



Forest Management to Support Sustainable Livelihoods
Framework for the UNDP Programme on Forests

PROFOR

Programme on Forests

United Nations Development Programme
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FOREWORD

Forests provide numerous goods and services to support human life—timber and materials, firewood, food, medicines, fodder for livestock, and a variety of sources of income. Many forests are rich stores of valuable biodiversity stocks. They protect the fertility and stability of soils, play a key role in watershed management, are the habitats of countless species of wildlife, and the homes of many cultures and communities. Forests help to regulate the global climate and to mitigate climate change by absorbing carbon dioxide, which would otherwise enter the atmosphere as a greenhouse gas. In short, forests are natural assets of enormous importance.

In this century, the area of forest cover and the quality of remaining forests have reduced dramatically worldwide. The combined pressures of population growth, rising global demand for forest products and the ensuing industrial extraction, and increasing numbers of poor people for whom forests offer one of the few options for a livelihood have proved to be a heavy burden for forests. The plight of forests, and of people living in and around them, is being recognised by the international community. Alarming rates of deforestation, and the often catastrophic events caused or exacerbated by forest loss—flooding, fire, mudslides, and desertification to name a few—have now focused public concern on addressing the crisis. Out of the principles agreed to at the 1992 United Nations Conference on Environment and Development (UNCED), as well as from previous efforts, a great many initiatives have been spawned to work on the sustainable management and conservation of the world's forest resources. From the largest multilateral organisations to the most grassroots of community groups, people are learning how imperative forests are to human development.

A full comprehension of the dynamics between the use of forest management and sustainability continues to be articulated. The abuses of industrial timber extraction and land conversion have been well publicised as a cause of forest decline. Less well known, and perhaps more complex, are the socio-economic pressures of population and poverty that contribute to the degradation of forest land.

Forests are lucrative assets for the private sector and national governments. Their unsustainable use often ignores the long-term benefits of a healthy, regenerating forest ecosystem—one from which benefits can continue to be reaped in the future. In the short-term, one-time liquidation for timber or alternative land-use benefits may seem a better or inevitable choice, particularly for raising the low gross domestic products of many developing countries. At the same time, at the subsistence level forests are often critically important for the provision of basic daily needs to the poorest segments of society. If local communities are without alternative livelihood opportunities, they often must turn to the forest to meet many of their daily needs—collection of fuelwood, housing, and construction materials; slash-and-burn agriculture and 'shifting cultivation'; clearing for grazing of animals, and so forth. It is the poor that are hardest hit by the negative consequences of deforestation; homes, livelihoods, and options for stability are lost when the forest disappears.

There is an inevitable connection between forests and development. It is from this perspective, from the recognition of the complex relationships at play, that the UNDP Programme on Forests utilises a livelihoods approach to the management of forests in developing countries. Economic development and environmental sustainability are not mutually exclusive objectives. If forests are managed sustainably, they can contribute to national sustainable development. If the benefits from forests are channelled to those who most depend on them, then communities may be better able to take part in sustainable management. Forests, when sustainably managed, can provide for communities for generations. Sustainable resource management and sustainable human development are inextricably linked. The UNDP Programme on Forests seeks to strengthen these links between the poor and the forests upon which they depend—to the benefit of both.

This publication is the UNDP Programme on Forests' "Programme Document", which outlines the details of the programme's operations and outputs. It describes the programme's framework and approach to the development of strategies for sustainable forest management. The UNDP Programme on Forests has published this framework not only to introduce and explain the programme to all those interested, but also in hopes that other forest projects might find it useful in their own activities.

This first in the UNDP Programme on Forests *Issues Series* is the introduction to an on-going, numbered series of technical papers. The series examines issues relevant to forest management and conservation in support of sustainable livelihoods, at the global, national, and sub-national levels. The first eight papers in this series grew from reports commissioned for the UNDP Programme on Forests introductory planning workshop, held for and by its pilot programme countries and international advisors, and referred to herein. The programme is confident this *Issues Series* can also contribute to the wider international effort to meet development goals through sustainable forestry.

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United Nations Development Programme
(UNDP)

Bureau for Development Policy
(BDP)

Sustainable Energy and Environment Division
(SEED)

Programme on Forests
(PROFOR)

A UNDP GLOBAL PROGRAMME
GLO/96/104/E/11/31

FOREST MANAGEMENT TO SUPPORT SUSTAINABLE LIVELIHOODS

SUMMARY

Forests are dynamic productive systems when managed sustainably. However, the unsustainable use of forests, while perhaps generating some short-term gain, eventually decreases their contribution to national and local economies, and thus to the possibility of sustainable development. Of the multitude of benefits that forests provide, usually only timber and a few other forest products enter markets. Because of this severe economic distortion, the record on sustainable forest management (SFM) is not good. There are few working examples of sustainable forest management; deforestation and unsustainable land use continue on a massive scale. The poor, who rely upon forests for water, energy, food, medicine, and shelter, are disproportionately affected by the destruction of forest resources. Consequently, any long-term strategy to address issues of rural poverty should stress the importance of sustainable forest management and forest conservation as key elements.

It is clear that narrow forest policies alone cannot have an effect on all the forces determining the use or misuse of forest resources. They are very closely bound with policies and actions aimed at sustainable livelihoods, poverty eradication, and food security. Achieving cross-sectoral integration and a holistic, comprehensive approach to forest issues is a key challenge.

The present forest situation cries out for better national and international efforts to promote sustainable forest management and to shift private sector investments from unsustainable to sustainable practices. In principle, instruments for this exist or are being developed through various national and international processes and initiatives. In practice, the forestry sector still suffers from a fragmented approach and the many interventions do not add up to comprehensive strategies for the sustainable development and management of forest resources.

UNDP's Programme on Forests proposes a collaborative approach to SFM making maximum use of existing instruments and available sources of financing. The objective of the programme is to promote effective strategies for sustainable forest management and related public and private sector partnerships, at the national and international level. To this end, PROFOR aims simultaneously at providing participating countries with concrete capacity building measures to strengthen their ongoing national forest programmes, and at the development of the conceptual basis and instruments for achieving SFM. The programme is directly based on the Proposals for Action of the Intergovernmental Panel on Forests, and is implemented in a collaborative manner, open to all relevant stakeholders and interested partners at national and international levels.

The programme consists of four interrelated elements. At the country level, PROFOR works through three primary processes:

1. improving the understanding of the constraints on and opportunities for SFM;
2. improving approaches to the process of planning, programming and implementing SFM; and
3. developing and strengthening innovative financing mechanisms and instruments for SFM.

These three processes are mutually reinforcing. In the first instance, an analysis of the factors in a given country situation that either constrain or provide opportunities for SFM will indicate possible courses of action. Improved understanding of these factors contributes to strengthening the principle country-level policy, planning and implementation instruments for SFM. These, in turn, indicate the design and application of financing instruments required. At the same time, the three processes can operate independently to allow PROFOR to respond to country-specific needs.

These three primary processes are drawn together in a fourth element:

4. the identification and promotion of innovative and effective strategies, including policy processes and financing mechanisms, to support SFM.

The task of this fourth element is to coordinate the diverse activities and findings of PROFOR. Programme coordination ensures that the results of wider thematic studies and the lessons learned at the country level are analysed and disseminated to promote SFM at the national and international level.

Three specific situations may be considered in the programme processes, depending on the needs and context of participating countries: (i) local community involvement in SFM (e.g. joint forest management); (ii) SFM for industrial forestry (e.g. industrial concessions); and (iii) forest conservation and related development to promote local community and other private sector participation in conservation management activities (e.g. SFM in buffer zones, SFM for environmental conservation and rehabilitation, ecotourism).

Programme implementation at the country level is based on a participatory and open consultation process to derive national priorities and to complement and link the existing or planned activities supported through other means. The approach adopted is dependent on how advanced the country is in developing and implementing its national forest programme, and on what other support is available. Once the national programme priorities have been agreed, a national work plan is formulated and a national work team established with backstopping from the PROFOR team at headquarters and international experts.

The programme operates a flexible learning- process approach which allows PROFOR to conduct iterative revisions to best capture knowledge gained through PROFOR activities and update the programme. A monitoring system for the programme has been developed and is continuously refined on the basis of experience in order to manage this programme flexibility. By consistently checking progress, revising design, and incorporating knowledge, PROFOR will be better placed to identify and promote innovative and effective strategies to support SFM.

ACRONYMS

AsDB	Asian Development Bank
AOS	administrative and operations services
BDP	Bureau for Development Policy
CBO	community-based organisation
CIFOR	Center for International Forestry Research
COAMA	Consolidation of the Amazonian Region, Columbia
CSD	Commission on Sustainable Development, United Nations
CSN	Country Strategy Note
DFID	Department for International Development, United Kingdom
DIDC	Department for International Development Cooperation, Finland
FAO	Food and Agriculture Organisation of the United Nations
FCAP	Forest Capacity Programme
FPA	Forest Partnership Agreement
FSC	Forest Stewardship Council
FUNDECOR	Foundation for the Development of the Central Volcanic Range
GEF	Global Environment Facility
GLOBE	Global Legislators Organization for a Balanced Environment
GP	Global Programme
ha	hectare
IFC	International Finance Corporation, World Bank
IFF	Intergovernmental Forum on Forests, CSD
IIED	International Institute for Environment and Development
IISD	International Institute for Sustainable Development
IPF	Intergovernmental Panel on Forests, CSD
ITFF	Interagency Task Force on Forests
ITTO	International Tropical Timber Organization
IUCN	World Conservation Union
MDB	multilateral development bank
NEAP	National Environmental Action Plan
NFAP	National Forest Action Plan
nfp	national forest programme
NGO	non-governmental organisation
NSDS	National Sustainable Development Strategy
OECD	Organisation for Economic Cooperation and Development
ODA	official development assistance
PROCAFOR	Regional Forestry Programme for Central America
PROFOR	Programme on Forests, UNDP
RCS	Resident Coordinator System
SEED	Sustainable Energy and Environment Division, UNDP
SFM	sustainable forest management
SIP	Sector Investment Programme
SPM	Sustainable Project Management, Switzerland
TFAP	Tropical Forest Action Programme
TI	Transparency International
TNC	transnational corporations
UN	United Nations
UNCED	United Nations Conference on Environment and Development
UNDP	United Nations Development Programme

UNGASS	United Nations General Assembly Special Session
UNOPS	United Nations Office for Project Services
UNSO	United Nations Office to Combat Desertification and Drought
WB	World Bank
WBCSD	World Business Council for Sustainable Development
WCFS	World Commission on Forests and Sustainable Development
WRI	World Resources Institute
WWF	World Wide Fund for Nature

1. CONTEXT

1.1. FORESTS IN SUSTAINABLE DEVELOPMENT

Forests cover about 1,800 million hectares (ha) of land in developing countries. Of the approximately 1.3 billion people living in poverty in developing countries, more than half live in or near these forests. Two billion people in developing countries depend directly on fuelwood for energy, cooking, and purifying water. Global consumption of fuelwood, almost all of it in developing countries, now stands at 1.9 billion cubic metres per year. Fuelwood use by the poor in developing countries now exceeds by 20 percent all global industrial use of wood for timber, paper, and all other products. Today, just the small fraction of industrial forest products that is traded is valued at more than US\$100 billion per year.

The many uses that the poor make of forests are detailed below. Forests are intimately involved in their struggle for sustainable livelihoods, in their coping strategies and daily survival. The current rates of forest conversion, also described below, are very rapid. When forests disappear, as they already have in more than twenty-five developing countries, the poor can suffer devastating consequences. Land degradation accompanies the removal of forests, and civil unrest often follows.

Although the technical means for managing forests are fairly well known (agroforestry, community forestry, forest management planning, and so forth), very few forests in developing countries are actually under sustainable management. An analysis of the underlying causes of deforestation and unsustainable forest management can be found in the United Nations (UN) Secretary General's Report (E/CN.17/IPF/1996/2), which the United Nations Development Programme (UNDP) prepared with the United Kingdom Department for International Development (DFID) for the Secretariat of the Intergovernmental Panel on Forests (IPF). These causes include the monetary incentive for forest liquidation due to the difference between the slow growth rates of forests and the rapid growth of interest rates, unfavourable land tenure policies, and an entrenched perception of forests as either strictly protected or totally convertible areas.

The consequences of such dynamics are that huge forest areas within developing countries are not managed sustainably--wasting many benefits these forests could provide, especially for the rural poor. The great majority of today's developing country forests are on soils that cannot support intensive continuous agriculture; it is largely infertile land once deforested. Sustainable forest management (SFM) in its many forms seems the only current alternative for productive, long-term use. Unfortunately, the present trend is for enormously valuable forest resources to be liquidated for the sake of very meagre, one-time only benefits.

While substantial national and international resources have been dedicated in recent years to stemming forest destruction, to date these efforts have not succeeded. On the contrary, the destruction of the world's forest resources accelerates.

During the 1970s, tropical countries were deforested at an annual rate of 11 million hectares; this rate increased by nearly 50 percent during the 1980s, to some 16 million hectares each year. During these two decades, a forest area equal to all of Western Europe was lost. Worldwide, eighteen countries have lost more than 95 percent of their forests, and another eleven have lost 90 percent. The Amazon, Southeast Asia, and Southern and Central Africa account for 80 percent of world deforestation. Asia lost almost one-third of its tropical forest cover during this period. The once densely wooded regions of West Africa, Central America, and South Asia are now over 90 percent deforested.

To fully appreciate the consequences of this trend it is only necessary to be reminded of the contribution forests make to sustainable human development:

On the local level, forests:

- regulate water supplies and prevent natural disasters caused by flooding and landslides;
- provide many kinds of foods, both directly (as a habitat for wildlife) and indirectly (through the maintenance of soil fertility for agriculture and regulation of microclimate);
- provide shelter and materials for construction and household use, especially in the rural areas;
- provide for the energy requirements of large numbers of people, especially rural and indigenous groups;
- provide natural medicines used by the majority of rural households;
- provide income-generating opportunities for both men and women in wood harvesting and transport, small-scale wood processing activities, non-wood product harvesting and processing, nature-related tourism, and so on; and
- provide for cultural and aesthetic values important to rural and indigenous people.

On the national level, forests:

- increase the development potential of rural areas and decrease the need for rural-urban migration;
- provide opportunities for the development of a wide range of both wood and non-wood-based industries, for the creation of employment in the various phases of the production and marketing chain, and for earning export revenue to improve the balance of payments;
- provide a source of renewable energy;
- enhance environmental stability and security;
- provide possibilities for recreation and other services and service-based industries; and
- constitute important elements of the national heritage and identity of many countries.

On the global level, forests:

- act as sinks for carbon released from the burning of fossil and organic fuels, which would otherwise enter the atmosphere as a greenhouse gas;
- play an important role in the regulation of the global climatic conditions; and
- have a key role in maintaining the biological diversity of plants and animals, as well as the cultural diversity of the human population.

Forests are dynamic, productive systems when managed sustainably. However, over-exploitation can decimate productivity and lead to poverty and social dislocation. Today, it is estimated that less than 1 percent of the tropical forests in the world are under sustainable management¹. The unrestrained clearing and degradation of forests, while perhaps generating some short-term gain, eventually decreases their contribution to national and local economies, and thus to the possibility of sustainable development. The poor—several hundreds of million of whom rely upon forests for water, energy, food, medicine and shelter—are disproportionately affected by the destruction of forest resources.

1. At this stage, there is no common scientific definition for sustainable forest management, although there are several on-going international processes to define criteria and indicators for SFM. The European Commission has adopted the following working definition: “SFM means the management and use of forests and wooded lands in a way, and at a rate, that maintains their biodiversity, productivity, regeneration capacity, vitality and their potential to fulfil now and in the future, relevant ecological, economic and social functions at local, national and global levels, without causing any damage to other ecosystems”.

Consequently, any long-term strategy to address issues of rural poverty should stress the importance of sustainable forest management and forest conservation as key elements.

It is clear that narrow forestry policies alone cannot have an effect on all the forces determining the use or misuse of forest resources. Policies on forests are very closely bound with sustainable livelihoods, poverty eradication, and food security policies and actions. The actions proposed in this document focus on creating forest policies that include and integrate policies on sustainable livelihoods and poverty eradication. The actions also focus on incorporating financing, and strengthening SFM within all the various policies and programmes that affect the rural poor. Cross-sectoral integration and maintaining a holistic and comprehensive approach to forest issues is a key challenge.

From the above it is evident that, for many countries, the problem of forests is at the heart of UNDP efforts towards poverty alleviation and sustainable human development. Not only is forestry a key concern under the UNDP priority area of environment, but it is also intimately connected with the issues of governance, gender, and sustainable livelihoods. For instance, looking at livelihoods and gender vis-à-vis forestry, it is evident that, as a result of the traditional gender division of labour, women have specific needs and interests in forestry that are different from those of men. In most societies, it is women who find and transport the household's fuelwood for cooking and heating, gather wild fruits and nuts, find fodder for the domestic stock, and make medicines and other products from forest materials. A complex relationship exists between women, family welfare and trees. Small-scale, forest-based enterprises--such as the collection and processing of raw materials into useful products--are a major source of income for the poor, particularly for rural women, including for those from landless families.

These types of issues obviously need to be well considered in forest policies and development plans. From the discussion that follows it will become clear that the problem of forests is not a specialised technical issue. Fast progress must be made on identifying and promoting the conditions (such as governance, institutional, policy, investment) necessary for countries to be able to sustainably manage their forest resources and gain the multiple benefits to their societies described earlier. The integration of the environmental dimension of development into sustainable development is the essence of the work of the UNDP Sustainable Energy and Environment Division (SEED) and is reflected in this complex approach to the problem of forests.

1.2. PAST AND ON-GOING INTERNATIONAL INITIATIVES, AND LESSONS LEARNED

Recognition of the importance to sustainable forestry development of sound policy design and sectoral planning has led to the emergence of several parallel frameworks, which have been applied in various developing countries. The most important of these was the Tropical Forest Action Programme (TFAP), which was launched in 1985 in response to the escalating rate of tropical deforestation, as a joint initiative of UNDP, the World Bank (WB), and the World Resources Institute (WRI), and was coordinated by the Food and Agricultural Organisation of the UN (FAO). Its initial goals were to curb tropical deforestation, promote the sustainable use and conservation of forest resources to meet local and national needs, and increase the flow of international aid to the forestry sector. The TFAP became a target of wide criticism as deforestation rates continued unabated and participants' expectations for policy reform and increased financial flows were not met. Several evaluations of TFAP were consequently launched in 1990. The results indicated a need for an increased emphasis on conservation, the effective participation of local people, multi-sectoral

analysis, and a shift in focus from donor-driven and project-oriented interventions to a programme of longer duration that would be country-driven and process-oriented. The TFAP process has been discredited internationally because it has failed to produce a successful approach to the forest issue. However, there continues to be support for the activities of the National Forest Action Plans (NFAPs), developed under the TFAP umbrella, in a large number of developing countries, through bilateral relationships.

In addition to the TFAP, several other approaches have been applied by international agencies, such as the World Bank Forest Sector Reviews, or the Asian Development Bank (AsDB) Forestry Master Plans. Several broader environmental planning frameworks have also dealt extensively with forestry, such as the WB-sponsored National Environmental Action Plans (NEAPs) and the World Conservation Union (IUCN) National Conservation Strategies. Even broad planning frameworks for sustainable development, such as the National Sustainable Development Strategies (NSDSs), have been suggested as conceptual approaches to addressing the root causes of deforestation.

Documented in several studies and evaluations, the principal lessons from these initiatives serve as foundations for future action:

- To be successful, forest activities must be country-driven, with the full support of the national and local governments.
- Tangible field results are best achieved when local communities are the main protagonists of activities, and actively participate in the development and implementation of projects.
- Given the highly contentious nature of many environmental issues, emphasis must be placed on conflict resolution amongst stakeholders through participation, dialogue, and transparency.
- Building local capacities and mechanisms, in and out of government, produces the most lasting results for the sustainable management of forest resources.
- Comprehensive, multi-sectoral programmatic approaches, although complex and difficult, present the best opportunity for significant progress.
- Policy and institutional reform are essential, both within and outside the forestry sector. This should include policies relating to governance, the alleviation of poverty, incomes and livelihoods, the role of women, agricultural production, and environmental protection.

The analysis of past experience and the discussion of constraints on and opportunities for solutions to the forest dilemma has been spearheaded by the Intergovernmental Panel on Forests. The IPF was established in 1995 by the Economic and Social Council of the United Nations (ECOSOC), under the aegis of the UN Commission for Sustainable Development (CSD), to give a systematic follow-up to the decisions and recommendations of the 1992 UN Conference on Environment and Development (UNCED) in Rio. The UNDP has provided substantial support to the work of the IPF in areas of primary importance to UNDP's mission, both as the lead agency on the subjects of underlying causes of deforestation and innovative finance and through close involvement in the topic of national forest programmes. Through this work, UNDP had the opportunity to help shape the discussions in the IPF, and the UNDP Programme on Forests (PROFOR) is the logical extension and continuation thereof.

The UNDP Programme on Forests is a direct follow-up to the conclusions of the IPF. In the sections that follow, this document describes in detail how each programme component is based on specific proposals for action made by the Panel. The Proposals for Action in the Final Report of the IPF, February 1997, which are of direct relevance to the UNDP programme on Forests, are presented in Annex I. The Programme is further based on the Interagency Task Force on Forests (ITFF) Integrated Work Programme for UN agency follow-up on the proposals for action of the

IPF. Specifically, PROFOR focuses on UNDP's agreed programme of work on the underlying causes of deforestation and lack of SFM, on an integrated cross-sectoral approach to nfps, on finance, and on coordination of programmes.

In the last area of nfps, FAO and UNDP have agreed to work very closely for maximum complementarity by systematically informing each other of actions taken in support of the IPF Work Programme of the ITFF, and co-sponsoring events and programmes wherever useful and desired within a country-driven process. All ITFF partners are encouraged to work together on the actions proposed here. Given sufficient donor support, PROFOR also provides financial support for this participation.

PROFOR's work on finance and on new partnerships for SFM also supports the Intergovernmental Forum on Forests (IFF), the successor of the IPF established in 1997. The UNDP's work in the IPF and IFF is further discussed in section 1.4.6.

Based on the analysis of past experience and lessons from previous initiatives, there is now consensus among the international community on the important role national forest programmes play as a national-level framework for promoting sustainable forest development in general, and SFM in particular. The nfp is defined by the IPF as a generic expression for a wide range of approaches to the process of planning, programming, and implementing forest activities. The nfp is also seen as an overall framework for the coordination of sectoral financing, including external assistance.

BOX 1: Elements of a National Forest Programme

The objective of a national forest programme (nfp) is to ensure the conservation, management, and sustainable development of forests to meet local, national, regional, and global needs and requirements, for the benefit of present and future generations.

The nfp is based on the following principles:

- national sovereignty and country leadership;
- partnership with and participation of all interested parties in the nfp process;
- holistic and inter-sectoral approach to forest development and conservation;
- a long-term and iterative process of planning, implementation, and monitoring;
- a focus on systematically building the capacity of the country to take full responsibility for the development of its forestry sector;
- a focus on the systematic policy and institutional reforms consistent with the overall national policies and global initiatives;
- a focus on systematically raising of awareness on forestry issues at all levels of society; and
- a focus on systematically building up of national and international commitment to sustainable forest development.

The main elements of an nfp are:

- a sector review, to establish an understanding of the forestry sector in the context of national development;
- a policy and institutional reform process, based on the sector review and on dialogue with the stakeholders;
- an investment programme, including both public investments as well as incentives for private and non-governmental sectors;
- a capacity building programme, to assist the governmental and non-governmental sectors in fulfilling their roles and mandates; and
- a monitoring and evaluation system, to provide continuous feedback on nfp implementation, impacts, and efficiency.

The nfp is a technical process in the sense that the identification of goals, policies, strategies, and mechanisms for implementation are based on accurate information. It is a political process in the sense that the choices between the available options are the outcomes of debates, negotiations, and compromises on the part of the stakeholders.

1.3. ROLE OF THE PUBLIC AND PRIVATE SECTORS IN FINANCING FORESTRY

The annual negative net investment in the forestry sector in developing countries (*i.e.*, the difference between the value of gross annual investment in forestry and forest industries, and the divestment through forest loss and degradation) is estimated at US\$24.6 billion². This, it seems, has been a regular feature of the forestry situation in developing countries over the past several years. The situation regarding investment in sustainable forestry activities is even bleaker, as a large share of the current investments—especially in the private sector—may be directed to destructive forest exploitation.

The sources for forestry financing can be categorised as: **public domestic, private domestic, public foreign, and private foreign**. The following general trends can be observed regarding each category, although the actual situations of course vary according to the specific national context.

1.3.1. Domestic Public Investments

Domestic public investments in forestry are handled by public forest administrations, parastatal bodies, and public forest corporations. The investments are either managed by the public institutions themselves (and go, for instance, towards production of public goods and services), or are given as incentives to support activities by private companies and non-governmental actors (for example, extension services, training, research, subsidised credits, etc.). In general, public sector forestry institutions have lost many of their directly productive functions to the private sector, due to widespread changes in macro policies. Their revenues and expenditures are controlled by the national treasuries, and rarely is anything approaching an adequate share of the income from forests reinvested into the sector. The possibilities for increasing public sector self-financing for forestry is based not only on the potential of the forest resource base, but also on the level of political willingness. In recent years, self-financing has been declining in many countries.

1.3.2. Domestic Private Sector Investments

The financing possibilities of the domestic private sector vary greatly from country to country. It is estimated that in Brazil the domestic private sector accounts for 85 percent of investments in wood products, including pulp and paper. In Chile, the private sector represents 95 percent of the forestry and forest-based processing industry. In some Asian countries (such as Indonesia), the participation of the private sector in forestry investments is equally high. Domestic private investment in some African countries amounts to as much as 35 percent of total investments in the forest-based sector. However, in many countries, domestic private investment is constrained by both inadequate policies as well as by a lack of incentives and credit facilities suitable to the comparatively long-term nature and low financial rate of return of forest sector investments. There is considerable untapped potential in increased mobilisation of the resources of local populations for forest-based activities. Approaches like Joint Forest Management (used, for instance, in India) have shown that a great deal of productive and effective forestry investment can take place through

² This and other figures given in this section are based on the *Proceedings* of the Workshop on 'Financial Mechanisms and Sources of Finance for Sustainable Forestry', held in June 1997, in Pretoria, South Africa, sponsored jointly by the Danish and South African governments and PROFOR.

small local investments, given the existence of supportive policies, institutional structures, and incentives.

1.3.3. International Development Assistance

International development assistance to forestry amounted to about US\$1.5 billion in 1993—a mere 27 percent of actual official development assistance (ODA) needs and only 7 percent of the needs for annual gross investment as estimated by UNCED. This includes both bilateral loans and grants, given by some twenty donor agencies active in forestry, and loans and grants provided by the multilateral development agencies and institutions (*i.e.*, development banks and a number of UN and other intergovernmental agencies). Bilateral aid represents about 60 percent of all development assistance and 80 percent of grants. The levels of dependence on ODA vary greatly amongst developing countries. For example, in Indonesia, the share of ODA in total government resources for forestry is about 10 percent, whereas the figure for Tanzania is 85 percent. Since the years 1992 and 1993, there has been a fall in aid flows for forestry. Several of the twenty or so donor countries regularly providing bilateral assistance for forestry in the past have now revised their commitments or frozen them at current nominal levels. No drastic improvement in this situation is expected in the near future. Also, the funding of all multilateral organisations is now at zero growth or declining, and prospects for new and additional funds appear dim.

An additional feature complicating the effective and efficient use of ODA for forestry are the different and shifting priorities, preferences, and administrative practices of the donors and international agencies, which often act as a barrier to the coordinated and effective use of ODA-based financing.

1.3.4. Foreign Private Sector Investments

Foreign private sector investments into the forestry sector, on the other hand, seem to offer a rather promising, albeit controversial, outlook. Private capital flows, in the form of investment and lending, have increased each year since 1991 and now amount to about 60 percent of the total development financing. The twin trends of decreasing public finance and increasing private finance are expected to continue. Private capital flows to the forestry sector in developing countries are being enhanced and supported by the creation of Western-style capital markets in many countries where these did not previously exist. This includes the formation of national stock markets, links to the established institutional debt and equity markets (such as pension, insurance, and mutual funds), regional and international investment and merchant banking, and various forms of venture equity capital. Examples of countries where foreign private sector investments in forestry are on the rise include China, Papua New Guinea, Cambodia, Laos, Thailand, the Amazon basin, and Central Africa. In addition, private companies from emerging-market countries (such as Malaysia, Taiwan, and Korea) are also increasingly investing in the forestry sector in other forest-rich developing countries.

The presence of trans-national corporations (TNCs) in the forestry sector has grown during the last decades. Today, TNCs from about thirty countries operate in the forestry sector in Africa, Asia, and Latin America. Investment in the forest sector by TNCs is relatively most significant in Africa, accounting for more than 60 percent total investment in the sector, dominating the sectoral activities in some countries.

The above trends, although indicating a positive and growing interest by private companies in investing in the forestry sector abroad, are also a cause for grave concern. Unregulated, these investments may be a threat to the long-term stewardship of the remaining natural tropical forests in the world. Clearly, the majority of the current investment is being directed towards conventional and highly destructive forestry operations. However, in the wake of increasing interest in the purchase of products from sustainably managed forests, especially in Europe and the United States of America (USA), innovative types of private forestry investment companies have been created. These companies (for example, Precious Woods, Ltd. and Xylem Investments) make private equity investments in publicly traded forest companies involved in sustainable forest management and/or forest plantations. The ongoing development of certification systems for sustainably produced forest products is likely to increase the establishment of this type of company, assuming that sufficient premium in price remains.

Based on the above, it is evident that any meaningful improvement in financing for sustainable forest management in tropical developing countries requires:

- intensification of public sector self-financing, through the full valuation of resource use and through intensified rent capture by the public sector institutions in charge of public forests;
- vast increases in small local investments by rural people in the management and sustainable use of their forest resources;
- consistent long-term financial contributions by the international community to address global forestry problems (i.e., biodiversity, climate change, and poverty alleviation), with delivery through more rational structures, and directed especially to those countries with the most severe pressures on remaining forests or limited possibilities for other financing; and
- redirection of private investments from unsustainable projects to those under sustainable forest management, and the creation of incentives to attract additional private investments.

The changing roles of the public and private sectors in forestry financing calls for a radical re-thinking of the strategies designed for implementing nfps, particularly regarding new possibilities for funding SFM. The biggest potential for new and additional financing is in attracting national and international private sector financing for sustainable forest management, by creating policies, incentives, and institutional structures that act as catalysts for increased private investment.

1.4. UNDP's ROLE IN PROMOTING SUSTAINABLE FOREST MANAGEMENT

For the past thirty years, UNDP has been involved in forestry projects, principally through sector-oriented technical assistance projects. During the past decade, as the accelerating rate of deforestation has become all too clear, UNDP's activities have moved towards a more cross-sectoral approach, to take into account the full complexity of the issues that cause and exacerbate forest destruction.

Core-funded Activities

UNDP disburses approximately US\$50 million a year for technical assistance to forest-related programmes, in more than seventy countries. This country-level programme funding is the core of UNDP's work in forests. In addition to more traditional forest management activities, UNDP's portfolio includes watershed management and soil conservation projects that incorporate the forest sector. Consistent with UNDP's commitment to local capacity building, projects increasingly emphasise national leadership, goal-setting, and country-driven initiatives. Most of these projects

deal, either directly or indirectly, with issues related to SFM (such as project support to consultative policy processes).

1.4.1. Forest Capacity Programme

As part of the move towards a multi-sectoral approach to forestry issues, UNDP initiated a Forest Capacity Programme (FCAP) in 1993 designed to complement and support national forest programmes in developing countries. FCAP assists countries in formulating and implementing integrated strategies for forest management, within the context of national forest programmes. Major foci of the programme include participatory policy development, cross-sectoral cooperation, and the coordination of multiple funding sources.

In 1993, with US\$1.5 million received from donors, FCAP projects were initiated in Cameroon, Jamaica and Papua New Guinea. Mobilisation of an additional US\$1.5 million of extra-budgetary funds in 1994 allowed expansion of the programme to other interested countries, including Honduras, Cuba, Bhutan, and Uganda. In several countries, FCAP is playing a catalytic role for the Programme on Forests. FCAP creates an entry point--through capacity building work and introduction of a holistic approach--that facilitates countries' participation in PROFOR, their ability to test and further develop innovative approaches to nfps, and the establishment of forest partnership agreements (see Box 3). FCAP will be phased out when the delivery of programme funds has been completed.

BOX 2: Elements of the Forest Capacity Programme

The overall purpose of the UNDP Forest Capacity Programme (FCAP) is to work with countries on establishing their capacity to undertake the multi-disciplinary task of preparing and implementing their nfp. FCAP aims to develop the methodologies and skills of the various actors, so that participatory and cross-sectoral frameworks may be established for the iterative process of forest sector planning. The programme focuses support at the country level through the UNDP Country Office system, to provide assistance in building national capabilities and institutions for a successful nfp process.

The key objectives of FCAP are to:

- establish country capacity to design and implement national forest programmes;
- establish effective mechanisms for coordination, consultation and collaboration between all actors;
- improve the availability of information on forest resources;
- improve availability of forest management guidelines and training materials; and
- build national capacity to manage international participation among donors and other organisations, and to coordinate independent inputs from divergent sources into a single coherent programme.

Through FCAP, UNDP Country Offices help to establish small coordinating offices within the national governments to direct the nfp process, run workshops, develop programmes, disseminate information, and mobilise resources.

1.4.2. Forest Partnership Agreements

A forest partnership agreement (FPA) is an instrument designed to coordinate and guide the actions of international and national actors in support of the national forest programme implementation process. Its design is based on the recognition by the international community that sustaining forests requires far-reaching, country-driven ‘compacts’ between programme countries and the international donor community.

The FPA concept is based on the premise that the international community has an essential interest in preventing large-scale forest loss in countries of the South—particularly with regard to mitigating climate change, protecting biodiversity, and preventing conflict and social disorder (which often follow widespread land degradation).

An FPA would specify the actions to be taken by a country, both within and outside of the forest sector, to combat deforestation, and the nature and extent of the support that can be expected from the international community for that programme. An FPA is not yet another isolated initiative for forests. Rather, it would require a country to adopt pro-forest programmes that reach far beyond activities in the traditional forestry sector, to include the cross-sectoral and macro-economic changes necessary to stem forest loss. Broad national commitment to undertaking cross-sectoral policy and institutional reform is essential.

Furthermore, FPAs would necessitate and incorporate actions relating to the alleviation of poverty, the creation of sustainable livelihoods, the empowerment of women, and other essential development components. Thus, a national commitment to an FPA and to sustaining forest resources would range far beyond even the most broad of forest sector programmes now underway.

Clearly, such an approach will require greatly enhanced financial, technological, and other support from the international community. To date, there is no international agreement spelling out such support, as there is on other issues, e.g.: through the conventions on biodiversity and climate change. UNDP proposes to help foster such compacts in the form of forest partnership agreements between individual developing and donor countries.

BOX 3: Elements of a Forest Partnership Agreement

In an FPA, both developing and developed countries negotiate a ‘compact’, through which each side makes commitments and takes specified actions.

Among the actions developing countries could commit to taking are

- removal of subsidies and incentives for forest destruction;
- full valuation of marketed natural resources;
- security of property rights for the rural population;
- technically sound land use planning and serious incentives for sustainable use;

- effective measures to promote human development, especially in areas of rapid resource degradation;
- empowerment of rural women living in forest areas; and
- participatory strategy and capacity building programmes on forests.

Continued on the next page

Commitments on the part of the international community could include

- phased debt reduction as the fpa is implemented (thus lessening the need for hard currency derived from forest products);
- support for raising agricultural productivity within the country;
- premium paid for forest products produced sustainably;
- incentives for private investment;
- secure sustainable development funding; and
- funding for capacity building.

1.4.3. The Global Environment Facility

UNDP is one of three Implementing Agencies (along with the United Nations Environment Programme and the World Bank) of the Global Environment Facility (GEF). While the GEF does not have a forestry programme per se, its activities in the focal areas of biodiversity protection and climate change are often closely associated with forestry issues. UNDP is currently responsible for more than eighty projects in these two focal areas, worth nearly US\$250 million. In addition, UNDP manages the GEF Small Grants Programme, which awards grants up to US\$50,000 to non-governmental organisations (NGOs) and community-based groups (CBOs) for local environmental activities. Of the more than 500 projects funded to date, 95 percent address local biodiversity and climate change concerns; again, a majority of these have central forestry components.

1.4.4. Coordination of External Assistance

The United Nations General Assembly has made two resolutions (47/199 and 44/211) to enhance the efficiency and effectiveness of multilateral cooperation. In these resolutions, the Country Strategy Note (CSN) is offered as an innovative instrument, with particular potential for coordination of the forestry sector. The CSN is a document for national governments, developed in collaboration with the UN system, to establish a framework for a coherent response to an individual country's requirements. In addition to coordination, the CSN is aimed at better integration of the national goals and programmes with those of the UN system, as well as aiming at increased facilitation of resource mobilisation. The UNDP Resident Coordination System (RCS) has been established to facilitate and support the national government in its role as coordinator of all types of external assistance, on the basis of national priorities. The CSN and RCS are key modalities, used by the UN system to reform programmes. By mid-1995, CSNs had been elaborated in six countries and the process was underway in another eighty-five countries. The CSN provides a useful framework for dealing with forestry issues in the context of macro policies, and could be extended to incorporate the coordination of multilateral development banks and bilateral aid agencies.

1.4.5. Promotion of Public-Private Partnerships

In 1995, UNDP initiated the Public-Private Partnership Programme, in collaboration with the World Business Council for Sustainable Development and a non-profit Swiss association, Sustainable Project Management (SPM). The programme is a collaborative effort between governments, the private sector, non-governmental organisations, and the scientific and academic communities. It promotes a form of privatisation in which government and private companies assume co-responsibility and co-ownership for the provision of certain services. Through these partnerships, the advantages of the private sector—efficiency, dynamism, access to finance, and technological knowledge—are combined with the social responsibility and environmental awareness of the public sector institutions. The programme has initially been focusing on the urban environment and related services, but offers a model for other sectors, including forestry.

1.4.6. UNDP's Involvement in the Intergovernmental Panel on Forests and Intergovernmental Forum on Forests

The UNDP has supported the work of the IPF by providing staff for the IPF Secretariat who was, inter alia, responsible for the work element on National Forest and Land Use Programmes, and by acting as Lead Agency for the IPF work elements on 'Underlying Causes of Deforestation' and on 'Finance'. On the topic of 'Finance', UNDP co-sponsored, with the Danish and South African governments, a highly successful inter-sessional workshop in Pretoria on 'Financial Mechanisms and Sources of Finance for Sustainable Forestry' in 1997. This conference has not less than framed the debate and prepared the basis for any future work on innovative forest financing. UNDP has also been deeply involved in the work on National Forest and Land Use Programmes, lead by FAO and several bilateral partners.

UNDP is further playing a key role in the Interagency Task Force on Forests (ITFF), established to support the IPF and its successor, the Intergovernmental Forum on Forests. ITFF, at the request of the IPF, has produced a joint strategy for the implementation of IPF recommendations. This strategy requests of UNDP, inter alia, to "... assist countries in building country capacity to enhance national forest programmes in developing countries and countries-in-transition" and to lead the "development of partnership agreements for the implementation of national forest programmes." As the lead agency on 'Finance', UNDP was asked to facilitate the work element 'International Cooperation in Financial Assistance and Technology Transfer for Sustainable Forest Management' and to draft the strategy for joint ITFF implementation of IPF recommendations on this topic. The United Nations General Assembly Special Session (UNGASS) of 1997 has "...decided to continue the intergovernmental policy dialogue on forests through the establishment of an ad hoc open-ended Intergovernmental Forum on Forests under the aegis of the UNCSD...." The decision specifically mentions the area of financial resources as one needing further attention and UNDP continues to have lead responsibility on finance.

Clearly, the present international attention and interest in forests provide UNDP with an exceptional opportunity to seize the momentum and advance innovative approaches to ensuring the contribution of forests to sustainable development.

2. PROGRAMME RATIONALE

The foregoing analysis of the forest situation clearly indicates the continuing need for national and international efforts to promote sustainable forest management, in the context of overall sustainable forest development in developing countries. It also shows why systematic efforts must be made to increase private sector investments in forestry, and redirect these from unsustainable to sustainable practices. The instruments to be applied in these efforts are, at least in principle, either already in existence or being developed through various international and national processes and initiatives. These instruments are also widely supported, as demonstrated, for instance, by the Proposals for Action in the Final Report of the IPF.

It is, however, equally evident that (i) better approaches and methodologies need to be applied to these instruments, and that (ii) the development and application of these instruments is not taking place in a fully coordinated manner, that would maximise complementarity and avoid overlaps and gaps in their application. This situation may, in the worst case scenario, lead to an array of confusing and overlapping initiatives and approaches, being promoted by international agencies and donor organisations with minimal coordination and little consultation with the developing countries. Without improvements, the post-IPF situation in international forestry risks looking very much like the pre-UNCED situation.

The UNDP Programme on Forests seeks to avoid this scenario and instead, to promote a collaborative approach to sustainable forest management, maximising the use of existing instruments and available sources for financing. PROFOR is based on the premise that the analysis of constraints on and opportunities for SFM must take place at local and national levels. Based on this, it is possible to improve the existing instruments and at the same time assist countries in their application. Identification of the most successful strategies to promote SFM, combined with further development of sectoral policy and planning instruments, gives a firm basis for the design and application of innovative financing mechanisms to support SFM. The programme aims simultaneously at concrete action to guide and improve on-going national activities, and at the development of the conceptual basis, approaches and instruments for making SFM a reality.

UNDP is well suited to lead the implementation of this programme, building on its past and current efforts to support developing countries in the development of their forestry sectors, its involvement in the development of innovative financing mechanisms in forestry and other sectors, its mandate as the country-level coordinating body for UN agencies, and its central role in the ITFF. At the same time, UNDP has many partners in the international community, both donor and developing countries, and other international agencies and organisations are interested in collaborating with PROFOR. Clearly, the programme can be successfully implemented only in close coordination and collaboration with the various stakeholders in the developing countries participating in PROFOR, as well as shareholders in the international community. As mentioned earlier, the agreed joint agenda for action for the ITFF describes the areas of collaboration between the agencies represented in the ITFF.

Typically, PROFOR collaborating partners include:

- Government agencies of the participating developing countries
- NGOs and CBOs from the participating developing countries

- Representative organisations of the private sector, private sector companies from the participating developing countries, or TNCs active in those countries
- Relevant bilateral donors
- WB, and other MDBs
- FAO and other relevant UN agencies
- ITTO
- International environmental NGOs and Cos (*e.g.*: WWF, IUCN, IIED, WFCSD, TFF)
- Academic and research institutions (CIFOR, Iwokrama)
- Private timber investment management firms
- Existing foundations and funds, using public and private funding to leverage private investment in SFM (*e.g.*: the Tropical Forest Foundation, FUNDECOR, PROCAFOR)
- Commercial asset management and investment funds
- Buyers' Groups promoting SFM (*e.g.*: WWF-UK Plus Group)

3. PROGRAMME APPROACH

3.1. PROGRAMME OBJECTIVES

The PROFOR overall development objective is to enhance the contribution of forests to sustainable livelihoods and sustainable development. The immediate objective (purpose) is effective strategies for sustainable forest management at national and international levels.

3.2 PROGRAMME DESIGN

PROFOR operates simultaneously in two spheres: at the country level to assist the development of national strategies for SFM; and at the international level to advance the development of policy and financing instruments as elements of national and international strategies to support SFM.

At the national level, the programme consists of three primary processes implemented by PROFOR partner countries, which contribute to the identification and implementation of innovative and effective strategies for SFM through comparative analyses, ongoing synthesis of experience, and capacity building measures.

The three processes operating at the national level are:

1. improving the understanding of the constraints on and opportunities for SFM;
2. improving approaches to the process of planning, programming and implementing SFM; and
3. developing and strengthening innovative financing mechanisms and instruments for SFM.

These three processes are mutually reinforcing. In the first instance, an analysis of the factors in a given country situation that either constrain or provide opportunities for SFM will indicate possible courses of action. Improved understanding of these factors contributes to strengthening the principle country-level policy, planning and implementation instruments for SFM. These, in turn, indicate the design and application of financing instruments required. At the same time, the three processes can operate independently to allow PROFOR to respond to country-specific needs.

The implementation of these processes at the national level is complemented by thematic studies to address gaps in knowledge and advance the development of instruments promoting SFM. The thematic studies may address an issue specific to a particular country and are in that case coordinated at the national level. These background studies or issues papers seek to provide a firm basis for partner organisations to make decisions that promote SFM in a coherent and confident manner.

Thematic studies are also carried out on issues of “global” concern, for example on the subject of financial mechanisms for SFM, and are in that case coordinated by PROFOR New York. These studies and resulting recommendations aim to contribute to the development of policy and financing instruments and their application at the national and international levels. As such, they also support the international forest dialogue.

PROFOR’s work at a national level, along with the thematic studies it coordinates both nationally and internationally, provide the basis of knowledge for the fourth programme element – coordination. The coordination element aims to synthesise and analyse the information generated by PROFOR’s national and international work, to consider its applicability in a range of contexts, and to share the knowledge with the wider international community with an interest in forests.

Thereby, the coordination component aims to provide a two-way link between national level experience and the international forest dialogue and to facilitate the participation of developing countries, in various relevant fora, in the development and application of international instruments promoting SFM.

It is stressed that, although the identification of the critical elements to be addressed by the programme has been done broadly, based on the results of several IPF intersessional activities, the IPF Proposals for Action, and other relevant processes, the programme focuses on those issues that are related to the development and immediate objectives: enhancing the contribution of forests to sustainable livelihoods and sustainable development through the adoption of effective strategies for SFM.

The programme focuses on three specific situations that may be considered in programme processes, depending on the needs expressed by, and context of, participating countries. These include: (i) local community involvement in SFM (such as joint forest management); (ii) SFM for industrial forestry (for example, industrial concessions); and (iii) strict forest conservation and related development to promote local community and other private sector participation in conservation management activities (*i.e.*: SFM in buffer zones, SFM for environmental conservation and rehabilitation, ecotourism).

Programme implementation at the country-level is based on a participatory and open consultation process to derive national priorities and to complement and link the existing or planned activities supported through other means. This process may involve a review of existing information, a workshop for key stakeholders and interest groups, and/or semi-structured and open interviews with relevant individuals and organisations. The approach adopted is dependent on the specific conditions, needs and context of the partner country, *i.e.*, how far the country is in developing and implementing its nfp, and what other support is available.

Once national programme priorities have been agreed, a national workplan is formulated and a work-team established with backstopping from the PROFOR team at UNDP headquarters as well as support from a team of international consultants. The intention of this mode of operation is to

build the capacity of national actors and institutions leading the activities, while PROFOR plays a supporting and facilitating role. The United Nations Office of Project Services (UNOPS) is the executing agency for the Programme on Forests. The programme is administered jointly with national counterpart institutions and UNDP Country Offices.

PROFOR operates a flexible learning-process approach both at the national and international level. The learning process approach allows PROFOR to conduct iterative revisions and updates, to best capture knowledge gained through PROFOR activities. However, it is important to manage this flexibility. A monitoring system for the programme overall has been developed and is continuously refined on the basis of experience. PROFOR's monitoring system provides a framework against which national monitoring systems can be developed and agreed, and it facilitates the comparative analyses necessary to produce lessons and recommendations applicable at an international level. By consistently checking progress, revising design, and incorporating knowledge, PROFOR will be better placed to identify and promote innovative and effective strategies to support SFM.

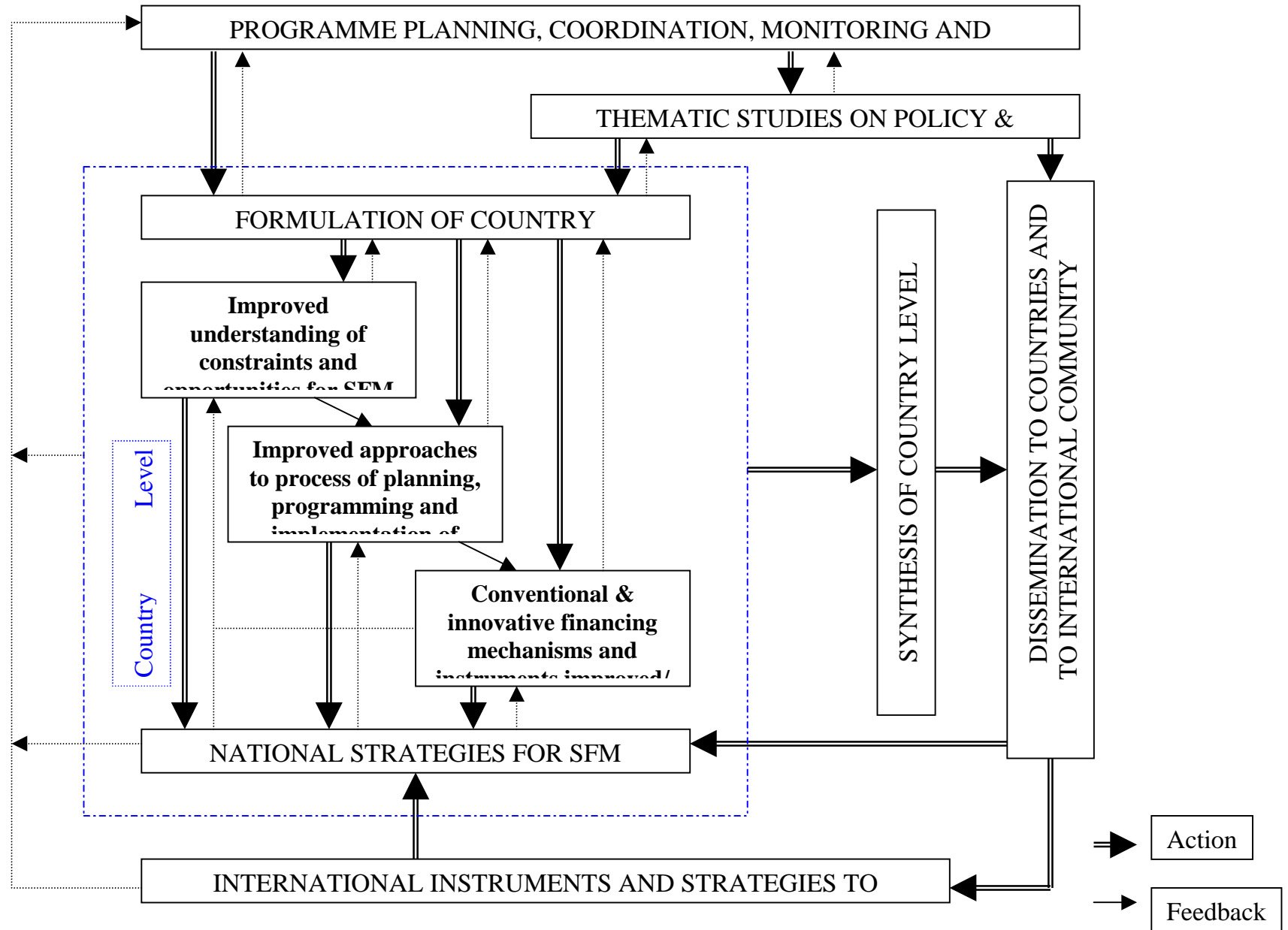
The current iteration of the programme framework is presented in Table 1 and the process and links between programme elements is illustrated in Figure 1 below.

TABLE 1: UNDP PROFOR Logical Framework, 1997-2001

Narrative Summary	Objectively Verifiable Indicators	Means of Verification	Assumptions
<p>Overall Objective: Contribution of forests to sustainable livelihoods & sustainable development enhanced.</p>	<ul style="list-style-type: none"> ➤ Contribution of forests to GDP. ➤ Contribution of forests to the provision of employment (rural and urban). ➤ Sustainability of the resource base assess through internationally agreed criteria and indicators. 	<ul style="list-style-type: none"> ➤ Economic and social indicators. ➤ Forest resource inventories / monitoring. 	
<p>Immediate Objective: Effective strategies for SFM adopted at national and international levels.</p>	<p>Criteria</p> <ul style="list-style-type: none"> ➤ Legal and policy frameworks and their implementation instruments derived through transparent processes and supported by the major stakeholders. ➤ Increased participation of private sector and local communities in SFM. ➤ Increased effectiveness of international cooperation. 	<ul style="list-style-type: none"> ➤ Govt. functional reviews, policy reviews, PROFOR reports, operational reviews of forest sector, Forest Act and related Acts and regulations. 	<ul style="list-style-type: none"> ➤ Economic and political context of partner countries remains stable and supportive. ➤ Sufficient incentives exist to secure increased participation by private sector and local communities. ➤ International community committed to supporting the implementation of strategies for SFM.
<p>Outputs: 1. National capacity in SFM of participating countries enhanced through improved understanding of the constraints and opportunities for SFM in a given country situation.</p>	<p>Criteria</p> <ul style="list-style-type: none"> ➤ Conditions and incentives necessary to achieve SFM analysed and agreed. ➤ Policy and legislative framework necessary to support SFM identified in participating countries. ➤ Institutional arrangements necessary to support SFM analysed and agreed in participating countries. ➤ Capacity of stakeholders/ interest groups to fulfil agreed R&R (roles & 	<p>Nfp documentation or other forest policy instruments and PROFOR reports, govt reports, NGO and CBO reports. FOR reports.</p>	<ul style="list-style-type: none"> ➤ Partner countries remain committed to principles of SFM and to the development of instruments and arrangements to support it. ➤ International

Narrative Summary	Objectively Verifiable Indicators	Means of Verification	Assumptions
	responsibilities) strengthened in participating countries.		community remains committed to supporting the development of SFM strategies.
2. Improved approaches to process of planning, programming, and implementation of SFM developed in participating countries.	<ul style="list-style-type: none"> ➤ Govt. has clear development objectives articulated in policy frameworks and supported by appropriate laws and regulations. ➤ An NFP process based on internationally and nationally agreed principles and elements is in place. ➤ FPA or similar programmatic implementation mechanism for the NFP in place. ➤ Govt relates international commitments to activities at national level. 	Nfp documentation, govt policy documents, reports of international agencies, NGO and CBO reports, CIFOR reports.	<ul style="list-style-type: none"> ➤ Partner countries remain committed to principles of SFM and to the development of instruments and arrangements to support it. ➤ International community remains committed to supporting the development of SFM strategies.
3. Conventional and innovative financing mechanisms and instruments improved / developed in participating countries.	<ul style="list-style-type: none"> ➤ Consolidated national / local level mechanisms and instruments articulated in the NFP financing strategy in place. 	Nfp documentation, PROFOR reports, govt financial reports, increased absorption of ODA.	<ul style="list-style-type: none"> ➤ Partner countries remain committed to principles of SFM and to the development of instruments and arrangements to support it. ➤ International community remains committed to supporting the development of SFM strategies ➤ Access to required information is secured.
4. Lessons learned in partner countries synthesised and disseminated.	<ul style="list-style-type: none"> ➤ Synthesis of lessons on effective SFM strategies for given country situation undertaken and disseminated. 	PROFOR reports, govt reports, record of national and international meetings.	<ul style="list-style-type: none"> ➤ An agreed monitoring system for PROFOR is developed, revised on the basis of experience, and applied in all participating countries.
5. Recommendations on national / international policy and financing instruments available to countries and international agencies.	<ul style="list-style-type: none"> ➤ Generic lessons on characteristics of effective SFM strategies derived from experience of participating countries in context of international debate. ➤ Options for strengthening finance to SFM in a range of contexts developed. ➤ Knowledge of strengths and weaknesses of nfps and FPAs enhanced. ➤ Understanding of potential of public/ private sector partnerships improved. 	PROFOR reports, record of meetings, documentation of national and international debates and negotiations.	<ul style="list-style-type: none"> ➤ Commitment and willingness of partners to take up and adapt recommendations to their conditions.

FIGURE 1: UNDP PROFOR Programme Framework



3.3. COORDINATION AND COLLABORATION

The Programme on Forests provides a framework into which coordination, with other units of UNDP as well as with external partners, is incorporated. The work of PROFOR is, of course, cross-sectoral in nature (see section 1). The programme's implementation strategy involves a process of consultation and coordination which integrates the programme components and provides opportunities for collaboration with other units of UNDP and external partners. Partners can infuse their expertise, and contribute what has been learned about sustainability also from the perspective of other sectors, in order to inform the approach to the development and orientation of nfps. This mode of collaboration is process-oriented, in as much as it is trying to break down institutional barriers between sectors and to find mechanisms for fostering dialogue and coordination between sectors in the context of nfps. The goal is to devise processes by which countries can ensure that their activities in such areas as energy, food security, conservation, and forestry are compatible and synergistic. This requires inter alia identification of trade-offs between alternative development options, coordination of policies and roles, and directing and maximising both internal and external inputs, in order to advance their (countries') development goals. Collaboration with other partners should contribute to an analytic framework that promotes multi-disciplinary and cross-sectoral considerations in the orientation of forest sector plans, which aim to manage the various multiple benefits of forests. Such a framework should consider not only other natural resource sectors but also such issues as governance and gender. For example, issues such as how forest management models like collaborative forest management impact on agricultural production and the livelihoods of women must be addressed.

3.3.1. Collaboration with other UNDP Units

PROFOR provides two types of opportunity for links with the other UNDP units: (i) articulation of concrete proposals to develop joint approaches or 'products', and (ii) input of their expertise into the work of PROFOR components. PROFOR also seeks to build partnerships with the activities facilitated by UNDP's country offices – whether to develop joint products or processes, or simply to ensure free flow of information and learning.

3.3.2. Collaboration with External Partners

The programme design provides points of entry for collaboration and joint activities with bilateral agencies, according to their own interest, and with the Regional Bureaux and other units of the BDP and SEED. Several donors are collaborating through co- and parallel financing, for both the coordination and facilitation roles undertaken by PROFOR NY, and efforts at the country level, for the application and testing of the conceptual work and capacity building activities. For instance, in Malawi, the United Kingdom bilateral development agency – DFID – has undertaken a joint design process with PROFOR Malawi to develop fully integrated workplans to support the Malawi nfp process.

3.4. GEOGRAPHIC AND THEMATIC SCOPE

The programme design allows for flexibility in the application of PROFOR funds in two ways.

- Depending on the interest expressed by partner countries and total size of donor co- and parallel financing, the number of programme countries can be either reduced or expanded.
- Depending on the size of donor co- or parallel funding for a certain component in a specific country, PROFOR funds are shifted to focus on or expand those components that have received lesser co-financing than others.
- The extent of emphasis on the programme components 1 and 2 varies with a given country situation. Activities are focused based on identifying gaps in information and support to the nfp process. Major focus is placed on component 3 "finance," both at the national and the international level, through studies, conceptual development, and design and ???? of financing mechanisms and constraints.

4. PROGRAMME ELEMENTS

4.1 IMPROVING UNDERSTANDING OF THE CONSTRAINTS ON AND OPPORTUNITIES FOR SFM

The first programme element seeks to ensure that an adequate base of knowledge about the factors underlying effective strategies for SFM is available to inform the following two processes which deal more with issues of instruments. The analysis of the constraints on, opportunities for, and successes and failures with SFM identifies the most viable strategies for SFM, and establishes the conceptual basis for strengthening national policy instruments, such as nfps and FPAs, and innovative financing mechanisms and instruments for SFM. This first element is directly linked to the IPF Proposals for Action concerning underlying causes of deforestation as it seeks to link SFM strategies to the wider issues impacting deforestation, forest degradation, and poverty. In many of PROFOR's partner countries much of the required information is already available, and in some cases it has been compiled through national policy processes or other initiatives. It is anticipated that some specific studies or analyses will have to be done to address gaps in knowledge or to analyse the available information in the context of experience gained in other parts of the world. PROFOR works with partner organisations to collate, generate and disseminate the knowledge and to organise consultations and other capacity -building measures for key stakeholder groups.

This programme element is carried out in close collaboration with and makes full use of the results of on-going SFM initiatives, such as the recommendations of the WCFSD, the work done by ITTO and WB/IFC, the criteria and indicators for SFM developed by the Forest Stewardship Council (FSC), projects financed by bilateral agencies, and so forth.

BOX 4: Some Potential Issues of SFM

Some potential issues of SFM to be addressed by PROFOR are listed below:

- How can extra-sectoral constraints to SFM (such as 'perverse' subsidies for destructive practices in agriculture, settlement, road construction, and mining) be dealt with or eliminated?
- What kind of sectoral policies and legislation are necessary preconditions for SFM?
- What types of institutional arrangements are needed for SFM (for example, how should the roles of the various types of stakeholders be defined, what type of coordination mechanisms are needed)?
- What do community-based organisations (CBOs) and indigenous people require to effectively contribute to and participate in SFM?
- How can SFM be made attractive to the private sector, and what types of instruments have proven most effective (i.e., how can the private sector be effectively induced to move from unsustainable to sustainable forestry practices)?
- How can the public sector be made more effective as a facilitator of SFM, and as the normative body ensuring compliance with SFM practices?
- What is the effectiveness of regulatory procedures as compared to market-based incentives for promoting SFM?
- How can internationally developed criteria and indicators be applied as a basis for monitoring the achievement of or progress towards SFM?

Based on priorities for PROFOR support identified by a participating country, at the national level this element of PROFOR's works seeks to:

- improve the understanding of the conditions and incentives necessary to achieve SFM;
- strengthen the capacity of stakeholders and interest groups to analyse identify and analyse the factors promoting SFM;
- support the identification of an enabling policy and legislative framework for SFM; and
- support the analysis and agreement of the institutional arrangements necessary to support SFM.

The country-level findings will inform PROFOR's work at an international level to improve the understanding of effective strategies for SFM.

4.2. IMPROVED APPROACHES TO THE PROCESS OF PLANNING, PROGRAMMING AND IMPLEMENTING OF SFM DEVELOPED IN PARTICIPATING COUNTRIES

This process begins with a consultation process to assess what policy instruments are currently in place, where these instruments have evolved from and what lessons have been learned during their design and/or implementation. The knowledge gained under element one, described above, assists in a participatory assessment of the strengths and weaknesses of existing policy instruments.

The strategy underpinning this programme element is to identify, in the light of past experience, the options for improving the effectiveness of nfps as sectoral planning instruments to promote SFM. This includes consideration of FPAs as an implementation mechanism for nfps. In partner countries, PROFOR responds to locally expressed needs to support ongoing as well as new nfp and FPA processes.

The programme element is directly linked to the IPF Proposals for Action regarding national forest and land use programmes, as well as to the related ITFF Implementation Strategy. The ITFF Strategy—in which national forest programmes have been identified as the umbrella under which all forest activities, or those impacting on forests, should be undertaken—recommends that ITFF members should, in collaboration with other national and international development partners, find ways and means to improve coordination and thus ensure the efficiency and effectiveness of their efforts. The implementation is carried out in close coordination with the FAO, which is the lead agency for this Proposal for Action on national forest programmes.

BOX 5: Critical Elements in the Strengthening of nfps and FPAs as Instruments for SFM

Some critical elements in the strengthening of nfps and FPAs as instruments for SFM are outlined below.

Nfps

Sectoral planning, policies and institutions

- How can non-sectoral (inter-sectoral) issues be most effectively addressed in sectoral planning? In particular, how is the issue of ‘perverse’ subsidies in other sectors that lead to forest destruction and unsustainable use, best approached? For instance, are such subsidies prevented through more careful economic and policy analysis?
- What types of participatory and conflict resolution mechanisms are most effective for policy processes at both central and decentralised levels?
- How can ‘policy conditionalities’ be better conceptualised to become country-driven policy reform processes with adequate milestones for monitoring?

Investment programming

- What are the roles of the various stakeholders in investments in SFM?
- What types of investments are most effective in promoting SFM?
- What is the most useful way to promote public sector investments, especially in cases where external support is required?
- What types of financial incentives and delivery systems should be applied to promote private sector, NGO, and local community participation in SFM?
- What types of investment programming methods can be employed to ensure the coherence of the implementation of the investment programme?
- How can investment programming be decentralised to reach provincial and local levels?

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Capacity building

- What are the most effective capacity building measures for strengthening the following functions of the public sector: leadership, facilitation and monitoring of SFM, coordination of all stakeholders, consensus building, and conflict resolution?
- What are the most effective capacity building measures to strengthen the ability of the private sector to implement productive activities, and to ensure their full participation in the policy dialogue?
- What are the most effective capacity building measures to strengthen NGOs and CBOs in their respective roles, and to ensure their full participation in the policy dialogue?

Coordination

- How can inter-sectoral and sectoral policy coordination, as well as operational (investment) coordination, be most productively organised at both central and decentralised levels?
- How can it be ensured that all major stakeholders (public sector, private sector, NGOs, community-based groups, external financing agencies, etc) have the possibility and capacity to effectively participate in coordination?

*FPA*s

- Is there a need for an FPA to ensure the effective and efficient implementation of the nfp?
- What are the critical elements of a nfp that need to be in place before an FPA can be initiated?
- How can the follow-up and monitoring of the agreed sectoral policy and institutional reform processes be ensured in an FPA?
- How can the non-forestry (cross-sectoral) issues be formalised into binding agreements in an FPA (e.g., macroeconomic, land-use related, and agricultural policy related issues)?
- How can resource mobilisation from the various sources (national/international, public/private) be secured in an FPA?
- How can the adherence of the various financing entities and sources (national/international, public/private) to the FPA commitments and rules be ensured (e.g., through unified approaches, pooling of resources, use of national expertise when available, provision of untied resources)?
- How can the Sector Investment Programmes (SIPs) of the multilateral development banks be integrated into FPAs?
- How can participation, effective monitoring of progress, and the transparency of information to all stakeholders be ensured in an FPA?
- How can the rights (human as well as property) of indigenous forest dwellers and other local groups be formally secured in an FPA?

Based on priorities for PROFOR support by a participating country, at the national level this element of PROFOR's work seeks to:

- support the development of clear development objectives for the forest sector articulated in policy frameworks and supported by appropriate laws and regulations;
- support the development of a realistic process to achieve stated development to the objectives;

- strengthen the capacity of stakeholders and interest groups to fulfil their agreed roles and responsibilities;
- strengthen information collection and monitoring systems to support the ongoing refinement of policy instruments and their implementation; and to
- support governments in relating international commitments to activities at the national level.

The country-level findings will inform PROFOR’s work at the international level to improve the understanding of effective policy instruments to support SFM.

4.3. CONVENTIONAL AND INNOVATIVE FINANCING MECHANISMS DEFINED AND STRENGTHENED IN PARTICIPATING COUNTRIES

This element seeks to both improve conventional financing mechanisms, and to identify, study, develop and test innovative financing mechanisms for SFM. Particular attention is given to the role of public-private sector partnerships – partnerships that aim to use public funds to leverage private investments. Building on the activities and findings of the other programme elements, and particularly on thematic studies undertaken more widely by PROFOR and its partner organisations, PROFOR seeks to assess existing financial flows and mechanisms and their effectiveness, and to work with governments and other organisations to develop financing strategies for SFM.

This programme element looks into means for advocating SFM in general and for directing new resources towards investments for SFM. Emphasis is placed on ensuring the replicability of the financing mechanisms and instruments that are developed and tested. PROFOR’s work in this area is directly linked to the IPF Proposals for Action regarding international cooperation in financial assistance, and forms part of the ITFF Implementation Strategy for this IPF topic, for which UNDP is the lead agency.

BOX 6: Critical Issues in Forest Financing

The following critical elements require close examination to ensure that proposed financing strategies are operationally viable and have a realistic capacity to raise funds.

National public sector financing

- How can royalties, taxes, licences, and user fees be structured to capture the full economic value of forest resources, including externalities?
- How can the collection of royalties and taxes be made more effective?
- What is the appropriate approach to earmarking sectoral revenue for reinvestment into the sector?
- How can the capacity of the public sector to manage sectoral financing be improved?

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National and international private sector financing

- What is the real potential for increased national and international private sector financing?
- What new and additional, or existing but under-utilised, funding sources for SFM can be identified (for instance, carbon offsets and tradable emission permits and tradable conservation obligations), and how could these be more effectively tapped?
- How can the capital markets be systematically informed about and engaged in opportunities for investment in SFM (for instance, through building communication linkages, or developing optimum investment products)?
- How can the ‘new market’ and other risks around SFM be most effectively mitigated, including both emerging sector risks and emerging market risks (such as early stage funds, sector defining funds, and value chain investing)?
- How can the incremental costs of internalising environmental externalities related to SFM be covered (e.g., through tax breaks, subsidies, or certification-based product differentiation)?
- What are the costs of moving capital into sustainable forestry, and how can these costs be compensated (e.g., through subsidised analysis of investment opportunities and preparation of investment projects)?

International public sector financing

- What is the real potential for increased international public sector financing?
- How can new and additional, or existing but under-utilised, funding sources for SFM (such as the GEF) be identified, and how can these be most effectively tapped?
- How can the administrative efficiency of international public sector financing be improved at the country level?

Mixed public-private sector financing

- What are the most feasible mechanisms (in terms of the leverage effect and administrative efficiency) of public-private sector financing in the forestry sector, with respect to all three specific SFM situations described in section 3.2?
- What types of promising financing mechanisms exist in other sectors that could be applied to financing SFM?

Based on priorities in participating countries at the national level, this element of PROFOR’s work seeks to:

- Improve application of existing financial mechanisms towards SFM;
- Define public-private partnerships for financing SFM;
- Assess the potential of new, evolving financing mechanisms for SFM; and
- Identify and implement strategies drawing on the above to strengthen financing for SFM.

The work PROFOR undertakes at the national level and its work at the international level as the IFF lead agency on finance are particularly closely integrated in this element. Wide ranging feasibility studies considering the options for financing SFM worldwide will draw on the analysis and development of national level financing strategies, while those ideas developed at an international level will be channelled to partner countries where they can be tested and further refined as appropriate. This two-way information flow is a characteristic of all of PROFOR’s work, but, due to the innovative nature of this element and its importance to the future of SFM, it is of particularly note in this sphere.

4.4. EFFECTIVE STRATEGIES TO SUPPORT SFM, INCLUDING POLICY PROCESSES AND FINANCING MECHANISMS, IDENTIFIED AND PROMOTED AT THE NATIONAL AND INTERNATIONAL LEVEL

It is under this programme element that the task for coordinating the diverse activities and findings of PROFOR rests. The coordination team at UNDP HQ is not only responsible for facilitating the achievement of the national level outputs and activities, but also for ensuring that national programmes are designed and implemented in a coherent manner, consistent with the PROFOR framework. This element interprets the detailed national level work of PROFOR and applies it to a range of countries and contexts. Programme coordination further ensures that both the thematic studies and country level lessons and experiences are drawn together, analysed and disseminated to promote SFM at the national and international level. This equates with the achievement of PROFOR's immediate objective.

The coordination element seeks to:

- Derive generic lessons on the characteristics of effective SFM strategies from the experience of participating countries and consider them in the light of international experience;
- Identify options for strengthening the financing of SFM in a range of contexts;
- Enhance knowledge of the strengths and weaknesses of nfps and FPAs as among the international community; and
- Improve the understanding of the potential for public-private sector partnerships among all stakeholders.

PROFOR recognises that strong coordination and communication will be integral to the success of this element. Hence, activities under this element include that of developing internal and external communications strategies – these will be refined on the basis of experience and aim to ensure efficient learning and information sharing within the programme, as well as developing the links between PROFOR and the wider international community who are both partners and target audiences.

ANNEX I

Excerpts of IPF Proposals for Action (IPF Final Report, February 1999) of Direct Relevance to the UNDP Programme

Concerning the underlying causes of deforestation and forest degradation (IPF Programme Element I.2), the Panel:

- urged countries, as appropriate, with the support of international organisations and the participation of major groups where relevant to prepare in-depth studies of the underlying causes at the national and international levels of deforestation and forest degradation;
- urged countries, as appropriate, with the support of international organisations and the participation of major groups where relevant to assist the developing countries to promote an integrated approach towards the formulation and application of national policy frameworks and in conducting strategic analyses of relevant political, legal and institutional policies that have contributed to deforestation and forest degradation as well as of those that have had a positive effect;
- urged developed countries, UNDP and other multilateral and international organisations, including regional development banks, to assist developing countries and countries with economies-in-transition in these activities.

Concerning progress through national forest and land use programmes (Programme Element I.1.), the Panel:

- encouraged countries, in accordance with their national sovereignty, specific country conditions and national legislation to develop, implement, monitor and evaluate national forest programmes, which include a wide range of approaches for sustainable forest management taking into consideration the following: consistency with national, sub-national or local policies and strategies and as appropriate international agreements; partnership and participatory mechanisms to involve interested parties; recognition and respect for customary and traditional rights of inter alia indigenous people and local communities; secure land tenure arrangements; holistic, inter-sectoral and iterative approaches; ecosystem approaches, which integrate the conservation of biological diversity and the sustainable use of biological resources; adequate provision and valuation of forest goods and services;
- called for improved cooperation in support of the management, conservation and sustainable development of all types of forests, and urged all countries to use national forest programmes, as appropriate, as a basis for international cooperation in the forest sector;
- encouraged countries to integrate suitable criteria and indicators for sustainable forest management as appropriate into the overall process of the formulation, implementation, monitoring and evaluation of national forest programmes on a step by step basis;

- encouraged countries to elaborate systems, including inter alia private and community forest management systems, for planning, implementing, monitoring and evaluating national forest programmes that identify and involve where appropriate a broad participation of indigenous people, forest dwellers, forest owners and local communities in meaningful decision-making regarding the management of state forest lands in their proximity, within the context of national laws and legislation;
- urged countries, particularly in developing countries and countries with economies in transition, to include capacity building as an objective of national forest programmes, paying particular attention to training, extension services and technology transfer and financial assistance from developed countries taking due account of local, traditional forest related knowledge;
- encouraged countries to establish sound national coordination mechanisms or strategies among all interested parties, based on consensus building principles, to promote the implementation of national forest programmes; and
- encouraged countries to further develop the concept and practice of partnership, which could include partnership agreements, in the implementation of national forest programmes, as one of the potential approaches for improved coordination and cooperation between all national and international partners.

Concerning international cooperation in financial assistance and technology transfer (Programme Element II), the Panel:

- urged international organisations and international financial institutions to use national forest programmes, as appropriate, as a framework for the support and coordination of forest related activities;
- invited UNDP and the Bretton Woods institutions, together with other relevant international organisations, to explore innovative ways both to use existing financial mechanisms more effectively and to generate new and additional public and private financial resources at both domestic and international levels to support activities for management, conservation and sustainable development of all types of forests;
- recognised the importance of increasing resources available to developing countries for promoting management, conservation, and sustainable development of all types of forests, welcomed the progress that has been made in devising and implementing debt relief initiatives, and ... to continue the implementation of various measures aimed at effective, equitable, development-oriented, and durable solutions to the external debt and debt-servicing problems of developing countries, particularly the poorest and heavily-indebted countries, including exploring the opportunities for innovative mechanisms, such as debt-for-nature swaps related to forests and other environmentally oriented debt reduction programs;
- urged countries to explore mechanisms, within their respective legal frameworks, to encourage reinvestment of revenues generated from forest goods and services back into the forests where those revenues were generated;

- invited developing countries to promote policies and regulations aimed at creating a favourable environment to attract domestic and foreign private sector, as well as local community investment, for sustainable forest management, environmentally sound forest-based industries, reforestation, afforestation, non-wood forest product industries, and conservation and protection of forests;
- urged developed countries to formulate and create incentives, such as loan and investment guarantees, to encourage their private sector to invest in sustainable forest management in developing countries as well as in countries with economies-in-transition;
- encouraged countries in a position to do so to continue to develop and employ appropriate market-based and other economic instruments and incentives to increase rent capture and mobilise domestic financial resources in support of sustainable forest management, as well as to reduce social costs and negative environmental impacts due to unsustainable forest and land management practices;
- encouraged countries, within their respective legal frameworks, international organisations and financial institutions, to enhance subject to national legislation, community financing as an important strategy to promote sustainable forest management and to establish policy and programmatic mechanisms and instruments that facilitate local investments in sustainable forest management by, inter alia, indigenous groups and forest owners; and
- suggested that recipient countries, where appropriate, identify a national authority responsible for in-country coordination in the deployment of financial resources, including ODA, and in requests for external assistance.

Source: Intergovernmental Panel on Forests, *Final Report of the Intergovernmental Panel on Forests to the Commission on Sustainable Development*. Fourth and Final Session, New York: UNCSD, February 1997.