

DG IB

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Contents

| | | |
|-----------|--|----|
| 1. | EVOLUTION OF DG IB'S INVOLVEMENT IN TROPICAL FORESTRY | 43 |
| 1.1 | Evolution and present structure of Directorate General IB | 43 |
| 1.2 | Development of EU forestry interest in the ALA region | 43 |
| 2. | STRUCTURE OF AID DELIVERY | 43 |
| 2.1 | Evolution and management of horizontal budget lines | 43 |
| 2.2 | Evolution and management of geographical budget lines | 45 |
| 2.3 | Aid delivery mechanisms | 45 |
| 2.4 | Ratio of forestry budget to in-house forestry advisory staff | 45 |
| 3. | STRATEGY AND POLICY | 46 |
| 3.1 | Tropical Forests budget line | 46 |
| 3.1.1 | Legal basis: the 1995 Council Regulation | 46 |
| 3.1.2 | An emerging strategy in Unit D4 | 46 |
| 3.2 | Strategic viewpoints from the geographical Directorates | 47 |
| 3.3 | Policy on project size | 48 |
| 4. | GEOGRAPHIC AND THEMATIC DISTRIBUTION OF FORESTRY PROJECTS | 48 |
| 4.1 | Definitional issues | 48 |
| 4.2 | Overview of tropical forestry aid before 1990 | 48 |
| 4.2.1 | Geographical budget line 930 | 48 |
| 4.2.2 | Horizontal budget lines | 48 |
| 4.2.3 | Geographical spread | 48 |
| 4.3 | Overview of tropical forestry aid 1990–6 | 49 |
| 4.4 | Projects funded by geographical spread 1992–6 | 49 |
| 4.4.1 | Distribution by region | 49 |
| 4.4.2 | Distribution by country | 50 |
| 4.5 | Projects funded by type | 52 |
| 4.5.1 | Before 1990 | 52 |
| 4.5.2 | 1992–6 period | 52 |
| 5. | PROJECT CYCLE MANAGEMENT | 54 |
| 5.1 | Project identification and appraisal | 54 |
| 5.1.1 | Tropical Forests budget line | 54 |
| 5.1.2 | ALA geographical budget lines (B-3000 and B-3010) | 55 |
| 5.2 | Project implementation | 56 |
| 5.3 | Monitoring and evaluation | 56 |
| 5.4 | Constraints on more effective project cycle management | 56 |
| 6. | PROJECT REVIEWS | 57 |
| 6.1 | The Pilot Programme to Conserve the Brazilian Rain Forest (PPB) | 57 |
| 6.2 | The COAMA Project | 59 |
| 6.3 | Evolution of the Indonesia portfolio of forestry projects | 60 |
| 7. | CONCLUSIONS AND TRENDS | 61 |
| | REFERENCES | 62 |
| | KEY CONTACTS | 62 |
| | ACRONYMS | 62 |
| | ACKNOWLEDGEMENTS | 63 |

1. EVOLUTION OF DG IB'S INVOLVEMENT IN TROPICAL FORESTRY

1.1 Evolution and present structure of Directorate General IB

The evolution of DG IB's involvement in tropical forestry aid reflects both its short history and the relatively recent attention given by the EC to non-ACP countries – especially Latin America. Formerly, Unit 2 of Directorate K ('North-South Relations') in DG I ('External Economic Relations') dealt with the environment as well as economic relations with international organisations. The first tropical forestry activities in Asia and Latin America (ALA) were thus initiated in DG IK 2. Since 1993, DG I has been gradually subdivided into three Directorates General. In 1993, DG IA ('External Policy Relations') was established to deal specifically with Eastern Europe, and in September 1995, DG IB was created with the title 'External Relations: Southern Mediterranean, Middle and Near East, Latin America, South and South-East Asia and North South-Co-operation'. In 1996, DG I was itself renamed 'External Relations: commercial policy and relations with North America, the Far East, Australia and New Zealand', while DG IA became 'External Relations: Europe and the new independent States, common foreign and security policy and external missions'. Thus there are now three distinct but related Directorates General, DG I, DG IA and DG IB, each with a series of Directorates. The new DG IB is an amalgam of four of the original DG I Directorates and the new Directorate E – Finance and Resources.

Figure 1 presents the main Directorates (rather than a complete organogram) of DG IB, with the sections of most significance for forestry capitalised. Directorates A, B and C are geographically based, while Directorates D and E are thematically or 'horizontally' based. Under the Geographical Directorates B and C, the two Technical Units (B4 and C4), and some of the 'Geographical Desks', especially Unit C3, are most important for forestry. The Technical Units, interacting with the country desk officers, manage the projects funded under the Asia and Latin America (ALA) budget lines 'Financial and Technical Co-operation with Asian developing countries' (B7–3000) and 'Financial and Technical Co-operation with Latin American developing countries' (B7–3010) – referred to here as the ALA or 'geographical' budget lines. Most of the comments about the geographical budget lines in this chapter refer to the South and South-East Asia Directorate¹, or Asia for short, given the relatively low level of forestry commitments under the Latin American budget line (see section 4.2). Unit D4, under the 'horizontal' Directorate of North-South Relations, manages the 'horizontal' budget lines 'Actions in favour of Tropical Forests' (B7–6201) and 'Environment in Developing Countries' (B7–6200).

1.2 Development of EC forestry interest in the ALA region

Until the international initiatives of the late 1980s and early 1990s, non-ACP countries appeared to be of secondary importance for EC forestry aid. However, a shift in regional priorities occurred at the end of the 1980s. For example, the June 1990 European Council meeting in Dublin mandated the Commission to draw up concrete proposals for the Amazon region. The 1990 Council Resolution suggests an important shift in sectoral priorities for the ALA region: 'in its future consideration of co-operation with developing countries in Asia and Latin America, the Council feels that greater emphasis must be placed on the conservation of tropical forests. ... The Council notes with interest the Commission's intention to propose a programme for forest conservation with eight Amazonian countries' (COM (89) 410 final, p.3).

Furthermore, the February 1992 Council Regulation on aid and economic co-operation with Asia and Latin America stated that 'protection of the environment and natural resources, and sustainable development, shall be long-term priorities. 10%, being the average of the necessary financial resources of the aid, for the period 1991 to 1995, shall be set aside for projects specifically aimed at protecting the environment, in particular tropical forests' (EEC 443/92, Art. 5, p.2). A revised version of this Regulation (also 1992) confirmed that protection of the environment and tropical forests should be regarded as a specific component in aid and economic co-operation, rather than being subsumed under the term 'rural development'.

2. STRUCTURE OF AID DELIVERY

2.1 Evolution and management of horizontal budget lines

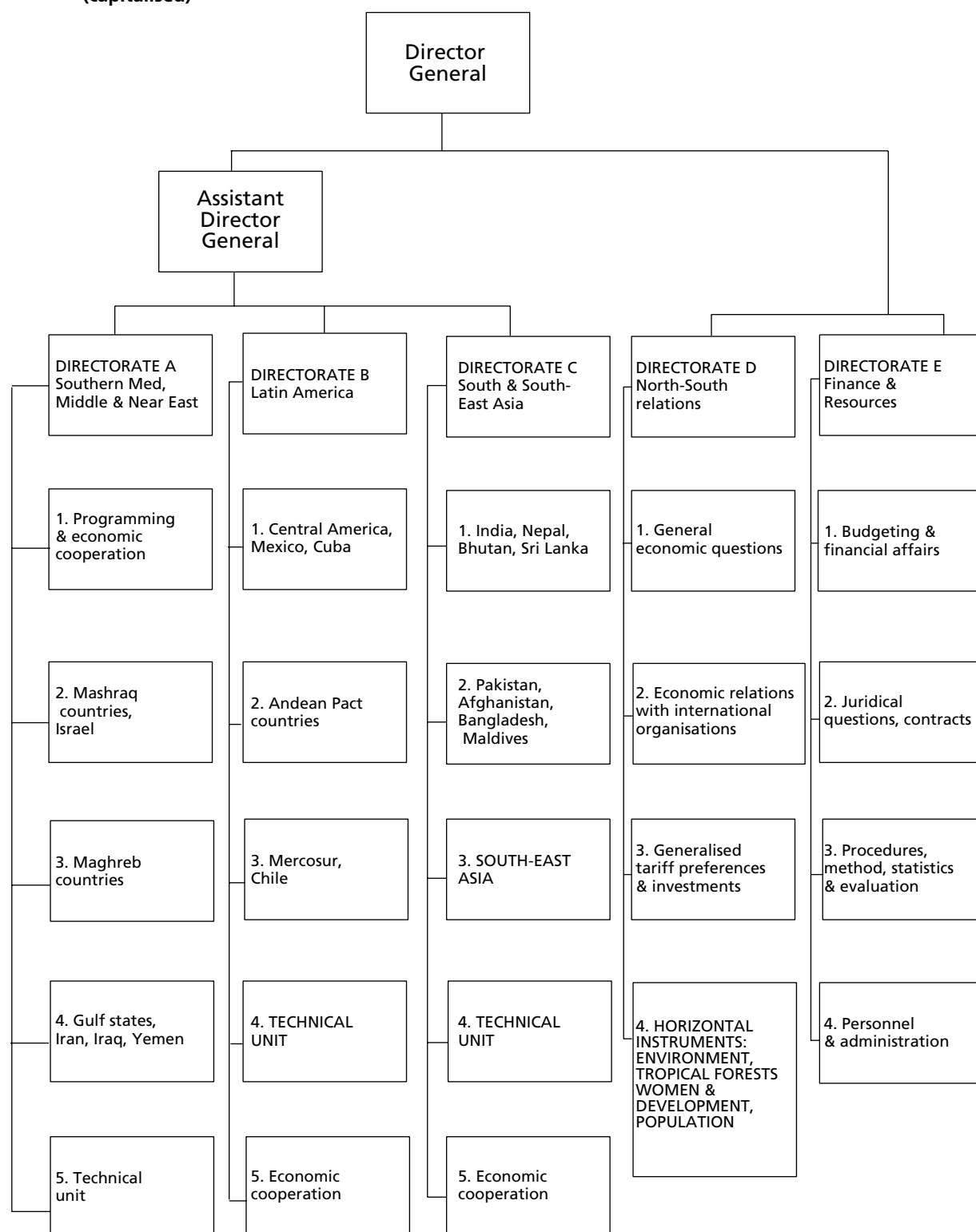
The first actions in favour of tropical forests were implemented and financed under budget line 946 'Ecology in Developing Countries' created in 1982. This budget line was relatively small and, up to 1993, was co-managed by DG VIII (the main manager), DG I K2 and DG XI. DG I K2's role was principally at the project identification stage, with some participation in monitoring and evaluation. Many of the projects funded were pilot projects, environmental studies and actions to stimulate international dialogue.

In 1990, budget line B7–5040 'Environment in Developing Countries' replaced budget line 946. Biodiversity conservation was the main priority, but it was the main source of finance for forestry projects until ECU 50 m. were put into the Tropical Forests budget line in 1992. In 1996, budget line B7–5040 became B7–6200, as shown in Table 1.

The budget line entitled 'Operations to promote Tropical Forests' (B7–5041) was created in 1991 with ECU 2 m. assigned to it. At first it was still mainly managed by DG VIII. In April 1992, a further ECU 50 m. was added, and thereafter ECU 50 m. a year was shared between the two DGs – a level to be continued at least until 1999. The legal basis of the Tropical Forests budget line was developed in the 1995 Council Regulation 'Operations to promote Tropical Forests'

1. This excludes China, Japan, Korea, Hong Kong, Macao and Taiwan, which come under DG I Directorate F.

Figure 1: Simplified organogram of DG IB showing the sections with main responsibility for forestry aid (capitalised)



(see section 3.1.1), and in 1996 it was renamed ‘Actions in favour of Tropical Forests’ (B7–6201). This chapter deals only with DG IB’s share (about 70%) of this budget line.

There is an important distinction between large (over ECU 1 m.) and small (less than ECU 1 m.) projects, and between the appraisal and management stages of projects financed under B7–6201. All projects are appraised in Unit D4, but most large, predominantly public sector projects are managed by the Technical

Units of the geographical Directorates. The two exceptions to this have been the projects coming under the umbrella Pilot Programme of Brazil (PPB) and the second phase of an indigenous peoples’ project in Colombia²: in these cases, D4 has assumed responsibility for the whole project cycle.

2. The *Conservación de la Amazonía y de su Medio Ambiente* (Conservation of the Amazon and its Environment – COAMA) project.

Small project applications, mainly from NGOs and universities, but sometimes also from public sector institutions, are both appraised and managed by Unit D4, unless they are for less than ECU 300,000, in which case they are sent to the NGO budget line in DG VIII. The Tropical Forests budget line is very flexible in terms of who can apply for funding: national or regional governments, Northern or Southern NGOs, universities, and regional organisations.

The Tropical Forests budget line is managed principally by two technical officers, both foresters with tropical experience, located in Unit D4 under the Head of Sector (Environment and Tropical Forests), who is a lawyer/economist by training. A further technical officer, a lawyer, manages two timber trade and certification projects. This officer is responsible for DG IB's 'timber certification dossier'.

2.2 Evolution and management of geographical budget lines

Budget line 930 financed the main proportion of tropical forestry activities in ALA countries until 1990, when it was sub-divided into B7-3000 'Financial and Technical Co-operation in Asian developing countries' and B7-3010 'Financial and Technical Co-operation in Latin American developing countries', henceforth called the Asian and Latin American budget lines respectively (see Table 1). A review of EC forestry aid in 1991 (IFSC, 1991) identified 15 projects over the period 1976–90 from budget line 930 with a total commitment of ECU 72 m. (ECU 4.8 m. per project). As already mentioned (Section 1.2), it was stipulated in 1992 that 10% of the total ALA budget should be committed to environmental projects.

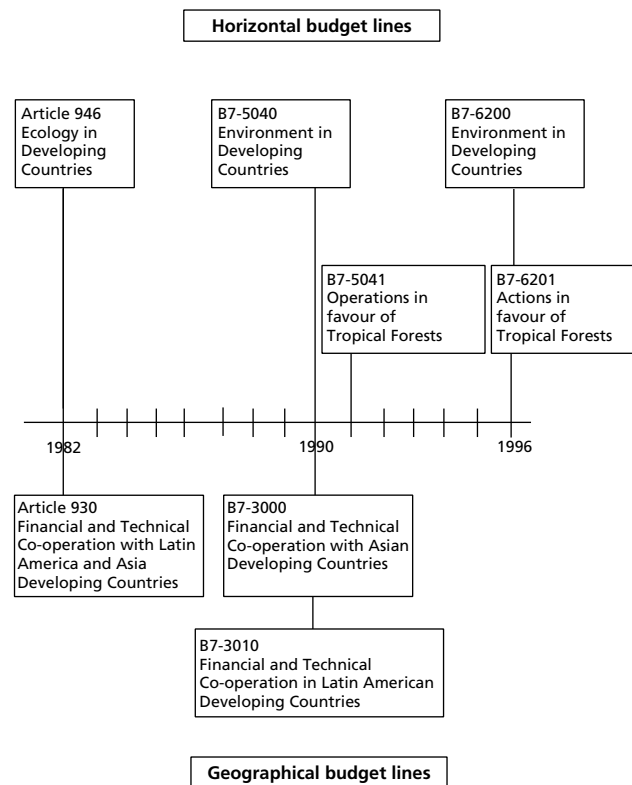
In the case of the ALA or geographical budget lines, a process of consultation and negotiation based on country strategy papers drawn up by the country desk officers may lead to the inclusion of forestry projects. The ALA country desk officers, grouped into Units 1 to 3 of Directorates B and C, deal with political and trade issues, inform and respond to the European Parliament and other DGs, develop country strategy papers, and play a consultative role in the development of projects with the Technical Units and the national or regional (in the case of Central America) EU Delegations.

The main role of the Technical Units in the geographical Directorates is to manage the project cycle, support the country desk officers, and organise major mid-term reviews and evaluations. The Asia Technical Unit has an officer assigned to forestry projects, a biologist by training, while the Head of Social Development in the Latin America Technical Unit is a forester.

2.3 Aid delivery mechanisms

In the case of 'small' projects coming under Unit D4, aid delivery is in the hands of the funded NGO, university or state/private sector institution. 'Large' projects, whether from the geographical or horizontal budget lines, are appraised and evaluated by one of five (one for each main region) European consultancy consortia³,

Table 1. Timeline showing evolution of DG IB budget lines



which competed successfully to form part of the 'Framework Agreement'. For a specific task, the consultancy group has to submit several candidate experts for the Commission technical officer to decide between them. The Framework Agreement system applies only to short-term consultancy inputs.

Large projects are normally implemented by European consultancy firms, selected following a public tendering process, in partnership with counterpart institutions (normally government departments). The main exceptions to this are the Brazil Pilot Programme (see section 6.1), and some of the Amerindian projects on the Tropical Forests budget line which are executed or coordinated by European NGOs such as Ibis of Denmark and the UK Gaia Foundation.

Field project management is shared by an EC co-director (recruited by the consultants) and a counterpart co-director. The co-directors share the decision-making and accountability to the executing agency (the counterpart ministry), the project steering committee, and the EC (including the EU Delegation). Each large project has a steering committee, composed of EC and national representatives, which approves the annual work plans and budgets, and provides institutional coordination and overall direction.

2.4 Ratio of forestry budget to in-house forestry advisory staff

Three technical officers provide most of the forestry advice in DG IB, leaving aside the forester in the Latin American Technical Unit, given the (relatively) insignificant level of 'forestry' aid from B7-3010 (see section 4.1). Total committed funds to 'tropical forestry' from 1992 to 1996 from the four budget lines to ALA

3. The current five consortia of consultants are Euragri 2, ACE, EURONET, ARCA and CEPT

countries amounted to about ECU 300 m., or ECU 60 m. per year. Thus tropical forestry budgetary commitments averaged about ECU 20 m. per annum per technical officer. It should be noted that one of the forestry technical officers in Unit D4 was a 'national expert' seconded to the Commission by the British aid programme. DG IB also uses voluntary *stagiaires* as a means of supplementing staff resources.

3. STRATEGY AND POLICY

3.1 Tropical Forests budget line

3.1.1 Legal basis: the 1995 Council Regulation

As described in Chapter 2 (section 3.4), the December 1995 Council Regulation 'Operations to Promote Tropical Forests' (Regulation 3062/95) stemmed from a number of earlier communications, especially the 1993 Commission Communication (to the European Council and Parliament) 'Proposal for a Council Regulation on Operations to Promote Tropical Forests' (COM (95) 53). Section 3.4 of Chapter 2 also describes the main contents of the Council Regulation, but in view of their fundamental importance for this chapter, the eight priority action areas are repeated here:

- conservation and renewal of primary tropical forest and biodiversity;
- sustainable forest management 'excluding commercial logging operations in primary tropical forests, except those which are community-based';
- definition and development of timber certification systems;
- provision of information and support to forest peoples;
- capacity-building, especially strengthening the legal, policy, social and institutional basis for forest management and conservation;
- strategic and adaptive research for conservation and sustainable forest management;
- development of buffer zones;
- development and implementation of forest management plans.

The Regulation suggests a shift (from earlier legislation) to a more sector-specific focus which emphasises the promotion of natural forest management, while maintaining the importance of 'defensive' biodiversity conservation.

3.1.2 An emerging strategy in Unit D4

Within DG IB, Unit D4 has the main responsibility for strategic thinking in the forestry aid programme. Initially project identification and selection on the Tropical Forests budget line was on the whole reactive or demand-driven. D4 responded to requests from governments and NGOs, rather than setting geographical and thematic criteria. This partly explains the bias to Latin America, where local capacity to present projects has been greater than in Asia. In the early years of the budget line, and in the absence of a legal basis, 'strategy' tended to reflect the development philosophies of the technical officers. In the 1991–2 period, two technical officers were recruited to manage the new Tropical Forests budget line, an agricultural economist and an

ecologist. The economist tended to promote larger public sector and multi-institutional projects, while the ecologist concentrated on smaller 'bottom-up' NGO-based projects.

Several factors should be taken into account when considering the lack of an identifiable operational strategy, at least until 1996, in DG IB's tropical forestry aid programme. First, this situation was common across the DGs; for example, Kriek and Robbins (1991) point out the 'absence of a clearly detailed policy and strategy' for tropical forestry in the EC in general. Secondly, the adoption of forestry aid responsibilities by DG IB and its forerunner DG IK has been a very recent development – it only took over the overall management of the Tropical Forests budget line from DG VIII in 1993. Thirdly, the Tropical Forests budget line was launched in haste in 1992 with the minimum of operational procedures, and the constant pressure of project cycle management on the D4 technical officers has resulted in little time for strategic thinking and systematisation. But the situation is changing, and it can be argued that an operational forestry strategy is in the process of emerging, based on the 1995 Council Regulation and various instruments associated with it.

Also, by 1996 two foresters had replaced the economist and the ecologist and, in consultation with the Head of Unit, had split up the ALA region geographically – one dealing with Asia and Brazil, the other with the rest of Latin America. They have been keen to systematise project cycle methodology, and to develop a more pro-active approach to project identification. An indication of this is an on-going initiative to clarify forest sector priorities in India. There are also moves to develop greater regional coordination and coherence among projects, for example through regional meetings bringing together EC projects.

Various reports and internal papers from Unit D4 indicate the direction of strategic thinking on the use of the Tropical Forests budget line. The Commission's 1996 Working Paper (European Commission, 1996a), reporting to Parliament on the progress of the budget line, highlighted four main areas of activity over the 1992–5 period:

- sustainable management of protected areas;
- support for indigenous forest peoples;
- actions to promote timber certification;
- information management and research (although this referred more to DG XII).

It listed as future priorities: conservation and regeneration of primary forests, sustainable management, timber certification, winning the backing of local communities, developing operational capacities, and strategic and applied research. Two particular areas for future focus were singled out: the timber trade and certification, and biotechnology. The report expected a shift in European demand to 'sustainably managed' tropical timber, stating that this could be 'a testing ground for environmentally compatible trade ... from 1998 the new scheme of generalised preferences will be backing up tropical countries' efforts by giving timber imported from sustainably managed forests improved access to the European market' (p.11). Central to this strategy would be the design and development of certification systems, and a more central role for the private sector.

The private sector was also seen as having a key role in the area of biotechnology development: it was stated that ‘certain Community instruments – among them European Community Investment Partners (ECIP) – should be able to help develop synergies between European firms and partners in the tropical countries’ (p.12). The report also highlighted the importance of improved coordination with EU Member States, the evaluation of the budget line in 1997, and the development of a tropical forestry strategy in association with the 1996 Guidelines for Forest Sector Development Co-operation (see Chapter 4, section 3.5).

An internal paper written by the D4 technical officers in 1996 (European Commission, 1996b) was of the opinion that the budget line had been too demand-driven in the past, and that there was a need for a set of strategic objectives based on the 1995 Council Regulation and for more systematic evaluation of projects. Outputs from this process should include a policy paper, the Financing Guide (see below) and a set of selection criteria for the aid programme. This paper identified some possible strategic priorities, involving modification of existing (unformalised) priorities:

- a more balanced geographical spread than the 75%:25% Latin America:Asia division over the period 1992–6, taking account of the more severe deforestation and demographic pressures in Asia. It pointed out that past allocation had been biased because of ‘the ability of certain regions or countries to comply with administrative requirements set by the Commission’, coupled with the higher density of NGOs and EU Delegations in Latin America, and suggested that a strategy paper be commissioned to redress the balance;
- clearer prioritisation of project type. The 1992–5 spread of projects showed ‘strict conservation initiatives and agroforestry’ as the main priorities, while actions to promote natural forest management had ‘not been significant.’ It argued that more attention should be given to the issues of logging and non-timber forest products (NTFPs), given the strong links to the welfare of local people, as well as to reforestation to reduce the pressure on natural forests;
- addressing the neglected potential for providing tropical countries and forest peoples with the capacity to make use of biotechnology applications, particularly in the fields of nutrition, pharmacology and pest control;
- rectifying the absence of the local private sector in DG IB’s actions, particularly in the area of timber certification;
- providing more policy and institutional support to improve state organisational efficiency (often a key constraint to sustainable management);
- increased funding of small projects in view of the desirability of working with local organisations before scaling-up, and as a way of working with isolated populations not covered by the larger projects;
- increased funding of thematic projects with global significance (for example, the CIFOR ‘criteria and indicators for sustainable forest management’ research project).

The ‘*Guide for the Financing of Projects Undertaken in Developing Countries*’ (European Commission, 1996c), also developed in Unit D4, lists five main types of projects to be financed:

- initiatives and pilot projects likely to contribute to sustainable forest management and conservation;
- analysis of the effects of projects, programmes, strategies and policies on forests;
- preparation of guidelines and instruments for sustainable development and environmental integration;
- evaluation of the ‘conformity’ of projects, strategies and policies with sustainable development and conservation objectives;
- institutional strengthening and capacity development.

This appears to place a strong emphasis on the development of a firmer conceptual, methodological and institutional basis for tropical forestry interventions.

Finally, the ‘Tropical Forest in Developing Countries Project Screening Form for the Technical Committee’ (European Commission, 1996d) is a project selection checklist which aims to assist officials in screening projects coming through the Tropical Forests budget line. The checklist covers whether the project falls within the terms of the 1995 Council Regulation; its ‘technical quality’, including a log framework-style analysis of the logical connections between the problem, objectives, outputs, activities and inputs; the quality of stakeholder, social, gender, risk and sustainability analysis; and a set of ‘characteristics for prioritising’ based on the project’s potential in terms of its replicability, how much of a catalyst for other activities and how innovative it is, whether it tackles key forest issues, etc. Other factors to be considered include complementarity between EC and Member State actions, the poverty of beneficiaries, and the visibility of EC actions.

3.2 Strategic viewpoints from the geographical Directorates

The geographical desks and Technical Units do not have a sectoral policy or strategy development role; this is, or should be, provided by the horizontal Directorate (i.e. Unit D4). Rather, the country desk officers in the geographical Directorates write the country strategy papers, with (since mid-1996) considerable inputs from the Technical Unit in the case of the Asia Directorate. The country strategy paper defines the sectoral scope for aid.

Project identification on the Asia budget line has been more pro-active than on the other budget lines in DG IB (at least in the case of forestry). The Director and Unit Heads in Directorate C decide on country priorities, and then, within the boundaries of the country strategy papers, allow different sectoral interests to compete for the country’s budget. The technical officer responsible for forestry in the Asia Technical Unit regarded helping to influence the share of forestry in the country budgets as an important role.

Some country desk officers have also been able to encourage a more strategic and coordinated approach in forestry aid delivery. For example, the Forest Liaison

Bureau in Indonesia was set up to provide coordination and overview in the EC-Indonesia Forestry Programme, to encourage positive forest policies by the Indonesian Government, and to improve links with EU Member State bilateral programmes.

3.3 Policy on project size

In DG IB there is considerable backing for large projects. Several aid officials, in both the geographical and horizontal Directorates, mentioned the expediency of larger projects because project management by Commission staff was not cost-effective for small projects. A 'threshold' project size in relation to staff requirements was mentioned in a 1996 D4 internal circular.⁴

The largest forestry projects have been on the Asia budget line; for example Indonesia has benefited from three projects in excess of ECU 25 m. (see section 6.3). D4 has also witnessed several large programmes in recent years, most obviously the Brazil Pilot Programme, the Central America Agricultural Frontier Programme, protected area projects in Peru and Venezuela, and the Treaty for Amazon Co-operation. While such projects are favoured because of their potential for a more strategic and intersectoral approach, D4 technical officers pointed out that smaller (less than ECU 1 m.) and more flexible NGO projects have tended to be most successful in the past, and play an important pilot or experimental role for larger projects.

4. GEOGRAPHIC AND THEMATIC DISTRIBUTION OF FORESTRY PROJECTS

4.1 Definitional issues

In the absence of an in-house definition of 'forestry', the definition of a forestry project has largely followed the classifications used by ERM (1996) and Planistat (1997), resulting in a narrow definition of forestry in the case of the geographical budget lines, and a relatively broad definition in the case of the Tropical Forests budget line.

In the case of the latter, it could be argued that many of the projects funded have had relatively minor 'forestry' components. For example, several projects with Amerindian groups have been based on the hypothesis that their stability is key to forest conservation; thus the main emphasis has been on social and institution-building activities, although the project purpose is usually phrased in terms of forest conservation. There have also been one or two more purely 'environmental' projects, such as a 1992 project to tackle mercury toxicity associated with gold mining in a forested area of Brazilian Amazonia. At first there was a somewhat fluid division between the tropical Forests and Environment budget lines, so that some 'forestry' projects were financed under the latter. It was a case of expediency as to which budget line had the finance available for a worthwhile project.

The narrow and more traditional definitions used by ERM and Planistat of 'primary' forestry projects in the

regional ALA budget lines result in the exclusion of some important 'forestry' projects, which were classified as falling under other 'primary' environmental categories, such as 'land resource management', 'combating diversification' and 'biodiversity conservation'. For example, the ECU 23.3 m. 'Afforestation of wastelands and agroforestry in Haryana' project (B7-3000) was classified as 'land resource management'. There were also 17 projects with significant forestry components under the Latin America budget line (B7-3010), mostly integrated rural development-type projects in the ECU 1-3 m. range, that did not fall into the primary category of forestry. Here the main exception to the Planistat/ERM classification is for the Environment budget line B7-6200; the budget line manager in D4 identified a number of small and clearly identifiable forestry projects managed by DG IB

4.2 Overview of tropical forestry aid before 1990

According to the review of 'Tropical Forest Sector Activities 1976-90' (IFSC, 1991), total EC expenditure on 'tropical forestry' amounted to about ECU 400 m. divided between 256 projects; in 1988, tropical forestry represented about 1.7% of total EC development aid (ECU 2.2 billion). Before 1990, projects in ALA countries were financed mainly under the budget lines 930 'Financial and Technical Co-operation with Latin America and Asia Developing Countries' and 946 'Ecology in Developing Countries' (see Table 1).

4.2.1 Geographical budget line 930

Under the ALA budget line 930, about ECU 71 m. were committed to 'tropical forestry' activities among 15 projects, with an average of ECU 4.77 m. per project. This represented about 1.5% of the total budget (about ECU 400 m. per annum) in this budget line (IFSC, 1991). IFSC (1991) point out an important contrast to DG VIII projects – their longer time frames. Under budget line 930, the average length of project was six years as opposed to three years for Lomé Convention projects.

4.2.2 Horizontal budget lines

Over the same period, the Ecology budget line 946 financed some 17 tropical forestry projects with an average cost of only ECU 120,000 per project, representing about 15% of the overall budget. Another horizontal budget line in existence before 1992 was 'Co-financing with NGOs' (Budget line 941), co-managed with DG VIII and DG XI. IFSC (1991) reported that ECU 6 m. were expended on 50 tropical forestry projects over the period 1986-90. Unfortunately there is no regional breakdown of this, but the same source comments (p.15) that there was a 'greater [than other horizontal budget lines] geographical spread of projects in Africa, South America and Asia'.

4.2.3 Geographical spread

Before 1990, Asia received considerably more tropical forestry aid than Latin America (see Table 2), while Kriek and Robbins (1991) reported that some 15% of total EC forestry aid went to 'Asia' and 4% to Latin America.

4. 'Criteria to determine priorities for Tropical Forest projects' (based on the 1995 Council Regulation), Chief of Unit, D4.

4.3 Overview of tropical forestry aid 1990–6

Table 3 presents the number of forestry projects and the budget committed to ALA countries in the four budget lines managed by DG IB (or its predecessors) over the period 1990–6.

Figure 2 shows how rapidly DG IB's tropical forestry financial commitments increased in 1992, because of both the introduction of the Tropical Forests budget line and the increase in the Asia budget line. The other two budget lines have financed a few small projects but have been relatively insignificant in terms of 'primary' forestry projects, according to the ERM and Planistat definitions. From 1992 to 1996, almost ECU 300 m. were committed to forestry projects in ALA countries from the four budget lines.

4.4 Projects funded by geographical spread 1992–6

4.4.1 Distribution by region

Figures 3 and 4 graph the number of projects and

Table 2: EC forestry aid to Asia and Latin America 1976–90

| REGION | ECU m. | % of Total |
|------------------------|------------|------------|
| Asia excluding Pacific | 53.82 | 13 |
| Pacific Asia | 21.94 | 5 |
| Central America | 1.24 | < 1 |
| South America | 3.37 | 1 |
| Caribbean | 8.97 | 2 |
| Regional Latin America | 17.17 | 4 |
| TOTAL | 398 | 100 |

(Source: ISFC (1991))

financial commitments to Latin America, Asia and 'global' projects (ie, not destined for a particular region) over the period 1990–6. They show that while Latin America has dominated in the number of projects since 1991, Asia received a higher financial commitment in

Table 3: DG IB forestry aid by financial commitments and number of projects 1990–6

| | ECU m. (no. projects) | | | | | | | |
|--------------------------|-----------------------|--------------------|----------------------|----------------------|----------------------|----------------------|----------------------|------------------------|
| | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | Total |
| B7–6201 Tropical Forests | | | 33.8 (19) | 33.9 (20) | 33.1 (40) | 40.0 (26) | 29.5 (20) | 170.3 (99) |
| B7–600 Environment | 1.1 (4) | 2.2 (5) | 0.4 (1) | 1.5 (3) | 0.4 (1) | 0.5 (1) | | 6.0 (15) |
| B7–3000 Asia | 9.3 (1) | | 25.9 (1) | 17.0 (1) | 51.0 (3) | 33.0 (2) | | 136.2 (8) |
| B7–3010 Latin America | | | 0.6 (1) | 0.8 (1) | | | | 1.4 (2) |
| Total | 10.4 (5) | 2.2 (5) | 60.7 (22) | 53.2 (25) | 84.5 (19) | 73.5 (28) | 29.5 (20) | 314.0 (124) |

Note: there are some minor discrepancies with the figures reported by Planistat (1997) due to the inclusion here of some Environmental budget line forestry projects, and an additional Asia budget line project 'Forest conservation and development of rural areas in Laos' (ECU 950,000 in 1995).

Figure 2: DG IB forestry aid by financial commitment 1990–6

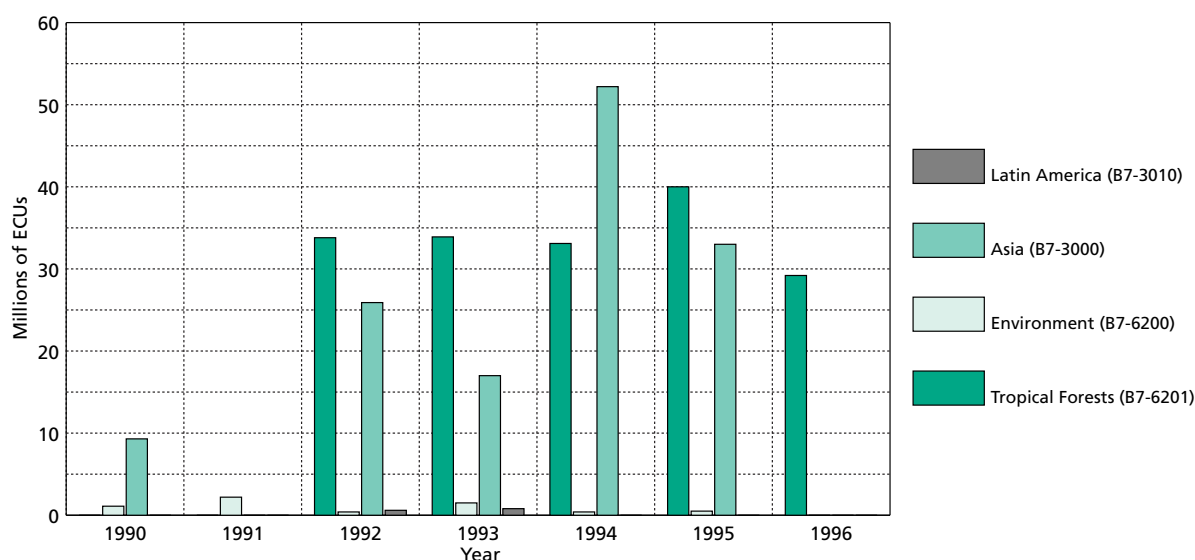
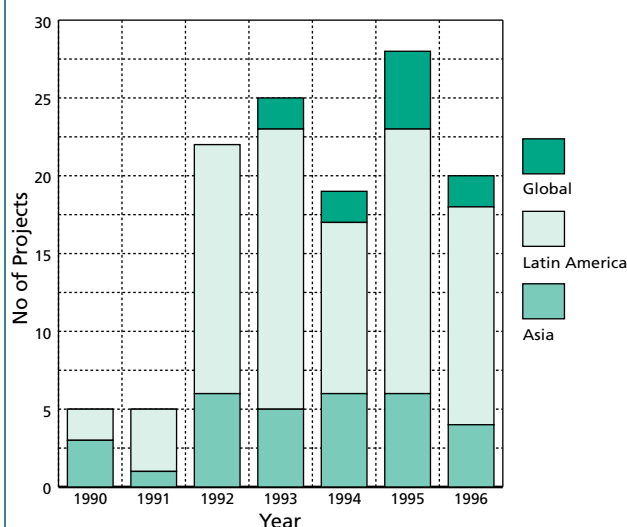


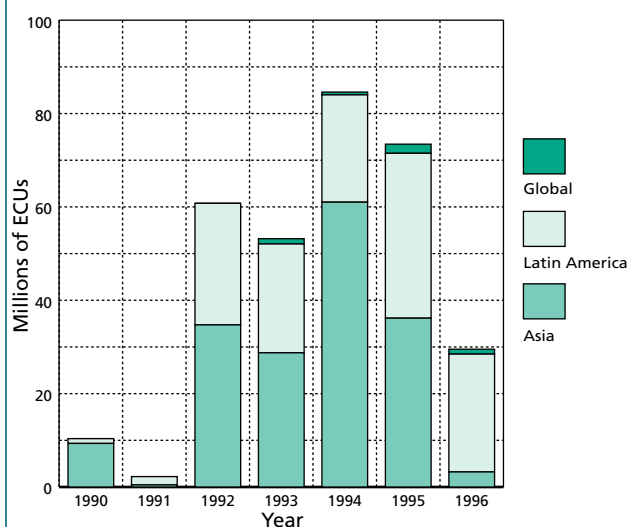
Figure 3: Regional distribution of DG IB forestry projects over time 1990–6

all years except 1991 and 1996. This is because the average size of the Latin American projects was much smaller (ECU 1.65 m.) than the Asian projects (ECU 5.6 m.). Most of the projects on the Tropical Forests budget line have gone to NGOs, which tend to be more numerous in Latin America; hence the average project size on the Tropical Forests budget line was ECU 1.72 m. compared with ECU 17.03 m. on the Asia budget line.

Figures 5 and 6 present the distribution of projects and financial commitments among Brazil, Spanish-speaking South America, Central America (including Mexico), Asia, and the global projects managed by DG IB in the four budget lines over the 1992–6 period. Figures 7 and 8 present the same for the Tropical Forests budget line. While Latin America had most projects and its share of the Tropical Forests budget line commitments was over 75%, with Brazil alone absorbing 38% of the budget line, about 55% of DG1B's overall financial commitment went to Asia.

4.4.2 Distribution by country

Figures 9, 10, 11 and 12 present the country distribution of forestry financial commitments to South America, Central America, Asia and overall respectively. Figure 9

Figure 4: Regional distribution of DG IB forestry financial commitments over time 1990–6

shows that Brazil has dominated the South American region, mainly because of the PPB. Most of the other countries in Figure 9 belong to the Amazon region; these countries have also benefited from the regional Treaty of Amazonian Co-operation programme (ECU 4.3 m. from B7–6201 and two small projects under B7–3010). After Brazil, Colombia and Peru have been the main beneficiaries both in terms of projects (7 each) and financial commitments (over ECU 10 m.).

Figure 10 shows the importance in the Central American region of the regional ECU 11.6 m. Agricultural Frontier Programme (PFA) approved in 1994. Costa Rica has had most projects (4) and funding (ECU 6.9 m.), followed by Guatemala, Nicaragua and Mexico. Figure 11 shows how Indonesia (ECU 106 m. and 9 projects), Philippines (ECU 28 m. and 3 projects) and Vietnam (ECU 21 m. and 5 projects) have benefited most in the Asia region. The low representation of the Indian sub-continent is noticeable. This country distribution partly reflects the distribution and strength of the EU Delegations; for example, the absence of Delegations in the past in such countries as Sri Lanka, Malaysia and Cambodia, and the difficulties of working at the State level with a centralised Delegation in a country the size of India.

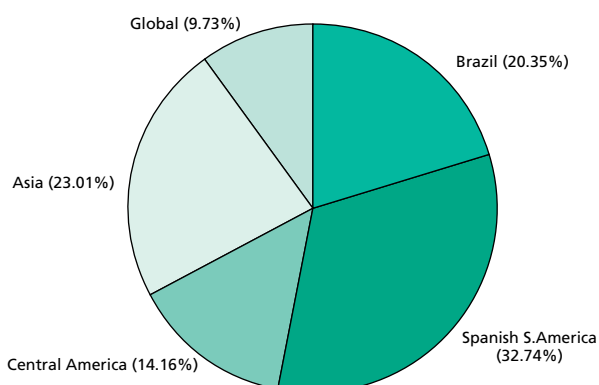
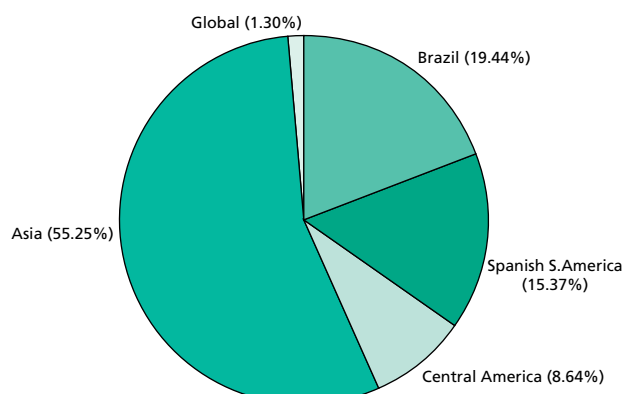
Figure 5: Distribution of DG IB forestry projects by region 1992–6**Figure 6: Distribution of DG IB forestry financial commitments 1992–6**

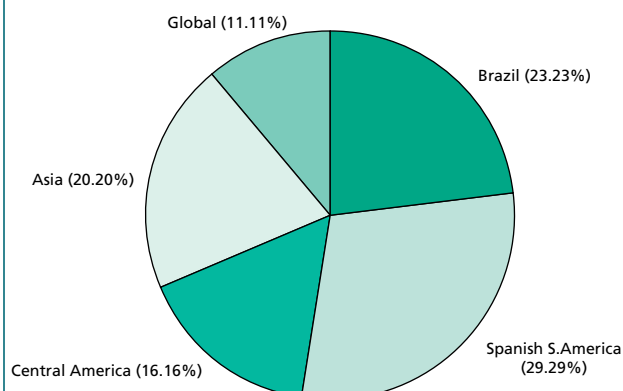
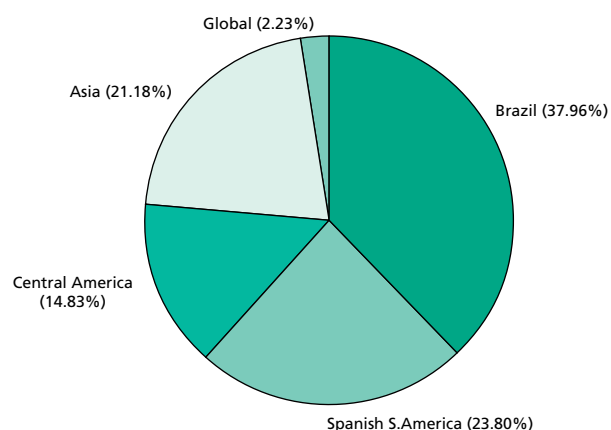
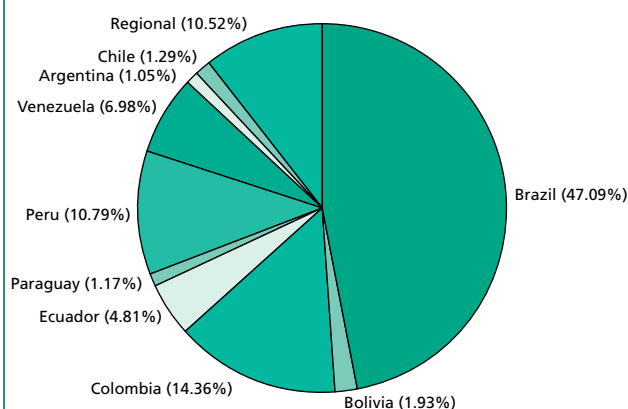
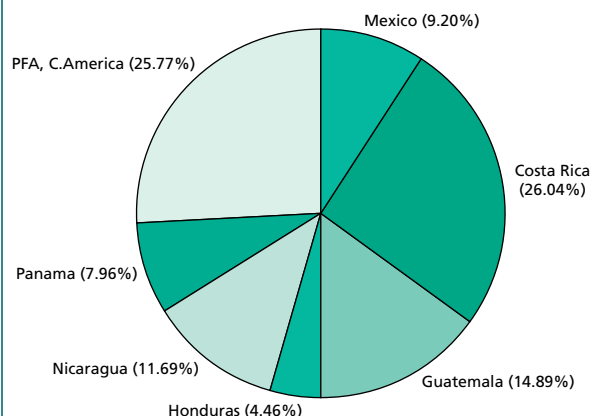
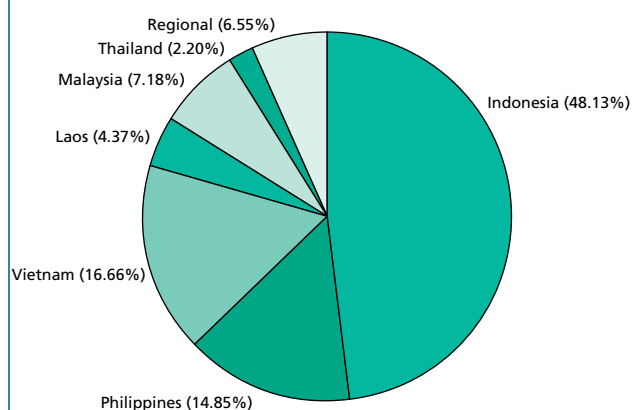
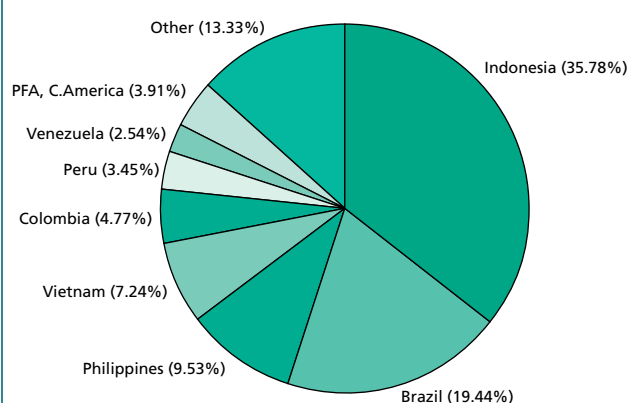
Figure 7: Distribution of DG IB Tropical Forests budget line projects by region 1992–6**Figure 8: Distribution of DG IB Tropical Forests budget line financial commitments by region 1992–6****Figure 9: Country distribution of DG IB forestry financial commitments to South America 1992–6****Figure 10: Country distribution of DG IB forestry financial commitments to Central America 1992–6****Figure 11: Country distribution of DG IB forestry financial commitments to Asia 1992–6****Figure 12: Overall country distribution of DG IB forestry financial commitments 1992–6**

Figure 12 indicates that about 36% or ECU 106 m. of DG IB's overall forestry aid was committed to Indonesia over the period 1992–6. As well as five projects from the Tropical Forests budget line, 4 very large projects were approved from the Asia budget line. Almost 20% was committed to Brazil over the same period. Thus the two countries with the largest tropical rainforest areas in their respective continents absorbed

well over half DG IB's forestry aid. The next most important beneficiaries in terms of financial commitments were the Philippines (10%), Vietnam (7%), Colombia (5%) and Peru (3%).

4.5 Projects funded by type

4.5.1 Before 1990

Using the TFAP classification system, the IFSC review (1976–90) divided up overall EC tropical forestry aid expenditure as follows:

| | |
|--|-----|
| Forestry in land use: | 44% |
| Forestry-based industrial development: | 29% |
| Conservation of tropical ecosystems: | 15% |
| Institutions: | 9% |
| Fuelwood/fuel energy: | 3% |

Kriek and Robbins (1991:3) reported that ‘much of the assistance took the form of forestry components within integrated rural development projects’. IFSC (1991) also reported that most of the projects funded by the ALA geographical budget line were orientated to forestry in land use, forestry-based industrial development and research. For example, the projects in India were mainly orientated to agroforestry and watershed management, although a more sectorally specific project was the ASEAN Timber Technology Centre in Malaysia (IFSC, 1991). Projects funded under the Ecology budget line 946 were typically conservation area studies, technical assistance in conservation and public awareness (IFSC, 1991). The majority of NGO projects funded under budget line 941 were orientated to rural/community development or forestry in an agricultural context.

4.5.2 1992–6 period

Codification of forestry projects

All the projects were coded, for convenience of analysis, against the eight priority ‘fields of action’ defined in the 1995 Council Regulation (see section 3.1). In abbreviated form the classification was as follows (with the Regulation sub-section letter in brackets):

- forest conservation (a);
- (natural) forest management (b), including forest management plans (h);
- certification (c);
- forest peoples (d);
- capacity-building (e);

- research (f);
- buffer zones (g); and
- other, including reforestation and ‘integrated forest development’

The coding here follows, with one or two exceptions, that used by the ECO consultancy team in its 1997 evaluation of DG IB’s tropical forestry aid programme (ECO, 1997), as it was felt that this coding was more accurate than that used by Planistat (1997). However, any categorisation is necessarily arbitrary, as the projects could often be fitted into two or more categories. For example, some of the Amerindian ‘forest people’ projects could have been classified under conservation, and *vice versa*. The aim was to find the classification which best fitted the main thrust of project activities. This was not always obvious from the project title, or even the project purpose.

Figures 13 and 14 present the distribution of project type by the number of projects and financial commitments among the four budget lines, while Figures 15 and 16 give the equivalent breakdown for the Tropical Forests budget line. They show that the most important area of forestry aid has been in what might be termed the ‘defensive’ conservation approach, centring on the development and management of protected areas. This represented 40% of expenditure under the Tropical Forests budget line. If buffer zone projects are added, the conservation priority becomes even clearer.

In a second rank of importance, at least in terms of the number of projects, have been capacity-building or institutional development projects, forest management projects, forest peoples (especially Amerindian projects in Spanish-speaking South America) and research. While there were relatively few natural forest management projects, the high share (27%) of the financial commitments reflects the ECU 28 m. South/Central Kalimantan (Indonesia) Forest Production Programme funded under the Asia budget line. Taking only the Tropical Forests budget line (Figure 16), funding of forest management projects has been more modest (13%), while relatively little has been spent on timber certification initiatives.

Figures 17 and 18 show the thematic distribution of the 73 ‘small’ (average size about ECU 600,000) and 26 ‘large’ (average size a little under ECU 5 m.) Tropical

Figure 13: Distribution of all DG IB forestry projects by theme 1992–6

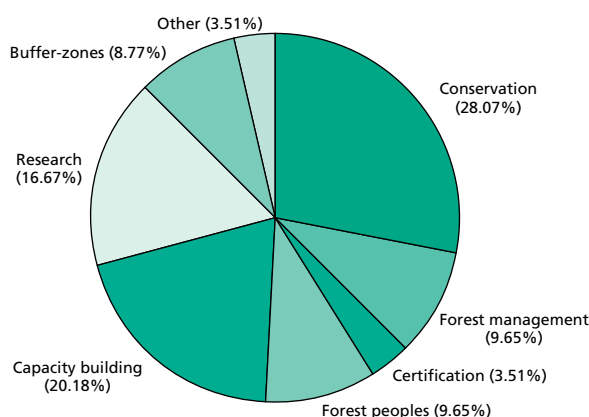


Figure 14: Distribution of all DG IB forestry financial commitments by theme 1992–6

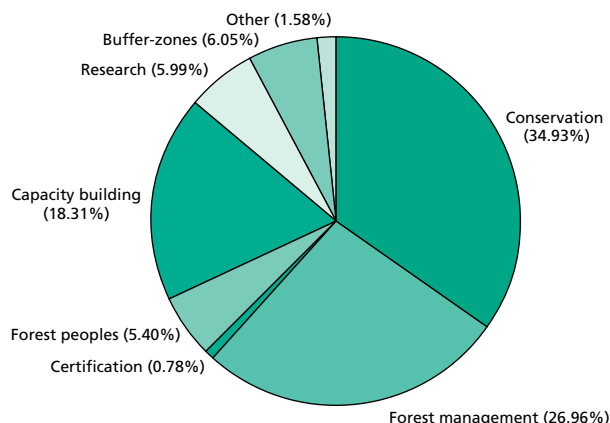
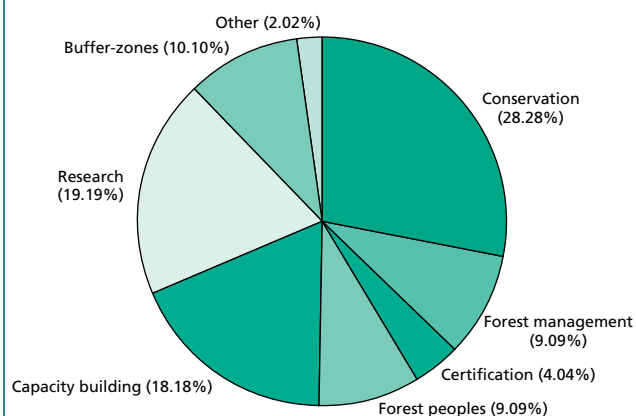


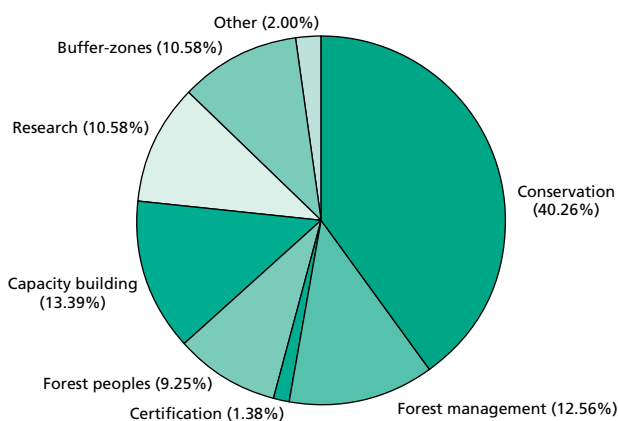
Figure 15: Distribution of DG IB Tropical Forests budget line projects by theme 1992–6

Forests budget line projects by theme. Further observations can be made about the institutional basis and project type according to project size. Small projects tend to be managed by north and/or south-based NGOs or university departments, while most large projects are in the public sector or come under multilateral organisations, except for some large Amerindian forest peoples' projects managed by European NGOs.

The NGO projects in Latin America can be broadly divided into two main types:

- larger projects (although generally not in excess of ECU 2 m.) aimed at conservation and sustainable development through a broad-based livelihoods, social and institutional approach, often with indigenous groups (as for example, the Integrated Programme for Indigenous Self-development in Ecuador);
- smaller, more sector-specific, projects working in conservation, natural forest management, technical research (such as botanical studies), capacity-building, policy oriented projects including the tackling of legal issues surrounding indigenous land rights, environmental education projects, etc.

Several of the large public sector projects have been oriented towards the more 'defensive' conservation approach involving protected areas and institution

Figure 16: Distribution of DG IB Tropical Forests budget line financial commitments by theme 1992–6

building. There has also been a preference for large regional projects involving the coordination of activities in several countries oriented towards information exchange and policy debate (such as the Treaty of Amazonian Co-operation and the Agricultural Frontier buffer zone project in Central America).

Figures 19 and 20 present the trend in project themes over time for the four budget lines and the Tropical Forests budget line respectively. These tables show that, while trends are erratic, the number of conservation projects has fallen slightly over time, and that buffer zone projects, although not represented in 1995, assumed an equal importance to conservation projects in 1996, possibly indicating a shift towards more participatory conservation strategies. The number of forest management projects rose to a peak in 1994 before falling off; forest people projects peaked in 1993; and capacity-building projects have been consistently important and, like research projects, peaked in 1995.

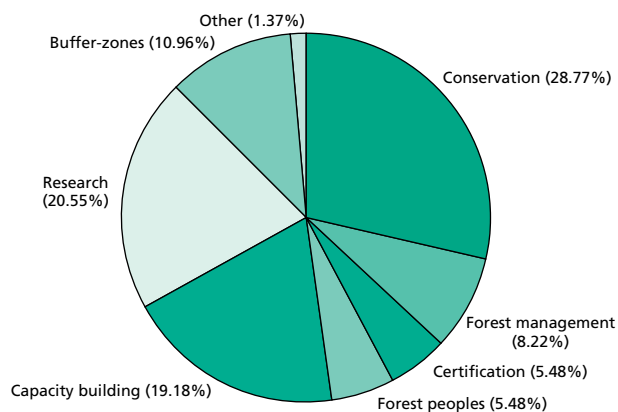
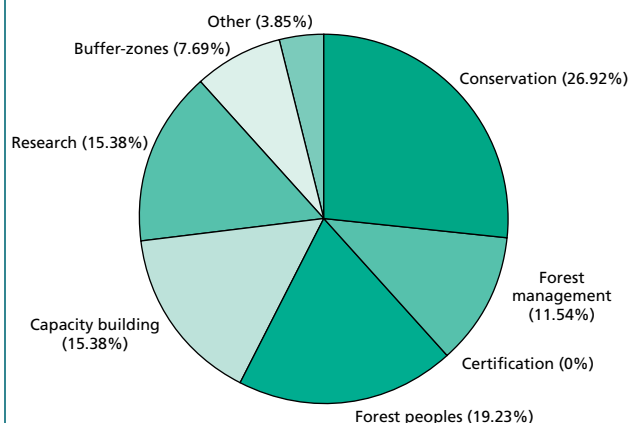
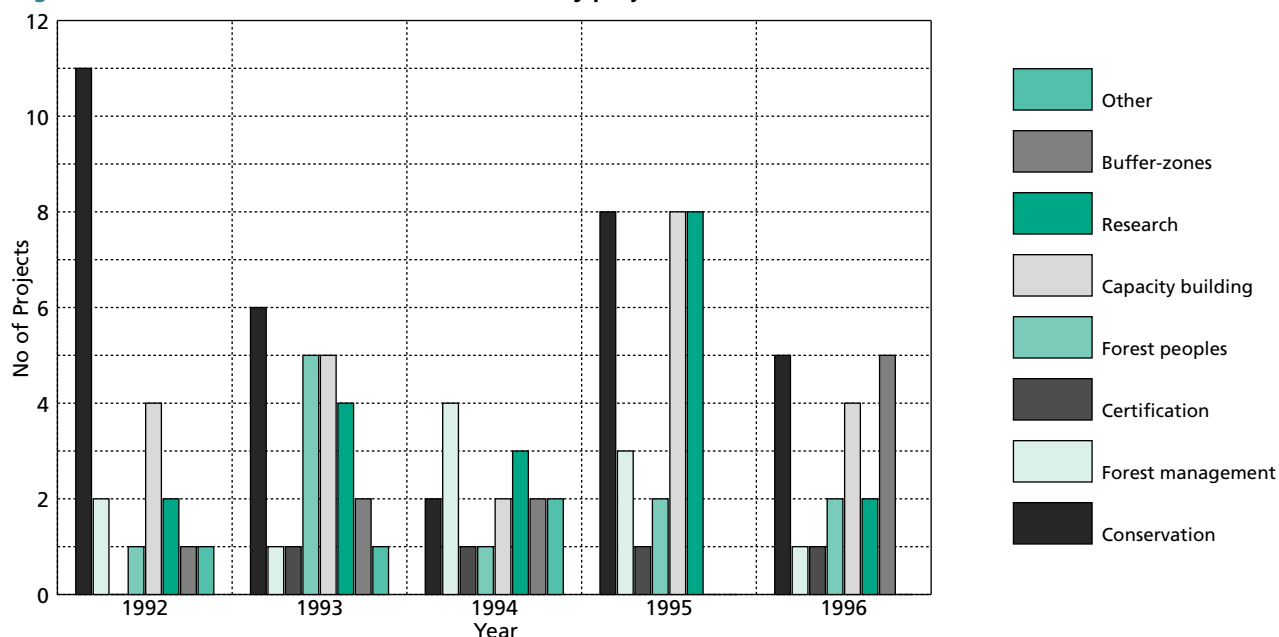
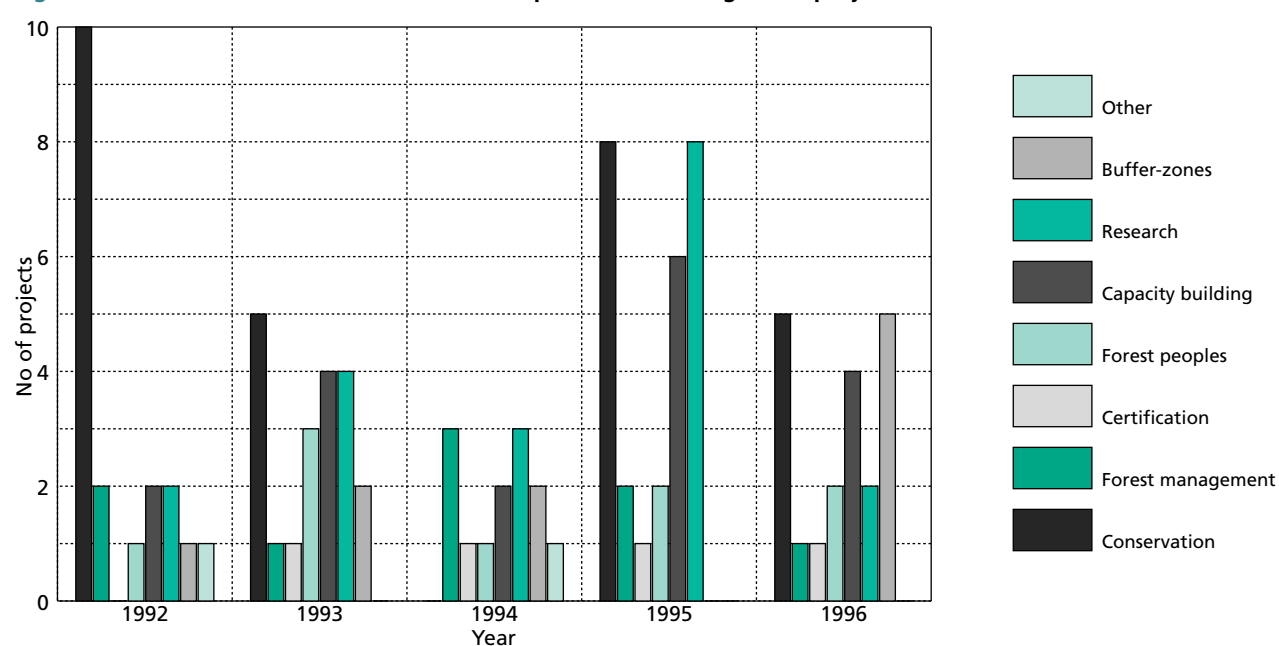
Figure 17: Distribution of small DG IB Tropical Forests budget line projects by theme 1992–6**Figure 18: Distribution of large DG IB Tropical Forests budget line projects by theme 1992–6**

Figure 19: Thematic distribution of DG IB forestry projects over time 1992–6**Figure 20: Thematic distribution of DG IB Tropical Forests budget line projects over time 1992–6**

5. PROJECT CYCLE MANAGEMENT

5.1 Project identification and appraisal

5.1.1 Tropical Forests budget line

Small projects

The project preparation process (identification and appraisal) is very different for small (less than ECU 1 m.) and large projects. Small projects are normally written, presented and carried out by the applying NGO, university or other institution, but can also be proposed by country desk officers and EU Delegations.

In the past there was considerable flexibility in the format and process of presenting a project for funding, but this has now been standardised with the Financing Guide. The applicant should first present a two-page concept note with a draft logical framework and

indicative budget to Unit D4. The technical officers check the suitability of the projects against the 1995 Regulation and its strategic objectives, and give the go-ahead to the applicant to prepare a full proposal according to the *Financing Guide*. This stipulates that the proposal should include a logical framework; a context section (socio-economic, environmental, beneficiaries, etc.); the project background (problem identification); objectives; expected results; a plan of implementation; a budget (according to a prescribed form); justification; and monitoring arrangements. The proposals are then sent to the national or regional EU Delegation, and to the relevant country desk officer for comments and approval.

Small projects are selected and approved by a 'Technical Inter-Service Committee' which meets once or twice a year. This is composed of staff concerned with tropical forestry issues in DG IB, DG VIII, DG XI

and DG XII, the appropriate country desk officers, and external experts. Following modification in consultation with the applicants (which can take up to six months), a revised project proposal is drawn up and, when it is formally included in the annual programme, the D4 technical officer prepares a 'financial proposal' which is circulated for approval in DG IB. This includes a brief description, terms of reference, budget, Curriculum Vitae, timetable and logical framework. About 10 signatures (four from Directorate E) are then required to approve the financial proposal, spanning three DGs. The process of obtaining the necessary signatures normally takes about three months during the first half of the year, but is reduced to a few weeks towards the end of the year.

Large projects

The main differences between the treatment of large and small projects on the Tropical Forests budget line have been the use of consultants to appraise the projects, the division of project cycle management between the horizontal unit (D4) and the geographical Directorate Technical Units, and the project selection procedure. When the D4 Technical Officer identifies or receives a project idea or proposal of over ECU 1 m., which he deems to be within the scope of the 1995 Council Regulation, he selects a team of consultants from the consultancy consortia in the EC Framework Agreement to:

- carry out a project identification mission to investigate the basic idea; and
- undertake a project design mission, using the project cycle methodology set out in the 1993 '*Methods and Instruments for Project Cycle Management (PCM)*' manual. The latter places considerable emphasis on the use of the logical framework.

Another approach has been to fund a 6–12 month project preparation phase (for example, for the Agricultural Frontier Project in Central America and the Pilon Lajas buffer zone project in Bolivia).

In most cases, responsibility for large projects then passes to the appropriate Technical Unit in the geographical Directorates, which draws up a financial proposal. This is translated into the languages of the Commission (currently 11), and sent to the EU-based 'Permanent Representative' of each Member State. The Member States have three months to give an opinion on the project, and a summary table of these opinions is sent to the relevant technical officer. Experts from Member States can ask written questions at this stage, obliging the Commission to make a written response. According to these responses, Member States are given the opportunity of changing their opinions.

The proposal is then submitted to the ALA Committee, which has to provide a majority favourable opinion for the project to go ahead. The ALA Committee meets monthly and is composed of representatives of the Member States, the Director of DG IB D, the (temporarily co-opted) relevant technical officer and, as a non-voting chair, the Director-General of DG IB or, in his absence, the Director of one of the Geographical Directorates. The ALA Committee will often decide that more discussion or information is needed about a

particular project to approve it. Once the project is approved, a financial memorandum is drawn up and checked by the Directorates-General with financial responsibilities (XX and XIX), the specifications for technical assistance are developed by the Technical Units, and the tendering process for consultants can be started.

The increasing tendency to co-fund projects with EU Member States has brought with it the advantage of wider consultation at the appraisal and design stages, for example with Austria and Denmark for COAMA III.

5.1.2 ALA geographical budget lines (B-3000 and B-3010)

Almost all the forestry projects financed by the geographical budget lines have been large public sector projects. There are three main processes or instruments leading to project identification on the geographical desks:

- country strategy papers: these have been introduced gradually since 1992. They include a political, social and economic overview, and a set of sectoral priorities. The country desk officer takes the lead in preparing the country strategy paper, with support from the Technical Unit officers (at least in the case of the Asia Directorate), the EU Delegation and the host government. In the case of Latin America, some strategic guidance is contained in a document prepared by the Head of DG IB B 'The European Union and Latin America: The Present Situation and Prospects for Closer Partnership 1996–2000' (COM (95) 495 final).
- Joint Commissions (Latin America) and Joint Co-operation Committees (Asia): these take place on average about every 18 months, and tend to alternate between the recipient governments and Europe. In the case of Central America there is a Regional Joint Commission. These are essentially fora for project identification and negotiation between the Commission and the country's (or region's) 'civil society' as represented by Ministers, prominent NGOs, etc. In the case of Asia, there is a system of sub-Committees including forestry. These fora are backed up by annual 'inter-Ministerial' (Commission and host country) meetings, at which further dialogue on policies and projects can take place.
- direct contact between ALA country institutions and Commission country desk officers, EU Delegation officers, or technical officers in the Technical Unit. In the case of the most important ALA country programme with Indonesia, the first projects came out of a TFAP meeting attended by the country desk officer in 1992.

In the case of the Asia Directorate, an important change took place in mid-1996 in the roles of the country desk officers and the Technical Unit officers. Up to 1996, country desk officers were primarily responsible for the project preparation stage with the Technical Unit taking over once a decision to finance a project was taken. The Technical Unit is now primarily responsible for the whole of the project cycle – in the same way as D4 is responsible for the smaller projects on the Tropical

Forests budget line – and now takes the lead in the project preparation stage, although the country desk officer is still primarily responsible for preparing the country strategy paper and is associated with project cycle management decisions.

The project selection procedure then follows that described above for larger projects under the Tropical Forests budget line.

5.2 Project implementation

Projects stemming from the geographical budget lines are coordinated by the Technical Units in direct contact with the EU Delegations. Projects have both a European and national co-director, the latter selected by the counterpart institution (usually a Ministry). In the case of India there has been some resistance to European co-directors. Each large project must also have a steering committee which is representative of the stakeholders, and is expected to promote inter-institutional coordination. The steering committee, EU Delegation and Technical Unit must all approve the Overall Work Plan, and the first two have to approve the Annual Work Plans (see also section 2.3).

5.3 Monitoring and evaluation

For larger projects, except those managed by D4, responsibility for monitoring lies with the Technical Units, while for the smaller projects on the Tropical Forests budget line, the D4 technical officers are responsible. For all projects, the project management unit must send in six-monthly reports, as well as a final report. These should report on activities and outputs, and on the achievement of project objectives. In the case of D4, these reports are forwarded to the country desks and EU Delegations. Several on-going Tropical Forest budget line projects have received a monitoring mission, or have one planned. Projects are sometimes visited by the better-staffed EU Delegations, but generally speaking the monitoring system is passive. A particular problem for the portfolio of projects under the PPB is that relatively little project management information returns to Brussels; limited human resources in the Brazil EU Delegation mean that most project monitoring is delegated to the World Bank and Brazilian institutions. Monitoring missions are regularly sent to the Asia budget line projects.

A mid-term review or evaluation by a team of independent consultants can take place at the request of technical officers or project management units. Before 1996, few Tropical Forests budget line projects had been evaluated, but some evaluations took place in 1996, and several more were programmed for 1997. In the case of the Asia budget line, all finished projects have been evaluated.

While the Technical Units were reasonably satisfied by the quality of these evaluations, the D4 technical officers felt that the evaluations carried out by the Framework Agreement consultancies have been only moderately useful, with the reports tending towards a 'politically correct' stance and sometimes lacking technical rigour. It also appears that some reports have not been well understood or widely read beyond a few individuals, and thus the main lessons have not been internalised across the Directorates. One of the problems for effective evaluation has been that most

projects have lacked a logical framework, baseline data or quantifiable objectives.

In the case of the Tropical Forests budget line, Unit D4 is legally bound to make an annual report to the European Parliament and the Council with 'an assessment of the implementation of this Regulation' (Council Regulation, 1995, Art.12), and to make regular evaluation reports to the ALA Committee. The emphasis in the legislation on accountability has increased the difficulty for D4 of keeping up with the demands of project cycle management, strategic thinking and other practical actions. It should also be noted that DG IB has an evaluation unit with its own budget to carry out project evaluations.

5.4 Constraints on more effective project cycle management

The main constraints on more effective management of the project cycle, identified through discussions with technical officers in DG IB (especially those in unit D4), are inter-related.

- Lack of human resources

Insufficient time to devote to each project has sometimes resulted in hastily prepared proposals and minimal monitoring and evaluation, at least on the Tropical Forests budget line. Minimal administrative support has meant that basic tasks like filing are sometimes neglected. Country desk officers also said that they were over-burdened by their range of tasks and had found it difficult to commit sufficient time to project cycle matters. This is compounded by lack of support staff. For example, in 1992 the Indonesia Desk Officer had an assistant and full-time secretary. This was subsequently reduced to a part-time secretary. Following a period without secretarial support, he currently (early 1997) has 25% of a secretary's time.

- Centralisation of project cycle management

At present, project cycle management is highly centralised, thus placing great pressure on the technical officers. Decentralisation of parts of the cycle to the regional level is favoured by most officers, but staffing levels in the EU Delegations are also inadequate; for example the Central America Delegation in San José, Costa Rica, has two technical staff covering some 200 projects. Depending on the Heads of Delegation, there is scope for recruiting national staff, but this has not happened in some key countries like Brazil. Another possibility is to sub-contract some project cycle management activities to an outside organisation or a consortium of NGOs. One experience being monitored with interest by Unit D4 is the sub-contracting of the Dutch small forestry project portfolio to IUCN.

- Poor understanding of technical issues by some staff

Lack of technical understanding by some administrative staff is regarded as a significant constraint in Unit D4. Senior DG IB and DG XI staff expressed the need to provide accessible information to those taking decisions at a higher level, so that they can be more aware of the likely impacts of their decisions. Also, within DG IB it was stated that there was a need for

seminars to help staff think and work together, for example by focusing on the lessons of experience from the implementation of forestry projects. A 1996 series of seminars by D4 on environmental impact assessment has apparently proved useful in improving staff understanding and motivation.

- Over-regulation and inflexibility

The trend in the Tropical Forests budget line has been towards increasing standardisation of procedures and reduced flexibility. Until 1995 there were few rules or regulations; the technical officers who managed the tropical forests budget line from 1992 to 1995 were able to work in quite separate ways (systems, methodology, procedures, etc). Up to 1995, it was possible for a small project to be approved on the basis of relatively little evidence, eg a 3–4 page proposal. This flexibility had both positive and negative aspects, as the lack of rigour and standardisation. Following a 1995 audit, D4 introduced more rigorous and systematic project cycle procedures.

In the case of the Asia budget line, the former flexibility in the system allowed the Indonesia country desk officer to put out tenders, commission studies by consultants and get project personnel appointed quickly. He was able to promote at least one major process-type project – the Leuser Development Programme project (see section 6.3). While there is considerable support for process-type projects in DG IB, the increase in procedures by Directorate E (Finance and Resources) works against them. For example, there is limited financial flexibility once the financial proposal has been adopted: budgetary adjustments should not exceed 10% of the funding. Major modifications in project design can only take place with a reappraisal – as happened in 1996 with a Philippines project. However, good relationships between technical and financial officers allow some flexibility in the system.

While greater regulation of the Tropical Forests budget line was clearly necessary, some think this process has gone too far. There is a view that technical tasks might have been better facilitated by increasing administrative support to existing Directorates. Specific concerns include the separation of different parts of the project cycle between the horizontal and geographical Directorates (in the case of large Tropical Forests budget line projects), the number of signatures required for approving the financial proposal, and the time involved in translating financial proposals and other key documents into 11 languages.

- Reliance on consultants in aid delivery

Views on the effectiveness of the consultancy-based aid delivery mechanism are mixed, partly since the experience from project to project varies so much. One view is that the use of consultants can cause major delays in implementation, and that there have been problems caused by the conflicting opinions of European experts working on the same project. This view holds that the Commission should move towards giving greater responsibility for project execution to national institutions, using European experts in an advisory rather than executive role, whilst ensuring thorough monitoring and financial control.

- Delays in implementation

Following project approval, there can be considerable delays in implementation, especially (but not exclusively) for larger projects. First, large projects are subject to financial negotiations with recipient countries which can take more than a year. The largest single case of ‘frozen funds’ has been the Brazil Pilot Programme, where negotiations were complicated by their tripartite nature (EC – World Bank – Brazil). Secondly, the tendering process and recruitment of acceptable European consultants for project management can be quite time-consuming, and setting up the project can take 12–18 months. Thirdly, some large projects on the Tropical Forests budget line were hastily prepared in order to achieve commitment targets, resulting in financial or technical flaws that delayed implementation. Sometimes the delays have made it necessary to replan and reschedule a project.

- A weak information basis

A problem for Unit D4, in particular, has been the weak information base for monitoring the Tropical Forests budget line, and the rather passive monitoring of individual projects. These problems are being partially tackled by a number of studies: the project inventories undertaken by ERM (1996) and Planistat (1997); the evaluation of tropical forestry projects by ECO (end of 1997); and the development of an EC tropical forestry projects database over the 1997–98 period (Overseas Development Institute). One particular constraint is the lack of ‘objectively verifiable indicators’ for the Tropical Forests budget line to monitor policy implementation.

6. PROJECT REVIEWS

6.1 The Pilot Programme to Conserve the Brazilian Rain Forest (PPB)

EU interest in the PPB originated from a German proposal at the June 1990 Dublin Summit that the EC should ‘analyse and prepare proposals for an appropriate Community programme to deal with the threat to the tropical rain forests, in consultation with the countries concerned, and in particular Brazil.’ The Houston G-7 Summit in July 1990 then expressed its readiness to ‘cooperate with the Government of Brazil on a comprehensive pilot programme to counteract the threat to tropical rainforest in that country. We ask the World Bank to prepare such a proposal, in close collaboration with the CEC [the Commission], which should be presented at the latest at the next economic summit.’ These developments arose partly as a response to Brazilian requests for assistance, but also as a result of the resurgent green movement in Europe – especially Germany. Chancellor Kohl played a major role in pushing the PPB through these political processes and ensuring compliance of the Commission.

Following several high-level meetings and technical field missions, a proposal for a US \$1.6 billion programme over 5–6 years was made to the G-7 Heads of State at the London summit of July 1991. The World Bank and the Commission then formalised this into a first phase five-year project of \$250 m. and the

establishment of a trust fund to ensure the main activities of the programme would be implemented, with the understanding that a second phase of the PPB would be negotiated once the first has been evaluated. This was approved at a meeting in Geneva in December 1991, and the Rain Forest Trust Fund (to cover about 20% of the expected costs over the first three years) was set up in March 1992 to be administered by the World Bank, which also had the task of coordinating the PPB. At the Geneva meeting, it was also agreed that projects recently launched or planned by several bilateral donors should be included as part of the PPB.

The overall objective of the PPB is 'to maximise the environmental benefits of Brazil's rain forest consistent with Brazil's development goals, through the implementation of a sustainable development approach that will contribute to a continuing reduction in the rate of deforestation.' Specific objectives are to:

- demonstrate the feasibility of harmonising economic and environmental objectives;
- help preserve genetic resources;
- reduce global carbon emissions;
- provide a new model of co-operation between developed and developing countries on global environmental issues.

It is further stated that preservation of biodiversity, reduction in carbon emissions, and new knowledge about sustainable activities in tropical rain forests are global benefits which justify financial and technical transfers from the international community to Brazil.

The PPB promotes 'structural' and 'demonstration'

projects. Structural projects aim to:

- address the institutional weaknesses which inhibit the consolidation and implementation of environmental policy by strengthening public agencies involved in the conservation and management of natural resources, encouraging economically and ecologically appropriate investments, and monitoring environmental impacts; and
- respond to the need to improve knowledge of Amazonian ecosystems and the sustainable use of their resources, by strengthening the region's scientific and research base and enhancing environmental education.

Demonstration projects aim to develop or disseminate alternative methods of natural resource management with high potential for replication, especially through the participation of local communities and NGOs in innovative local approaches. Support for extractive reserves is included in this category.

Table 4 indicates the contributions of a range of donors to the PPB up to mid-1996. It shows that the EC contributed about 23% of the overall \$252 m., and the EU altogether 79%. Germany was the biggest donor with 49%. Brazil's counterpart funding amounted to about 11% of the total cost, while local project partners also made some contribution, for example in the form of labour. After an initial contribution of ECU 12 m. to the Rain Forest Trust Fund, the EC announced an annual contribution of ECU 10 m. over the first five-year phase. Table 5 details EC contributions to the end of 1996. The largest single commitment was to the

Table 4. Donor commitments to the PPB to mid-1996 (US \$ millions)¹

| Donor | Rain Forest Trust Fund ² \$ mill. | Co-financing \$ mill. | Total \$ mill. | % |
|-----------------------|---|--------------------------|-------------------|-------------|
| Germany | 19.4 | 105.4 | 124.8 | 29.4 |
| EC | 14.1 | 43.4 | 57.5 | 22.8 |
| UK | 2.3 | 7.6 | 9.9 | 3.9 |
| Netherlands | 3.2 | — | 3.2 | 1.3 |
| Italy | 3.9 | — | 3.9 | 1.5 |
| Sub-total EU | 42.9 | 156.4 | 199.3 | 78.9 |
| Brazil | — | 26.9 | 26.9 | 10.7 |
| USA | 5.5 | 2 | 7.5 | 3.0 |
| Japan | 6.8 | — | 6.8 | 2.7 |
| Canada | 0.7 | — | 0.7 | 0.3 |
| Not yet identified | — | 9.3 | 9.3 | 3.7 |
| Interest earned | 9.1 | — | 9.1 | 3.6 |
| Expenses ³ | -7.1 | — | -7.1 | -2.8 |
| TOTAL | 57.9 | 194.6 | 252.5 | 100 |

¹ excluding bilateral funding for associated projects

² contributions to 22 July 1996

³ includes coordination, administrative and International Advisory Group expenses and pre-investment studies

Natural Resources Policy project in 1995. It involved strengthening state environmental agencies, ecological and economic zoning, environmental monitoring, and environmental law enforcement and control.

An important aspect of the PPB is the system of governance and organisation. The World Bank plays a lead role in coordinating the preparation of projects through its Brasilia-based Rain Forest Unit. Project implementation is the responsibility of the Brazilian Government, primarily through the Ministry of the Legal Amazon, and there are various mechanisms for the participation of NGO groups in decision-making and monitoring. An International Advisory Group, composed of 15 international experts including three Brazilians, provides technical guidance and monitoring, and the Participants' Annual Meeting brings together donors, Brazilian representatives, NGOs and the World Bank to review progress and make recommendations.

However, an area of some dissatisfaction is that, while the EC considers it has, or should have, an important role (together with other major EU donors like Germany) in the running of the PPB, almost all the consultancy inputs have been handled by the World Bank, which has had a minimal financial input.

Progress of the PPB and the Commission viewpoint

A report from the EU Delegation in Brazil (Vasconcelos, 1996) expresses considerable optimism about the PPB, for example claiming that 'the first success of the PPB has been to open the door to previously marginalised groups to take part in what was previously a closed technocratic exercise. The benefits will be felt not only in (the) Amazon forest but will permeate the development of the democratic process in Brazil as a whole.' One of the reasons for this optimism is the more supportive policy environment emerging under President Cardoso. For example the recent government paper, 'National Policy for the Integrated Development of the Amazon', includes a commitment to sustainable development as a 'new paradigm' for the Amazon Region; support for decentralisation, especially increasing the role of the States, Municipalities and civil society; and the linking of social and environmental issues so that local communities can benefit. However, Unit D4 made the observation that conflicts between federal and State policies have complicated the decentralisation process.

After a slow start, the PPB appears to be making reasonable progress in terms of project implementation. By the end of 1995, six projects representing about two-thirds of the Programme in terms of finance had been appraised, negotiated and put into operation. One view was that this progress has been due to strong on-the-ground organisational capacity. Another factor has been the frequency of meetings between the main interested parties; according to the World Bank (undated), they meet more or less monthly in Brasilia to share information and exchange views on the PPB and project issues. DG IB claims that 'one of the programme's first achievements has been to inspire a new strategy for the development of Amazonia and to offer a practical example of international co-operation' (Commission Working Paper IB/205/96, p.3). At the same time there is some dissatisfaction about the level of EC visibility in the PPB.

Table 5. EC contributions to the Brazil Pilot Programme 1992–6

| Year | Project | Commitment ECU m. |
|------|--|-------------------|
| 1992 | Rain Forest Trust Fund | 12 |
| 1993 | Direct Research and Centres of Scientific Excellence | 4.8 |
| 1993 | Demonstration Projects | 4 |
| 1994 | Extractive Reserves (4) | 5 |
| 1995 | Natural Resources Policy | 16.7 |
| 1995 | Management, Monitoring and Evaluation of the PPB, and Formulation of New Public Policies | 2.6 |
| 1995 | EC Technical Assistance | 0.23 |
| 1996 | Environmental Education | 5 |
| 1996 | Directed Research | 5 |
| 1996 | EC Technical Assistance | 2.3 |

6.2 The COAMA Project

The *Conservación de la Amazonia y de su Medio Ambiente* (Conservation of Amazonia and its Environment – COAMA) project is one of only two (the other is the PPB) large projects managed, as well as appraised, by the horizontal unit (D4). This is because it is considered to be particularly important as an innovative grassroots approach to sustainable forest management and conservation by indigenous people. It is also an example of several projects financed under the Tropical Forests budget line, which (a) has very little in the way of forestry activities, and (b) is based on the assumption that supporting and strengthening indigenous societies is an effective means to forest conservation.

The project purpose is forest conservation through support of Amerindian culture and institutions, micro-project development, and provision of basic social services in order to provide a basis for indigenous demarcation and management of the rainforest. This process started by identifying urgent needs and supporting cultural identity in three small projects from 1989 to 1992 (just over ECU 1 m.) which became known as COAMA 1. It continued through a series of micro-projects with NGOs in the areas of education, health and legal support during COAMA II (1993–6) at a cost of ECU 2.5 m. Following an evaluation in April 1996, COAMA III (ECU 2.5 m. over three years) was approved in July 1996. It works with some 120 communities representing 20 ethnic groups in six Colombian Departments, mostly located along the main rivers.

Among the key strategies of COAMA have been:

- support to and consolidation of the Indigenous Territorial Entities, created as political-administrative units as part of Colombia's policy

of decentralisation, and which have given indigenous communities a significant level of political participation;

- the multiple-agency (NGO) approach involving an 'operational network of foundations', and coordinated by Gaia-Bogota, whose Director is also the COAMA Director, and Gaia-London;
- technical assistance methodology in which field officers 'accompany' indigenous communities in problem analysis and development of solutions.

The recent evaluation of the project (Brackelaire and Rodriguez, 1996) presents a positive picture of progress achieved since 1990:

- the 'big impact' of the micro-project development sub-programme was partly attributable to the confidence established with technical officers;
- the legal support programme, with its educational emphasis, has been in great demand by indigenous organisations and has also had a 'big impact';
- the indigenous cultural education programme has made good progress in moving away from an 'integrationist' public education system;
- the health programme, by emphasising traditional medicine and community-based schemes of health promotion, 'has shown State bodies a clear alternative [to conventional approaches] to intervene at the level of nutritional problems, this time from a traditional context that has also stimulated a process of cultural recuperation connected with farming practices.'

This report had few criticisms of the project, except that relationships with state agencies and national indigenous bodies have been mixed. It claims that 'the COAMA strategy has demonstrated its validity' and that 'the COAMA Foundations have developed participatory methods which deserve to be shared with indigenous community initiatives in neighbouring countries.' Above all, 'the wealth of COAMA resides in its inter-institutional coordination ... in an area of the world where the work is generally carried out in an atomised way' (Brackelaire and Rodriguez, 1996).

The importance of the COAMA project as a model for indigenous development and biodiversity conservation is noted in the wider literature, for example in a detailed study by Bunyard et al (1993). It demonstrates an 'alternative' approach to biodiversity conservation in indigenous areas to the market route (market-orientated forest management), which is being promoted by several donors in Latin America, with disappointing results due partly to conflicts of incentives between indigenous and market economy institutions (Richards, 1997). Martin von Hildebrand, the COAMA Director and ex-Minister of Indian Affairs, believes that COAMA represents an approach more in tune with indigenous reciprocal logic (as well as with ethical arguments stemming from environmental economic theory): namely indigenous commitment to biodiversity conservation for national and international beneficiaries, in exchange for legal, scientific and social support

by the international community (Bunyard et al, 1993).

6.3 Evolution of the Indonesia portfolio of forestry projects⁵

Over the 1992–6 period some ECU 106 m. were committed to Indonesia, 86% of it from the Asia budget line. This represented about 36% of DG IB's forestry aid to ALA countries, and about 72% of the Asia budget line's forestry commitments. Following attendance at a TFAP meeting in Indonesia in February 1992, the Indonesia desk officer identified several projects he felt were worth supporting. He also initiated a close dialogue with the Ministry of Forestry, leading in May 1993 to a set of 'Agreed Minutes' (signed by the Minister) setting out some general principles for EC-Indonesia forestry co-operation, including a government commitment to promote supportive forestry policies.

The first project prepared and implemented was the multiple-project Forest Sector Support Programme approved in December 1992 at a cost of ECU 26 m. to the Asia budget line. The first project component (ECU 6.3 m.) involved introducing forest inventory and remote sensing into all the Provinces of Indonesia to complete the mapping of the country's forest resources, and to develop early warning fire alert systems. The second component was to develop a radio communications network in five provinces of Sumatra (ECU 19.6 m.). A third component, financed this time from the Tropical Forests budget line, was the development of a fire prevention and control model in Sumatra's Selatan Province (ECU 4 m.). This involved analysis of the causes of fires and the development of conflict arbitration machinery, once it was diagnosed that providing fire fighting equipment was inappropriate – an example of the benefit of close monitoring and flexibility in the system.

Following a planning phase funded under the Tropical Forests budget line, which was critically important in identifying a sound institutional basis, the Leuser Development Programme project (ECU 32.5 m.) was approved in December 1994 under the Asia budget line. In an area of outstanding biodiversity importance and tourism potential, the Leuser Development Programme strategy is based on a two-pronged approach over an initial seven-year period: fixing and protecting the boundaries of the Gunung Leuser Park, and providing alternatives for the local population in farming, fishing, ecotourism, etc. in the buffer zones. It is regarded by the Commission as innovative for three main reasons:

- management is being undertaken through a process of wide stakeholder consultation involving the Leuser Management Unit, national and local government, and local communities;
- the development of a 'conservation concession' established by Ministerial decree; and
- a financially autonomous management unit has been established to raise revenue from ecotourism, log royalties and other buffer zone projects, thereby ensuring the financial sustainability of the conservation initiatives.

To complement the conservation emphasis in the Leuser project, it was decided to develop a sustainable forest management project to tackle some of the problems in

5. Based on interviews with the Indonesia Country desk officer, and the pamphlet 'The EC/Indonesia Forest Programme', DG 1J, 1996.

the commercial logging sector. Following a preparation phase (ECU 568,000), the South/Central Kalimantan Production Forest project was approved at a cost of ECU 28 m. in 1995. A major aim of the project is to develop sustainable forest management techniques through such activities as silvicultural research and demonstration, developing forest management plans, pilot projects with concessionaires and wood producers to increase local value-added from a smaller cut, reduction of wood waste, market research and product design development. Other activities involve developing audit systems, community participation in forest management, making progress towards timber certification and labelling, and a series of training, extension and communication activities. An innovative aspect of this project is the involvement of the (European and Indonesian) private sector, not least in joint-financing of some of the project activities. Another is the mechanism which has ensured broad consultation among a wide range of stakeholders – especially the private sector and local communities.

The Kalimantan project is also linked to the 1994-approved Berau Forest Management Programme in East Kalimantan (ECU 9.2 m.), initiated and funded by the Tropical Forests budget line. This project aims to transfer natural forest management silvicultural research results to an operational scale. Finally the Forest Liaison Bureau project was approved under the Asia budget line in November 1995 as a forum for policy dialogue, to coordinate the EC Indonesia programme, raise awareness and facilitate donor (especially EU Member State) co-operation.

There are several positive aspects to the Indonesia programme. First, it was based on policy dialogue at the highest level, culminating in the 'Agreed Minutes' which provided a sound political basis for the programme. Secondly, the relative flexibility in the system allowed the development of a process project approach which has facilitated an innovative design (for example, in the Leuser Development Programme), and permitted important changes of direction when it was realised that the original project design was inappropriate (as in the case of the Sumatra fire control project). A third aspect of the Indonesia programme has been the considerable financial contribution of the host government. For example, the Indonesian Government has committed ECU 18 m. to the Leuser Development Programme, and ECU 6 m. to the South/Central Kalimantan project. A fourth aspect is the general complementarity of actions that have been taken under the Asian and Tropical Forests budget lines.

7. CONCLUSIONS AND TRENDS

The history of tropical forestry aid in DG IB is a relatively recent one. Tropical forestry projects in Asian and Latin American (ALA) countries are mainly financed from two budget lines, the Tropical Forests budget line, which was started in 1991 following considerable pressure from the German green lobby and the G-7, and the 'Asia' budget line. The total budget committed to tropical forestry in ALA countries from 1992 to 1996 was almost ECU 300 m., some 56% of this from the Tropical Forests budget line, and 43% from the Asia budget line.

The aid delivery mechanism varies with project size. For smaller projects (less than ECU 1 m.) on the Tropical Forests budget line, the NGOs, universities and other private or public sector organisations requesting the funds are responsible for project implementation. For larger projects, the consultancy consortia in the Commission's Framework Agreement provide short-term appraisal and evaluation inputs as requested by technical officers, and European consultancy groups carry out the project (following a public tender process) with counterpart public sector institutions. Technical officers managing the Tropical Forests budget line consider that the consultancy-based aid delivery system has had mixed results, and favour a move to more control by counterpart institutions, but with strict auditing and EC project advisers in a more advisory and less executive role. However, this position is not shared on the Asia budget line.

It could be argued that the Tropical Forests budget line has lacked a clear operational strategy in the past, with mainly reactive project and country selection and a marked influence of key individual officers. However, based on the 1995 Council Regulation, which gave a legal basis to the Tropical Forests budget line and set out eight priority action areas, and the instruments being developed to support it, a more pro-active strategy is now emerging. This involves a shift away from viewing forestry mainly as part of a wider land-use system (as promoted, for example, in the TFAP process), 'defensive' conservation approaches, and agroforestry (these three areas dominated EC 'forestry' aid in the 1980s), towards a more participatory and sectorally specific approach in which increasing emphasis is placed on natural forest management, related trade and certification issues, and buffer zone management. However, the 1992–6 project portfolio was still dominated by conservation-based projects. An emphasis on indigenous peoples has been fairly constant throughout the recent period. Another important trend has been towards large multiple-agency programmes like the Brazil Pilot Programme.

The geographical distribution of DG IB forestry aid has slightly favoured Asia (about 55% of the financial commitments), but Latin America's share of the Tropical Forests budget line to ALA countries was about 76%, rising in 1996 to 90%. Country distribution was skewed towards the two countries with the largest tropical rainforest areas in their respective continents: Indonesia received about 36% of all DG IB's tropical forestry aid and Brazil about 18%. There is a concern in DG IB, mainly on the Tropical Forests budget line, about the equity aspects of tropical forestry aid. The 1995 Council Regulation encourages local organisations to apply for funding, and other legislation⁶ states that aid should go mainly to the poorest, but it has been the wealthier Latin American countries, and within them the organisations best able to articulate demand and comply with procedures, which have secured most funding. A programmed study of forest

6. For example, Article 4 of the 1992 Council Regulation 443/92, which governs the geographical ALA budget lines, states that 'financial and technical assistance should be targeted primarily on the poorest sections of the population and the poorest countries in the two regions.'

sector needs in India, a country which had not previously benefited from the Tropical Forests budget line, indicates a move to a more pro-active project identification strategy and a desire to address the equity and regional imbalances.

Another important trend has been towards larger projects, although the Asia budget line projects have been large throughout the 1990s. While larger projects are preferred by some because they may permit a more strategic sectoral (or cross-sectoral) approach to be adopted in a given country, it was clear that an important factor working against small projects (which some technical officers think represent a more cost-effective aid strategy) has been a shortage of technical staff resources.

On the Tropical Forests budget line, weak monitoring and evaluation, and the associated weak information base, were part of several interlinked factors constraining effective project cycle management. Specific constraints included the level of both technical and administrative human resources; centralisation of project cycle management; poor understanding by some staff of technical issues; and over-regulation of procedures leading to increasing inflexibility. On the positive side, project appraisal methods have become more systematised. In spite of these constraints, there have been some important success stories among the projects supported by DG IB, as is evident from the projects reviewed in Indonesia, Colombia and Brazil. The general level of satisfaction with these larger projects implies that there will be an increasing trend to large multiple-donor or agency projects. Finally, the size of the forestry aid programme demonstrates a strong commitment to forestry in DG IB.

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ACRONYMS

| | |
|-------|---|
| ACP | African Caribbean Pacific |
| ALA | Asia and Latin America |
| ASEAN | Association of South-East Asian Nations |
| CIFOR | Centre for International Forestry Research |
| COAMA | Conservación de la Amazonía y de su Medio Ambiente (Conservation of the Amazon and its Environment) |
| DG | Directorate General |
| EC | European Community |
| ECIP | European Community Investment Partners |
| ECO | Gesellschaft für Sozialökologische Programmberatung |
| EEC | European Economic Community |
| ERM | Environmental Resources Management |
| ETFAG | European Tropical Forestry Advisers Group |
| EU | European Union |
| IFSC | International Forest Science Consultancy |
| ITTO | International Tropical Timber Organization |
| IUCN | International Union for the Conservation of Nature |
| MEP | Minister of the European Parliament |
| NGO | Non governmental organisation |
| NTFP | Non-timber forest product |
| ODI | Overseas Development Institute |
| PCM | Project Cycle Management |
| PPB | Pilot Programme to Conserve the Brazilian Rainforest |
| TFAP | Tropical Forestry Action Plan |
| UNCED | United Nations Conference on Environment and Development |

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