m. These

**Table 4** Tropical forestry commitments relative to per capita national income (ACP as a proportion of global expenditure), 1992–6

	LOW INCOME COUNTRIES				MIDDLE INCOME COUNTRIES			
	A	B	C	D	A	B	C	D
<b>ECU &gt; 10m.</b>	100	5.1	15.7	4/57	—	—	—	—
	3.5 (E)							
<b>ECU 1–10m.</b>	48.2	28.1	33.9	68/155	51.8	30.2	36.5	28/155
	15.7 (E)							
<b>ECU &lt; 1m.</b>	75.5	54.7	10.5	71/114	24.5	17.8	3.4	18/114
	3.1 (E)							

(Source: Planistat, 1997)

A = % of ACP funding within the income category  
 B = % of total funding within the income category  
 C = % of ACP funding, overall

D = Number of projects as a proportion of total number of projects within category  
 E = ACP funding, as % of total funding (all income categories), ACP and all other states

focused particularly on forestry development in the Pacific Region, especially Fiji, which received, respectively, 37% and 32% of the total volume of funding. Forestry in land use figured as a growing area of investment (38%), although forest-based industry remained important (46%). The former was represented by integrated rural development schemes or forestry in agriculture or associated with anti-desertification measures in arid regions.

In the 6th EDF, average expenditure per project increased greatly (42 projects for a total investment of ECU 145.67m., at an average cost of ECU 3.47m.), and there was a significant increase in the funding for regional projects. There were 3 such projects, amounting to 31% of the overall funding, and costing, respectively, ECU 24m., ECU 20m. and ECU 0.6m. The two large projects aimed at conservation and sustainable use, while the third was concerned with raising public awareness of deforestation. The overall trend in project funding continued to be away from forest-based industrial development towards forestry in land use and conservation. Forest in land use now figured as 55% of the total, with conservation and protection projects as 34%.

Using its rather different definition of 'tropical forestry projects', the 1997 Planistat review identifies a total of 37 projects funded under EDF7, for a total of ECU 46.22m., with an average cost per project of ECU 1.25m. In terms of the TFAP classification, the focus was particularly on strengthening institutions (31% of the total volume), followed by conservation projects (8%). The movement away from industrial development continued under EDF7. The very low showing for this (category 2) under both EDF6 (1.85%) and EDF7 (2.21%), and the prominence of conservation under EDF6 (34.39%), is perhaps surprising, given the reported low levels of concern in many developing countries for conservation issues, and the greater interest in production. However, the large component of 'uncoded' projects (58% of the total) limits the utility of the EDF7 classification. These data are summarised in Figure 10.

### 4.3 Non-programmable aid

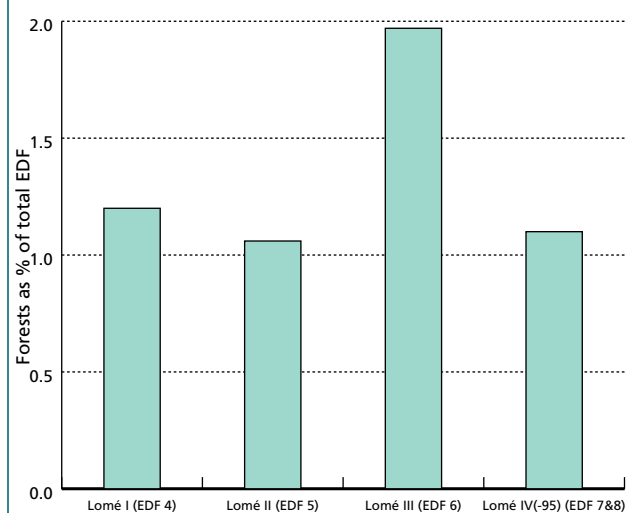
Less important sources of non-budgetary funding for tropical forest projects are non-programmable aid funds such as STABEX and SYSMIN which fall within the EDF and which can, rather exceptionally, fund actions with a forestry component.

#### 4.3.1 STABEX

STABEX is a scheme for the stabilisation of export earnings for internationally marketed commodities. Timber is a STABEX product, but not a major one. According to IFSC (1991), 7 STABEX projects were funded in ACP countries in the period 1985–91 (all in Côte d'Ivoire or Western Samoa) as compensation for price fluctuations of wood in the rough.<sup>20</sup> In both countries, the documentation indicates that the funds were being put back into forest-based industrial development and sustainable resource use. The number

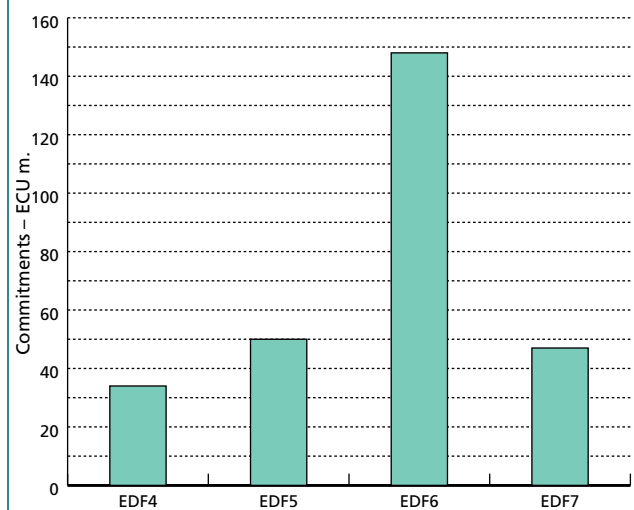
20. In line with the role of STABEX as a compensatory fund, the size of these grants relates to the estimated losses of export receipts in the wood sector in the previous year.

**Figure 7** The percentages of total EDF funds committed to tropical forests

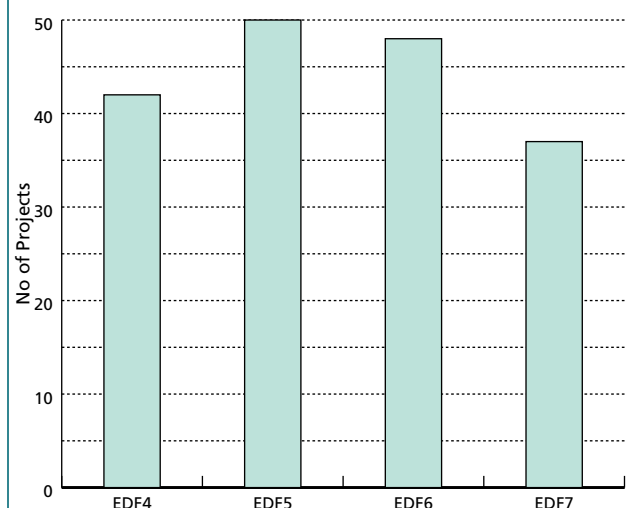


(Source: OECD, Development Co-operation Review Series)

**Figure 8** Commitments to tropical forestry, EDFs 4–7:



**Figure 9** Number of projects funded, EDFs 4–7:

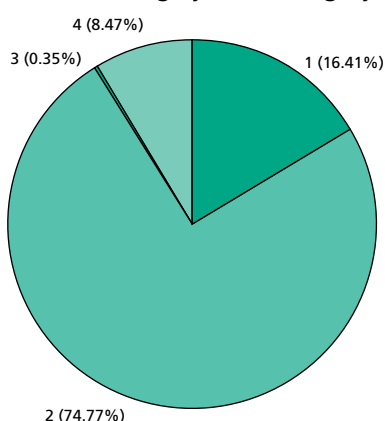


**Note:** Two different systems of classification are applied in Figures 8 and 9; projects under EDFs 4 to 6 are identified according to the classification of tropical forestry projects by IFSC (1991); projects under EDF 7 are identified according to the classification Planistat (1997).

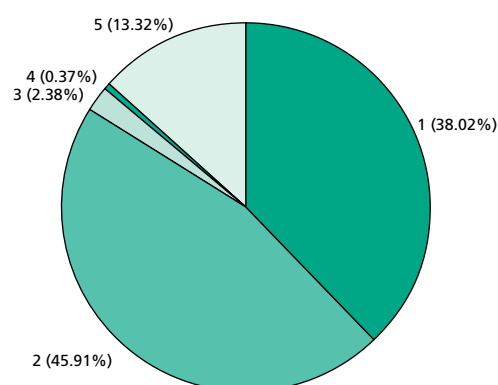


**Figure 10** EDF funding by TFAP category (ECU m.)

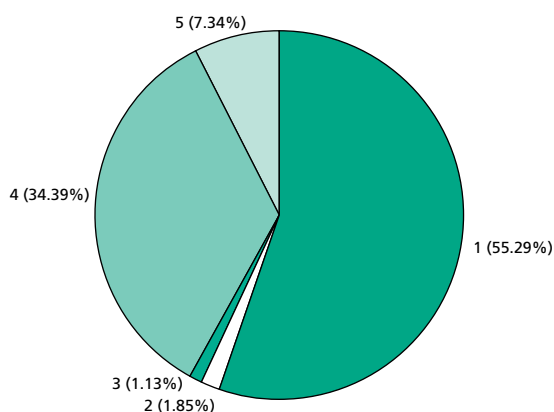
EDF 4 Funding by TFAP Category



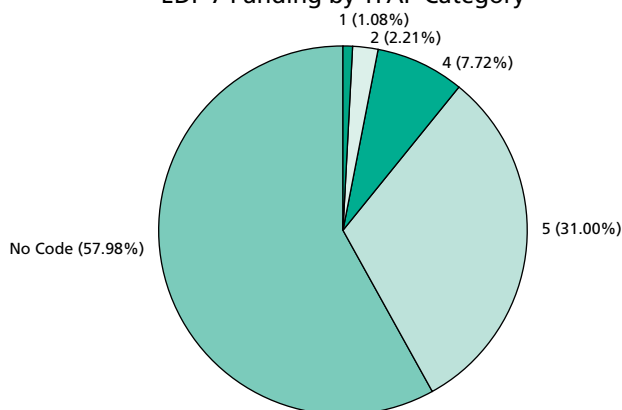
EDF 5 Funding by TFAP Category



EDF 6 Funding by TFAP Category



EDF 7 Funding by TFAP Category



TFAP categories: 1 = forestry in land use; 2 = forest-based industrial development; 3 = fuelwood/wood energy; 4 = conservation of tropical forest ecosystems; 5 = strengthening of institutions.

of forestry-related initiatives funded under these rubrics was notably small, while costs were relatively high. Average cost per project in the period stood at ECU 9.2m.

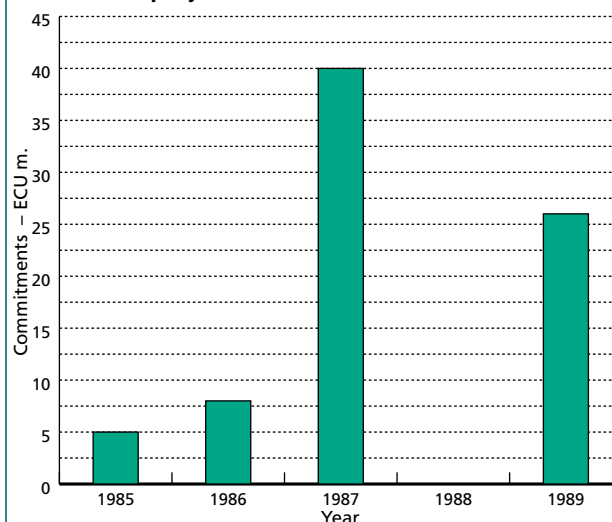
In the period 1992–6, only one STABEX operation is recorded as pertaining to tropical forests. This was a grant of ECU 4.7m. to Côte d'Ivoire (1992).<sup>21</sup>

#### 4.3.2 SYSMIN

The other non-programmable ACP fund is SYSMIN. This is intended for countries depending on mineral exports and provides compensation for losses of export earnings in the minerals sector. Environmental work can be initiated under this fund although, since SYSMIN interventions are classified by their dominant mining codes, it is difficult to identify projects of this type which have a forestry component. Records do not indicate eligible SYSMIN projects for the period

**Table 5** Numbers of tropical forestry projects funded under STABEX, 1985–9

	1985	1986	1987	1988	1989
No of projects	1	3	2	0	1

**Figure 11** Funds committed to tropical forestry projects under STABEX, 1985–9 (ECU m.)

21. It is possible that this inventory is incomplete in relation to STABEX investments. For example, a 1995 review of STABEX in the Solomon Islands indicates that 6 projects were funded in the forestry sector in the period 1988–93, with a total value of c. ECU 6m. The funding mechanism was, however, an indirect and retrospective one (as was possible under Lomé III but not under Lomé IV), and this may account for the failure of the Planistat evaluation to register the payments. See: the report 'Solomon Islands: STABEX Evaluation Study' of the Delegation of the European Commission in the Solomon Islands (December, 1995).

**Table 6** Tropical forestry commitments by source – 1992–6 (ECU)

	Number of Projects	Average size
EDF-7 <sup>a</sup>	37	1,249,105
B7–6201 (tropical forestry) <sup>b</sup>	179	1,366,971
B7–6200 (environment) <sup>b</sup>	8	440,922
B7–6000 (NGOs) <sup>b</sup>	140	98,522

<sup>a)</sup> ACP states only  
<sup>b)</sup> all states

1985–9. Only one eligible SYSMIN activity is recorded for the period 1992–6, for a tree planting scheme in Niger, in connection with the protection of a mining road against water and wind erosion (ECU 42,000).<sup>22</sup>

#### 4.4 Budgetary funding

The principal source of budgetary funding for tropical forest projects is the budget line B7–5041/B7–6201 which is tailor-made for forest projects. Other budget lines may fund tropical forest projects, or projects with a tropical forest component, but only as a sub-component or theme. These budget lines include B7–6000 (Co-financing with NGOs) and B7–6200 (Environment in developing countries).

Average size and number of tropical forestry projects funded under the three main budget lines (all Directorates-General), for the period 1992–6, by comparison with EDF7 projects, are shown in Table 6.

##### 4.4.1 B7–6201 (ex-B7–5041) Actions in favour of tropical forests

This budget line is jointly managed by DG VIII and DG IB. ECU 50m. is available annually in the period 1996–9 (according to the 1995 Council Regulation 3062/95 of 1994). The percentages of the available budget held by DG VIII in the period 1992–7 are indicated in Table 7. Trends in expenditure under the budget line by DG VIII are shown in Figures 12 and 13.

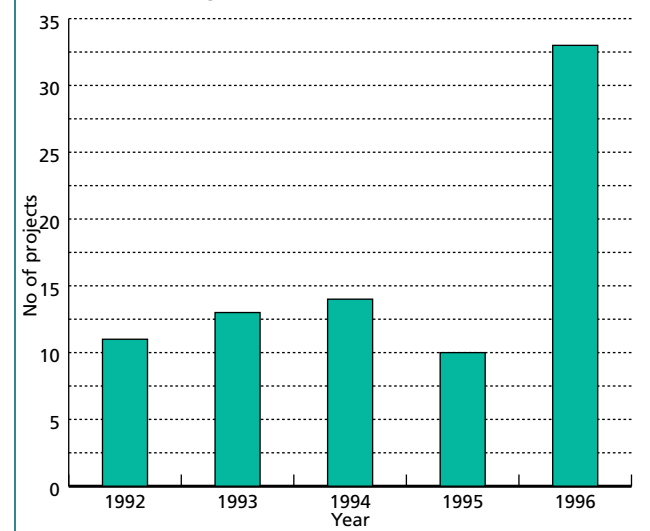
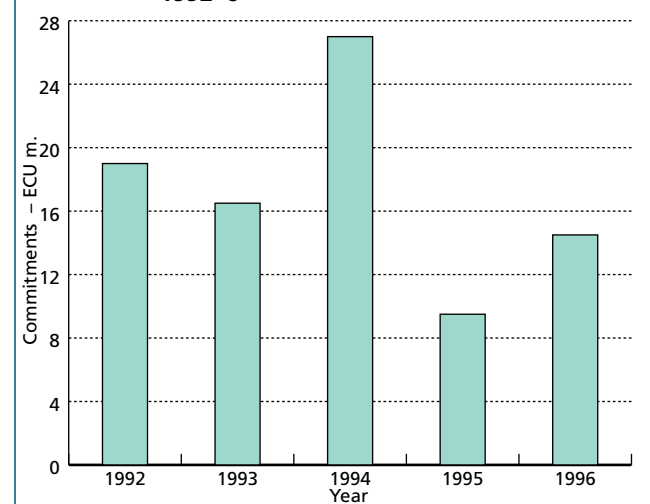
##### Funding priorities

The EC classification provides one indication of funding patterns. While significant year-to-year fluctuations warn against over-confidence in the identification of trends, some degree of patterning can be discerned. Conservation projects were clearly strongly favoured in the aftermath of the 1992 UNCED Conference. In 1993, 64% of all commitments under the Tropical Forestry budget line were for conservation projects, and the proportion rises to 82% if ‘Buffer-zone

22. A further investment is likely in New Caledonia in 1997, supporting tree planting at sites of former mining operations (as a French overseas territory, New Caledonia is not a member of the ACP group, but is nevertheless eligible for SYSMIN grants under a parallel arrangement). A project is also under preparation in Guinea Conakry, to finance oil palm plantations. Both of these are regarded primarily as investments in the mining sector, however (both are concerned with rehabilitation of former mining areas), and not as ‘forestry projects’ as such.

**Table 7** Commitments to tropical forestry projects by DG VIII, as a proportion of total commitments, under the Tropical Forestry budget line, 1992–7 (%)

	1992	1993	1994	1995	1996	1997
% [of ECU 50m.]	33.6	29	30.6	20	30	38

**Figure 12** Commitments under the Tropical Forestry Budget Line, DG VIII, 1992–6

**Figure 13** Number of projects funded under the Tropical forestry budget line by DG VIII, 1992–6


development’ projects are included. In 1996, the proportion in these two categories fell to 12%. A high profile for conservation is not unexpected, given the importance of this interest in Europe. Conservation is reported to be a major concern of European parliamentarians, whose responsibilities include scrutiny of the budget line. ‘Sustainable Management of Forests’ figured strongly in 1996, though less so in previous years. ‘Research’ has figured strongly throughout, though account may need to be taken here of the inclusive nature of this particular code.

Comparison of expenditures under the EDF and the budget line is potentially of interest, in that the portion of the budget line controlled by DG VIII is said to have been used increasingly to support the development of EDF policy. However, this comparison is made difficult by the fact that the EDF is classified only by TFAP categories (see Figure 10), whilst the most detailed classification for the budget line is by the EC codes (Figure 14). In addition, a high proportion of recent projects in both instances is 'non-coded' under the TFAP codes (Planistat, 1997) – respectively, 58% of EDF7 and 38% of the budget line. In both cases, however, conservation has been well represented in recent years (EDFs 6 and 7, budget line post-1992). Capacity building figures more strongly in EDF7 than in the budget line (except for 1992). A high profile for capacity building is to be expected with the EDF, given its public service orientation, though the relatively low showing for this category under the budget line is perhaps unexpected given the perceived importance of institutional issues in European policy circles. Again, however, the fact that there are such wide variations in the patterns of expenditure, in relation to both EDF and budget line, cautions against too confident an assessment of trends.

#### 4.4.2 Funding under other budget lines

Before the creation of the Tropical Forestry budget line, other budget lines were important sources of funding for projects focusing on tropical forests, or with an important tropical forestry component. These still retain some association with the sector.

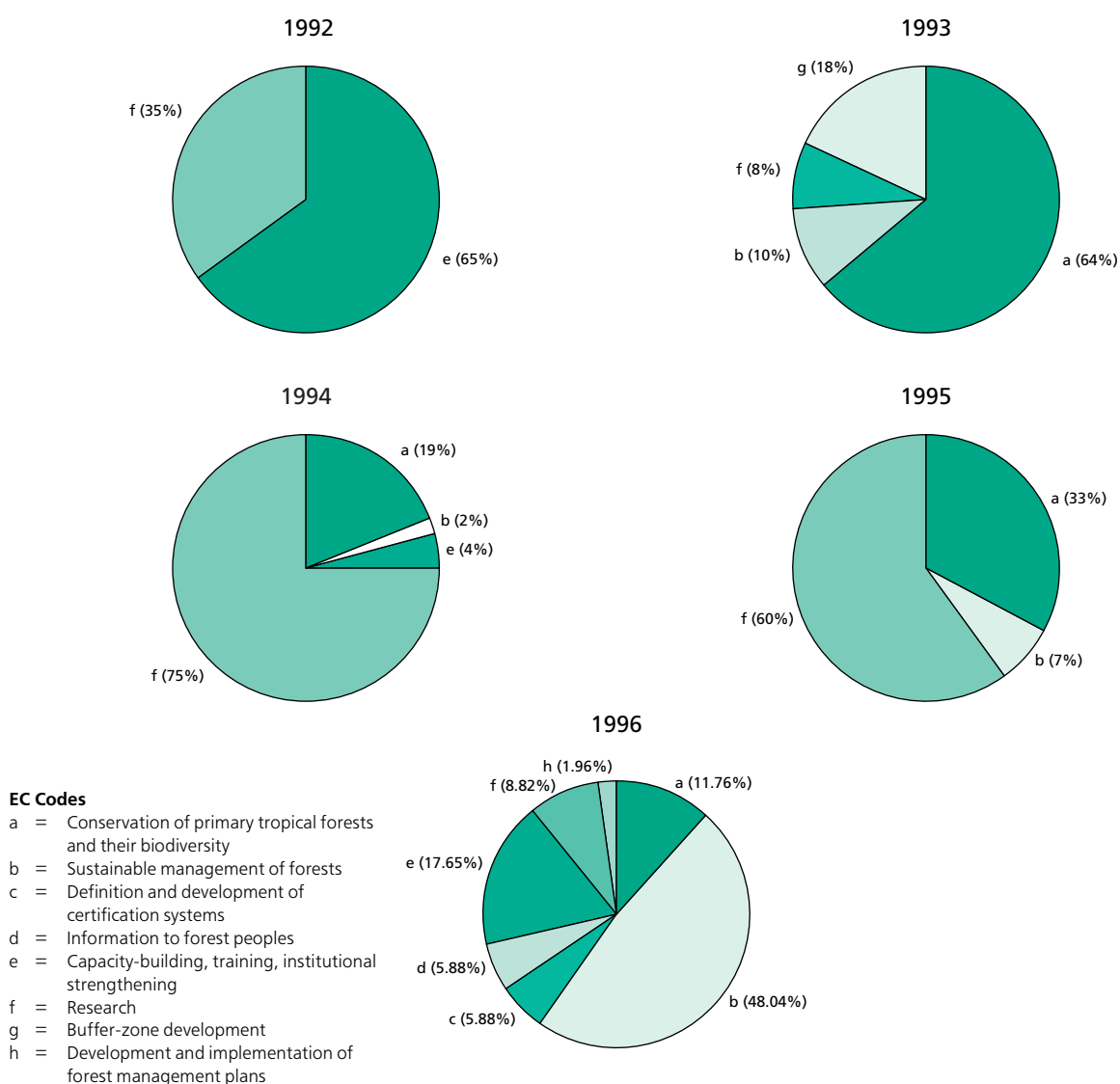
The most important are:

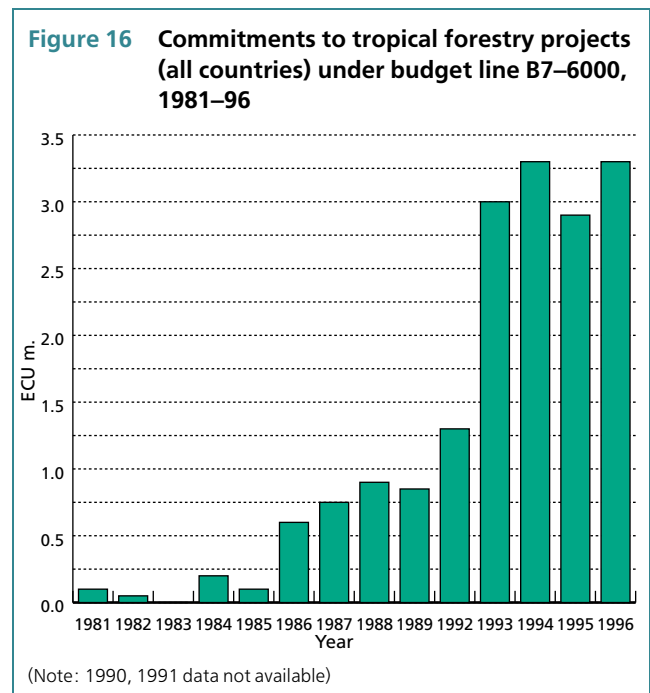
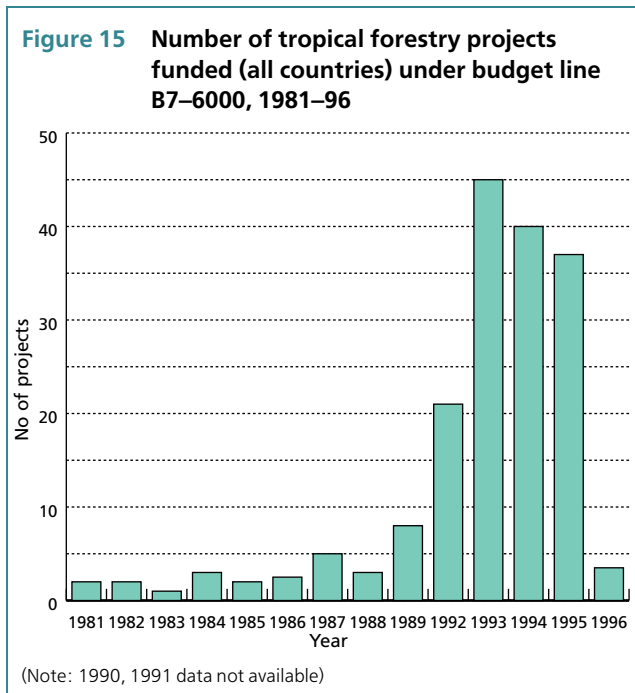
- 941/6000 'Co-financing with NGOs', became B7–6000 – 'Community participation in actions in favour of developing countries, carried out by NGOs'.
- 946/5040/B7–6200: 'Ecology in developing countries' (subsequently, B7–5040 and then B7–6200: 'Environment in developing countries').

#### B7–6000 – Co-financing with NGOs

The B7–6000 budget line covers all developing countries, not just the ACP group. It is managed by DG VIII. Compared with other budget lines, it funds a large number of projects, but at a relatively low average cost. The overall trends in funding under this budget line are

Figure 14 B7–6201: Tropical forestry budget line – relative commitments by EC Code, 1992–6 (DG VIII)





evident from Figures 15 and 16.<sup>23</sup> Since 1993, the relative size of projects funded under the NGO budget line has increased (Figure 16), while the number has progressively declined (Figure 15). The average project size has stayed modest, however, relative to other budget lines, and the number of NGO projects is still high relative to the total commitment of funds. Over the period 1992-6, the budget line funded 42% of all tropical forestry projects, in terms of numbers (140 projects out of a total of 333), though the total sum expended was less than 4% of the total (ECU 13,793,108 out of a total of ECU 359,838,435). The average grant sizes in each case were ECU 98,522 (NGO budget line) and ECU 1,080,596 (all projects) respectively – thus the average NGO grant was only 9% of the overall average for all tropical forestry projects.<sup>24</sup>

In terms of geographical distribution, ACP countries have received significantly more project awards than ALA over the last 5 years. The average grant size in each case is very similar (Table 9).

In terms of commitments for forestry projects under this budget line, there has been a steady increase in funding over recent years, with a major change of scale occurring in the mid-1980s, at the time of the Africa famine and growing interest in NGO activities among the European public. Following a familiar pattern, there was also a significant increase in funding under this budget line in 1993, in the immediate aftermath of the UNCED Conference.

**946/B7-6200: Ecology in developing countries/ Environment in developing countries**

The EN946 (Ecology) budget line became B7-5040 (Environment in Developing Countries) in 1992. Until the creation of the dedicated Tropical Forestry budget

**Table 8** Average size of tropical forestry projects (all countries) under budget line B7-6000, compared to the average size of all tropical forestry projects, 1992-96 (ECU m.)

	1992	1993	1994	1995	1996
B7-6000:	0.066	0.065	0.081	0.112	0.462
compare: all forestry projects	1.177	0.626	0.993	0.992	0.856

(Source: Planistat, 1997)

**Table 9** Geographical distribution of projects, NGO budget line, 1992-6 (ECU)

	No. of Projects	Total Commitments	Ave. Project Size
ALA Region	48	4,602,800	95,891
ACP Region	92	9,190,308	99,895

(Source: Planistat, 1997)

line (B7-5041/6201), EN946 was a significant source of funding for tropical forestry projects. The 946 budget line was co-managed by DG VIII, DG I and DG XI. Since the creation of the Tropical Forestry budget line, it has funded fewer mainstream forestry projects, and focused increasingly on allied topics such as biodiversity. Funding to ACP states under this budget line is shown in Figures 17 and 18. Its annual budget has varied as follows: 1993, ECU 30m.; 1994, ECU 20m.; 1995, ECU 13m.; 1996, ECU 15m.

The new Environment budget line is jointly managed by DG IB and DG VIII, so the amounts available to DG VIII are only a proportion (currently 50%) of the overall total available.

Total commitments to tropical forestry projects in the ACP countries under these budget lines in the period 1986-96 are given in Table 11. It is evident that only a small proportion of the commitments under the budget line are nowadays used for projects which can be

23. These statistics refer to the budget line as a whole, not merely to the ACP countries.

24. The figures for overall forestry commitments in this paragraph refer to all tropical forestry projects in the Commission, not merely to DG VIII.



**Table 10** BL 6000 – NGO forestry projects of ACP & ALA states (ECU)

	ACP Countries		ALA Countries	
	Commitments	No. Of Projects	Commitments	No. Of Projects
1981	17,000	2	0	0
1982	12,000	2	0	0
1983	9,000	1	0	0
1984	261,000	4	190,000	3
1985	17,000	2	63,000	2
1986	54,000	3	60,000	1
1987	712,000	6	470,000	3
1988	868,000	3	883,000	5
1989	861,000	7	270,000	3
1990	na	na	na	na
1991	na	na	na	na
1992	730,194	12	660,597	9
1993	1,586,258	30	1,424,038	16
1994	2,336,396	30	900,070	10
1995	2,423,362	16	496,622	10
1996	2,114,098	4	1,121,473	3

(Source: Planistat, 1997)

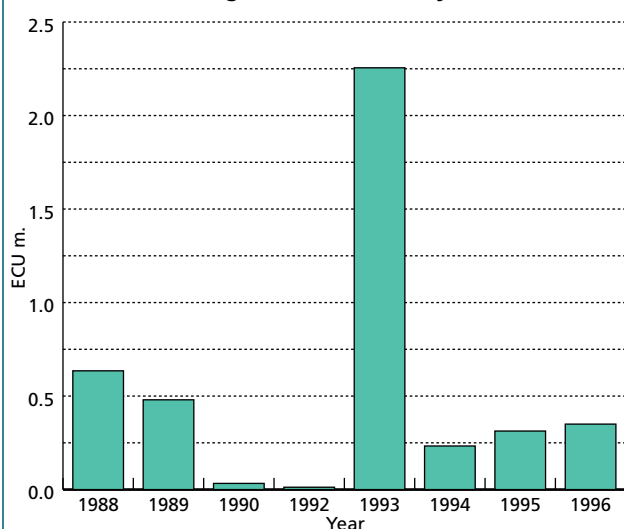
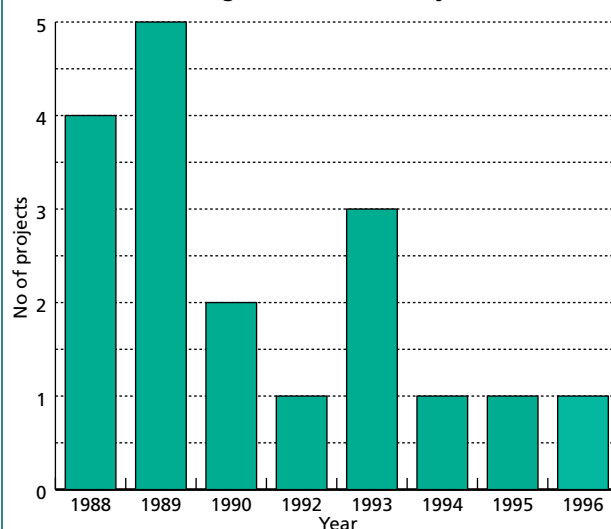
classified as ‘tropical forestry’. The only significant investments in tropical forestry projects in the ACP area in recent years, under this budget line, were in 1993, in the aftermath of the UNCED Conference.

## 5. PROJECT CYCLE MANAGEMENT

The Commission has greatly increased the rigour of its project management procedures in recent years. An ‘integrated approach to Project Cycle Management’ was introduced in 1992 (EC, 1993a), and the use of the

Logical Framework is now routine. These innovations followed extensive criticism of Commission procedures, with lack of clarity of project management being frequently cited as a major cause of poor performance.

Increased efforts are also being expended on staff training in an attempt to upgrade the skills of the Commission’s mainly generalist staff. Short training courses are now available for headquarters personnel, and training and applied workshop activities have also been arranged in beneficiary countries. The development of new tools – guidelines, handbooks and training

**Figure 17** Ecology/Environment Budget Lines: Funding to ACP states only**Figure 18** Ecology/Environment budget lines: funding to ACP States only

programmes on particular sectoral issues – forms an integral part of the process. An extensive programme of staff training and awareness creation is now under way within the Commission, based on the *Forest Sector Development Co-operation Guidelines*, Volumes II and III of which are largely concerned with project cycle management and provide detailed checklists and working materials.

### 5.1 Phases of the project cycle

The Project Cycle involves six distinct phases: programming, identification, formulation, financing, implementation and evaluation. Procedures for each phase differ according to whether the project is funded from the EDF or the budget line.

*Under EDF arrangements*, the NIP negotiations are crucial, with the characteristics – and the limitations – earlier discussed (see section 2.5). Indicative programming involves the establishment of general guidelines and principles for co-operation between the Community and each ACP state. This covers sectoral and thematic matters and sets out a number of the ideas for projects which might be taken up during the term of the financial protocol. The detailed sequence of operations and responsibilities for project implementation under Lomé IV is given in Table 12.

The 1995 Regulation states that co-financing with Community Member States and other bodies is desirable to encourage greater coordination (Article 5). However, to date, Member States' inputs to EDF project proposals have been limited to information provided to the internal review committee.

*Budget line arrangements* are much more *ad hoc*. Proposals are submitted to the Commission by independent agencies (NGOs, research institutions, etc.), either directly or via a Delegation overseas. Less often (though increasingly), terms of reference for a project are drawn up by DG VIII staff (either within policy units or the geographical desks). Project proposals are judged partly for their conformity with the Regulation and with the norms and standards laid down in the *Guide for Financing Projects*. Projects must be presented in Logical Framework format. First selection is carried out by the Commission services, according to the criteria of the budget line. Opinion is sought from the relevant Desk, Delegation and technical services. Requests are presented to the Steering Committee for advice, and proposals are then accepted or rejected or sent back for amendment.

In the case of a project conceived in DG VIII or a project design prepared by consultants, a bid for tender is made for the selection of the implementing organisation. A contract is drawn up, outlining the terms of reference and budget, and this is signed by the Commission and its partner.

As regards forest sector development co-operation, a series of nine interlinked (and sometimes overlapping) *themes* provide an analytical framework to ensure that project cycle management is adapted to the needs of different types of forests and different actors within them. These nine themes are summarised in Table 13.

Social Impact Analysis and Environmental Appraisal procedures are both built into forest sector development co-operation. Projects are categorised into five classes as regards social impact, and four classes as regards

**Table 11 Ecology/Environment budget lines (946 & B/L 6200) – tropical forestry funding (ACP states only) 1986–96 (ECU)**

Year	Commitments	No. of Projects
1986		
1987		
1988	635,000	4
1989	480,000	5
1990	33,000	2
1991	na	na
1992	12,532	1
1993	2,255,300	3
1994	233,000	1
1995	313,000	1
1996	350,000	1

(Source: IFSC, 1991; Planistat, 1997)

**Table 12 Lomé IV project implementation process for programmable funds**

Activity	Responsibility
Draw up project dossier	Recipient government
Appraise project dossier	Jointly
Submit project dossier to EU	EU Delegate
Prepare financing proposal	EU Delegate
Submit financing proposal to EDF Committee for approval	EU Delegate
Review and decision by EDF Committee	Commission and Member States
Sign financing agreement	Jointly
Decide on tendering procedure	Jointly
Prepare tender dossier	Recipient (NAO)
Approve tender dossier	EU Delegate
Evaluate tenders	Recipient (NAO)
Approve tenders	EU Delegate
Sign contracts	Recipient (NAO)
Commence implementation	Recipient
Authorise payments	EU Delegate
Effect payments	Paying Agent
Monitor and evaluate	Jointly
Resolve disputes	Joint ACP-EU Committee

(Source: Koning, 1997:138)

**Table 13 Themes in Project Cycle Management in Forest Sector Development Co-operation**

T1	T2	T3	T4	T5	T6	T7	T8	T9
Policy, Legal & Institutional Framework	Conservation of Ecosystems and of Biodiversity	Sustainable Forest Management	Creation of Forest Resources	Harvesting, Processing, Marketing, Trading	Certification	Forestry Education and Training	Forestry-Related Research	Forestry Info and Communication

(Source: Guidelines for Forest Sector Development Co-operation, *Forests in Sustainable Development*, Volume 1 Strategic Approach, 1996, European Commission DG VIII)

environment (the classes differing according to whether or not the intervention is likely to have a positive, neutral or negative impact, and the magnitude of the effect). In each instance, the classification provides a trigger to further action; this might include calling on specialist advice or specific requirements for management. Social and environmental appraisal principles and procedures are reviewed in Volume I of the *Forest Sector Guidelines* (see section 4.1).

## 5.2 Evaluation

Since the UNCED Conference and the introduction of Tropical Forestry budget line, the responsible services have become more and more subject to critical questions from inside and outside the Commission concerning the utilisation of funds available for forestry projects and the relevance of funded projects to the objectives of the budget line, as well as, more generally, the Lomé and Maastricht agreements. Despite considerable strengthening in recent years, the effectiveness of evaluation procedures is still widely questioned. The external orientation of the key scrutiny methods (EDF committee and in-country management within the ACP partners), as well as the lack of adequate resources and the heavy reliance on external consultants, have all been cited as weakening learning capacity.

The EDF allocates money specifically for evaluations, mid-term reviews and final reports; desk officers and Delegations are responsible for the straightforward cases, and the Evaluation Unit for the more difficult situations. All EDF projects are evaluated on completion. Impact evaluations (end-of-project plus a specified period) are not currently built into the financing agreements for individual projects, though these are occasionally undertaken using the Evaluation Department's own budgeted resources. There are also broad process evaluations at country programme level. According to the Lomé Convention, evaluations have to be done jointly with the ACP country. This has resulted in a greater participation of developing countries in project evaluations than is the case with most international donors.

The monitoring of the national indicative programmes is primarily the responsibility of the (ACP) National Authorising Officer and the EU delegate. The monitoring of EDF projects has frequently been criticised as weak. Staff shortages in both the Delegations and DG VIII, the paucity of staff experienced in evaluation, the lack of suitable information, preoccupation with administrative and financial duties (particularly the management of consultants) and lack of adequate mechanisms for feedback into decision-making processes are said to account for many of the

difficulties (Cracknell, 1989).

In line with a requirement of the Regulation of 1995, the Tropical Forestry budget line is being evaluated 1997 by an external European consultancy due to report in April 1998.<sup>25</sup>

## 6. PROJECT REVIEWS

Some general shifts in focus can be identified in the Commission's approach to tropical forestry, such as a growing recognition of the 'social dimensions' of projects, involving greater participation of local populations and other stakeholders. There has been a move away from exclusion-oriented preservation strategies towards sustainable management and development involving local communities. The number of policy-oriented studies has also increased, focusing on such themes as the clarification or elaboration of particular policies, research into policy areas, and ways of operationalising policy. Recent policy studies have included an investigation of the changing pattern of the international timber trade, particularly that associated with increased logging activities in the Congo Basin by companies based in the newly industrialised countries of the Pacific rim (WWF, 1997), and the drawing-up, testing and training, of the *Guidelines*, as discussed above (Box 2).

The budget line is also being used to fulfil international and internal obligations on tropical forests. For instance:

- The Convention on Climate Change identifies deforestation as a major source of greenhouse emissions. A study has been commissioned on CO<sub>2</sub> sequestration by reforestation to mitigate climate change. This investigates the role of reforestation as a carbon sink, and considers the potential for joint implementation by the EU and ACP countries of appropriate initiatives (B7-6201/96.01).
- Timber certification – see Box 3
- The consolidation of knowledge (as called for in the Council Regulation of 1995), and the drive to greater coherence, complementarity and coordination of the aid activities of the EU Member States, as laid down in the Maastricht Treaty.<sup>26</sup>
- The development of a regional approach in the face

25. According to the 1995 Tropical Forest Regulation, Article 12 'In 1997 the Commission shall submit to the European Parliament and the Council an overall assessment of operations to promote tropical forests financed by the Community'.

26. The ODI project, one component of which is production of this Sourcebook, forms part of this initiative.

of new threats to tropical forests. This is being achieved through the promotion of policy dialogue between stakeholders (including high-level policy dialogue, as in the case of the Congo Basin initiative and the World Commission on Forests and Sustainable Development) and international training activities. The Congo Basin initiative is briefly reviewed in Box 4.

## 7. CONCLUSION

Like many international donor agencies, DG VIII has been forced to adapt rapidly to the increased prominence

given to tropical forestry in recent years. The manner in which this has occurred has been influenced by a large number of factors, some internal (the management structure of the EDF, for example) and some shared, to a greater or lesser degree, by all Directorates-General within the Commission. Though the place of tropical forestry within the aid programme of DG VIII remains problematic in many ways, significant progress has been made in developing a strategic orientation, which engages not only the technical departments but also the geographical line management.

One illustration of the extent of the advances which have been made is provided by progress on the

### BOX 3 Timber Certification

Over the last few years, DG 1B and DG VIII have shown a keen interest in the role timber certification might play in promoting sustainable tropical forest management. This accords with the emphasis on the use of market-based instruments such as labelling in the EC's Fifth Environmental Action Programme (EC, 1993b), and also responds to the European Parliament's repeated calls for the regulation of the tropical timber trade. Attention has been focused on ITTO's 2000 target, which argues that all tropical timber entering international trade by the year 2000 should originate from a sustainably managed source.

Since the late 1980s, there has been a growing convergence between EC development policies aimed at promoting sustainable forest management and its trade policies geared towards stimulating the trade in timber from sustainable sources. Recently the EC has taken three important decisions that place priority on the role of certification within its wider strategy for tropical forests:

- Regulation for the Generalized System of Preferences (GSP) which controls privileged access for Third World Products to the European market.
- 1995 Regulation on Tropical Forests, in which certification figures as a prominent issue in the negotiation of the new legal basis for support for tropical forests from the EC budget. The Regulation gives special attention to a number of areas for EC support including the elaboration and implementation of certification systems based on independent evaluation of wood produced in tropical forests according to agreed principles for sustainable forest management. These systems should form an integral part of envisaged internationally harmonised certification systems for all kinds of timber and timber products (Article 4c).
- Protocol 10 to the Lomé Convention includes support for the definition and development of certification systems as one of its priority areas. The Protocol advocates 'supporting the definition and the development of certification systems for timber produced from tropical forests bearing in mind sustainable forest management principles as part of the envisaged internationally harmonised certification systems for all kinds of timber and timber products'.

The Council agreed that the implementation of certification systems should form one of the priorities in the allocation of the ECU 250 m. of EC assistance between 1995 and 1999. The European Parliament had proposed the introduction of

an independent certification system for all forests by 1997.

To support these initiatives, the Commission has engaged in:

- policy networking through informal and formal working groups at the European and international levels.
- funding research and pilot schemes, through commissioning background reports, and the CIFOR criteria and indicators study for instance.

The Commission is also involved in the follow-up to the Ministerial Conference on the Protection of Forests, held at Helsinki in 1993, which looks particularly at criteria and indicators of sustainable forest management (SFM) at a pan-European level. Three groups of 'needs' (for setting out the transition to SFM) can be identified at the international level:

- finance for poorer countries to cover the costs of improving forest management, etc.
- sharing information, research and technology (through the TREES ('Tropical Ecosystem Environment Observations by Satellite') Programme and co-operation with FAO on satellite data;
- coordination between international initiatives.

The Commission has been concerned to avoid a proliferation of forest labels, which could confuse consumers and distort the internal market.

DG VIII activities on certification have included:

1993: funding a study by ESE on the possibility of introducing a Timber Protocol in the Lomé IV Convention.

1994: organisation of a seminar/meeting on production methods (African Timber Organisation).

1994: co-financing of a study commissioned by ITTO on certification.

1995: production of a draft programme for the promotion of sustainable forest management and certification in Western and Central Africa.

1996: harmonization of International Institutional Arrangements (Indufor Oy of Finland)

1996: Forest Certification Advisory Group (secretariat provided by IIED)

This has involved studies managed by WWF-Belgium and Tropenbos, both in Cameroon, on (respectively), the harmonisation of different initiatives on certification, in Central and West African countries, and criteria and indicators for sustainable forest management.

EC strategy on Timber Certification is also discussed in Section 3.3 of Chapter 5 on DGXI.

recommendations of the 1991 IFSC report. This report presented a series of recommendations for improved coordination, including the development of an overall strategy for the Commission for tropical forestry; guidelines for headquarters and Delegation staff on the identification and formulation of projects in line with this strategy; guidance on appropriate budgetary provisions; improved coordination of the programmes of the various directorates-general; better liaison with multinational agencies, Member States, associated states and NGOs; and enhanced capacity for monitoring and evaluation.

All of these issues have been addressed, with DG VIII playing a significant part. Influential policy documents such as Protocol 10 of Lomé IVbis, the Strategy Paper, the 1995 Regulation and the forthcoming Regulation

have been agreed and promulgated. Support documents and activities such as the *Guidelines for Forest Sector Development Co-operation* and its associated training and awareness-raising programme have been prepared and undertaken. These, together with the increased policy orientation of the budget line, have all served to heighten the profile of tropical forestry within the aid activities of the Commission, particularly in support of the EDF.

#### BOX 4 European Commission Approach to Forestry Issues in the Congo Basin

The rainforests of the Congo Basin are among the most biologically diverse in the world, making up one quarter of the world's surviving stock of tropical moist forests, and three-quarters of the rainforests of Africa. With the depletion of much of the West African forest cover, the attention of the logging industry is now turning to Central Africa, and the international donors may have an important role to play in ensuring that the forests of the sub-region are brought rapidly under sustainable management.

However, the region is also a demanding environment for sustainable forestry. Political uncertainty, high levels of public indebtedness and, in some instances, long histories of poor resource management all present major challenges, especially with regard to the sound husbandry of long-cycle resources such as forests. Low population densities in rural areas (particularly in the high forest zones) limit the potential for local participation in forest management. Poor forest management practices and lack of transparency of forest resource allocations have been widely cited as encouraging environmental degradation.

Donor influence in this context is limited. Weak institutional capacity leads to low absorptive capacity for development aid in both state and civil society. The region has not hitherto been a major priority area for most European donors. Outside of Cameroon, few bilateral donors have significant portfolios. Aid portfolios are problematic throughout the Region, and a generally poor history of aid effectiveness provides an additional disincentive to increased investment by the international community. In more than one instance, adoption of a long-term perspective would seem unthinkable at the present time.

Devising a strategy for support to forestry in such a context presents a major challenge. The national level is generally weak, as is the environmental lobby within it; the regional level has potential, but without a firm foundation in national policies, is felt to offer few possibilities for self-sustaining action in favour of sustainable forest management. The EC's Congo Basin approach aims to make a public case and open the debate on forests, which will also create the necessary preconditions for transparency and equity. The strategy proposes a programme of policy dialogue, awareness creation and public discussion on forest as a complement and a support to existing programmes (for example, the Commission's own ECOFAC project [Box 5]). It involves three main threads: a Donor Conference (to bring together the

main donors in the region and set in motion a process of inter-donor dialogue), support for a Public Hearing (to open the debate to all stakeholders in civil society), and training of decision makers on implementation of national forest strategies and an integration into the international discussion on forests (EU/EDI training programme).

**Donor conference:** This was held in Brussels in April 1997, and brought together the main international donors for the region, who met to assess one another's activities, seek to avoid duplication, and to explore pathways which might lead to better future collaboration, coordination and coherence.

Donors confirmed their desire to support the region and work together, with a series of future meetings to facilitate this. Strong endorsement was given to the regional initiative, the *Conférence sur les écosystèmes de forêts denses et humides d'Afrique centrale* (the 'Brazzaville Process').

#### **World Commission on Forests "Forest Conservation and Development Policy Dialogue in the African Region."**

**(UNDP):** This initiative aims to contribute to the enhancement of institutional and policy reforms and initiatives in the framework of sustainable forest management. The EC was a major donor for the Hearing in the Africa Region, held in Cameroon in May, 1997. This focused on high-priority areas (identified through a consultation period), and was attended by representatives of stakeholder groups, including those who normally have little opportunity to express their views. Emphasis was on the design of pragmatic mechanisms for inducing reform based on consensus. The outcome will be the formulation and promotion of practical strategies and mechanisms for improving the management and conservation of regional forest resources.

#### **EU/EDI co-operation: Forestry Policy training programme:**

This aims to help countries to: design, internalise and implement national forest policies, with a view to ensuring sustainable economic development; promote the harmonisation of forest policies in the Congo Basin and with IPF; initiate consultation between countries of the Basin, and encourage dialogue with other countries facing similar forest development issues. The programme will run through regional level workshops, and exposure training.



**Box 5 'ECOFAC' (Conservation et Utilisation Rationnelle des Ecosystèmes Forestiers en Afrique Centrale)**

ECOFAC was funded under the 6<sup>th</sup> EDF and began operations in 1992. The first phase was completed in December, 1996, and a second phase was then funded, also of four years' duration. Its main objective is to promote the conservation and rational use of the Central African forests on a regional basis, through a series of measures designed to increase the awareness of forest-dependent populations to conservation issues and to offer them alternative means of income-generation. In this way, pressure on the natural resources of the forests will be relieved and the living conditions of the dependent populations improved. ECOFAC works at a number of sites in six countries of the Central African region: Cameroon, Congo, Equatorial Guinea, The Central African Republic and Sao Tomé Príncipe. There is a *Cellule de Coordination* in Brazzaville. Zaire was originally expected to participate, but suspension of EC funding to the country in 1992 led to the withdrawal of this component.

The project is based on the hypothesis that the diversification of the local economy, in terms of both products and activities, is the best way to guarantee the conservation of the ecosystem. A series of activities is being promoted aiming to exploit locally-available materials in a sustainable fashion (sun-dried and ceramic bricks, roofing materials, oil palm presses, etc.).

Different strategies have been promoted in different areas, leading to a comparative appreciation of the conditions for success. For example, the Central African Republic opted for an approach involving rapid development at relatively low cost through the use of expatriate technical skills and inputs, while Cameroon preferred to invest heavily and in a longer-term perspective in the creation of local capacity, able to exploit locally available materials. While the former strategy led to impressive results in the shorter term, these proved of very limited benefit to the local populations which remained heavily dependent on the resources of the forest. The latter strategy thus appears the preferred option in most instances.

Initially conceived as a set of fairly independent protected area projects, the project has gradually adopted a more complementary approach, seeking to bring together the various components through a series of regular meetings and workshops. Despite some difficulties in reconciling the regional and national components, and in ensuring maximum local ownership, the Project can claim some success in demonstrating the ways in which regional forces can be brought to bear on constituent member states, to encourage them to adopt sustainable practices in the management of their biodiversity.

This approach will be consolidated during the second phase, in recognition of the regional aspect of many of the major conservation challenges (eg. legislation over hunting, controls over poaching activities in frontier areas, forestry policy, conservation of marine turtle populations, etc.) ECOFAC's long term aim is to build upon the experience of the first two phases of the project to reinforce the transition from a geographically-based project to a technical one, offering significant and sustainable benefits on a regional basis.

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## ACRONYMS

ACP	African Caribbean Pacific
ALA	Africa Latin America
DAC	Development Assistance Committee
DG	Directorate General
ECOFAC	Conservation et Utilisation Rationnelle des Ecosystèmes Forestiers en Afrique Centrale
EC	European Community
EDF	European Development Fund
EDI	Economic Development Institute
EIB	European Investment Bank
ERM	Environmental Resources Management
ESE	European Strategies Europe
ETFAG	European Tropical Forest Advisory Group
EU	European Union
FAO	Food and Agriculture Organisation of the United Nations
FSC	Forest Stewardship Council
GDP	Gross Domestic Product
GNP	Gross National Product
GSP	Generalized System of Preferences
IFSC	International Forest Science Consultancy

IIED	International Institute for Environment and Development
ITTO	International Tropical Timber Organization
NIP	National Indicative Programme
NAO	National Authorising Officer
NGO	Non-Governmental Organisation
ODI	Overseas Development Institute
OECD	Organization for Economic Co-operation and Development
PICS	Project Information and Control System
QSG	Quality Support Group
RIP	Regional Indicative Programme
SFM	Sustainable Forest Management
TFAP	Tropical Forestry Action Plan
TREES	Tropical Ecosystem Environment Observations by Satellite
UNCED	United Nations Conference on Environment and Development
UNDP	United Nations Development Programme
WWF	World Wide Fund for Nature

## ACKNOWLEDGEMENTS

This chapter has benefited from discussion with a number of people including the following: Marjukka Mähönen and Amos Tincani (DGVIII/A/1), Ralf Mohs (DGVIII/A/6), Vincent Dowd (DGVIII/D/4), George-Marc André (DGVIII/E/2), Christine Bakker (DGVIII/E/4), Humbertus Zimmer (DGVIII/E/6), Geoffrey Rudd and Myfanwy van de Velde (DGVIII/F/1), Sicco Roorda van Eysinga (DGVIII/F/5), Enrico Pironio (DGVIII/G/3), Gerard Vernier (DGVIII/Coordination and Briefings Cabinet), and Gerhard Dieterle (formerly DGVIII/A/1, now GTZ).

Note on currency: on 1 September, 1997, US\$ 1 was equivalent to ECU 1.09.