



# Forest Governance in a Rapidly Changing World

Capacity Development by GTZ



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Postfach 5180  
65726 Eschborn  
T +49 61 96 79-0  
F +49 61 96 79-11 15  
E info@gtz.de

**Internet**

<http://www.gtz.de>

**Responsible**

Stephan Paulus  
Director Division 47 Environment and Climate Change

**Authors**

Evy von Pfeil, GTZ, Coordinator International Forest Policy  
Cornelia Sepp, Managing Director ECO Consulting Group, Oberaula

**Contributions by**

Ralph Brendle, Verena Brinkmann, Georg Buchholz, Antonio Carrillo, Herbert Christ, Robert Dilger, Claus-Michael Falkenberg, Daniela Göhler, Vera Greiner-Mann, Günther Haase, Jürgen Hess, Thomas Heindrichs, Max Kasperek, Alexander Kastl, Marina Kosmus, Barbara Lang, Hans-Joachim Lipp, Bernd-Markus Liss, Stephanie Lorek, Stefan Mann, Tangmar Marmon, Daniel May, Rosmarie Metz, Richard Modley, Andreas Obser, Anne Rehner, Stefanie von Scheliha, Johannes Scholl, Wolfgang Schulz, Steve Sepp, Martin Tampe, Wibke Thies, Konrad Uebelhör, Stepan Uncovsky, Günter Winkler, Reinhard Wolf

**English text editing**

C. Hay, Darmstadt

**Design**

Vera Greiner-Mann, ECO Consulting Group

**Photos**

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# Preface



Forests are of unique value to human well-being. This has traditionally been so and will continue to be so in the future. They play an indispensable role in efforts to combat poverty, conserve biological diversity and protect the Earth's climate. For several decades now, experts and politicians alike have repeatedly spoken in favour of preserving them: policy commitments have been made, agreements negotiated and work programmes adopted. Yet despite this, the destruction of forests continues apace in many parts of the world. In only a few countries has the area of forested land increased in the last few years.

Forests are the object of contradictory interests within society: whereas some would like to see them placed under protection entirely, others want to exploit them for all they are worth, selling valuable timber and putting the cleared land to other uses. Some would like to see forests treated as global commons, others as a resource subject to national sovereignty. In a rapidly changing world in which ever new facets of both environmental performance and economic development are coming to the fore, forest governance as a process of societal negotiation poses a considerable challenge for GTZ's capacity development work.

Sustainable forest management has been an important theme of international cooperation since the 1980s. Germany has shown a special commitment to conserving forests around the world and is the most significant bilateral donor in this sector, contributing EUR 125 million every year to the cause. Today, in more than one hundred programmes and projects, GTZ offers advice to partner organisations as a means of helping put this commitment into practice. In doing so, we are able to draw on 30 years of experience in international cooperation aimed at preserving forests. This asset will help us to devise the right methods and instruments for coping with emerging challenges, such as climate change and rising demand for biofuels and timber, which may offer opportunities or pose new threats to the future of the world's forests.

What is more, the results of our support for good forest governance are tangible. They are based on long-term support

for processes of societal negotiation, participation, the balancing of interests and a fair and equitable sharing of costs and benefits. We strive to build capacity and deliver results. We support people, organisations and societies in mobilising, maintaining, adapting and consolidating their own capacity to achieve sustainable forms of development. Our work creates a link between all levels of action, from field work in villages through to advisory services provided to decentralised and national administrations, regional decision-making processes and even policy making at the United Nations. We measure the success of our work by the actual observable impacts it has, such as increased incomes within a local population or the amount of forested area given over to sustainable management methods, guaranteeing its preservation. Other observable results relate to changes in broader societal and political conditions, such as improved policies and laws, long-term ownership and use rights for local people, participation in decision making and access to information and advisory services. We track global trends and tackle newly emerging challenges. Together with our partners, we are continually testing and improving our approaches. And we coordinate with the international donor community and academic institutions to pursue shared overarching objectives.

In this brochure we aim to give an overview of our work on forest governance. After a brief introduction covering the international and national policy framework as well as prevailing and emerging challenges, we set out our working principles and methods. Concrete examples of our activities in particular countries and regions showcase lessons learned and highlight outstanding issues. We conduct an initial assessment of our results based on the OECD-DAC criteria and outline those strategies we believe are most appropriate for responding to the challenges entailed in conserving forests and achieving sustainable development.

**Cornelia Richter**


**Director General  
Planning and Development Department**

# Summary

The United Nations has declared the year 2011 the **International Year of Forests**. In 2015 the United Nations Forum on Forests will assess progress on achieving the **Four Global Objectives on Forests**, coinciding with the deadline for achieving the **Millennium Development Goals**. Hence, at the beginning of 2008, GTZ considers this the right time to reflect on the impacts of our capacity development work over the past few years and to present our vision of how to address future challenges in forest governance.

The international community has recognised the **global importance of forests** for an array of environmental services such as climate protection, biodiversity conservation and water supply. In addition, forests underpin the **livelihoods of 1.6 billion people** and provide a wide range of economic benefits. However, the world's forests are **continuing to disappear** at a rate of 13 million hectares lost each year, an area roughly equivalent to the size of Greece. Scarcely more than 10% of the world's forests are under some form of protection. **Good forest governance** has been identified throughout the world as the only way to achieve sustainable management of all types of forests. Promoting good forest governance through **capacity development** is therefore high on GTZ's agenda.

As one of the world's leading enterprises for international development cooperation, GTZ implements forest-related capacity development programmes in more than 50 countries and regions. This work is commissioned by the German Government, the European Commission and other governments and organisations. Embedded in ongoing international and regional forest policy dialogues, **GTZ offers its partners holistic, process-oriented and values-led advisory services**. Such inputs build on long-standing experience with and knowledge about partner organisations. As globalisation advances, conflicting trends and trade-offs emerge which will greatly influence the orientation and priorities of our future work:

 Forests and forest-dependent people suffer from **climate change**. Deforestation, in turn, is a major source of greenhouse gas emissions. Avoiding de-

forestation is propagated as a solution, yet at the same time forests are cleared to make way for biofuel plantations.

-  The increasing global **demand for timber products** accompanied by rising timber prices provides incentives for sustainable forest management, but equally for short-term exploitation.
-  Forest and **biodiversity** conservation efforts often lack acceptance by local people and communities, especially when they fail to meet these people's income and livelihood needs.
-  The economic gain derived from **forests' social and ecological services** does not yet outweigh the profit derived from converting forests to other land uses and **illegal logging**.
-  National development policies and strategies most often do not sufficiently prioritise the forest sector, which leads to a lack of **public financial resources**.
-  Because of legal uncertainty and political risks in producer countries, **private investment** often cannot be mobilised.

We are convinced that sustainable forest management including effective forest conservation cannot be attained with a "no touch" approach, as this prevents local stakeholders from assuming responsibility in forest management and conservation and keeps them from increasing their incomes. Instead, we offer advisory services to our partners on how to:

- improve forest management systems and forest conservation in a manner that contributes to poverty reduction, e.g. through participatory approaches and benefit-sharing schemes,
- conduct **land titling** and transfer of **long-term use rights**,
- develop and apply innovative **financing mechanisms** based on forests' ecological services, thus creating a positive investment climate,





- support partners in improving **law enforcement**, in order to fulfil their commitments to combat illegal logging and other illegal activities such as poaching,
- develop and promote credible and independent **certification** schemes, and
- cooperate with the private sector to tap its potential as a powerful partner in forest management, **employment and income generation**.

Generally, our work takes a **multi-level approach**:

- At the **local level** we assist our partners in implementing land use planning and land titling, protected area management, certification and natural resources management.
- We enhance **national sector reforms** through support for national forest programmes, and foster an enabling framework.
- We are actively engaged in **regional initiatives** in the Congo Basin, South East Asia, the Amazon region and Central America.
- We contribute to the development of the international forest regime in the relevant international and **UN fora** and help our partners formulate and represent their interests in these fora.

**Capacity development** will continue to play a key role in our future work enabling people, organisations and societies to manage change processes in a self-determined way. We communicate our approaches and experiences in:

- empowering diverse stakeholders to develop and apply technical solutions and gain competence in negotiation and decision-making processes,
- delivering advisory services to organisations to improve their structures and operational processes, and
- designing and facilitating stakeholder participation and negotiation processes at all levels as the essence of good governance.

Together with our partners we combine institutional assistance with the development of practical solutions for:

- implementation of **sustainable forest management** and participatory forest policy processes such as **national forest programmes**,
- access to sustainable **financing mechanisms**, making good use of existing and emerging financing resources,
- development and implementation of strategies to conserve and sustainably use forest **biodiversity** in an equitable manner,
- formulation and implementation of **climate change adaptation** and **mitigation** strategies,
- comprehensive planning of the sustainable production and efficient use of **wood energy** and **biofuels**, guided by ecological and social standards and guidelines, and
- efficient use of **global markets for timber** and **non-timber forest products**, based on sound assessments of opportunities and risks.

Intensive impact monitoring ensures a continued and systematic learning process. To maintain its high-quality service, GTZ assesses its performance internally and through independent and external evaluations in accordance with OECD/DAC criteria. Recent evaluations show that GTZ's work is accurately targeted, professionally planned, based on state-of-the-art strategies and best practices, and efficiently implemented through participatory and multi-dimensional approaches. In our partner countries we continue to contribute to achieving national objectives related to sustainable forest management. This involves institutionalising multi-stakeholder participation, enhancing forest conservation and promoting poverty reduction. The present brochure showcases our approaches, strategies and experiences in promoting good forest governance in a rapidly changing world. ■

# 1 Why write about forest governance?



The United Nations has declared the year 2011 the International Year of Forests, and in 2015 the United Nations Forum on Forests will assess progress on achieving the Four Global Objectives on Forests, coinciding with the deadline for achieving the Millennium Development Goals. At the beginning of the year 2008, GTZ feels that it is opportune to look both backwards and forwards, to reflect on the impacts of our capacity development work over the past few years and to present our vision of how to address future challenges in forest governance.

Why write about forest governance? With their multiple functions, forests play an essential role in human well-being: about 1.6 billion people worldwide depend on forests for their immediate livelihoods among them over 2,000 groups of indigenous peoples who live in forest ecosystems which satisfy their basic needs, such as food, energy and health. Forests provide a wide range of marketable products, from the basket of mushrooms sold by a farmer to the multi-billion dollar trade in timber. People associate spiritual and cultural values with forests: sacred springs and cemeteries are located in forests, and in many respects forests bear witness to human history. We regard forests as part of our aesthetic environment and use them for recreation. Forests contain 70% of all terrestrial biodiversity, they help to keep the global climate in balance, act as carbon sinks and water reservoirs, protect soils from degradation and avert desertification. And yet the potential of forests to contribute to national economic development and poverty reduction is far from being fully tapped.

Despite these benefits and despite international efforts during the last few decades to stop deforestation, forests continue to vanish at considerable speed. To date, about 13 million hectares of forest are lost every year (FAO 2007). But the picture is multi-faceted. During the period 1990 to 2005, forest cover increased in the Asia-Pacific region, due to enormous plantation activities in China and India, while forest loss accelerated in Southeast Asia. In Africa, 9% of forests disappeared, although net annual losses have fallen in recent years. Latin America and the Caribbean lost about 7%

of their forest area in the same period, with an upward tendency. North America still accounts for 17% of the world's forests; however, the region has turned from major exporter to net importer of forest products. In Europe, the forest sector's contribution to the economy is declining even as forest area is growing. Although several Middle Eastern countries successfully promote good forest management practices, the region has just 3% of the world's forests and depends heavily on imports of forest products.

So where does international cooperation and political debate in supporting sustainable forest management stand today? Both the progress and the deficits from 15 years of international forest policy debate, as well as current and emerging challenges are presented in Chapter 2. Many of our partner countries have declared their firm political commitment to improving the management of their forests. They have revised their forest policies and legislation, strengthened forest institutions and are now increasingly attentive to the functions fulfilled by forests, such as conserving soil, water, the climate and biodiversity. However, the continuing decline in most tropical countries, particularly of primary forest areas, remains a concern.

The major causes of continuing forest loss can be attributed to the realm of governance, including unfavourable macro-economic framework conditions, institutional deficiencies, a lack of political will, inadequate legislation and law enforcement, insecure land tenure, and centralised decision-making with insufficient participation from civil society. In a globalising world, the destiny of global forests has become a matter of concern among governments and regions as well as within the international community. Implementing sustainable forest management depends on local action as well as on an enabling national, regional and international environment. The complexity of the issues and the involvement of multiple stakeholders require a broad vision and integrative approaches. Challenges in capacity development for good forest governance can therefore be met only in a process-oriented and holistic manner.

## 2 Policy context and orientation

There is no “one size fits all”. After more than 30 years of intense international cooperation and with more than 100 ongoing forest-related projects and programmes worldwide GTZ has the necessary experience to recognise the underlying causes of deforestation and to manage the range of tools and approaches needed to develop appropriate solutions together with its partners. On behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ), we participate actively in international negotiations relevant to forest policy and support partner countries in implementing the outcomes. We are committed to internationally agreed goals and instruments and support our partners in shaping international policies for sustainable development. In Chapter 3 we discuss our approach and practical experiences. Country cases illustrate our activities, lessons learned, tangible results and innovations.

How do we assess which approach is best suited to a given situation? And how do we identify and improve our impact, taking into account that it is not the quantity of financial support and services that counts but the development benefits and tangible results we achieve? Finally, how do we adapt our strategies and instruments so as to provide successful advice in a rapidly changing globalised world? Answers to these questions are presented in Chapter 4.

The orientation and priorities of our future work will be strongly influenced by three major challenges: (i) climate change, (ii) rising global demand for energy and other raw materials, and (iii) rising global demand for timber and timber products as well as for forest ecosystem services and biological diversity. The opportunities and risks associated with these challenges are discussed in Chapter 5.

The Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) operates as a national implementing agency under the Federal Ministry for Economic Cooperation and Development (BMZ) and, as such, is in charge of the technical cooperation component<sup>1</sup> of German Development Cooperation. When working to promote good forest governance worldwide, we draw our basic orientation from both **international** forest policy dialogue and internationally recognised principles of development cooperation, as well as **German** directives and guiding concepts developed in response to these. Germany is firmly committed to furthering the international development agenda, acting jointly with various partner organisations such as the European Commission, other bilateral institutions and various United Nations organisations and programmes. As the international forest policy dialogue progresses and embraces new challenges, so too does GTZ’s contribution to sustainable forest development.

### 2.1 15 years of international forest policy debate

Forests have long been a subject of international debate: in the 1980s non-governmental organisations (NGOs) called for a boycott of tropical timbers, the Food and Agriculture Organisation (FAO) launched Tropical Forestry Action Plans, and a draft international forest convention was circulated. It took until 1992, at the Earth Summit in Rio, for the international community finally to arrive at a consensus on forests, albeit only in terms of the non-legally binding **Forest Principles and Chapter 11 of Agenda 21**. The main objectives agreed were to sustain the multiple roles of forests, to protect and rehabilitate them, to manage forests in a sustainable way, to achieve the full valuation of their goods and services, and to strengthen capacities for sustainable forest management (SFM) worldwide.

<sup>1</sup> Together with Deutscher Entwicklungsdienst (ded). Financial Cooperation is implemented by KfW Entwicklungsbank, and Human Resource Cooperation is conducted by CIM and InWEnt.



Many countries, however, preferred a “proper forest instrument”, such as a legally binding convention. Therefore, the international forest policy dialogue continued until finally, at its seventh session in April 2007, the **United Nations Forum on Forests (UNFF)** adopted a **Non-legally Binding Instrument (NLBI) on all Types of Forests** and a **Multi-Year Programme of Work (MYPOW)**, which runs until 2015. However, the debate on whether or not to establish an international forest convention – a legally binding instrument – has been put on hold at least until 2015. Furthermore, the “financing debate” about how to finance the implementation of whatever instrument – legally or non-legally binding – is ongoing.

The NLBI lists four **Global Objectives on Forests** and contains valuable political guidance towards their achievement. It offers an internationally agreed conceptual framework for sustainable forest management for all types of forests and clearly tasks UNFF and its member states with the responsibility of forwarding sustainable forest management as a ne-

cessary prerequisite for the achievement of the forest-related objectives of several international conventions. It calls for the self-commitment of member states to formulate their national policies and measures appropriately, and for international cooperation to contribute to the achievement of the objectives, covering all three dimensions of sustainable forest management (social, economic and ecological).

The future focus of the international forest dialogue has been agreed in the **schedule of the UNFF sessions** under the new MYPOW. It includes specific overarching themes which correspond to the three pillars of sustainable forest management: “Forests in a changing Environment” (2009), “Forests for people, livelihoods and poverty eradication” (2011), “Forests and economic development” (2013), and the overall review “Forests: progress, challenges and way forward” in 2015.

Although UNFF was established as the main international forest policy forum, forests are also dealt with in several United Nations Conventions and international organisations, including FAO, World Bank, CBD and the International Tropical Timber Organisation (ITTO), which have developed special forest-related programmes, targets and objectives. In order to increase synergies, key international organisations together with the Secretariats of the UN Conventions have voluntarily formed the **Collaborative Partnership on Forests (CPF)**<sup>2</sup> with the aim of supporting the implementation of decisions and strategies agreed internationally by UNFF. These decisions and strategies provide us with instruments and guidance for contributing to achieving sustainable forest management worldwide, which in turn constitutes one step towards achieving the overarching objectives of sustainable development.

<sup>2</sup> FAO, Secretariats of CBD, UNFCCC and UNCCD, GEF, ITTO, World Bank, CIFOR, IUFRO, ICRAF, IUCN, UNDP, UNEP, UN-DESA

## — Box 1: Global Objectives on Forests

**Global objective 1:** Reverse the loss of forest cover and prevent forest degradation worldwide through sustainable forest management, including protection, restoration, afforestation and reforestation

**Global objective 2:** Enhance forest-based economic, social and environmental benefits, including the improvement of the livelihoods of forest-dependent people

**Global objective 3:** Significantly increase the global area of protected forests and the area of sustainably managed forests, as well as the proportion of forest products which originate from sustainably managed forests

**Global objective 4:** Reverse the decline in official development assistance for sustainable forest management and mobilise significantly increased new and additional financial resources from all sources.



## 2.2.2 Ministerial guidance: The German Forest Sector Strategy

The sector strategy “Forests and Sustainable Development” adopted by the Federal Ministry for Economic Cooperation and Development (BMZ) in 2002, formulates two overall objectives of German forest development cooperation: (i) **to maintain the forests’ indispensable, global, ecological balancing function;** (ii) **to contribute towards poverty reduction and sustainable development.** It delineates a number of priority areas, notably support for policy frameworks (particularly national forest programmes), forest conservation and SFM, combating illegal logging, certification, financing strategies and contributions to the international forest regime. It also defines the social and ecological minimum standards to be met by all German Development Cooperation projects and programmes.

In 2007, in response to a shift of focus towards good governance and illegal logging, the sector concept was amended by a specific annex on **Forest Law Enforcement, Governance and Trade (FLEGT)**. This underlines the importance given to the issue in German Development Cooperation and translates political commitment into practical cooperation with partner countries. By linking up with German DC for Good Governance and Economic Development, partner countries are supported in designing FLEGT related measures that contribute effectively not only to achieving legality in timber production but also to sustainable forest management and development.

## 2.2 Directives and guidance for German forest sector development cooperation

### 2.2.1 Alignment with international processes and strategies

The primary goal of all German development cooperation is to strive for ecological sustainability, social justice and economic viability, as spelt out by the **Declaration on Sustainable Development** (1992). This concept has also influenced considerably our understanding of sustainable forest management: economic, ecological and social aspects must be considered in a balanced and integrated manner so that the linkage, in particular, between sustainable forest management and poverty alleviation is made clear.

All our development activities are focused on making either a direct or indirect contribution to the achievement of the **Millennium Development Goals (MDG)**. As forests are of prime importance for global environmental concerns and people’s living conditions, good governance and sustainable management of them result in a significant impact, especially on poverty reduction (MDG 1) and environmental sustainability (MDG 7).

Aligning our interventions with our partners’ national poverty reduction or other strategies and with partner countries’ planning and budget cycles are among the overarching performance standards of our work. In addition to its MDG orientation, Germany has taken up **partnership, shared responsibility, result orientation** and **coherence** as guiding principles that have been reiterated by the Millennium Declaration (2000) and the **Paris Declaration on Aid Effectiveness** (2005).

## 2.3 Progress, deficits and emerging challenges from a global perspective

### 2.3.1 Progress and deficits so far

The **Non Legally Binding Instrument (NLBI)** with its four global objectives has been largely successful in reducing the fragmentation of the international forest regime. However, no indicators have yet been agreed upon which would enable the facts-based reviews of progress scheduled for 2011 and 2015. The voluntary nature of the NLBI accounts for the fact that government commitments to formulate and update national policies and specific goals provide little guidance on how to translate the global objectives into national objectives and indicators.

The international community has reached a common understanding on SFM. In the NLBI **SFM** is regarded as a means for achieving the Millennium Declaration and the Johannesburg Plan of Implementation. SFM objectives are defined as follows: “Sustainable forest management, as a dynamic and evolving concept, aims to maintain and enhance the economic, social and environmental values of all types of forests,



for the benefit of present and future generations”. However, given the heterogeneity of contexts in which SFM is at stake, this definition says nothing about potential means of achieving SFM.

Most of the world’s **sustainably managed forests** are located in the northern hemisphere, but the areas under sustainable management, defined according to ITTO criteria and indicators, which are monitored for the **permanent forest estate** in ITTO producer countries are steadily increasing: the proportion of sustainably managed production forest grew from a mere 1 million hectares in 1988 to 25 million hectares in 2005. 14.3 million hectares of plantations (32% of all plantations in the permanent forest estate) are covered by management plans; 1.77 million hectares (3.9%) are certified (ITTO, 2005).

Progress has also been achieved in **forest conservation**. More than 10% of global forest area is currently under some form of protection (Millennium Ecosystem Assessment, 2005). FAO 2005 reports a global increase in forest conservation areas by 32% since 1990. Despite this relatively large extent of forest area under protection, it still remains to be proven whether or not the various forms of protection are effective in the long run and whether they fulfil their promise of improving people’s livelihoods.

However, deforestation and **forest degradation** continue **unabated** in various regions of the world. The **underlying causes of deforestation** have not changed substantially. They include disincentives originating from other sectors of the economy, involving the conversion of forest land into other land uses, such as agriculture and cultivation of bio-fuels, infrastructure, and mining. The powerful influence of vested interests that control forest resources in many countries, weak economic incentives for SFM and a lack of political will regarding SFM remain the principle constraints blocking sector development.

Deforestation and degradation of primary forests in particular are accompanied by an immeasurable **loss of forest biodiversity**. Although the area of protected forest is on the in-

crease, the setting up and financing of networks of protected areas remains a vital task. Conservation strategies still exist that fail to take into account the socio-economic needs of local people, lack compensation mechanisms and, thus, place an additional burden on poor people and marginalised social groups; such strategies lead to low levels of acceptance for forest protection.

In some countries it is estimated that up to 90% of timber is illegally harvested. In addition to the inestimable ecological and social damage caused in this way, the World Bank reckons that between ten and fifteen billion US dollars are lost every year in private and public sector income due to the illegal harvesting of timber. Corruption and disputes over land rights go hand-in-hand with illegal logging and may develop into violent conflicts or exacerbate existing ones.

**Forest Law Enforcement, Governance and Trade** has become one of the most crucial topics in regional and international forest policy.

**Regional cooperation** has become an important asset for driving the forest agenda forward. International regimes and cooperative structures provide suitable mechanisms to enable neighbouring countries to exchange information and experience, and for regional and international coordination and cooperation. Several regional organisations, such as the Amazon Cooperation Treaty Organisation ACTO, the Association of Southeast Asian Nations ASEAN, and the Central African Forest Commission COMIFAC already present statements at UNFF sessions on behalf of their member states. The same organisations have begun to cooperate in the framework of CBD’s work programme on South-South cooperation. Regional sets of criteria and indicators for sustainable forest management have been developed.

With the **concept of national forest programmes (NFP)**, we are able to make use of a universally acknowledged strategic framework for coherent sector planning and development. Many countries are on their way to establishing consultative mechanisms and structures for NFP development and implementation. Stakeholder participation has been extended. However, **integration of SFM into national devel-**

# Emerging challenges

**opment plans**, including strategies to alleviate poverty, is still inadequate, resulting in a low degree of political commitment and national investment in the sector. International ODA cannot bridge this gap.

Economic incentives that influence forest management and the **International Financing Architecture** are complex. National and foreign private investment is scarce, even though the forest sector is productive. However, the annual loss of forests shows that the conversion of forests into other land uses and their pure exploitation and degradation for short-term profit too often outweigh the current benefits of their long-term management. In addition to the high risks of investment in forests due to poor governance in most forest-rich countries, low timber prices restrict investment. Furthermore, the change from unsustainable forms of management to SFM involves higher expenditure for management and planning, infrastructure, reforestation, conservation, certification and timber tracking, and is therefore less profitable than unsustainable logging. The situation is aggravated by the long production period.

There is no international instrument in place as yet that could **coordinate the various financing mechanisms** of multilateral and bilateral donors so that every country could identify its optimum portfolio of different forest uses (timber carbon biodiversity water soil recreation livelihood and non-timber forest products etc.) and fully capitalise on the opportunity costs of clear cutting forests.

Partner countries often assume that the transaction costs of external financial inward flows can be reduced through **budget financing**. It is GTZ's experience that the forest sector is usually not recognised in national budget negotiations and does not receive the financial resources necessary to promote sustainable forest management in an appropriate way.

## 2.3.2 Emerging challenges

In addition to the deficits already mentioned, we are currently observing a number of global trends that are having an im-

mediate impact on forests and therefore pose new challenges or aggravate existing ones for forest preservation and protection: (i) climate change, (ii) rising global demand for energy, and (iii) globalisation and trade of forest products. They all constitute both opportunities and risks, as stand-alone issues as well as in the way they interrelate.

### Climate Change: forests between mitigation and adaptation

Since the publication of the Fourth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC) in 2007, global warming due to greenhouse gas (GHG) emissions has become an undeniable fact. While the predictive aspects and the extent of climate change are still contested, it is commonly accepted that the developing and developed world alike will face extremely serious consequences, with considerable regional and local variations. Forests and forestry play a vital role in the climate change context.

On the one hand, sustainably managed **forests have become an asset**. The linkage between forest issues and climate change has acquired a new public and political dynamic, with ever more players entering the scene. This alone makes long-term and inclusive mitigation and adaptation strategies a must. The possibility of generating value out of climatically relevant forest functions (carbon sequestration) has come into view with the creation of financial incentives for developing countries to conserve their natural forests and to participate in the Kyoto efforts and the emergence of related markets. This might also generate additional benefits, such as protecting biodiversity, preventing soil erosion and protecting the livelihoods of forest-dependent populations.

On the other hand, **forests** worldwide **face pressure** from being converted into crop biofuel production sites, as the economic potential of climatically relevant biofuels skyrockets. Natural forests may be replaced by fast growing plantations. In some areas climate change will lead to a loss of agricultural land and increase pressure on forests through potential conversion to agriculture. Additionally, imminent migration from deteriorated areas and an increase in refugees from natural disasters are potential sources of social conflict.



Sustainable management of forests can contribute to **mitigation**, i.e. the reduction of GHG emissions, by: (i) providing a source of renewable energy and construction material as an alternative to fossil fuels and carbon-intensive construction material; (ii) sequestering additional carbon through re- and afforestation; and (iii) cost-effective reduction of GHG emissions through avoided deforestation and improved forest management practices.

Deforestation is a major source of GHG emissions from developing countries and is considered to account for about 20% of global GHG emissions. Two thirds of this effect are attributable to the loss of tropical forests. At its 13th Conference of the Parties in December 2007, UNFCCC affirmed the “urgent need to take further meaningful action to reduce emissions from deforestation and forest degradation (**REDD**) in developing countries”. In their Bali Action Plan parties noted to further consider “policy approaches and positive incentives on issues relating to reducing emissions from deforestation and forest degradation in developing countries; and the role of conservation, sustainable management of forests, and enhancement of forest carbon stocks in developing countries.”

Once a mechanism is in place, emission reduction credits from REDD could be traded freely. The total estimated costs of REDD vary widely, but an annual transfer in the order of US\$ 10 billion would be needed to protect substantial quantities of the world’s tropical forests. This would be twice the amount of all Kyoto markets up to the present day. However, it would be a worthwhile and efficient investment, since recent research results have confirmed that avoided deforestation would represent an especially cost-efficient form of reducing GHG emissions.

Forest ecosystems are impacted by and at the same time have an impact on climate change **adaptation**. **Forest biodiversity** and its ability to adapt to climate change will be of crucial importance in this fragile equilibrium. Forests can reduce the vulnerability of communities to climate change and disasters, both in terms of reducing their physical exposure to natural hazards and providing them with the livelihood resources to

withstand and recover from crises. Forests can protect watersheds against climate change-induced drought, flash floods or landslides, and they can halt or stem desertification. Agroforestry systems and trees in the landscape integrate food and wood production and supply a range of environmental and social services, thus heightening resilience against adverse climatic events. Mangroves can protect coastlines against the effects of storm surges and rising sea levels.

In addition, forests themselves will become more and more subject to adaptation measures: elevated risks from fires, insect outbreaks, wind damage and other forest disturbance events are projected by the IPCC, while some sections of the Amazon forests are already witnessing desertification. Also, climate change is influencing species composition in forest stands.

The future challenge for German Development Cooperation will be to mainstream mitigation and adaptation strategies in all our forest-related programmes (see Section 5.4).

### Rising global demand for energy

With a growing world population and economy the need for energy is growing simultaneously. Fossil fuels are still the dominant energy source but **biomass sources** are climbing ever higher on the agenda of energy suppliers. Not only the need to reduce carbon emissions and respond to high prices for fossil fuels is driving global demand for bioenergy, but also the issues of access to energy in rural areas, security of fuel supply and the diversification of domestic energy supply.



Yet despite these opportunities offered by **bioenergy**, its net impact must be assessed carefully, taking into account the potential negative effects of its **large-scale** production:

- ➊ Rising bioenergy supply results in considerable extra demand for land, which puts additional pressure on forests and competes with agricultural land use for food production.
- ➋ This can affect livelihoods directly through, for example, higher food prices, further land concentration, and the marginalisation of small-scale agriculture.





Previously forested land in Indonesia, converted to oil palm plantations.

- 
 If carried out improperly the production of biofuels can be associated with risks such as drastic reduction of biodiversity (e.g. converting forests to oil palm plantations), water pollution and spread of genetically modified organisms.
- 
 Biofuels may emerge to be ineffective if their carbon balance is analysed across the full life cycle, i.e. if the emissions associated with the entire chain of production and end-use of a particular biofuel are taken into account, including emissions from associated land use, feedstock production, fuel processing facilities, transport and consumer end-use.

In many countries there is still a **lack of data** on the quantity, quality and potential of bioenergy sources and conversion technologies. There also tends to be little understanding of the energy balances of biofuel production systems and of their potential and their limitations for reducing GHG emissions. This lack of knowledge includes insufficient information about costs, advantages and disadvantages of using wood and agrofuels. GHG evaluation of renewable fuels on a life-cycle basis can help provide the underlying technical foundation for policy options, particularly when the life-cycle emissions are compared to the life-cycle emissions from conventional fossil fuel-based fuel.

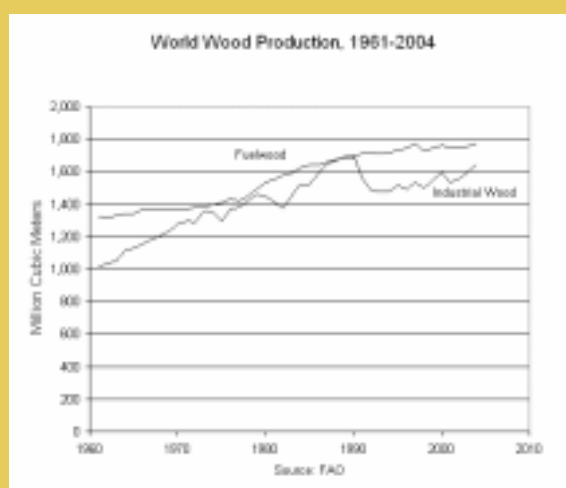
There is a prospect that woody biomass may be capable of being converted directly into liquid fuel on a large scale through so-called “**second generation technologies**” based on “biomass-to-liquid” methods. OECD concludes that this synthesis appears more promising than biodiesel made from oil plants, provided that major technological advances enable a reduction in the costs involved. In that case, the pressure on forests will increase even further.

For **small-scale** use of bioenergy the situation is different but nevertheless challenging. According to the International Energy Agency 2.5 billion people worldwide – mainly the poor in developing countries – depend on biomass for cooking. Firewood and charcoal, the so-called wood fuels, are by far the most important energy suppliers for individual house-

holds as well as for restaurants, hospitals, small industries, schools and other public institutions in many developing countries. Alternatives deriving from fossil energies (e.g. kerosene or gas) or electricity are generally too expensive and/or not accessible. About 55% of the nearly 4 billion m<sup>3</sup> of wood used annually by the world’s population is used directly as wood fuels, mainly in developing countries.

Despite massive efforts in substitution and electrification, the number of people relying on biomass energy is still increasing. It is estimated that in 2030 more than 2.7 billion people will cook with biomass (World Energy Outlook 2006). Wood fuels (utilised with different technologies, e.g. as wood pellets) are also gaining importance in countries in transition and even in industrialised countries.

Illustration: World Wood Production



The future challenge of development cooperation will be to maximise the benefits and simultaneously minimise potential risks and trade-offs in developing biofuels (see Section 5.5).



### Globalisation and trade in forest products

The trade in timber and timber products links developed/ industrialised consumer countries closely to developing producer countries. Both share an immediate responsibility for putting timber production on a legal and sustainable footing. As the world economy grows and the integration of international markets proceeds, timber and other forest products are also traded internationally to an increasing degree. In 2004, the trade of forest products had a value of USD 327 billion, thus accounting for approx. 3.7% of international trade in commodities.

Two major trends can be identified. The **volume of trade** is increasing, with different timber products having **different rates of increment**. Since 1996 the trade in all timber products has increased in value by approx. 40%. While the volume of trade in industrial roundwood has almost stagnated, the trade in primary wood products has boomed, with increment rates of up to 70%. Exported products have shifted up the processing chain, but not to the same extent in all regions. In South America, almost 100% of domestic roundwood production is processed. In Asia, 4.2% of domestic roundwood production is exported, while a significant share of 17% is exported from Africa. The share of secondary processed products (furniture, builders woodwork, packaging, mouldings) as a proportion of all exported processed products (secondary and primary, i.e. pulp, paper, panels, veneer) was 70% in Latin America (1995: 60%), 55% in Asia (30%) and 5% in Africa (1%).

China, one of the world's leading economies, also dominates **trends in the timber trade**. The Chinese timber industry is characterised by a reduction in primary processed timber imports and the construction of new domestic production facilities supplied by imported logs and chips. Major suppliers include Russia, the countries of the Asia-Pacific region, and Africa. At the same time, China has become a major exporter for wood furniture and other secondary processed timber. About 70% of all timber that has been imported into China is exported again, mainly to North America, Europe and Japan, after being processed into timber products. By way of

an illustration: one US citizen consumes 17 times more timber than one Chinese. This makes China the world's largest conveyor belt for timber processing.

And it is not only timber that is traded internationally. It is estimated that the total value of world trade in non-timber forest products **NTFP** – such as gums, resins, rattan, bamboo and medicinal plants – is in the order of US\$11 billion (FAO, 2007b). Furthermore, recreational services and **environmental services** such as carbon sequestration, water storage, soil protection for the prevention of landslides, flooding and desertification, are already or may yet become subject to regional and international trade.

**Rising prices** for timber substitutes (e.g. crude oil), the stagnating supply of timber and the **rising demand** for timber products worldwide has led and will continue to lead to a price increment for timber and timber products. This might offer incentives for sustainable production. At the same time, however, there is a risk that higher wood prices will stimulate illegal logging and unsustainable practices if there are not sufficient controls in place.

With an ever growing proportion of tropical forests under participatory management schemes involving households and local communities, rising demand and increased prices for timber could contribute significantly to rural development and poverty alleviation. The challenge is to create conducive framework conditions that would facilitate such a positive impact on development, e.g. opportunities for small-scale production and marketing.

Further, it will be necessary to enable access to certification of sustainably managed forests, as well as to support verification for the legality of non-certified timber (see Section 5.6)

### Other challenges

Alongside these issues there are other important topics which differ in terms of how far they have been discussed where they rank on the political agenda. Some of them are only at an early stage of analysis, strategy development and political response, while others require further analysis regarding their

## 3 Our work for forest governance: Multi-level capacity development



importance for the forest sector. Among them are (i) the nexus between conflicts and forests and (ii) the effect of extractive industries on SFM/forest governance.

Many of the armed **conflicts** of the past 20 years in war-ridden Africa and elsewhere were fought on densely-forested terrain. Forests are affected by armed conflict in different ways. While biodiversity can benefit from fighting and widespread insecurity, insofar as people do not enter large areas for fear of encountering mines or rebels, the effects of fighting are usually adverse: widespread destruction by refugees or rebels, overexploitation, and the application of biocides (e.g. “agent orange”). In some respects forests are even conducive to war. Their timber provides an easy resource to harvest for financing warfare. They provide shelter for rebels and are almost inaccessible to regular army vehicles like airplanes, helicopters or tanks.

Many tropical forest countries, though very poor, are rich in **minerals and fossil fuels**, such as crude oil or gas. These riches are often located in densely forested areas. In Papua New Guinea, for example, 70% of prospected areas for mining are under forest cover. Notwithstanding their enormous potential for economic development, the exploitation of these assets poses serious risks. The negative social and environmental consequences of uncontrolled exploitation and/or exploitation without knock-on benefits for the local population are well known, such as soil and water pollution, violation of indigenous rights, and the influx of settlers in the wake of infrastructure expansion. Resources gained from extractive industries are frequently a cause of war or armed conflict.

The challenge is to harness the potential of forest sector cooperation, e.g. for the prevention of conflicts, by involving local people in participatory resource management approaches, applying precautionary principles to avoid or mitigate negative social and environmental impacts, promoting adequate benefit-sharing schemes, cooperating with peace-building initiatives, and acting against trade in conflict timber (see Section 5.8).

Based on the wider context outlined in the previous sections, and drawing on long-standing experience in carrying out its specific mandate, GTZ implements a wide range of forest-related measures at various levels. We promote sustainable forest management at local level while working at the same time at the political level to harness market forces and to support coherent forest policy formulation. Our specific institutional set-up serves to facilitate a continuous build-up and exchange of knowledge among forestry experts from Germany, other European countries and partner countries. GTZ operates a global network, consisting of headquarter services, individual projects and programmes in partner countries and regions, and staff seconded to international organisations.

Specific supraregional projects are located in headquarters to support BMZ in positioning German Development Cooperation in international policy processes, such as climate change or combatting corruption. For the forest sector, the relevant project is IWP: International Forest Policy. This arrangement enables the continuous sharing of experience between colleagues working at local level, colleagues engaged in national or regional policy advice, and those involved in UN negotiations as members of German delegations. Furthermore, there is also regular exchange and frequent cooperation with GTZ experts from other sectors. This element is growing in importance as it becomes widely recognised that many problems in the forest sector emanate from outside it.

### 3.1 Our approach: Holistic, process-oriented and value-oriented

GTZ’s major client is the German Federal Ministry for Economic Cooperation and Development (BMZ). The company also operates on behalf of other German ministries, the governments of other countries, international clients such as the European Commission, the United Nations and the World Bank, as well as on behalf of private enterprises.



However, GTZ is bound to the principles and regulations of BMZ in its overall approach. GTZ draws on over 30 years of experience in support of forest-related projects. Its approaches have changed from having a more technical, sector and state-orientated character to participatory self-help approaches (such as community forestry) involving more and more different stakeholders. GTZ's special competences are mediating and **facilitating communication** between government and civil society and various other interest groups. Today GTZ's focal concept of Capacity Development – the process of enabling people, organisations and societies to develop and expand their ability for proactive management of their own sustainable development<sup>3</sup> – is applied to promote good forest governance and foster sustainable forest management. In this respect we support our partners in proactively managing development and change processes and in effectively combining political will, interests, knowledge, values and financial resources with a view to harnessing forest sector development in the pursuit of sustainable development in general.

Our work is characterised by three core attributes: holistic interventions, process orientation and value orientation. With regard to forest sector development, **holistic** means that we combine technical support, institution building and policy advice. We link policy advice at national level to activities in a province or a municipality (multi-level approach), and we often work across borders. Our **process orientation** is manifested in support for processes of social reflection and learning. As we cannot usually apply ready-made blueprints in very complex and specific situations, we act as facilitators to assist stakeholders in the negotiation of conflicting interests by creating transparency. Our **value orientation** towards democracy and the market economy often requires us to assist underprivileged groups and provide them with access to forest resources, legal rights, environmental education and training, and to give them a say in political decisions on fo-

<sup>3</sup> Our understanding of capacity, capacity development and its promotion is based on the current definitions of the OECD-DAC.

rests. We apply participatory methods and facilitate closer interactions between government, the private sector and civil society.

Our long-term commitment and our longstanding experience in technical cooperation for sustainable forest management have brought about **detailed knowledge of our partner organisations**. This is especially important given that the tendency to withdraw from direct project implementation and focus on financial transfers and budget support has left many donors with little practical knowledge about the implementing agencies. By contrast, thanks to our direct involvement, we have gained experience of practical implementation and have earned a position of trust with numerous partners, enabling us to initiate and facilitate change processes from within. GTZ is often one of the very few development cooperation organisations capable of judging how internal and external incentives influence the work of institutions, and whether governance inputs, e.g. those introduced by the donor community, will generate positive changes.

### 3.2 The German portfolio in forest ODA and GTZ's role

Since 1997, the annual target figure for German bilateral development cooperation in the forest sector has been set at EUR 125 million. From 2007 onwards, another EUR 40 million are to be set aside for biodiversity projects, many of which are located in forested areas. Following requests from our partner countries and as a result of theme-based priority setting and BMZ's strategic focusing on a limited number of partner countries and intervention areas, 45 countries and 7 regions are to receive forest development assistance as of 2007. 70 of the 125 projects currently in operation are implemented by GTZ alone, while another 30 are run by GTZ in cooperation with one or more of its fellow implementing agencies KfW, ded, CIM and InWEnt.

### 3.3 Forest management for poverty reduction and conservation

70% of GTZ's budget for forest-related projects and programmes is directed to supporting sustainable management of natural resources at the **local level**. This includes – inter alia – reforestation and rehabilitation of degraded forests (e.g. China, Viet Nam), improving access and tenure rights for local and indigenous populations (e.g. Brazil, Ecuador), and forest planning and sustainable utilisation (e.g. Benin, Democratic Republic of Congo).

**Participation** is our key instrument for ensuring that the needs of forest-dependent rural communities are considered and that community-based forestry contributes to social and economic development. All our measures to support SFM are based on **sound technical knowledge** and the state of the art, e.g. forest function mapping, reduced impact logging, forest fire management, afforestation and reforestation measures, to name but a few.

In order to contribute to poverty reduction through SFM, GTZ supports the **transfer of tenure or long-term use rights** to communities and poor individuals and their **access to market information**, marketing concepts and forest support services – and, of course, to technical support and capacity development for all essential components of sustainable land use and resource utilisation, including aspects of rural regional development.

#### Box 2: Protecting and managing community forests in the SADC region



Official transfer of utilisation rights: Forest-adjacent villagers obtain government certificates in Northern Namibia (GTZ-SADC Project “Sustainable Management of Indigenous Forests”).

GTZ's support activities comprise:

- Design and implementation of social and socio-economic surveys and participatory problem analysis
- Development of participatory planning tools: participatory boundary demarcation, participatory forest inventories, participatory land use assessments, participatory forest management plans
- Conflict management (GTZ as moderator and mediator)
- Strengthening capacities of communities, incl. decision-making competence of resource users
- Establishment of and support to community-based organisations
- Promotion of model cooperation contracts between communities and government and/or private sector (e.g. concessions)
- Getting information out to the stakeholders in a way that is suited to their capacities and interests, to establish institutional dialogues and create the preconditions and willingness for involvement
- Enhancing networking between governmental and non-governmental organisations, since the latter usually take on the role of representing the interests of the poor at national and international level.

The Southern African Development Community (SADC) comprises 14 member states. Roughly 60 million people, most of them poor, live in and around the Miombo forests. They depend heavily on natural resources for firewood, charcoal production, wildlife, water, medicinal plants, timber, fruits etc. Overpopulation in combination with poverty has led most communities to an unsustainable utilisation of forest resources, resulting in an alarming rate of deforestation and the destruction of their own means of survival.

In order to break this vicious circle, SADC, in collaboration with GTZ, has been implementing the programme “Sustainable Management of Indigenous Forests” since 1996. Policy advice at regional level is combined with pilot projects in Malawi, Botswana, Namibia and Mozambique.

In Malawi, for example, the creation of Village Natural Resource Management Committees, Forest User Groups, Beekeeping Clubs and Wildlife Clubs has strengthened the capacity of the rural population, especially women, to manage natural resources in a sustainable way. Community members have established Individual and Village Forest Areas by means of management plans which create a sense of ownership. Income from these activities increases the individual household budget, which is often re-invested in the children's education. Relations between the communities and the forestry authorities and government have improved significantly. Representatives from the local, provincial and national forest authorities and from other line ministries regularly participate in the project steering committee meetings.



Community Forestry secures user rights and generates strong commitment among locals to protect their forests. The active involvement of people makes the local economy thrive.

### Box 3: Community forestry in Nepal

The main approach adopted in the Churia project was to make use of Nepal's new forest law by introducing community forestry. For the first time, people received secured use rights for parts of forests. This generated a strong commitment on the part of the local people to become actively involved in forest protection and management. The results are impressive: not only are 44 000 ha of forests (20% of the total forest area in the three districts) being protected and managed in a sustainable way thanks to use agreements with user groups; the project area is also thriving thanks to local economic development – 953 permanent and 12,000 temporary jobs have been created for teachers, forest watchers, craftsmen, and employees in small-scale enterprises, the construction industry and agriculture and forestry. Income from the forests is re-invested in local development projects organised by the user groups themselves. After only 5 years, forest quality improved significantly, compared to state-owned forests that are not managed by communities. Almost 50% of the community forests increased in forest cover, while in the other half there was little or no change in canopy cover, indicating a degree of stability in forest conditions. This demonstrates that community forestry is highly successful in the re-greening of these areas.

### Box 4: Madagascar: GREEN-Mad – Making social progress grow on destitute soils

The project “Management of natural resources in the region of Antsiranana (GREEN-Mad)” promotes individual afforestation on degraded, previously uncultivated/unused soils. Measures include: securing long-term individual use rights, technical advice, soil preparation, setting up and support for associations for fuelwood production, and the introduction of improved charcoal production methods. A tight monitoring system was introduced to assess impacts. Since then, 2,500 households have planted 3,500 hectares and have been granted land tenure security on it. Among the new proprietors of afforestation parcels, 22% are women and 34% belong to the poorest segment of the rural population. 150 charcoal producers utilise improved techniques. Furthermore, 0.7 million cubic metres of wood are to be generated through afforestation on a previously unproductive piece of land. This corresponds to the sequestration of approximately 400,000 tons of carbon or 1.48 million tons of carbon dioxide. At an assumed “market price” of EUR 2.50 per ton, this would constitute a value of almost EUR 3.7 million. By harvesting the timber from these forests in a sustainable way, participants in the project have been able to gain EUR 487 per harvest (every 7th year). This constitutes an annual increase in income of 20%. This additional income was spent on food/nutrition (20%), school fees (15%), agriculture (14%), health (12%), housing (11%) and forest activities (4%). The project has strengthened the communities' self-help potential and sense of responsibility for their own lives. Social heterogeneity has been reduced. Certain user groups have even been able to generate other cooperative investments (e.g. initiatives for the transformation of products, the fight against HIV/AIDS).

Charcoal produced from plantation wood is sold on the market. It is an important source of revenue and at the same time takes pressure off the country's natural forests.



GTZ, together with KfW and other partners such as private enterprises and nature conservation organisations, supports partner countries' efforts to establish and manage protected forests, especially those of high conservation value. Key activities include strengthening capacity for their management and securing the participation of adjacent populations, including the establishment of **benefit sharing schemes** (e.g. of tourism income) and accompanying measures.

### Box 5: Pendjari National Park, Benin

The Pendjari National Park in the north of Benin was granted special protection in 1954 as a game reserve. It is part of a protected area covering 28,600 km<sup>2</sup> and stretching into Burkina Faso and Niger. In 1986 it was recognised by UNESCO as a biosphere reserve. The demarcation of the protected area and the resettling of the population were conducted without any prior involvement of the local people, and without any parallel promotion or development measures. This led to the over-exploitation of natural resources in the now densely populated border zones of the national park and to conflicts between the park authorities and the local population.

The "Pendjari National Park" project aims to maintain the protected areas in the long term, to establish an efficient park management, and to ensure the active involvement and participation of the local people. Now, agreements regulate the sustainable utilisation of the most important resources, such as medicinal plants, oysters, fish, roofing materials, etc. In the park and the surrounding area 130 full-time jobs for inhabitants have been created. 90% of the park's personnel have been recruited from the surrounding villages. Representatives of the village groups are involved in all park activities (monitoring, taking admission fees, camps for hunters), and they act as wardens. The agricultural promotion measures



Park management protects Pendjari's biodiversity and offers attractive alternative incomes to the local population.

have to date reached some 64% of the farming population, about half of whom are women. These measures have also stabilised the situation of the wildlife under threat.

The implementing organisation (CENAGREF) has a considerable degree of financial independence. In line with the business plan, 52% of running costs are currently covered by revenue. The remainder has to come from international donors and foundation funds respectively. The funds are used for monitoring and patrolling and for equipping schools and health stations.

The revenues from tourism, including hunting tourism, amount to EUR 103,000 with an upward tendency each year due to the growing number of tourists. The meat of the game shot is sold in the villages. For four years, funds generated by big game hunting have been paid to the village groups (about EUR 34,500 in 2004). Local people have the contractually guaranteed right to practise traditional ceremonies within the hunting zone.



Previously degraded, uncultivated land is gradually afforested by small-parcel plantations

Another core area is the securing of long-term financial sustainability. In two pilot projects in Madagascar and Cameroon, Germany (through KfW) contributes directly to endowment trust funds.

## Box 6: Environmental Fund for the tri-national protected area of Sangha



Women of the Ba'Aka ethnic group in Dzanga-Sangha: The conservation network contributes to safeguard their livelihoods.

The cross-border protected area “Tri-National de la Sangha (TNS)” comprises the National Park Lobéké in Cameroon, the protected areas “Dzanga-Sangha” in the Central African Republic, and the National Park Nouabalé-Ndoki in the Republic of Congo. It covers an area of 28,750 km<sup>2</sup>, of which 7,750 km<sup>2</sup> form the core protection zone and 21,000 km<sup>2</sup> the peripheral zones with productive forests, agro-forestry and hunting areas.

GTZ facilitated the creation of a network including the Ministries for Forestry from the three governments involved and international organisations (WWF/World Bank Alliance, GTZ, Wildlife Conservation Society, WWF-US and WWF-Germany). All participants were and still are committed to the foundation of the TNS Environmental Fund and contribute financially. The rainforest initiative of WWF and the private German brewery *Krombacher* both worked as a catalyst for the foundation process and collected EUR 3.2 million in donations. This money was used to cover the running costs of Dzanga-Sangha. Public funds were contributed from the German BMZ and France. The government of Cameroon and the government of the Central African Republic have made assurances that they will contribute financially to the operating costs of the protected area. This is a very new step for both countries. An application for further funding has additionally been addressed to Conservation International, and a GEF proposal is in preparation. The next steps will comprise inter alia the elaboration of a handbook on organisational aspects, and a strategy for future investment.



Measures to enhance participation are important not only at the local level. A prerequisite for management transfer is good governance, including benefit sharing schemes and mechanisms aimed at securing the rights of local and indigenous forest-dependent people. This often requires support for complex legal, policy and institutional changes and is therefore linked directly to support for appropriate framework conditions (see Sections 3.4 and 3.5).

### 3.4 Harnessing market forces for sustainable forest management and promoting legality

#### 3.4.1 Enhancing forest values and investment in sustainable forest management

Forests make an obvious economic contribution to human well-being and constitute a resource that is exceedingly expensive to replace. Their products and services are essential for local subsistence and enterprise. However, only a small fraction of this contribution is considered a part of forest value, and a much smaller fraction is invested in sustaining them. Moreover, those who maintain the resource – in most cases local communities – are rarely those who benefit from the provision of its products and services. Due to the prevailing non-valuation of forests’ services and generally low prices for wood and non-wood products, there are few **economic incentives** to drive sustainable forest management.

At the level of small-scale wood producers, we provide technical advice and training and support the establishment of producer associations, with the aim of empowering them to trade and market forest products. This is to ensure an increase in the still minimal amount of value generation along the value chain. GTZ often steps in to support initial investments (e.g. the establishment of management plans, or small-scale processing facilities for NTFP).





At country level, we support the mainstreaming of forestry in national development programmes and budgetary planning. This is in order to increase the all too often little political leverage of SFM, which impedes the mobilisation of national financial resources for forest sector investments. Efforts to incorporate natural assets in national capital accounts are strengthening partner countries' capacity to treat forest investment as an aspect of national economic strategy. Institutional reforms are breaking down tenure and jurisdictional barriers that hinder exchange between the generators and recipients of forest benefits, thus increasing opportunities for return flows of investment from forest beneficiaries. GTZ supports its partners in developing financing strategies in the framework of their national forest programmes, taking into account domestic, private sector and foreign funding sources.

The support of “**new and innovative**” **financing instruments and mechanisms** is acquiring ever greater importance in our work. They consist of a meaningful combination of environmental fiscal reforms, specific fiscal measures for promoting SFM, subsidies for afforestation and/or protective measures, payments for forest environmental services (carbon dioxide, water, biodiversity, tourism), small credit systems and risk insurance policies. These environmental finance measures serve primarily to generate and better distribute public or private revenues, as well as to allocate resources or establish links between the providers and beneficiaries of environmental services, thus addressing market failure in the management of natural resources and pollution control.

In this context, GTZ is active in providing technical assistance for the implementation of **Environmental Fiscal Reform (EFR)** in partner countries. The term EFR refers to a range of taxation and pricing measures, including taxes on natural resource exploitation and on pollution that can free up economic resources or generate revenues while furthering environmental goals. They are based on a consensus-orientated stakeholder consultative process. Its effectiveness depends on how the reform is designed and how it has been adjusted to fit the particular framework given in the partner country.

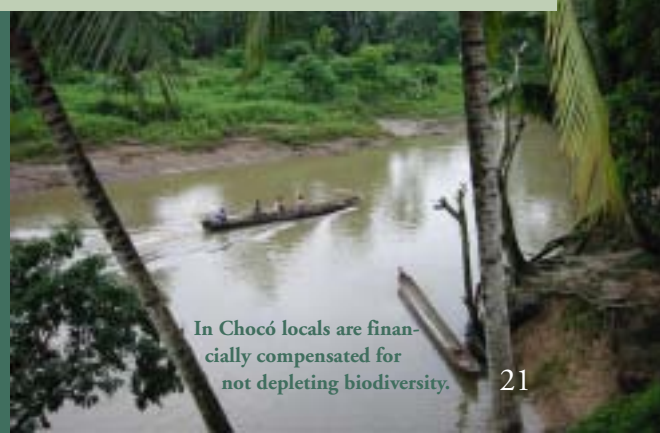
The application of **Payments for Environmental Services (PES)** provided by forests is supported by GTZ in cooperation with other donors and organisations in, among others,

the Dominican Republic, Peru, Ecuador, Bolivia, Brazil and Costa Rica. The most relevant services here are the maintenance of water cycles, the storage of carbon dioxide, and the maintenance of biodiversity and landscape amenity. PES establishes a contractual relationship between the supplier of a service and the consumer, who remunerates the supplier for his service. In the implementation of such payment schemes, an accurate estimation of consumers' “willingness to pay” is as crucial for success as the design of “correct incentives”, which are oriented towards criteria related to the efficiency and effectiveness of environmental services.

### — Box 7: Environmental fiscal reform and payments for environmental services (a)

#### PES in Ecuador (Chocó, Esmeraldas)

In Ecuador (Chocó, Esmeraldas) an indigenous nature protection area is receiving support in the Ecuadorian Chocó – an area with an especially high concentration of biodiversity. GTZ's technical cooperation together with the financial support of several donors and the private sector (NGO Conservation International, The British pop group *Coldplay* and USAID) have established compensation payments as well as economic alternatives in the core zones as a means of protecting biological diversity. Thus, the local population receives financial recompense for desisting from use and for contributing to the restoration of areas with high density of species.



In Chocó locals are financially compensated for not depleting biodiversity.

## Box 7: Environmental fiscal reform and payments for environmental services (b)

### EFR in the Nicaraguan forest sector

In Nicaragua GTZ has supported a participatory study on the framework, state of the art and future perspectives of EFR in the forest sector. In parallel, a participatory, multi-stakeholder process on good forest governance has been fostered, in which the different sectors of society are well represented, and a new forest policy including financing mechanisms developed. Based on that study and on the process of good forest governance, we aim to work together with the partner country to support the reform of ecological taxation in the Nicaraguan forest sector. Initial modifications of the public tax systems have already been implemented. Among other initiatives, a tax exemption system for investments in forest plantations has been created. A further challenge is the ongoing institutional reform of the forest administration to reduce losses from tax evasion through illegal logging.

### Fostering dialogue and identifying the potential of EFR

GTZ fosters the exchange of information through conferences, workshops and studies about EFR and other financial instruments and mechanisms. One example is the meeting on EFR for Sustainable Development and Poverty Reduction in Berlin in November 2003, which was supported by OECD, UNDP and bilateral donors. Other examples are the Vilm Seminar on Conservation and Financial Instruments in August 2007 and the Special Workshop on EFR in developing and transition countries as part of the 8th Global Conference on Environmental Taxation in Munich in October 2007. In 2005 GTZ issued a study report on Environmental Fiscal Reform and National Forest Policies that provides an overview of the fiscal forestry systems in eighteen countries. In a pilot project on environmental finance, GTZ is supporting knowledge management, advising projects and programmes on how to develop and implement financial instruments, providing training opportunities, and working on a manual intended to enable policy makers and practitioners to consider financial aspects and to address financing gaps by developing and implementing a financing strategy.

### PES in Bolivia (Noel Kempff National Park)

The enlargement of the Noel Kempff National Park in Bolivia by 0.6 m ha to a total area of 1.5 m ha was one major target of a project aimed at counteracting forest degradation in



GTZ supports partner countries in the reform of ecological taxation and in generating revenues through Payments for Environmental Services.

that area. The areas of enlargement were located mainly in forests that were intensively used and exploited by forest concessionaries. American Electronic Power, PacifiCorp and The International Petroleum Company (BP Amoco) together with the Bolivian government, the NGO The Nature Conservancy and local donor organisation Amigos de la Naturaleza financed the conservation and sustainable management of the National Park through carbon offsets. Since 2004 this project has received support from an integrated expert (CIM/GTZ).

### PES in Peru (Alto Mayo)

In Peru a number of pilot projects involving PES are in progress, linked mainly to hydrological services. In cooperation with its partners, GTZ is promoting the integral management of the Alto Mayo watershed, a biodiversity hot spot and high migration area which is the most severely affected by deforestation in Peru. Sustainable watershed management is supported, among other measures, by compensation payments. In order to promote a broad range of environmental services, sustainable agro-forestry services are also being supported, along with the regeneration of degraded areas and the protection of natural habitats. A joint project is being planned with Conservation International on avoided deforestation in the protected forest of Alto Mayo (protected area under national administration).

## 3.4.2 Combating illegal logging and associated trade

The German Government has incorporated measures to combat illegal logging at all levels of its agenda: support for international and regional Forest Law Enforcement and Governance (FLEG) processes, implementation of the EU Action Plan on Forest Law Enforcement, Governance and Trade (FLEGT), measures within Germany, and the integration of FLEGT into bilateral development cooperation.

GTZ focuses on supporting its partners' own commitment to introducing and implementing reforms, in order to promote good governance, transparency and accountability in public administration, fight corruption and support law enforcement. Measures include:

- fostering multi-stakeholder dialogues and debates on the definition of legality,
- development of monitoring systems,
- verification of the chain of custody and control,



Germany supports national governments in the Congo Basin in their fight against illegal logging.

- establishment of independent observer systems, and
- support for coordination with relevant sectors such as finance and customs.

The integration of FLEGT-related activities into existing processes, such as national forest programmes or regional FLEG processes is a guiding principle.

In the case of the EU FLEGT Action Plan, timber producing countries are given support to enter Voluntary Partnership Agreements (VPA) with the EU. In order to develop the relevant capacities in producer countries, a “mentorship” for VPA has been introduced, a role currently fulfilled in Cameroon by the GTZ advisor to the Ministry of Forestry.

As of 2007, GTZ has begun to support various regional processes and partner countries in Central Africa (COMIFAC, Cameroon, Democratic Republic of Congo, Central African Republic), Central America (Honduras, Nicaragua), Southeast Asia (ASEAN, Malaysia, Indonesia, Viet Nam) and Asia (China, Mongolia) with regard to FLEG(T), and in the Amazon in relation to law enforcement.

## Box 8: Regional FLEG processes and German contributions

### East-Asia FLEG

The first ministerial conference on Forest Law Enforcement and Governance took place in Bali in September 2001. The “Bali Declaration” was taken as the basis for bilateral memoranda of understanding. Given the close links between regional and global trade, cooperation with ASEAN is very important for GTZ in Southeast Asia. A second ministerial conference is to take place in 2009. The Association of Southeast Asian Nations (ASEAN) will play a key role in this context and is close to finalising an ASEAN Ministers Statement on FLEG and to incorporating 3 priority areas into their associated programme of work on forests: customs collaboration to control trade in illegal logs, forest sector transparency initiatives and country diagnostics / experience sharing.

### AFLEG process in Central Africa

The first African Forest Law Enforcement and Governance (AFLEG) ministerial conference in October 2003 instigated, in its Yaoundé Declaration, a political process to combat illegal logging in Central Africa. Since then, the heads of state and of national governments in the Congo Basin have incorporated the topic into regional programmes, particularly those run by the Commission des Forêts d’Afrique Centrale (COMIFAC) and the Congo Basin Forest Partnership (CBFP). Germany will be the facilitator of the CBFP in 2008 and 2009 and will support the AFLEG process as one of the priorities of the partnership during this period.

### Europe and North Asia FLEG (ENA-FLEG) and China’s role in major producer countries

The first ministerial conference took place in November 2005. A key outcome was the Saint Petersburg Declaration and the agreement to draw up national action plans, whose implementation is to be discussed at the follow-on conference in 2010. China acknowledged its special responsibility as the world’s leading importer of timber and also the world’s top exporter of timber products. Given the enormous spin-off effects these volumes of trade have on most of the major timber producing regions (in particular Russia, Southeast Asia and Central Africa), cooperation with China is a precondition for the success of FLEGT in these regions. To intensify dialogue and cooperation between the EU and China, GTZ has co-organised a first EU-China FLEGT Conference in September 2007 together with the EU Commission and the Chinese State Forest Administration. Participants agreed to work further on identifying priority collaborative actions and on planning their implementation.

### Central America

Together with the Central American environmental organisations Comisión Centroamericana de Ambiente y Desarrollo (CCAD) and the Consejo Agropecuario Centroamericano (CAC), the World Bank is currently devising a strategy for a work programme aimed at forest directors in Central America. The work programme builds on the GTZ-supported Puenbo II initiative and deals primarily with mechanisms to promote civil society participation in decision-making processes. The FLEGT process receives strong support from GTZ programmes in Honduras and Nicaragua.

### Amazon

In the Amazon countries no FLEG process has been initiated as yet. The first tentative activities emerged from a workshop on the application of forest legislation (ALFA), which was hosted by the Amazon Cooperation Treaty Organisation (ACTO) in August 2006. It is not yet clear whether this workshop – which was supported by the ITTO, FAO, GTZ and the World Bank – will initiate a political process; however, GTZ programmes in the region are open to providing support to ACTO as well as to its member states.

### 3.4.3 Development of credible, independent certification systems

In forest certification, independent auditors confirm that the management of a forest meets certain ecological, economic and social standards. The consumer is provided with the opportunity to opt for products which display a **guaranteed certified production label**. If consumers choose these certified products, rising demand will reward the sustainable producer.

GTZ supports the development of independent, credible certification systems. This includes the development of criteria and indicators for SFM, the application of these standards to evaluating forestry enterprises in producer countries, the certification of the chain of custody and the promotion of their transparency, the identification and marketing of products from certified dealers by means of a quality certificate, institution building and the establishment of favourable policy and regulatory framework conditions. The participation of all relevant stakeholders and of the private sector in particular are crucial for effective implementation and achieving the desired impact.

Certified forest area worldwide shows a steady increase from 12 million ha in 1998 to 294 million ha in August 2007, re-

presenting 7,6 % of the world's forests. There are two certification schemes, the "Programme for the Endorsement of Forest Certification schemes" (PEFC) and the "Forest Stewardship Council" (FSC). PEFC accounts for more than two thirds of the total area of certified forests globally; FSC holds a share of 30%. In 2007, 50% of European forests were certified and 34% of forests in North America. The percentages of certified forest areas are significantly lower in Africa (0,4%), Latin America (1%) and Asia (0,3%).

Of special importance to mainstream forest certification as a means of promoting sustainable forest management is the focal thematic area "Forest-Relevant Sustainability Initiatives" of the GTZ Programme Office for Social and Ecological Standards. It supports the process of forest certification internationally, regionally and in selected developing countries. Key activities are knowledge management and strengthening the capacity of different target groups.

Geographically GTZ takes account of the specific conditions and dynamics of countries and regions. It helps to coordinate people and activities in and across countries and regions. Some examples are cooperative projects and alliances between various initiatives and key players, such as government institutions, the involvement of new actors and the development of joint regional strategies.

#### Box 9: Case studies for GTZ forest certification projects

##### Cooperation with FSC

A three-year public-private partnership between GTZ and the Forest Stewardship Council (FSC) is focused on strengthening the FSC's National Initiatives (NI) in order to optimise their influence on policy decision making and institutional conditions; the aim is to achieve a better integration of sustainable forest management practices and forest certification. The project includes NIs in three pilot regions: the Amazon, the Congo Basin and China, each of which has a different status concerning their functioning and their present impact on promoting forest certification at policy level. Capacity development on forest policy-related matters, institutional networking and service provision are to be promoted in relation to the NIs in order to improve their scope.

##### Cooperation with National Forest Certification Systems

In terms of independence, transparency and social rights, GTZ considers the FSC label to be trend setting as far as reliable certification is concerned. However, in order to strengthen the impact of certification in tropical regions in particular, GTZ also supports other certification systems as long as they can provide evidence of comparable high standards, or as long as they are willing to reach that level. In this

context, a project has been implemented to support the forest certification process in Malaysia, with special consideration for the demands of the German city of Hamburg. The project's objectives are (1) improvement of the national Malaysian timber certification system (MTCC), (2) adaptation to international certification systems in line with the market, and (3) design of a method to assess national certification approaches with regard to their international acceptance. Project partners are MTCC, the Free Hanseatic City of Hamburg, the German Timber Trade Federation and GTZ. Project implementation is carried out by the Federal Research Centre for Forestry and Forest Products in Hamburg.

##### Access of Community Forests and Smaller Enterprises to Forest Certification

For communities and smaller forest and processing enterprises, access to forest certification and marketing of certified timber products is limited. To date, only a few small and medium-sized enterprises (SMEs) in the South have succeeded in implementing a certification process. At the same time, sources of certified or 'moving towards certified' timber from the South are scarce, and European importers are eager to enlarge their supply base for certified timber. For this reason, a PPP project was started up in order to look at how Council Forests and SME producers in Cameroon could contribute to fostering the supply of certified timber products to the international market. Project Partners are FSC, private companies and GTZ.

### 3.4.4 Cooperation with the private sector

Often, free market forces are not fully operative in partner countries or are hindered by inefficient bureaucracies or a lack of anti-corruption policies. Private enterprises need favourable framework conditions for their investments, including legal guarantees and political stability, which enable them to plan with some certainty and to minimise risks. As a means of stimulating private sector involvement, GTZ supports, among other things, the establishment of a reliable legal system and of free market competition, measures to curb corruption, tax policies that provide incentives for the private sector, and an efficient public administration. GTZ advice provided in the framework of NFPs is often directed towards simplifying forest legislation and fiscal regulations; it is also aimed at strengthening implementation, establishing information management and monitoring systems so as to increase transparency, and facilitating investment, e.g. in the form of **public-private partnership (PPP)** projects.



#### Box 10: PPP in Nicaraguan municipalities



A public-private partnership between *Ritter Sport* and GTZ helps pave the way for the commercialisation of certified organic cocoa from the Bosawas Biosphere Reserve.

The Programme for Sustainable Resource Conservation and Promotion of Entrepreneurial Competence “MASRENACE” is aimed at both the conservation of natural resources and their productive but sustainable use. A public-private partnership with the German chocolate producer *Ritter Sport* promotes the expansion of certified organic cocoa production in the Bosawas biosphere reserve and strengthens cocoa marketing enterprises. Under a PPP with *Atlantic S.A./Ecom-trading* a certificate of origin for coffee production has been established: “Coffee from Bosawas BSR”. MASRENACE also contributes to the development of minimum standards for coffee production and trade (Common Code for the Coffee Community). Other interventions include the promotion of chain-of-custody and forest management certification for forest management units operated by indigenous communities, in cooperation with the WWF, *Rainforest Alliance* and *Jagwood*.

## 3.5 Multi-level forest policy advice

### 3.5.1 Enhancing sector reforms at national level

GTZ’s capacity development support for forest sector reform comprises:

- formulation of coherent policies resulting from a participatory democratic decision-making process, and their translation into inclusive, comprehensive legislation
- institutionalisation of dialogue processes by means of agenda-setting, stakeholder fora and stakeholder capacity building
- strengthening of devolution processes (e.g. assisting local governments in complying with their roles and responsibilities) and new service providers
- support for realistic planning (database provision, planning instruments, equipment)
- dissemination of information and awareness campaigns.

In order to address the complex problems that lead to forest destruction, GTZ’s capacity development support applies an **intersectoral approach**. Forestry is mainstreamed into national development initiatives such as poverty reduction strategies. Good governance is enhanced in order to increase accountability and involve civil society, to ensure access and tenure rights to forests as well as to develop long-term financing strategies and identify taxation policies conducive to SFM.

Assistance given to **national forest programmes (NFP)** has proven to be a successful means of supporting coherent, intersectoral and participatory reform processes under national leadership. NFPs have already contributed in a tangible way

towards increasing transparency and participation in forest sector planning and implementation. They ensure that forest development takes into account major structural issues and is organised in a participatory and intersectoral way under national ownership. NFPs go beyond mere sector planning frameworks. They include mechanisms for ensuring long-term operability, in the sense of making policies and field measures demand-driven, democratically legitimised, receptive to societal change, and thus more sustainable. With unilateral support measures increasingly merged into joint interventions with other donors, NFPs are a suitable instrument for strategic coordination and coherence of interventions within an individual country.

### Box 11: Sector wide approach in Nicaragua



Finding a common basis for discussions on forest-related standpoints is essential for establishing forest policies and mainstreaming them into other sector policies.

In Nicaragua, GTZ pursues a “sector wide approach” (SWAp) that builds on the definition of a coherent policy framework for all sectors. This involves the participation of local decision makers and of all relevant donors, as well as the use and promotion of local capacities. On the basis of Nicaragua’s National Development Plan 2005-2009 two national sector-wide programmes with particular relevance for the forest sector have been developed: the Productive Rural Development Programme “PRORURAL” and the multi-sector programme on environment and natural resource management “PROAMBIENTAL”. The contributions of MASRENACE to the formulation of PRORURAL and PROAMBIENTAL were instrumental in highlighting the significance of forests and sustainable forest management in the context of these SWAps. As a consequence, forestry is increasingly recognised at policy level beyond traditional sectoral confines.

In more than 20 projects, GTZ assists countries in the participatory formulation and implementation of their NFPs. Institution and capacity building, the establishment of consultative and participatory mechanisms and the development of financing strategies are key areas of support. Countries are advised on the process of introducing innovative policies and approaches in forest management, on the appropriate valuation of their natural resources, and on the efficient use of newly established financial instruments such as climate bonds or debt-for-nature swaps. Transparency in public finances, e.g. a socially equitable forest tax system, is a further key area of GTZ’s support.

### Box 12: NFP support in Viet Nam



Women raise their voices in participatory village development planning; in community forest management they are usually the prime addressees.

Facing a severe forest decline, the Vietnamese government launched the National Five Million Hectare Reforestation Programme (5MHRP) in 1997, with the ambitious goal of re-establishing the former forest cover. Policy reforms, a re-organisation of the forest administration for effective service delivery, as well as the decentralisation of forest sector structures were initiated with the support of GTZ. In 1998 the donor community and the Vietnamese government agreed to establish a unique partnership to support the 5MHRP. All major institutional stakeholders from various sectors were involved, including international aid agencies, specialist organisations providing technical and service support as well as the private sector and civil society. As an important step in promoting good forest governance, the partnership has acknowledged that work needs to focus on political, technical and administrative capacity development in order to strengthen the policy, institutional and legal framework and to develop the Vietnamese forest sector in a sustainable way. Meanwhile, the new Forest Law of 2004 facilitates community forest management, the National Forest Development Strategy 2006-2020 builds on improved approaches for forest governance, and participatory village development planning has started to replace the earlier top-down planning approach, which results in greater self-determination for local people to set their own priorities and targets for natural resource management and local development. Much still remains to be done in a system that has been based on top-down approaches for almost 50 years. But the changes have become visible, and decentralisation, democratisation and empowerment of local people have become mainstream in the policy discussion. Today, Viet Nam’s forest strategy is regarded as one of the most advanced in Southeast Asia, and forest cover is on the increase again.

### Box 13: Enabling framework conditions in China

In recent years, German Development Cooperation with the P.R. China underwent a strategic shift from its previous focus on large-scale afforestation, mainly supported through KfW, to promoting participatory, multiple-purpose sustainable forest management. GTZ supports far-reaching and highly dynamic forest sector reform processes which, until 2010, will be coordinated through six exceptionally well-funded national forest sector programmes. Support for the institutional as well as procedural restructuring of state forest governance systems alongside the creation of linkages with the reform of forest resource tenure are key areas. Support for greater participation on the part of the local population in SFM, the generation of personal initiative and the private stewardship of forests are all deemed indispensable components of overall forest sector reform.

GTZ, through a combination of advisory assistance and dialogue at national level and practical implementation at pilot



level, ensures that legal regulatory frameworks, management models and approaches are constantly under adaptation, despite the swift pace of forest sector reforms. Enabling framework conditions, e.g. rules for land allocation and participatory provisions in forest sector laws and regulations, may be viewed as the outcome of this partnership-oriented and flexible approach. High acceptance of German support at macro, meso and micro-levels attests to the success of German Development Cooperation even in fields which, like stakeholder participation, are regarded as “politically sensitive”.

Good forest governance often requires **reconsidering the role of governments**. In the process of decentralisation currently being undertaken by many countries, governments are moving away from a centralised system of decision making towards different levels of government interacting and establishing a balance of competences and responsibilities in the forest sector. However, giving up power is not easy for the central government. This is why decentralisation still provokes intense debate among the wider public. Local governments still have only a limited capacity to manage natural resources; land tenure is often poorly defined, be it by centralised or by decentralised government, and the division of responsibilities between the different government levels is often not clearly defined. Furthermore, the central government’s control over revenues hinders local governments’ ability to manage and protect its resources and to promote local development.




GTZ supports the efforts of partner countries to **define clear roles and mandates** for shared responsibilities, to enforce accountability at all levels – including the participation of civil society and the private sector in decision making – and to establish linkages with other sectors. However, as the Indonesian case shows, power struggles between the various levels and a lack of concerted effort by donors may counteract efforts aimed at cooperation.

### 3.5.2 Support for regional initiatives

It is widely recognised that due to the transboundary character of environmental problems the environmental sector as a whole cannot be addressed effectively at the national level alone. Regional integration and cooperation between developing countries in regional fora has contin-

uously increased from the early 1990s onwards, especially in relation to environmental concerns. Sector cooperation with these organisations is particularly interesting, as forests, biodiversity and other environmental issues can serve as convenient **entry points for improving regional cooperation** in general terms.

BMZ has therefore mandated GTZ to provide capacity development support to several regional organisations, often as a complement to national programmes in their member states. Regional projects are advantageous in the following areas:

-  They strengthen countries in the process of integrating into the world economy and participating in multilateral negotiations.
-  They facilitate, by way of synergies, a cutback in expenditure on the part of both partner and donor countries.
-  They facilitate the transfer of information, know-how and best practice and strengthen good governance.

GTZ has committed itself in particular to regional processes in three important tropical rainforest areas: the Congo Basin, Southeast Asia and the Amazon. Also, regional support is provided to initiatives and organisations in other regions, such as to SADC in Southern Africa and to the South Pacific Community. These regional initiatives and organisations are of varying nature: whereas some have been created explicitly to address sector specific issues, others are complex, overarching political processes with a forest/environment component. Some are permanent inter-governmental structures steered at a high political level, while others work more informally with different members, including NGOs and donors.

In the **Congo Basin**, a region rich in forests and biodiversity but plagued by poor forest governance and armed conflicts, one of the most important partners for GTZ is the Central African Forest Commission (COMIFAC). COMIFAC was founded in 1999 by the Heads of Central African States as a joint political body for sub-regional cooperation and coordination in the field of conservation and sustainable management of forest ecosystems. Germany provides support in concert with other donors and as one of the partners of the Congo Basin Forest Partnership.



## Box 14: COMIFAC and CBFP

### COMIFAC

Since 2005 GTZ and French development cooperation, through a joint French-German office that supports the COMIFAC secretariat and regional partner institutions and ministries, have made a concerted contribution towards implementing the regional “Convergence Plan”. The focus is on regional and national planning and coordination processes (stakeholder fora, expert groups), national initiatives to harmonise legal frameworks and approaches, and regional networks and cross-border activities, such as the establishment of transboundary national parks. With this support, COMIFAC has become a highly regarded regional player, emphasised by the ratification of the COMIFAC Treaty in 2006. Currently, further steps are being undertaken to set up an autonomous financing mechanism for COMIFAC as well as a monitoring and evaluation system for the Convergence Plan. Governance in the sector has improved: more than 1 million ha of forest have been certified. Communities are increasingly gaining access to resources through the establishment of community forests and communal hunting zones; local people are participating more and more in decision-making processes and they receive up to 50% of the tax revenues. Deforestation is now monitored jointly and shows a relatively low rate of 0.19% per year.



### Congo Basin Forest Partnership (CBFP):

The Congo Basin Forest Partnership was launched at the 2002 World Summit on Sustainable Development in Johannesburg as a non-binding “Type II” partnership. It brings together the 10 member states of the Central African Forest Commission (COMIFAC), donor agencies, NGOs, scientific institutions and private sector representatives. The partnership currently has 36 members who share the commitment to support the COMIFAC in implementing its convergence plan. The activities of the Partnership are meant to complement the work of the COMIFAC. CBFP activities therefore focus on improving communication and coordination between its members, their projects, programmes and policies. The Partnership is coordinated by one of its members, acting as an informal facilitator during a predetermined period. Initially, the facilitation was conducted by the USA (2003 to 2004), followed by France (2005 to 2007). As of October 2007 it is facilitated by Germany. Past facilitation priorities included the strengthening of regional consensus-building and consultation processes, communication and information exchange among CBFP partners, support for the Executive Secretariat of the COMIFAC, and improving the governance within the region’s forest/environment sector. Based on the recommendations of a joint French-German evaluation of past facilitation periods and a consultation process within the partnership, Germany identified a number of priority areas for the CBFP facilitation. These were capacity development, the involvement of the private sector in the partnership, the harmonisation of visions and positions held by the CBFP members on key issues such as FLEG, REDD and natural resources governance and strengthening the position of COMIFAC in international and regional processes. BMZ holds the role as facilitator and is supported by GTZ IWP and programmes in the region.



In **Southeast Asia**, GTZ is involved with the Association of Southeast Asian Nations (ASEAN), a regional intergovernmental organisation with political, economic and cultural objectives. Covering almost half the land mass of Southeast Asia, forests are a prominent economic concern for ASEAN member states. Continuing deforestation in the region, much of it due to forest fires, has dramatic consequences on

local livelihoods, national economies and the global ecosystem. Billions of dollars every year are lost due to illegal logging. In order to address these problems, one thematic programme of ASEAN deals with natural resource management and forestry. GTZ supports the ASEAN Secretariat through a project for forest sector development and the design of a regional forest programme for Southeast Asia.

### Box 15: Enhancing regional cooperation within ASEAN

The Association of Southeast Asian Nations (ASEAN), founded in 1967, today represents Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Viet Nam.

The ASEAN-German regional forest project ReFOP is organised around the regional agenda as expressed by the Vientiane Action Programme, along with the Strategic Plan of Action in Forestry (2005 – 2010). Institutionalising appropriate mechanisms and standards, including capacity development for regional cooperation and international compliance, are

centre stage in ReFOP. A widely used interactive forest clearing house and related communication tools ensure that information and knowledge are shared. Member countries apply rule-based coordination to strengthen their voice in international forest policy processes such as UNFF and East Asia FLEG. Mutual learning among member countries and regional forest policy coherence are promoted through a peer consultation framework. Regional standards for SFM as well as a unified regional certification framework are about to be developed in order to improve competitiveness and fair trade in addition to compliance with internationally agreed principles. Furthermore, member states are developing a mechanism to monitor the implementation of the Strategic Plan of Action in Forestry and plan to establish a regional forest trust fund to mobilise domestic and external financial resources for SFM.

In the **Amazon**, a global hot spot of biodiversity that contains about one third of the world's freshwater, regional forest cooperation is enhanced by the Amazon Cooperation Treaty Organization (ACTO). Based on the Treaty of Amazon Cooperation of 1978, ACTO is an intergovernmental body whose role is to voice the economic and political interests of Amazon countries in the face of international influ-

ence. Dedication to sustainable development, conservation and sustainable management of natural resources is a major element of ACTO. ACTO's mission is to provide a political platform for member states, enabling them to develop a common vision for sustainable development in the Amazon and to harmonise their national policies.

### Box 16: Enhancing regional cooperation in the Amazon region

GTZ has supported ACTO since 2003 in the design and implementation of a regional natural resources policy based on sustainability. The aim is to strengthen ACTO in the exercise of its mandate and the implementation of its strategic plan 2004-2012, which focuses on (i) conservation and sustainable use of renewable natural resources, (ii) knowledge management and technological exchange, (iii) regional integration and competitiveness and (iv) institutional strengthening. Other topics are forest certification, biotrade, the transboundary timber trade, governance and law enforcement, utilisation and conservation of biodiversity, and territorial rights for indigenous groups. The conceptual approach of the project is based on three components: (i) support for regional policy dialogue, (ii) information and knowledge management, and (iii) implementation of pilot projects.

Despite its relatively short history the project has already contributed to the revival of ACTO. ACTO plays a leading role in promoting relevant topics in the area of natural resource policy. This includes, for example, promoting joint representation of ACTO member states in the UNFF process, supporting a number of strategically important regional processes, e.g. on financing mechanisms for sustainable forest management, biotrade and control and monitoring systems for forest harvesting in cooperation with other donors (FAO, IUCN, UNCTAD, World Bank, ITTO).

The project, which is jointly financed by BMZ and the Dutch Government (DGIS), not only strengthens the capacity of ACTO but also establishes links with various bilateral development cooperation projects in ACTO member states, notably Brazil. National projects and experiences are fed into regional processes of exchange and policy shaping. To enrich the dialogue, the project collates and evaluates information such as the valorisation of forest functions and services and the environmental economy in general.

Also in **Latin America**, together with the Netherlands (DGIS), GTZ IWP and programmes in the region support a regional forest policy dialogue initiative, the “Puembo Initiative”, undertaken by the regional organisations ACTO (Amazon) and CCAD (Central America), as well as FAO and the NFP-Facility.

### Box 17: Puembo Initiative

The aim of the Puembo Initiative is to strengthen and provide follow-up for national forest policy processes and initiatives. Providing a forum for dialogue and interchange for different national and regional stakeholders, it supports sub-regional forest policy dialogues. It deals especially with the issues of governance, intersectoral cooperation, forest valuation and financing strategies as well as multilevel coordination. Experiences and lessons learnt from NFP processes have been collected, systematised and made accessible in the form of studies and presentations. The Initiative has assumed a distinguished position in the field of forest policy in Latin America due to the fact that it drives forward the implementation of international forest-related treaties at the national level within the framework of NFPs. Within this, special attention is paid to the contribution of forests to the attainment of the MDGs, especially MDGs 1 and 7.

Thanks to the possibility of regular exchange facilitated by Puembo since 2002, the participating countries have realised how many challenges they share. During consecutive workshops they developed a common language on forest policy and reached consensus on the need to tackle those forest-related challenges jointly, within the framework of the regional



organisations ACTO and CCAD. Since the countries of the Southern Cone (Paraguay, Uruguay, Chile and Argentina) did not have any similar organisation covering forestry issues, they raised this issue in Puembo workshops and subsequently, with the assistance of the Puembo Secretariat, approached MERCOSUR. As a result, MERCOSUR founded an ad-hoc working group for forests in 2007.

The contribution of the Puembo Initiative to the advancement of regional forest policies is clearly visible: the process of discussion and analysis helped in the development of various NFPs. Latin American countries as well as regional organisations intensified their relations with international forest-related processes, e.g. UNFF, CBD and ITTO, thus simultaneously enriching the organisations’ agenda. For example, input has been provided to formulating the agenda of COFLAC (FAO’s Latin America and Caribbean Forestry Commission) and to the setting up of the Central American Regional Forest Strategy (PERFOR). The World Bank also drew on Puembo analyses in setting up their FLEG strategy for Central America.

### 3.5.3 Support for the international forest regime

GTZ is engaged in developing partner countries’ capacity for active participation in the **international forest policy debate**. Activities are manifold: supporting national and regional level preparation for and positioning in forest policy-relevant negotiations, supporting countries in organising country-led initiatives in support of UNFF, and specific training courses on international forest policy. The impacts are already visible: there is more consistent and more well-informed participation of countries in the international forest policy dialogue. Regional organisations such as COMIFAC, ASEAN and ACTO are now accredited at UNFF and increasingly present their own position papers according to their own country-specific priorities.

As a complement to this, GTZ acts as advisor to the BMZ through its sector project “International Forest Policy - IWP”

in order to ensure its active participation in all international forest-related processes. With GTZ support, Germany has contributed to forest-specific post-Rio UN fora, namely IPF/IFF and currently UNFF, by hosting and co-sponsoring various expert group meetings and country-led initiatives. Through specific studies and expert opinions, GTZ has assisted its own government and governments in partner countries to position themselves in an informed way in the international forest policy dialogue.

Germany seeks to voice and strengthen forest issues in the UN environmental conventions (UNFCCC, CBD, UNCCD) and participates actively in ITTO and international forest expert groups. GTZ provides expertise to the NFP Facility hosted by FAO, shares experiences, makes available its modular training material for forest-related international initiatives and supports the establishment of an output and impact monitoring system for NFP-Facility support to countries.



Berlin, 2005: Discussion of the Co-Chair's draft report in plenary.

### Box 18: Country-led initiative "Scoping for a future agreement on forests"

To facilitate the international discussion on NLBI and to contribute towards preparing UNFF 6, Germany hosted the country-led initiative "Scoping for a future agreement on forests" in November 2005 in Berlin. The meeting was co-sponsored by Germany, Switzerland, Austria and the Global Mechanism of the UN Convention to Combat Desertification (UNCCD). The key objective of this international expert meeting was to advance the basis for a consensus at the 6th session of UNFF in February 2006 on a future international agreement.

GTZ and InWEnt were tasked with the organisation, preparation, facilitation and documentation of this international expert meeting, which brought together 186 experts and over 20 organisations from 87 countries. GTZ elaborated background and "thought starter" papers for each of the topics, namely: voluntary instruments, implementation and regional activities. These issues were discussed in 6 parallel working groups, facilitated by GTZ. Results were fed back into the UNFF process.



## 4 Our performance and what we have learned

### 4.1 GTZ's evaluation system

In the course of setting out GTZ's portfolio of activities in Chapter 3 and introducing some country cases to illustrate these more precisely, we stressed our commitment to measuring results and to doing so on a standardised and widely recognised basis. Following the Paris Declaration's call for donor accountability, GTZ restructured its long-existing evaluation unit as an independent entity answerable to the CEO. This independent unit took up work in 2006.

GTZ's performance is assessed against the standards for evaluation set out by the Development Assistance Committee of the Organisation for Economic Cooperation and Development (OECD/DAC), which contain a set of well-known evaluation criteria.

### Box 19: OECD/DAC evaluation criteria

**Relevance:** The extent to which the objectives of a development measure match the needs of the target groups, the policies of the partner country and partner institutions, global development goals and the German Government's basic development policy orientation.

**Effectiveness:** The extent to which the development intervention's objectives were achieved, or are expected to be achieved, taking into account their relative importance.

**Impact:** Positive and negative, primary and secondary long-term effects produced by a development intervention, directly or indirectly, intended or unintended.

**Efficiency:** A measure of how economically resources/inputs are converted to results.

**Sustainability:** The continuation of benefits from a development intervention after major development assistance has been completed, probability of continued long-term benefits, resilience to risk of the net benefits flows over time.



Evaluations are an integral part of every project or programme, both during implementation and after completion (ex-post evaluations). Evaluation is based on continuous results-based monitoring. Projects and programmes are assessed on the one hand using **self-evaluations** which are managed by the operations departments, and these are particularly helpful for internal learning and knowledge management. On the other hand, GTZ's independent evaluation unit also performs **independent evaluations** in relation to selected thematic issues by subcontracting academic institutes and international and local consulting firms. In addition, **external evaluations** are done by the commissioning parties of projects and programmes, in particular the BMZ. The latter evaluations focus on strategic, overarching issues of development cooperation. This is also the context in which the implementation of sector-specific quality standards and safeguards contained in the BMZ Forest Sector Strategy is monitored and evaluated.

At the time of printing, some initial results from independent evaluations using the new evaluation system have already been published. In the year 2006, half of GTZ's external evaluation activities were focused on Natural Resources Management. 14 projects were evaluated, including 9 forest projects. Whereas some of these projects began as far back as the early 1990s, others began only a few years ago. They cover different geographical regions and a number of different issues. The following account is based on this sample and on additional sources, including internal project progress reviews. Personal accounts of projects (non-standardised) have been included in order to contribute to an **overall picture of GTZ's implementation performance**, as revealed in the following pages.

## 4.2 Evaluation results

### 4.2.1 Relevance: Are we doing the right thing?

Most GTZ projects receive a good rating in their general overall relevance.

With respect to successfully addressing the **needs of target groups**, GTZ's emphasis on participatory approaches, which are applied as early as the planning phase, is certainly an asset. However, according to the findings, project objectives and the benefits generated by nature conservation projects did not always sufficiently match the needs of the target groups, i.e. mainly people affected by resource use restrictions in the vicinity of protected areas. Often, the conflict between ecological and socio-economic objectives could not be solved, and it turned out to be difficult to provide for adequate compensation mechanisms or resource use regulations to secure people's livelihoods.

When assessing the **coherence of a project in relation to the policies of the partner country**, a positive rating of projects can be attributed to two main factors: (1) partner countries generally share the principles, priorities and approaches of the international forest regime, so that a certain affinity is evident between the concepts used. Many partner countries have adopted policy reforms to mainstream decentralisation, community participation and SFM in their constitution and development planning. (2) For BMZ, granting project support also means having successfully completed negotiations about the shape of future cooperation (sectors), which already implies an inclination towards partner countries' policies and development priorities.

However, very close coherence of a project with the policies of a partner country does not guarantee that the needs and **interests** of the target groups will be addressed successfully. Therefore, the primary function of a project may become to support a **negotiation** process between target groups and government.



In addition, written policies tell us only little about the **priority granted to a sector**. The relative importance of a sector becomes more visible in state budget allocations. Very often, priorities voiced by government representatives from the forest sector are in competition with interests from other sectors such as agricultural expansion, infrastructure projects or mining. The latter may even question the sustainability of the interventions in the forest sector.

#### 4.2.2 Effectiveness: Are we achieving our objectives?

Target setting and achievement of project objectives received good marks overall in evaluation reports.

Most GTZ projects in the forest sector are aimed at improving the capacity of specific stakeholder groups to manage forest resources in a sustainable way (site-specific implementation on the ground) and/or at improving framework conditions to facilitate the latter. Our **target setting** is largely found to be realistic due to our solid knowledge of partner countries and to joint project identification and planning with our partners. However, the objectives set are sometimes too optimistic, e.g. the potential for income generation opportunities has been overestimated at times.

We are sufficiently flexible to **adapt project objectives** and even to terminate a project when framework conditions change or when we perceive a lack of interest on the side of our partners to achieve common objectives set previously.

#### Box 20: Adaptation of objectives

In the regional project on Pacific Island Countries objectives were changed jointly with the partners when an evaluation revealed the importance of conducive framework conditions: while the first formulation of objectives had emphasised the local level and followed a bottom-up approach, a consecutive re-formulation of objectives put the focus on improving framework conditions at national level.

#### Box 21: When bitter consequences are inevitable

An evaluation in the year 2000 of a complex forest protection programme in Guatemala established that the rampant destruction of ecologically especially precious forest areas in the Southern part of Petén had not ceased. The causes were found to be, among others, an inadequate acceptance of the protected areas in the population and a lack of priority setting, in combination with bureaucratic delays on the government's part. As no consensus could be reached between the German and the Guatemalan sides either on objectives or on how to change course it was finally decided to bring the programme to an end.

A good proportion (60-70%) of GTZ's projects **achieve their objectives** in their entirety. GTZ's **policy level projects** are significantly successful in improving strategic, legal and policy framework conditions. When it comes to effecting changes at target group level, however, it is difficult to pin down and rate their success. Some evaluations suggest that more emphasis should be placed on the implementation of policy reforms towards this end.

Forest-related **nature conservation projects** more often succeeded in fulfilling their protection targets than in meeting adjacent populations' livelihood needs. While people's judicial and social position was improved by way of organisational development and policy advice, raising incomes for buffer zone populations turned out to be difficult. Short-term interests and needs – specifically of marginalised population strata – tend to outweigh long-term objectives, such as the protection of natural resources. Compensatory measures such as buffer zone development often fail to offset the loss of income due to restricted access and use for local populations. The revenue potential of alternative activities (e.g. tourism) was often overestimated.



### 4.2.3 Impact: Are we contributing to the achievement of overarching development results?

A number of recurring key factors for successful achievement of objectives were identified throughout the various assessments:

- multi-sector approach
- multi-level approach
- long project duration, continuity and coherence
- a streamlined and consolidated programme approach.

Preconditions on the partners' side are functioning decision-making structures, capacity and a strong sense of ownership at local level, as well as strong support by politically responsible institutions and persons. A common feature of GTZ's successful projects is that they manage to put resource users and their needs at the centre of attention and to empower them to manage the natural resources at stake in a self-determined way.

In cases where project objectives were **not (fully) fulfilled**, this was attributed to one or more of the following causes:

- a lack of communication between authorities and stakeholders
- policy changes, corruption, cumbersome bureaucratic procedures
- individual interests
- representatives of stakeholder groups not being accepted
- focus on technical solutions
- insufficient integration of local authorities
- short project period
- lack of follow-up advice.

Most of our projects are judged to contribute to the MDGs, especially to poverty reduction. This includes impacts related to preventing or reversing certain projected negative developments, e.g. a reduction in deforestation or the avoidance of negative effects from climate change which would hit the poor hardest through reduced food security, increased risk of accidents, and damage to infrastructure. Evaluations have furnished much reliable evidence on this, backed by figures on economic, ecological and social impacts.

Tangible benefits in terms of **income generation** have been verified for many projects. Forest revenue often represents the only source of cash income available to the rural poor.

According to the studies and accounts, a good proportion of the income generated by forest-related projects is subsequently spent on **social development**. This holds true for communities (schools, health posts, water pumps) as well as for individuals (paying school fees, improving health care, starting up small industries). This in turn contributes to the achievement of MDGs 2 (education), 4 (child mortality) and 6 (health).





Progress thanks to user rights, harvesting quotas, managerial and technical support: Malagasy are increasingly able to cover their energy demands by charcoal – sustainably produced and sold on the market.

## Box 22: Examples of contributions to poverty reduction and social progress

**SADC Mozambique:** Communities have generated revenues of USD 14,000 since 1998 from forest-related activities. Part of the income from forestry activities now goes into a newly established community fund managed by elected community members. The community decided to use money from this fund to build a health post and three schools. A participatory Management Plan for 170,000 ha of forest was developed and is being implemented by the communities. Communities now have the right to use their natural resources and have the knowledge to do so in a sustainable way. They have organised themselves in various committees, thus taking on responsibility for their own affairs. Women play a powerful role in these committees.

**Benin:** In the park and the surrounding area 130 full-time jobs have been created for inhabitants of the surrounding area. 90% of the park personnel (60 full-time staff) have been recruited from the surrounding villages. For four years, funds generated by big game hunting have been paid to the village groups (about EUR 34,500 in 2004).

**Nepal:** Upon completion, the project had reached close to 50% of the population of the three intervention districts, more than half of whom were women. 62,000 households have been registered in more than 350 forest user groups. 309 forests covering a total of 54,000 hectares have been handed over with rights of use to local communities. The users have received an income of more than US\$ 500,000 from their community forests. User groups re-invest most of this income in local development projects, such as literacy programmes for women and the poor, grants for poor school pupils, construction of schools, village roads and drinking water plants, as well as medical care and hygiene.

GTZ's achievements are equally visible in terms of biodiversity conservation and other aggregated **environmental objectives**. Evaluation reports have provided evidence of impacts such as improved erosion control, watershed protection, and an increase in key species in protected areas or a decline in poaching. Ecological targets are largely met in the project intervention areas.

Other impacts relate to **political and social progress**. As far as we are aware from the studies and personal accounts, GTZ's project support has considerably improved the transfer of tenure or long-term use rights to communities and poor individuals. It has also improved the situation with regard to legal security, participation in decision-making, and access to market information, marketing concepts and forest support services. These issues are determinants of the people's interest in investing in long-term forest activities.

Measures at **local level** achieved their **best impact** when they empowered the target groups by strengthening their capacities and organisational structures, which in turn facilitated their active participation in decision-making processes related to natural resource management. Experience shows that in most projects men and women benefited equally from the development support provided despite the fact that few projects in the past had been designed with a specific focus on **gender**. By and large, target group empowerment resulted in women gaining access to decision-making structures and bodies. Whether this trend can safely be regarded as self-supporting needs yet to be determined through gender sensitive monitoring. It stands to reason that women's status will eventually improve with their enhanced access to natural resources and secure rights of tenure.

Broad **dissemination of local level project impacts** is difficult to achieve. Sometimes approaches are still too complicated or too demanding in terms of personnel and financial capacity. Sometimes decision makers are not aware of opportunities. Simplifying approaches and giving advice at political level, as well as making project progress transparent and supporting partners in allocating specifically needed human and financial resources, are significant tasks that remain for GTZ to do.



The greatest impact of political support measures (e.g. promoting legal security on forest resources, inter-sectoral and multi-stakeholder fora, political and legal provisions to enable participation and benefit sharing) can be expected if projects:

- support those processes which are a priority for the partner institution and/or have been initiated by them
- network with those with an interest in reforms
- build on existing solutions and refine, strengthen and disseminate them
- include long-term capacity development at all levels
- proactively address conflicts.

Almost all evaluations confirm the **positive impact of multi-level approaches**. This can be considered a specific strength of the GTZ approach to technical assistance.

Although considerable impact on poverty reduction has been achieved, there is a **fundamental limitation**: forest management and nature protection projects would have much greater impact if forest products and services had an adequate **market value**.

#### 4.2.4 Efficiency: Are the objectives being achieved cost-effectively?

GTZ holds a good position in terms of efficiency (average rating “good”), although accurate measurement is difficult. Often, economic data are not accessible or have not been collected or monitored systematically. The benefits of forest products and services often remain unassessed, either because there is no market (yet) or for lack of suitable procedures. Physical results (e.g. increased silvicultural production) are often undervalued, even though they can be assessed in monetary terms. The same is true for intangible forms of impact, such as motivation or advisory and counselling services of projects. In practice, evaluations apply **various criteria for assessing efficiency**.

#### Box 23: Examples of efficiency criteria and their assessment

In **Ecuador**, a model fund developed by the project was compared with the direct acquisition/purchase of rainforest as practised by other organisations. The fund model turned out to be more efficient than the alternative option of buying rainforest.

In **Costa Rica**, efficiency is assessed by the sheer volume of input: while the PRO-OSA project spent EUR 1.5 million in a period of four years, non-governmental organisations spent USD 130 million for environmental protection and nature conservation over three years in the same region. When compared in terms of the respective sums consumed for the results achieved, PRO-OSA’s measures were assessed as remarkably efficient.

**Pacific Island Countries:** It was regarded as efficient that the regional project confined itself to 7 out of a total of 22 countries in the project area, due to the extensive costs of, for example, travelling, and possibilities for later up-scaling.

In general GTZ provides long-term assistance. In most cases this type of service delivery is valued highly by the partners and is considered efficient and cost-effective. To enhance the efficiency of service delivery, GTZ cultivates diverse forms of **cooperation with national and external stakeholders/third parties**. A combination of long-term advisory services, capacity development support and pilot implementation on the ground through small local grants and subsidies has proven to be quite efficient.

The following aspects have turned out to be particularly conducive to **proper service delivery**:

- an efficient project management team with sensible, diligent workers, and a great willingness to share work and to cooperate
- emphasis on participation, use of local resources, devolved and decentralised administration, capacity building





- mobilisation of external resources for supplementary measures (e.g. workshops, awareness raising)
- sensible choice of target groups: cooperation with persons or groups of persons who are capable of realising project interventions in a constructive way.

In programmes in which **several implementing agencies** are involved, it is important that roles and responsibilities be clearly defined, so as to prevent time consuming and labour intensive information gaps or other “frictional losses”, which can severely impede the entire project cycle and efficiency in particular.

#### 4.2.5 Sustainability: Are the positive results durable?

Achieving sustainability is the most difficult goal, as external factors and policy changes may present risks to durability. Here, ratings range between good and satisfactory.

General conducive factors for sustainability include adequate resources and capacities, stability, long-term commitment of the intervention and adaptability. Among the most prominent recurring criteria for the durability of positive results from GTZ’s work are the stakeholders’ **capacity** and the degree of **institutional rooting** a given measure has undergone in the institutions responsible.

Human resource capacities endure best if capacity development takes an institutionalised form. Methodological instruments and (participatory) approaches were quite frequently mainstreamed in legal provisions and administrative procedures.

### Box 24: Examples of institutional mainstreaming

**Cameroon:** GTZ contributed directly to elaborating the national forest programme “Programme Sectoriel des Forêts et de l’Environnement” (PSFE) and continues to support its implementation. Capacity among government officials was developed to create the necessary political, legal, institutional and entrepreneurial framework conditions. They provided the foundations for supporting communities and private enterprises and user groups in the sustainable management of forest resources and the conservation of biodiversity. A multi-donor basket fund has been established in order to implement the PSFE.

**Indonesia:** GTZ, in cooperation with the FAO NFP-Facility, has been instrumental in getting a multi-level and multi-stakeholder consultation process started for the formulation of the National Forestry Statement, in line with the NFP process. The National Forestry Statement was endorsed and, in September 2006, Indonesia established a National Forestry Council consisting of five chambers, including civil society organisations and local communities.



Ayous tree timber is a much sought-after product in Central Africa. To curb illegal logging, joint efforts by several sectors are needed.



## 5 Outlook

However, institutional mainstreaming alone does not guarantee sustainability. Mainstreaming needs to provide for **flexibility** and **change management** at the same time. Without the ability to deal with changing framework conditions, long-term sustainability will not be achieved.

Non-sectoral **risks** to sustainability are manifold: armed conflicts and refugee settlements e.g. in Rwanda, crude oil exploitation in Ecuador, construction of new infrastructure, such as a dam in Viet Nam, could directly affect very positive project results. Risks may also exist within the sector itself: in the Philippines the implementation of community forestry is largely restricted by erratic government policies, despite good project results at local level. The sustainability of efforts towards SFM is jeopardised by bureaucratic procedures, widespread corruption and a preference for mining projects in some community forest areas. Another factor detrimental to sustainability, which was often encountered in nature conservation projects, is a failure to establish economic and socio-political perspectives. Finally, sustainability requires sound economic market forces to provide durable incentives for SFM.

### Conclusion

Even if not all results are achieved in every case, what emanates from recent evaluations and reviews is a picture of GTZ's work as diligently targeted, professionally planned based on state-of-the-art strategies and best-practices and efficiently implemented based on participatory and multi-dimensional approaches. In the face of a multitude of emerging challenges, however, of which climate change and fuel shortages are just two, today's fine-tuned approaches may well need to be modified again in order to maintain overall performance.

Our future work priorities will evolve under the combined effects of driving forces emerging (i) from outside the forest sector, such as rising demand for energy and raw materials, climate change, and international donor coordination, and (ii) from within the sector, such as the globalised trade of forest products and the increasing involvement of the private sector. Issues of continuing importance in our work are sustainable forest management and forest policy processes, the development of appropriate financing mechanisms and incentives for investors, and halting the loss of biological diversity (5.1, 5.2 and 5.3). In addition, new challenges arising from climate change, globalisation and trade require our attention, and we are engaged in developing specific tools and analysing experiences in order to be able to respond effectively (5.4, 5.5 and 5.6). Section 5.7 deals with challenges in response to which our means are limited, but which may have a powerful influence on our project impacts and sustainability. In Section 5.8 we briefly outline how we intend to work, in other words, the specifics of GTZ's capacity development for good forest governance.

The following pages provide an overview of the capacity development support which we currently consider will be useful during the coming years. The overview is not intended to provide a complete and exhaustive picture, nor will the activities be implemented by GTZ alone, but rather in a mix and complementary to what is already being done by others.

### 5.1 Continued support to sustainable forest management and forest policy processes

Despite their important role in achieving the MDGs and other international goals, forests continue to rank relatively low on the political agenda at national, regional and international levels. This is partly due to the complexity and contradiction of interests involved and the high degree of illegality in the sector. We therefore see the promotion of **good forest**



**governance** as a necessary and essential element of any forest-related work and policy, be it the development of a finance mechanism aimed at reducing deforestation or the creation of incentives for SFM.

Based on the demand from partner countries, we will continue to provide capacity development:

- 🔄 to make **national forest programmes** functional and self-reliant, as suitable frameworks for sustainable forest management;
- 🔄 to **implement international agreements** such as the NLBI and enhance coherence and **synergies** between the different forest-relevant policies, such as biodiversity action plans, adaptation and mitigation strategies, and national FLEGT action plans;
- 🔄 to create **favourable framework conditions** and **market incentives** for SFM through national policy reforms and implementation, including institutionalised property and use rights, combating corruption and bribery, and creating economic incentives, e.g. by way of fiscal reforms.

At the regional level, **transboundary problems** such as illegal logging and related trade and sustainable management of public environmental goods require the involvement of regional organisations with a political mandate for integration beyond national confines. We will intensify:

- 🔄 collaboration with regional **partnerships and common platforms** for dialogue between neighbouring countries in order to harmonise policies and legal frameworks at regional level, thereby bridging the gap between national and global level forest issues;
- 🔄 support to **regional forest policy processes** and rules-based regional cooperation.

We also see regional cooperation as a means of keeping forest issues on the ODA agenda in countries where a shift of focus

in donor assistance has relegated forests and biodiversity to the background. Support for these global environmental issues can often continue in a regional context, as is the case in the Congo Basin Forest Partnership (see Box 14).

As far as **international forest-related policy processes** are concerned, we are committed to the WSSD objective of linking global forest policy closer to the overall targets for sustainable development. We continue our engagement and participate in:

- 🔄 the implementation of the **NLBI** and the UNFF MYPOW;
- 🔄 shaping the **post-Kyoto regime** of the Climate Change Convention regarding avoided deforestation and climate change adaptation;
- 🔄 revising and implementing the CBD work programme on **forest biological diversity** to help achieve the 2010 Biodiversity Targets.

We offer our partners **capacity development** support to develop and promote their independent positions in ongoing and future environmental policy negotiations. This includes support for national and regional dialogues on international forest-relevant policies and the feedback of experiences into international dialogue.

## 5.2 Further development of financial instruments and incentives

We will continue to emphasise development and implementation of **dynamic and flexible financial instruments** for forest development cooperation, such as sector-wide approaches, trust funds, basket funding, and global climate bonds.



We consider **reducing the risk of investments** and **developing tradable environmental services of forests** as major paths towards a broader engagement on the part of private investors in sustainable forest management.

- 🕒 We pay particular attention to the **activities of the private sector** in the forest business in developing countries and will support enabling framework conditions through our capacity development for good governance.
- 🕒 We will advise our partners to mainstream sustainable forest management in their national development strategies and in their **national budget planning** and mid-term financial planning, with the aim of achieving higher levels of domestic funding.
- 🕒 We encourage our partners to create **national financing strategies and forest business plans** that are suitable for attracting new investors and other additional financial resources through transparent planning, creation of convincing investment perspectives and reliable communication of business opportunities.
- 🕒 We offer support in **applying innovative financing mechanisms**, especially in carbon marketing (e.g. voluntary markets). We assist our partners in preparing for “performance-based” financing mechanisms, and address unrealistic expectations.
- 🕒 We will expand our activities to promote and up-scale **Payments for Environmental Services (PES)** and related capacity development in partner countries, building on experience from projects in Latin America.
- 🕒 We will continue to participate actively in international expert groups dealing with the **international financing architecture** for sustainable forest management.

## 5.3 Halting the loss of forest biodiversity

Biodiversity conservation has been a core element of our activities in the environment sector since the mid-1980s. As 70% of all terrestrial biodiversity is found in forests, our work in and around forests plays a major role in this regard. As our evaluations show, a key challenge is how to achieve two things at the same time: **successfully address the needs of the target groups** in terms of resource utilisation and income generation, **and meet conservation objectives**. We combine local level work with a landscape approach, promote sustainable tourism taking into account the respective CBD guidelines, and support partners in developing innovative funding mechanisms.

The **discrepancy between forest protection needs and the demand for forest products** poses a major problem that has to be overcome in order to ensure effective forest biodiversity conservation. **Local communities** and indigenous people play a key role in our approach, as their experience and traditional knowledge and involvement is decisive in developing solutions that suit the local conditions, effectively preserve biodiversity and reduce poverty.

- 🕒 We work with government agencies and local communities to develop **conservation strategies** which balance conservation interests and local user needs. Buffer zone development concepts are used which follow an intersectoral approach, providing local communities and indigenous people with adequate opportunities to participate in the entire decision making process and to assume management responsibilities for dedicated agricultural and forest areas, wildlife and tourism.
- 🕒 We **promote projects at “grassroots level”**, which build on local experience and needs to develop tailor-made solutions; our collaborative approach makes the best use of local community potential towards the protection of biodiversity.

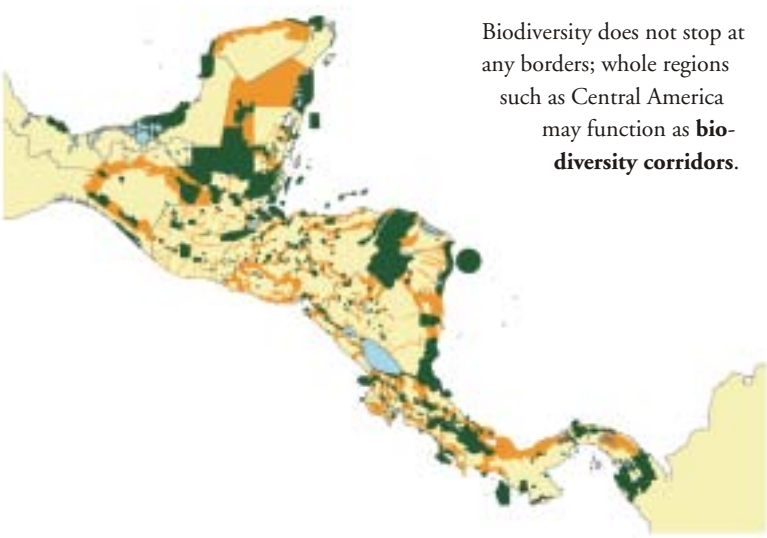


At the landscape level we promote integrated land use planning and zoning efforts to identify suitable protection and production areas. During the planning process, sufficient land has to be reserved for local users while **minimising the fragmentation of forests**.

We cooperate with the private sector, offer capacity development regarding **access and benefit sharing** and support the **valuation** of biological diversity, e.g. through biotrade initiatives, fairs, marketing, public-private partnership projects and support for small to medium-sized enterprises.

The **promotion of sound tourism** in national parks and other protected areas can be a successful means of compensating local people for use restrictions through the capitalisation of biodiversity and landscape values. Positive effects on local incomes, investments and biodiversity conservation can easily be offset by negative effects on social and cultural structures, pollution, degradation and destruction of natural areas and ecosystems. Thus, tourism must be developed carefully, strictly following the criteria of social, ecological, cultural and economic sustainability.

We support our partners in the **development and implementation of sustainable tourism strategies**. Our projects are focused, in particular, on rural development, the involvement of local communities, the promotion of small and medium-sized businesses, environmental planning and the management of natural resources.



Biodiversity does not stop at any borders; whole regions such as Central America may function as **biodiversity corridors**.

We support groups of countries and regional organisations in the establishment of transboundary protected areas and **regional protected area networks** so as to improve the connectivity of habitats and ecosystems. This comprises the development of management and business plans.

Forest biodiversity faces a range of threats. We help our partners address these in the context of their commitment to the **CBD work programme on forest biological diversity**.

We assist our partners in formulating their national **biodiversity strategies** and action plans.

We support the integration of biodiversity issues into national strategies and action plans for good forest governance and law enforcement (**FLEG**).

We will expand our advisory services on the impact of **climate change** on forest biodiversity and the associated response activities, e.g. through fire management training and selection of conservation areas.

We will intensify scientific cooperation and make all efforts to integrate **monitoring of forest biodiversity** in our projects and to share this information with relevant partners.

The **management of protected forest areas** and the **establishment of protected area networks** require **long-term funding**. GTZ is active in the international Conservation Finance Alliance and actively participates in systematic information sharing and the pooling of expertise and resources to support conservation financing.

We continue to collaborate with other interested financiers and offer advisory services to our partners to set up **trust funds and other fundraising and management mechanisms** for protected areas.

## 5.4 Adapting to and mitigating climate change

BMZ decided in 2007 that the far-reaching consequences of climate change entail the need to screen, adjust and potentially supplement all existing development cooperation instruments. We therefore undertake first practical steps and pilot activities to **mainstream** climate change considerations in our project planning processes by drawing on our experience in mainstreaming such topics as environment, governance, gender and HIV/AIDS.

The forest sector will be affected by climate change in many ways. Consequently, we support our partners in developing forest-relevant elements for national **mitigation and adaptation strategies**. We engage in **information and knowledge sharing** with our partners regarding the international debate on climate change and the analysis of associated risks and opportunities.

Forest composition will change, damage from storms, fires, floods and pests will increase and whole ecosystems may become unstable. Suitable **adaptation** strategies have to be developed and we will draw on our wealth of experience in projects geared towards forest protection, sustainable forest management and reforestation to address these issues using suitable technical approaches.

🕒 We will help partner countries to **revise and adjust existing silvicultural techniques**, aiming at strengthening the stability and resilience of forest ecosystems in the context of climate change, including forest management for diversity, tree species selection, forest fire and pest management strategies.

🕒 We will intensify our **scientific cooperation to assess the opportunities and risks** associated with climate change, including localised risk assessments, development of response mechanisms and **instruments for decision-making**. We support the adaptation and integration of planning processes into wider disaster management approaches.

**Mitigating** the climatic effects of deforestation and reducing greenhouse gas emissions through avoided deforestation (REDD) have only recently emerged as subjects for development cooperation.

🕒 We advise the relevant German ministries and participate in the international debate on developing a suitable **REDD mechanism** for developing countries; we also support our partners in shaping their independent positions and promoting their interests on the subject.

🕒 We support our partners in establishing **secure legal and regulatory frameworks** for forest areas, develop support mechanisms and promote local governance as prerequisites.

### Box 25: REDD pilot initiatives

**Madagascar:** One of the first pilot projects is implemented in Madagascar in cooperation with the German Federal Research Centre for Forestry and Forest Products and the Swiss Foundation for Development and International Cooperation. Important partners from Madagascar are the Ministry for Forestry and Environment and the national authority responsible for climate projects. The technical cooperation programme “Protection and sustainable management of natural resources” supports the pilot project on the ground. The planned activities comprise capacity development at national and local level (creation of carbon balances, monitoring, baselines), development of land use concepts, selection of pilot areas, development of concepts for incentive schemes and compensation payments for avoided deforestation, as well as the analysis of experiences and their input into national and international discussion processes. The participation of a financial institution (e.g. KfW or World Bank) is envisaged, as is closer cooperation with international organisations.

**Indonesia:** Together with the Indonesian Ministries for Environment and Forestry, GTZ on behalf of the German government organised a national workshop in August 2007 in Jakarta entitled “Reducing Emissions from Deforestation and Forest Degradation in Developing Countries (REDD):



Where to Start?” The aim was to reach a “milestone” on the path towards the 2007 climate conference in Bali, where REDD was to be negotiated, and to enable Indonesia to prepare for REDD. The workshop attracted more than 180 participants from all relevant sectors. Germany was represented by a Parliamentary Secretary of State from the Federal Ministry for Economic Cooperation and Development and several Members of Parliament. The workshop was an important national forum for presentations and discussions about the urgent issue of greenhouse gas emissions from deforestation. According to recent studies, Indonesia is now the third largest emitter in the world, mainly due to emissions from deforestation. During the government to government negotiations in October 2007, Indonesian and German delegates agreed to cooperate in a new priority area “**Climate Change**”. A EUR 23.5 million programme at the Ministry of Forestry supports the implementation of the Ministry’s Strategic Plan (2005-2009) and will focus on measures for reducing greenhouse gas emissions in the forest sector. Points of entry currently discussed are avoided deforestation pilot projects through district-based approaches linked to the reform of forestry administration, including e.g. improved management of peat forests and the “Heart of Borneo” initiative.








As forest covers recede women face increasing hardships in fuelwood supply.

Methods have now become available for **monitoring extensive areas** and for **quantifying corresponding reductions of greenhouse gases**. We are currently gathering practical experience in fine-tuning and applying these methods at national and local level (Box 25). Furthermore, we are preparing such an initiative in the Congo Basin, in the regional context of the COMIFAC.

-  We provide capacity development support for **REDD**, through **pilot projects and initiatives**, which help our partners gain experience in the field of monitoring and defining baselines, providing a testing ground for practical approaches towards **forest-based greenhouse gas reduction**.
-  We feed local experiences back into the international discussion.

## 5.5 Dealing with rising global demand for energy, especially biofuels

Biofuel policies are being developed and implemented increasingly by many countries. These policies must address large-scale production for industry, transport and export on the one hand and small-scale production to satisfy household needs on the other. An **interdisciplinary and holistic** view is needed to design and implement a well balanced policy framework in order to guarantee a harmonious development between competing sectors: forest (biodiversity), food and energy. An appropriate integration into the respective national and regional planning instruments is of vital importance, not least with a view to meeting and securing livelihood-related needs. GTZ strives to support its partners in applying sound solutions in line with social and ecological standards, in order to ensure that biofuels are produced, traded and used sustainably.

-  We offer a wide range of advisory services on biomass and bioenergy issues, the relevant legal and institutional **framework, and strategies for the sustainable production of biomass and bioenergy**.
-  We will continue to work towards the **development and application** of clear environmental and social standards for biofuel production and for its **integration into sound land use approaches**.
-  We will be increasingly engaged in the **development of appropriate guidelines** that take account of life-cycle analysis and environmental and social standards.



We assist our partners in assessing the opportunities and risks of **regional biomass production**.

NFP processes can be an **appropriate place to discuss** issues such as wood energy, biofuels and the related decision-making in land use planning, where the conversion of forests is often at stake. We will encourage partners to **integrate these issues into their NFPs**.

As regards household energy, many developing countries still pay **insufficient attention to the potential of wood energy**. Inadequate legislation as well as inappropriate regulatory policies (preferential tax treatments for sustainably managed forests, proof of origin) serve to jeopardise investments in the production of wood energy by the private sector, forest owners and farmers.

We offer technical solutions to address the inefficient **consumption of wood based fuels** for cooking and to establish a commercial market for energy-efficient cooking technologies.

In order to avoid social hardships for end users, which are easily conceivable as a consequence of increasing wood prices, accompanying measures, such as e.g. the introduction of fuel saving stoves, should be considered.

Complementing these specific measures, GTZ offers **capacity development** to support the creation of viable renewable energy markets:

development of a well-trained workforce (forest administration, private sector, forest owners and farmers) to establish, sustainably manage and harvest wood energy feedstocks,

provision of available, efficient, and affordable technologies (e.g. for rural energy supply and in the transport sector)

greater public awareness of the benefits and applications of woody fuels and other bioenergy as a means of achieving sustainable development goals.

Once the available technology allows for more widespread production of biofuels from grasses, shrubs and trees, the utilisation of these perennial crops for biofuel could help to protect lands that are vulnerable to erosion and to restore lands degraded by grazing. For such benefits to be realised, the expansion of biofuel production will need to be accompanied by a **new generation of strict land use laws**, taxation policies and the introduction of sustainable land management systems.


## 5.6 Dealing with rising globalisation and trade in forest products

When it comes to the impact of the timber trade on the state of forests and the appreciation of all forest products and services, the starting point for international cooperation is not self-evident. In addition to the existence of exploitable forests, the main drivers of the timber trade are mostly found at the **macro-economic level**, i.e. national growth of gross domestic product, domestic interest rates, inflow of foreign direct investment, currency policy and labour costs. For technical cooperation in the forest sector, it will be **difficult to exert direct influence** on these factors. We will therefore concentrate on certification, FLEGT measures, and cooperation with the private sector and major processing countries.



The **certification of sustainable forest management** is a voluntary market instrument that is key in the long term to promoting timber supply from sustainable sources. However, it brings with it several obstacles, including high costs for the establishment of a certified forest area and running expenses for certification.






-  We will continue to work towards devising strategies that **facilitate access to certification** for state-owned forests and small forest owners. In doing so, we will make the best use possible of existing schemes and audits and will cooperate closely with civil society and the private sector.

While illegal logging activities are undermining certification efforts by undercutting prices, certification must be backed up by the **verification of legality for non-certified timber**. Capacity development and promotion of good governance are our main fields of action in this regard. Cooperation with NGOs will focus on independent monitoring of the **FLEGT legality assurance system**.

-  We will continue to support partners in preparing for negotiating Voluntary Partnership Agreements (**FLEGT-VPA**) with the EU.
-  We will continue to support regional FLEG processes and **promote FLEG measures** in close cooperation with a wide range of partners. In doing so, we will build on our field experience from current FLEG(T) processes and the ongoing VPA negotiations.


In order to provide real incentives for certification, forest owners and timber suppliers need to benefit more from certification than from unsustainable forest management and illegal logging. In addition to international markets, **national markets for certified timber** and the **national value added chain** need to be developed in producer countries.

This will be one of GTZ's greatest challenges. It is a genuinely intersectoral task that involves promoting small and medium-sized enterprises in the timber manufacturing industry. Positive examples of GTZ's activities in the stimulation of domestic markets for certified timber already exist in Malaysia and Viet Nam. In Nicaragua, we worked successfully towards modernising processing techniques as well as strengthening entrepreneurial competencies in rural areas. However, as they still have more of a pilot character, the next step to **scale up our positive experience** is crucial.

-  We will continue to develop our cooperation, building **synergies with business** and pursuing capacity development in **national economic policy**.

Political cooperation with a number of **"anchor countries"** – fast-growing national economies with growing political influence in their regions – as well as increased cooperation on a global scale is aimed at improving global environmental and forest governance. In 2006, 7 of the top 10 companies among the 100 largest forest, paper and packaging companies in the world were located in anchor countries (1 in Mexico, 3 in Brazil, 2 in China, 1 in Thailand).

Extremely low wages and poor working conditions in China and other anchor countries are most often not in line with the concept of **Corporate Social Responsibility (CSR)** which also includes responsibility for ensuring environmental sustainability.

-  The implementation of CSR is sometimes seen as a **non-tariff trade barrier**, but as anchor countries seek access to the World Trade Organisation, it is gaining more and more respect and is thus acquiring greater importance in GTZ's work.





## 5.7 Challenges with little means to respond

Some challenges that impact on forests are not inherent to the forest sector and related sectors but are rooted in **unforeseeable natural disasters, social conflicts and wars**. Forest development cooperation has no means to directly influence such events. However, we must be aware that they have an impact and that, as a result, they may need to be taken into account in specific regions during project and programme planning and implementation. In some cases it may even become necessary to change project road maps as a flexible response to unforeseen or unavoidable circumstances. Therefore, we keep a watch on relevant social, economic and natural developments and work on appropriate responses within the forest sector.

In this regard, we have seen that **oil and mineral exports tend to induce conflicts and increase deforestation** more than ever, rather than reducing them. We will pay increased attention to these themes, particularly in the context of good governance. Research and intersectoral coordination are needed. We are already active in this area with a variety of projects and are engaged in reinforcing the implementation of the **Extractive Industries Transparency Initiative EITI**. One GTZ project is aimed at better implementation of EITI criteria and a better use of revenues for sustainable development in the Congo Basin. In Peru and Bolivia, countries witnessing grave conflicts over the use of minerals and gas, we work with local stakeholders in order to ensure peaceful conflict management. Future projects will help reinforce the implementation of EITI criteria in Africa, among others Liberia which not long ago decided to apply EITI criteria to timber as well.

Armed conflicts can not be tackled from within the forest sector either. In this context GTZ aims to **harness the potential of forest sector cooperation to prevent conflicts** in the first place and to contribute to balanced solutions. Involving local people in participatory resource management and providing for adequate benefit-sharing can contribute to-

wards mitigating conflicts or even help reintegrate former combatants into mainstream society. Forest development cooperation needs to position itself in conjunction with other approaches that address sound policy development, environmental governance and advocacy. This includes cooperation with peace-building initiatives, and action against trade with conflict timber, e.g. in the context of FLEGT. With our specific portfolio and broad-based networks, we are in a position to tap into forces beyond the forest sector that can be used for this purpose.

Another challenge affecting forests are **natural disasters, including floods, hurricanes and landslides**. We are deploying different instruments in order to make our projects more disaster-proof. Forest management is one of these instruments. Forests are a relatively cheap and easy-to-use instrument for increasing the resilience of nature to catastrophes, by e.g. stabilising hills or coastal zones with plantations, or protecting and managing watersheds by planting trees so that they do not dry up. Furthermore, forest policy and technical cooperation can impact at a more structural level to mitigate peoples' vulnerability to disasters, by establishing sound practices of natural resource management.

## 5.8 How do we work?

### Vertical and horizontal integration

Deforestation and forest development processes are highly complex, as they have multiple points of intersection with other sectors and broader aspects of socio-economic development. Experience shows that forest interventions need to link up with other sectors such as agriculture, water, energy and infrastructure as well as broader aspects such as trade, conflict management, administrative and legal reform. Intersectoral approaches and the mainstreaming of forestry into national development agendas are of utmost importance. At the local level, integrative strategic land use planning can provide a suitable means for cross-sectoral coordination.

### Multi-level approach

To address prevailing problems in a holistic way, we use a multi-level approach, combining support for grassroots implementation up to nationwide policy and strategy formulation. This also contributes to our detailed understanding of partner structures, which enables us in turn to offer flexible, rapid and locally appropriate interventions. This multi-level approach is central to our capacity development support for good forest governance. Through our network of colleagues who advise regional organisations and participate in international forest policy processes, we are able to support countries and regions in preparing and positioning themselves in international negotiations and to feed back national realities to policy makers.

### Long-term assistance

In the forest sector impacts may take years to become visible. In developing countries, as in the industrialised world, complex transition processes take many years. A plurality of stakeholders may require capacity building before they are able to assume full control, and institutional reforms require a certain time to take effect. Short-term implementation periods of two to three years at most are likely to fail. Consequently, our programmes in the forest sector have an average duration of at least 10 years. Interim evaluations, and, if deemed useful, joint adjustment of strategies take place every two to three years.

### Building partnerships and increasing flexibility

Independent projects have gradually been converted into complex programmes that often involve the different instruments of German Development Cooperation such as Technical Cooperation (GTZ), Financial Cooperation (KfW-Entwicklungsbank), Capacity Building International (InWEnt) and the German Development Service (ded). For financial continuity, subsidiarity and increased impact, German support is increasingly tied in with multi-donor approaches and strategic partnerships to foster coordination and coherence. Regional and country-specific projects aim to align external



contributions with a partner country's national sector strategic planning framework, which identifies focal areas for the major donor agencies and NGOs active in the sector, under the common umbrella of a national forest programme or forest development strategy.

### Identification of systemic options

Many advanced partner countries are often no longer looking to transfer a single model, but rather wish to obtain a range of different systemic options from which an optimal approach to reform can be developed, appropriate to local conditions. This is especially important when dealing with climate change scenarios and assessing the risks associated with different options for climate mitigation and adaptation projects. We continue to apply various systemic approaches in the respective sectoral and regional contexts, based on our own sectoral, process-based and regional expertise. This includes support for the organisation of workshops, fora and conferences at national, regional and international level, the aim being to promote the mutual exchange of best practices, encourage networking and build strategic partnerships and cross-sectoral cooperation with other GTZ programmes in partner countries, e.g. for good governance and sustainable economic development. ■

# Abbreviations

<b>5MHRP</b>	Five Million Hectare Reforestation Programme
<b>ACTO</b>	Amazon Cooperation Treaty Organization
<b>AFLEG</b>	African Forest Law Enforcement and Governance
<b>ALFA</b>	Aplicación de la Ley Forestal en la Amazonía – Forest Law Application in the Amazon
<b>ASEAN</b>	Association of Southeast Asian Nations
<b>CAC</b>	Consejo Agropecuario Centroamericano – Central American Agricultural Council
<b>BMZ</b>	Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung – Federal Ministry for Economic Cooperation and Development
<b>CBD</b>	Convention on Biological Diversity
<b>CBFP</b>	Congo Basin Forest Partnership
<b>CCAD</b>	Comisión Centroamericana de Ambiente y Desarrollo – Commission on Environment and Development
<b>CDM</b>	Clean Development Mechanism
<b>CEO</b>	Chief Executive Officer
<b>CIFOR</b>	Center for International Forestry Research
<b>CIM</b>	Centrum für Internationale Migration und Entwicklung – Human resources placement organisation for German Development Cooperation
<b>COMIFAC</b>	Commission des Forêts d’Afrique Centrale – Central African Forest Commission
<b>CPF</b>	Collaborative Partnership on Forests
<b>CSR</b>	Corporate Social Responsibility
<b>DC</b>	development cooperation
<b>ded</b>	Deutscher Entwicklungsdienst – German Development Service
<b>DGIS</b>	Directoraat-Generaal Internationale Samenwerking – Directorate General for International Cooperation at the Dutch Ministry of Foreign Affairs
<b>EFR</b>	Environmental fiscal reform
<b>EITI</b>	Extractive Industries Transparency Initiative
<b>ENA-FLEG</b>	Europe and North Asia FLEG
<b>FAO</b>	Food and Agriculture Organization
<b>FLEGT</b>	Forest Law Enforcement, Governance and Trade
<b>FSC</b>	Forest Stewardship Council
<b>GEF</b>	Global Environment Facility
<b>GHG</b>	Greenhouse gas
<b>GTZ</b>	Deutsche Gesellschaft für Technische Zusammenarbeit
<b>ICRAF</b>	International Center for Research in Agroforestry
<b>IEA</b>	International Energy Agency
<b>IFF</b>	Intergovernmental Forum on Forests
<b>InWEnt</b>	Internationale Weiterbildung und Entwicklung – Capacity Building International
<b>IPCC</b>	Intergovernmental Panel on Climate Change
<b>IPF</b>	Intergovernmental Panel on Forests
<b>ITTO</b>	International Tropical Timber Organization
<b>IUFRO</b>	International Union of Forest Research Organizations
<b>IUCN</b>	The World Conservation Union
<b>IWP</b>	Internationale Waldpolitik
<b>KfW</b>	Kreditanstalt für Wiederaufbau



<b>MASRENACE</b>	Manejo sostenible de recursos naturales y fomento de competencias empresariales – Programme for Sustainable Resource Conservation and Promotion of Entrepreneurial Competence
<b>MDG</b>	Millennium Development Goal
<b>MERCOSUR</b>	Mercado Común del Sur – Southern Common Market
<b>MoF</b>	Ministry of Forests
<b>MTCC</b>	Malaysian Timber Certification Council
<b>MYPOW</b>	Multi-Year Programme of Work
<b>NFP</b>	National forest programme
<b>NGO</b>	Non-governmental organization
<b>NI</b>	National Initiative
<b>NLBI</b>	Non-legally binding instrument
<b>NTFP</b>	Non-timber forest product
<b>ODA</b>	Official development assistance
<b>OECD-DAC</b>	Development Assistance Committee of the Organisation for Economic Co-operation and Development
<b>PEFC</b>	Programme for the Endorsement of Forest Certification Schemes
<b>PERFOR</b>	Programa Estratégico Regional Forestal – Regional Forest Strategy of Central America
<b>PES</b>	Payments for Environmental Services
<b>PIC</b>	Pacific Island Countries
<b>PPP</b>	Public-private partnership
<b>PSFE</b>	Programme Sectoriel des Forêts et de l'Environnement
<b>PRSP</b>	Poverty Reduction Strategy Paper
<b>REDD</b>	Reducing Emissions from Deforestation and Forest Degradation
<b>REFoP</b>	Regional Forest Project
<b>SADC</b>	Southern African Development Community
<b>SFM</b>	Sustainable forest management
<b>SME</b>	Small and medium enterprises
<b>SWAp</b>	Sector Wide Approach
<b>WSSD</b>	World Summit on Sustainable Development
<b>TC</b>	Technical cooperation
<b>UN-DESA</b>	UN Department of Economic and Social Affairs
<b>UNCCD</b>	United Nations Convention on Combating Desertification
<b>UNCTAD</b>	UN Conference on Trade and Development
<b>UNDP</b>	United Nations Development Programme
<b>UNEP</b>	United Nations Environment Programme
<b>UNFCCC</b>	United Nations Framework Convention on Climate Change
<b>UNFF</b>	United Nations Forum on Forests
<b>VPA</b>	Voluntary Partnership Agreement (FLEGT-VPA)
<b>WWF</b>	Worldwide Fund for Nature

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Deutsche Gesellschaft für  
Technische Zusammenarbeit (GTZ) GmbH

– German Technical Cooperation –

Dag-Hammarskjöld-Weg 1-5  
65760 Eschborn  
T +49 61 96 79-0  
F +49 61 96 79-11 15  
E [info@gtz.de](mailto:info@gtz.de)  
I [www.gtz.de](http://www.gtz.de)

