



COMMISSION OF THE EUROPEAN COMMUNITIES

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99/0015 (SYN)

Proposal for a

COUNCIL REGULATION (EC)

**on measures to promote the conservation and sustainable management of
tropical forests and other forests in developing countries**

(presented by the Commission)

Explanatory memorandum

The proposed Regulation will be an important instrument to enable the Community to meet its commitments to the conservation and management of forests in the context of sustainable development. It will ensure the continuation of activities implemented under Council Regulation (EC) n° 3062/95 of 20 December 1995¹, after its expiry on 31 December 1999. The proposed legal instrument takes into account relevant developments within the Community, the results of the international discussion on Forests through the Intergovernmental Panel on Forests / Intergovernmental Forum on Forests process, the evolution in the forest sector, as well as experience acquired during the implementation of the existing regulation.

EC development cooperation in forestry stems from clear Community commitments to the conservation of forests and sustainability of development activities. Articles 130 u and 130 r of the Treaty are of specific relevance. Article 130 u states that Community policy in the sphere of development cooperation shall foster the sustainable economic and social development of the developing countries. Article 130 r states that the Community shall promote measures at international level to deal with regional or worldwide environmental problems, and also that environmental protection shall be integrated into the definition and implementation of other Community policies.

Since the United Nations Conference for Environment and Development (UNCED) in Rio de Janeiro in 1992, the conservation and sustainable management of forests has been acknowledged as critical for maintaining a healthy global environment, allowing for sustainable social and economic development. Several Multilateral Environmental Agreements, notably the Convention on Biological Diversity, the Framework Convention on Climate Change and the Convention to Combat Desertification emphasise the need to assist developing countries to address their forest problems, while fulfilling relevant WTO obligations.

Recognising the importance of forests at local and global levels, the European Parliament has called on the Commission to prepare an integrated international strategy for the conservation and sustainable management of forests. The proposed Regulation is a key means by which this strategy will be implemented.

An independent evaluation of the EC contribution to forest sector development cooperation was finalised in 1998. It recognised the positive achievements of the actions funded by budget line B7-6201 while emphasising its complementary role with respect to other financial instruments.

¹ OJ N° L 327, vol. 38, 30.12.1995.

The proposed regulation sets the framework for the management of budget line B7-6201, the most specific financial instrument available to the EC for the implementation of the above commitments. This instrument will finance strategic actions such as:

- Pilot projects and innovative activities in developing countries, and
- Studies to increase the effectiveness of Community assistance and of developing countries' efforts for the conservation and sustainable management of forests.

The priorities set out form a coherent framework for the Community's development cooperation on forests, addressing the development of appropriate national and international policy frameworks, forest conservation, sustainable forest management, improvement of downstream processing and marketing of forest products and applied research, with an overall objective of achieving sustainable development, as well as poverty reduction.

Under this overall framework, the activities financed may address a broad range of forest issues, allowing for the necessary flexibility to respond adequately to new ideas and challenges, according to regional and countries' specific needs.

Since forest sector development co-operation is a long-term commitment, it is suggested that the regulation be given an unlimited duration. Four years after the entry into force of this regulation, the Commission will submit to the European Parliament and to the Council an overall assessment of the operations financed together with suggestions concerning the future of this regulation. Meanwhile, the Commission will ensure regular assessments of the progress of operations.

In order to allow for the continued funding of measures to promote the conservation and sustainable management of tropical forests and other forests in developing countries under budget line B7-6201, the new regulation should be adopted as soon as possible and be applicable from January 1, 2000.

COUNCIL REGULATION (EC) n°... of

on measures to promote the conservation and sustainable management of tropical forests and other forests in developing countries

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Articles 130s and 130w thereof,

Having regard to the proposal from the Commission (1),

Having regard to the opinion of the Economic and Social Committee (2),

Acting in accordance with the procedure laid down in Article 189c of the Treaty (3),

(1) Whereas forests have a variety of functions and values for mankind and can contribute to the achievement of Community development and environment objectives such as poverty reduction, sustainable economic and social development and protection of the environment;

(2) Whereas, in numerous resolutions, the European Parliament has expressed its concern over the destruction of forests and the consequences for forest peoples;

(3) Whereas, in reply to the request by the European Parliament in its Resolution on the European Union's forestry strategy² the Commission has adopted, in, Communication "....." setting out a strategy for Community action on the promotion of the conservation and sustainable management of forests in developing countries;

(4) Whereas the objectives of this strategy are to be pursued in the context of the broader Community aim to promote the conservation and sustainable use of forests, in whatever geographical area or climate zone they may be situated;

(5) Whereas the Community and its Member States are signatories to the Rio Declaration and the Agenda 21 action programme and are committed to the UNGASS resolution "Programme for the further implementation of Agenda 21";

(6) Whereas the Community and its Member States are members of the World Trade Organisation and parties to Multi-lateral Environment Agreements, notably the Convention on Biological Diversity, the Framework Convention on Climate Change and the Convention to Combat Desertification; whereas they are thus committed to take into account the common but differentiated responsibilities of developed parties and developing parties on these subjects;

² OJ n° C 55 of 24.2.1997, p. 22.

(7) Whereas, in its 1997 Special Session, the United Nations General Assembly has endorsed the proposals for action formulated in the framework of the Intergovernmental Panel on Forests (IPF); whereas the Community and its Member States are fully committed to the implementation of these proposals;

(8) Whereas Council Regulation (EC) n° 3062/95 of 20 December 1995 on operations to promote tropical forests³ set out the framework for Community assistance in this area; whereas Regulation (EC) n° 3062/95 was applicable until 31 December 1999; whereas the experience acquired during the implementation of Regulation (EC) n° 3062/95 should be reflected in this regulation;

(9) Whereas, in its Resolution of 30 November 1998, the Council acknowledges the role that forest peoples play in managing the environment, in particular with regard to the conservation and sustainable use of forests in developing countries;

(10) Whereas existing financial instruments available to the Community for supporting the conservation and sustainable development of forests could usefully be supplemented;

(11) Whereas provision should be made for funding the operations referred to in this Regulation;

(12) Whereas rules for implementation, in particular the form of action, recipients of aid and decision-making procedures, should be laid down,

HAS ADOPTED THIS REGULATION:

Article 1

The Community shall provide financial assistance and technical expertise to promote the conservation and sustainable management of tropical forests and other forests in developing countries so as to meet the economic, social and environmental demands placed on forests at local, national and global levels.

This financial assistance and technical expertise shall complement and reinforce the assistance provided through other instruments of development cooperation.

Article 2

For the purposes of this Regulation:

1. "Tropical forests and other forests in developing countries" means the natural and semi-natural forest ecosystems, whether primary or secondary, whether closed or open forests, in both dry and humid areas. The areas concerned are those found within the territories of African, Caribbean and Pacific countries, the Mediterranean countries and the countries of Latin America and Asia.

³ OJ L 327 of 30.12.1995

2. "Conservation" means all operations to preserve and rehabilitate forests, in particular operations designed to protect or restore the biological diversity and ecological functions of the forest ecosystem, while securing as far as possible their current and future value for mankind and in particular for forest peoples.

3. "Sustainable forest management" means the management and use of forests and wooded lands in a way, and at a rate, that maintains their biological diversity, productivity, regeneration capacity, vitality and their potential to fulfil, now and in the future, relevant ecological, economic and social functions, at local, national, and global levels, without causing any damage to other ecosystems.

4. "Sustainable development" means the improvement of the standard of living and welfare of the relevant populations within the limits of the capacity of the ecosystems by maintaining natural assets and their biological diversity for the benefit of present and future generations.

5. "Forest peoples" means the indigenous peoples who inhabit the forest or claim it as their home and any people who live in or near the forest and have traditionally been directly and to a large extent dependent on the forest.

Article 3

Activities to be carried out pursuant to this Regulation shall aim at:

- raising the status of forests in national policies and integrating forest policies in development planning;
- promoting the production and use of wood and non-wood forest products from sustainably managed resources;
- contributing to the adequate valuation of forest resources and services.

Article 4

1. In the provision of financial assistance and technical expertise aimed at attaining the objectives set out in Article 3, the Community shall give special consideration to the promotion of :

(a) Development of appropriate national and international forest policy frameworks based on realistic valuation of forests, including land use planning, equitable trade in sustainably produced forest products, legal and fiscal measures, institution building, support to the private sector and taking into account other sectoral policies which impact on forests and the interests and customary rights of forest peoples;

(b) Conservation of forests which are recognised as being of high ecological value as well as restoration of degraded forest areas, which are considered to be of importance due to their local and global impacts such as the protection of hydrographic basins, the prevention of soil erosion, climate change and the preservation of biological diversity ;

(c) Sustainable forest management and utilisation to provide economic, social and environmental benefits and including *inter alia* forest certification and environmentally sound harvesting of both wood and non-wood forest products and natural and assisted forest regeneration;

(d) Economic viability of sustainable forest management through more efficient utilisation of forest products and technical improvements of downstream activities related to the forest sector such as small and medium scale processing and marketing of wood and non-wood forest products, the sustainable use of wood as energy source and the development of alternatives to agricultural practices based on forest clearing ;

(e) Knowledge and information generation and management concerning forest services and products, in order to provide a sound scientific basis for realising the priorities listed under a) to d).

2. Priorities shall be determined in accordance with:

- the needs of each country as reflected in regional and national development and environment policies relating to forests, considering National Forest Plans, and
- Community cooperation objectives as established in jointly agreed country strategy papers.

3. Particular attention shall be given to:

- encouraging private entrepreneurship in the forest products processing and marketing chain, in the context of agreed policies for private sector development and taking into account existing social systems and community-based economic activities;
- encouraging the direct participation of developing country public and private organisations, ensuring appropriate scale of interventions and adaptation of administrative procedures to locally manageable level;
- participation of forest peoples in operations carried out pursuant to this Regulation;
- sustainability of any proposed activity, social, economic as well as environmental.

4. Operations carried out pursuant to this Regulation shall be preceded by environmental and social impact assessments, as well as analysis of financial and economic feasibility. These operations shall also be preceded by provision of relevant information to forest peoples and be conditional on their support.

Operations carried out will be evaluated using specific quantitative and qualitative indicators set in the reference conditions.

5. Operations carried out pursuant to this Regulation shall be coordinated with, and may provide support for, national and international programmes and operations on the conservation and sustainable management of forests, in particular the proposals for action formulated in the context of the IPF/IFF process.

6. When appropriate, operations shall be carried out within the framework of regional organisations and international programmes of cooperation and shall form part of a global policy on the conservation and sustainable management of forests.

7. Operations carried out pursuant to this Regulation shall concentrate on pilot projects in the field, innovative programmes, studies and research, the results of which will enable the EC to develop, adjust and implement its forest sector cooperation policies.

Article 5

Aid recipients and cooperation partners shall include not only States and regions but also international organisations, decentralised departments, regional bodies, public agencies, traditional and local communities, private operators and industries, including cooperatives and NGOs and associations representing local people.)

Article 6

1. Community financing may cover studies, technical assistance, education, training or other services, supplies and works, small grant funds as well as appraisals, audits and evaluation and monitoring missions. It may cover technical and administrative assistance costs, to the benefit of the Commission and the beneficiary, related to operations other than the permanent tasks of the public administration, linked to the identification, preparation, management, monitoring, auditing and control of programmes or projects.

Community financing may cover both investment, linked to a specific programme or project, with the exception of the purchase of real estate, and, recurring expenditure (including administrative, maintenance and operating expenditure).

However, with the exception of training, education and research programmes, operating costs may normally be covered only during the start-up phase and on a gradually decreasing basis.

2. A contribution shall be sought from the beneficiaries defined in Article 5. Their contribution shall depend on their means and the nature of the operation concerned.

3. Opportunities may be sought for cofinancing with other donors, especially with Member States and the international organisations concerned. In this respect, a coordination with the measures taken by other donors shall be sought.

4. The necessary measures shall be taken to emphasise the Community character of the aid provided pursuant to this Regulation.

5. In order to attain the objectives of consistency and complementarity laid down in the Treaty and with the aim of guaranteeing optimum efficiency for the totality of these operations, the Commission may take all coordination measures necessary, including in particular:

- (a) the establishment of a system for the systematic exchange and analysis of information on operations financed or being considered for financing by the Community and the Member States;
- (b) on-the-spot coordination of these operations by means of regular meetings and exchanges of information between the representatives of the Commission and Member States in the beneficiary countries.

6. In order to obtain the greatest possible impact at global, national and local levels, the Commission, in liaison with the Member States, may take any initiative necessary for ensuring proper coordination and close collaboration, especially regarding the exchange of information, with the beneficiary countries, donors and international organisations, funds and programmes involved, in particular those forming part of the United Nations system.

Article 7

Financial support pursuant to this Regulation shall take the form of grants.

Article 8

1. The Commission shall be responsible for appraising, deciding on and administering operations covered by this Regulation according to the budgetary and other procedures in force, and in particular those laid down in the Financial Regulation applicable to the general budget of the European Communities.

2. Decisions relating to grants of more than EURO 2 million for individual operations financed pursuant to this Regulation shall be adopted under the procedure laid down in Article 9.

3. The Commission shall be authorised to approve, without seeking the opinion of the Committee referred to in Article 9, any extra commitments needed for covering any expected or real cost overruns in connection with the operations, provided that the overrun or additional requirement is less than or equal to 20% of the initial commitment fixed by the financing decision.

4. All financing agreements or contracts concluded pursuant to this Regulation shall provide for the Commission and the Court of Auditors to conduct on-the-spot checks in accordance with the usual procedures laid down by the Commission under the rules in force, in particular those of the Financial Regulation applicable to the general budget of the European Communities.

5. Where operations are the subject of financing agreements between the Community and the recipient country, such agreements shall stipulate that the payment of taxes, duties or any other charges is not to be covered by the Community.

6. Participation in invitations to tender and the award of contracts shall be open on equal terms to all natural and legal persons of the Member States and of the

recipient country. It may be extended to other developing countries and, in exceptional cases which are fully justified, to other third countries.

7. Supplies shall originate in the Member States, the recipient country or other developing countries. In exceptional cases, where circumstances warrant, supplies may originate in other countries.

8. Particular attention will be given to:

- the pursuit of cost-effectiveness and sustainable impact in project design,
- the clear definition and monitoring of objectives and indicators of achievement for all projects.

Article 9

1. The Commission shall be assisted by the geographically determined Committee competent for development.

2. The representative of the Commission shall submit to the Committee a draft of the measures to be taken. The Committee shall deliver its opinion on the draft within a time limit which the chairman may lay down according to the urgency of the matter, if necessary by taking a vote.

The opinion shall be recorded in the minutes; in addition each Member State shall have the right to ask to have its position recorded in the minutes.

The Commission shall take the utmost account of the opinion delivered by the Committee. It shall inform the Committee of the manner in which its opinion has been taken into account.

Article 10

An exchange of views shall take place once a year on the basis of a presentation by the representative of the Commission of the general guidelines for the operations to be carried out in the year ahead, in the framework of a joint meeting of the Committees referred to in Article 9.

Article 11

1. After each budget year, the Commission shall submit an annual report to the European Parliament and the Council, summarising the operations financed in the course of that year and evaluating the implementation of this Regulation over that period.

The summary shall in particular provide information about the nature and quantity of the projects financed and about those with whom contracts have been concluded. The

report shall also indicate the number of external assessments carried out, if any, regarding specific activities.

2. The Commission shall regularly assess operations financed by the Community with a view to establishing whether the objectives aimed at by those operations have been achieved and to providing guidelines for improving the effectiveness of future operations. The Commission shall submit to the Committee referred to in Article 9 a summary of the assessments made which may, if appropriate, be examined by the Committee. The assessment reports shall be available to any Member States requesting them.

3. The Commission shall inform the Member States, at the latest one month after its decision, of the operations and projects that have been approved, stating their cost and nature, the recipient country and partners.

4. The financing guide specifying the guidelines and criteria applicable to the selection of projects shall be published and communicated to the interested parties by the Commission services, including Commission delegations in beneficiary countries.

Article 12

1. This Regulation shall enter into force on the third day following that of its publication in the Official Journal of the European Communities.

2. Four years after the entry into force of this Regulation the Commission shall submit to the European Parliament and to the Council an overall assessment of the operations financed by the Community under this Regulation, together with suggestions concerning the future of this Regulation.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the Council

The President

FINANCIAL STATEMENT

Heading: B7-6201 "Tropical forests"

1. Title of Operation:

Measures to promote the conservation and sustainable management of tropical forests and other forests in developing countries

2. Budget heading involved

B7-6201

3. Legal basis:

Treaty on European Union, Articles 130 w (Development) and 130s (Environment).

4. Description of operation

4.1. General objective

The appropriation in budget heading B7-6201 is intended to provide Community support for the conservation and sustainable development of tropical forests and their biological diversity whilst seeking to ensure a better quality of life for forest peoples.

The assistance and expertise provided shall complement and reinforce those provided under other instruments of development cooperation.

They shall benefit the developing country stakeholders directly and indirectly through the increase of the effectiveness of Community assistance and of developing countries' efforts for the conservation and sustainable management of forests.

The activities to be carried out shall aim at raising the status of forests in national policies and integrating forest policies in development planning, promoting the production and use of timber and non-wood forest products from sustainably managed resources and contributing to the adequate valuation of forest resources and services.

4.2. Period covered and arrangements for renewal or extension

Since the promotion of the conservation and sustainable management of forests is a long-term commitment, it is suggested that the regulation be given an unlimited duration.

5. Classification of expenditure

Non-compulsory expenditure/differentiated appropriations

6. Type of expenditure

Grants covering up to 100% of costs. However,

- a systematic effort will be made to obtain a contribution, particularly a financial one, from the project beneficiaries
- cofinancing arrangements with Member States and multilateral organisations will be sought.

7. Financial impact

7.1 Method of calculating total cost of operation

The average amount of the EC contribution for the pilot schemes implemented in the framework of this operation will be in excess of EURO 500.000 based on the following costs:

- Services provided : (unit price)
- supply of equipment : (cost price)
- operating expenditure : (total price)

Measures adopted may include expenditure such as remuneration and travel costs of experts, costs for training and information activities, thematic and follow-up studies, expenditure linked to dissemination, publication and ensuring the visibility of Community development cooperation..

7.2 Itemised breakdown of costs

The yearly distribution between eligible geographical regions may vary according to demand and/or priority.

INDICATIVE BREAKDOWN	1998	1999
Pilot projects and innovative programmes	40 MECU	40 MEURO
Research and policy studies	10 MECU	5 MEURO
Total	50 MECU	45 MEURO

7.3 Indicative schedule by theme in 1999

The following indicative distribution between eligible themes will vary according to priorities set out in the general guidelines for the operations to be carried out in the year ahead.

THEMES	%
Forest policy frameworks	10
Conservation of forests	30
Sustainable forest management	30
Downstream activities and agricultural alternatives	15
Applied research / forward looking studies	15

7.4 Indicative schedule of commitment appropriations (EURO million)

	1998	DB 1999
B7 - 6201	50	45

8. Fraud prevention measures

Technical control by Commission officials, assisted by independent experts.

The Commission, prior to payment, verifies the grants and the receipt of services and preparatory studies, feasibility studies and evaluation reports requested, taking into account contractual obligations and applying recognised principles of economics and sound financial/general management.

Fraud prevention measures (audits, submission of reports, etc.) are included in all agreements or contracts concluded between the Commission and payment recipients.

9. Elements of cost-effectiveness analysis

9.1. Specific and quantified objectives; targeted population

Specific objectives:

The activities to be carried out shall concentrate on elaborating and promoting policies, strategies, tools and technologies for the pursuit of sustainable development.

Activities will include:

- the development of appropriate national and international forest policy frameworks based on realistic valuation of forests and taking into account other sectoral policies which impact on forests and the interests and customary rights of forest peoples;
- the conservation of forests which are recognised as being of high ecological value as well as restoration of degraded forest areas;
- sustainable forest management and utilisation to provide economic, social and environmental benefits;
- technical improvements of downstream activities related to the forest sector such as small and medium scale processing and marketing of timber and non-wood forest products and the development of alternatives to agricultural practices based on forest clearing ;
- applied research as well as knowledge and information generation and management concerning forest services and products.

Target group:

The assistance and expertise provided shall benefit developing country stakeholders directly and indirectly through the increase of the effectiveness of Community assistance and of developing countries' efforts for the conservation and sustainable management of forests.

The final beneficiaries are people in developing countries, whilst the intermediary beneficiaries may include designers and administrators of development policies and programmes in the developing countries and within the Commission itself.

9.2 Grounds for the operation

a) Need for Community financial aid

The proposed Regulation is a crucial instrument to enable the Community to meet its legal and political commitments to the conservation and management of forests in the context of sustainable development. It will ensure the continuation of activities implemented under Council Regulation (EC) n° 3062/95 of 20 December 1995⁴, after its expiry on 31 December 1999. The new legal instrument takes into account relevant developments within the Community, the results of the international discussion on Forests through the Intergovernmental Panel on Forests / Intergovernmental Forum on Forests process, the evolution in the forest sector, as well as experience acquired during the implementation of the existing regulation.

⁴ OJ N° L 327, vol. 38, 30.12.1995.

EC development cooperation in forestry stems from clear Community commitments to the conservation of forests and sustainability of development activities. Articles 130 u and 130 r of the Treaty are of specific relevance.

Since the United Nations Conference for Environment and Development (UNCED) in Rio de Janeiro in 1992, the conservation and sustainable management of forests has been acknowledged as critical for maintaining a healthy global environment, allowing for sustainable social and economic development. Several Multilateral Environmental Agreements, notably the Convention on Biological Diversity, the Framework Convention on Climate Change and the Convention to Combat Desertification emphasise the need to assist developing countries to address their forest problems.

An independent evaluation of the EC contribution to forest sector development co-operation was finalised in 1998. It recognised the positive achievements of the actions funded by budget line B7-6201 while emphasising its complementary role with respect to other financial instruments.

The proposed instrument will finance strategic actions such as:

- Pilot projects and innovative activities in developing countries, and
- Studies and research to increase the effectiveness of Community assistance and of developing countries' efforts for the conservation and sustainable management of forests.

The priorities set out form a coherent framework for the Community's development cooperation on forests, addressing the development of appropriate national and international policy frameworks, forest conservation, sustainable forest management, improvement of downstream processing and marketing of forest products and applied research, with an overall objective of achieving sustainable development.

b) Choice of ways and means

- by contract, by direct agreement (NGOs) or
- by contract, following invitation to tender (provision of services, equipment)
- by financing agreement

9.3 Monitoring and evaluation of the operation

- Monitoring and evaluation indicators are selected and applied in the case of each operation;
- Several progress reports are required during the course of the operation. In many cases, the Commission delegations carry out monitoring on the spot.

- Specific evaluations of certain projects are undertaken
- An overall evaluation of operations financed will be carried out

9.4 Coherence with financial programming

9.4.1. Is the operation incorporated in the DG's financial programming for the relevant years?

Yes

9.4.2 To which broader objective defined in the DG's financial programming does the objective of the proposed operation correspond?

The objective of the operation falls within the policies set out in the Treaty on European Union, articles 130 u and 130r (Development cooperation and Environment).

10. Administrative expenditure

The actual mobilisation of the administrative resources required will depend on the annual Commission decision on the allocation of resources, taking into account any additional amounts or staff allowed by the budgetary authority.

10.1 Impact on the number of posts

The officials required can be assigned from existing resources within Directorates General IB and VIII and the Common Service.

Type of post		Staff to be assigned to management of the operation		of which		Duration
		Permanent posts	Temporary posts	by using existing staff in the DG or service concerned	by recourse to additional staff	
Officials or temporary staff	A	1.5	1	2.5		
	B	1		1		
	C	1.5		1,5		
Other resources						
Total		4	1	5		

10.2 Overall financial impact of the additional staff

	Amounts	Method of calculation
Officials		The indicative cost of the existing human resources is estimated at EURO / year (5 officials at an estimated average cost of EURO / official / year).
Temporary staff		
Other resources (indicate budget heading)		
Total		

By using the existing resources necessary to manage the operation. Calculation based on A1, A2, A4, A5 and A7.

10.3 Increase in other operational expenditure resulting from the operation

The necessary resources are obtained by redeploying existing resources.

Budget heading (No and title)	Amounts	Method of calculation
Total		

The appropriations will be found in the envelope of DG IB and DG VIII.

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