



USAID
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FOREIGN ASSISTANCE ACT, SECTION 118: TROPICAL FORESTS

FY 2004



A USAID REPORT TO CONGRESS
AUGUST 2005

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Table of Contents

Definitions and Acronyms	i
Executive Summary	iii
I. Introduction	1
II. USAID Forestry Programs: Strategic Approach and Highlights 2004	3
Strategic Approach	3
Highlights of FY 2004.....	9
The Liberia Forest Initiative	
The President’s Initiative Against Illegal Logging	
The Sustainable Forest Products Global Alliance	
The Integrated Natural Resources Management Web Portal	
The USAID and USDA Forest Service Partnership	
III. USAID Forestry Funding	15
USAID FY 2004 Forestry Expenditure Analysis	15
Activities and Programs Expenditures FY 2004	
Historical Trends Analysis	20
Trends in USAID Forest Expenditures	
IV. USAID Forestry Programs – Regional and Country Profiles	21
Africa Programs	21
Liberia Forest Initiative	
Central African Regional Program for the Environment/Congo Basin Forest Partnership	
Ghana	
Guinea	
Kenya	
Madagascar	
Malawi	
Senegal	
Uganda	
Asia and the Near East Programs.....	29
Managing Conflict in Asian Forest Communities	
Environmental Support to Raise Rural Incomes	
East Asia and Pacific Environmental Initiative	
Bangladesh	
Cambodia	
India	
Indonesia	
Nepal	
Philippines	
Sri Lanka	

Latin America and the Caribbean Programs.....	37
Parks in Peril	
Regional Environmental Program for Central America (PROARCA)	
Bolivia	
Brazil	
Colombia	
Dominican Republic	
Ecuador	
El Salvador	
Guatemala	
Haiti	
Honduras	
Jamaica	
Mexico	
Nicaragua	
Panama	
Paraguay	
Peru	
Europe and Eurasia Programs	50
Bosnia and Herzegovina	
Bulgaria	
Russia	

Annexes

I. Section 118 of the Foreign Assistance Act	53
II. Tropical Forest Conservation Act	55
III. Partnerships	57

Maps

Global Distribution of Forest Cover	1
The Congo Forest Basin.....	7

Figures

1 Forest-related Expenditures by USAID Since 1987.....	19
2 USAID Funding to the USDA Forest Service's International Programs Since 1991	19
3 Spending on Forest-related Projects by USAID in the Four Major Regions, 1990-2004	19

Tables

1 President's Initiative Against Illegal Logging: USAID FY 2004 Activities.....	11
2 USAID FY 2004 Forestry Expenditures by Program	16
3 Significant Changes in Forestry Program Funding Levels	18

Cover photo: © WWF-Canon / Michel Gunther, Minkébé Forest, Gabon

Definitions and Acronyms

Definitions

Afforestation

The establishment of forests on land that was previously classified as non-forested.¹

Agroforestry

Agroforestry is a “social forestry” that combines agriculture and forestry technologies to create more integrated, diverse, productive, profitable, healthy and sustainable land-use systems.²

Buffer Zone

Areas adjacent to protected areas, on which land use is partially restricted to give an added layer of protection to the protected area itself while providing valued benefits to neighboring rural communities.³

Carbon Sinks

Forests, soils, oceans and the atmosphere store carbon, which moves among those different stores over time.

Consequently, forests can act as sources or sinks at different times; sources release more carbon than they absorb while sinks soak up more carbon than they emit.⁴

Co-Management

A situation in which two or more social actors negotiate, define and guarantee amongst themselves a fair sharing of the management functions, entitlements and responsibilities for a given territory, area or set of natural resources.⁵

Forest Certification

Forest certification is a means of protecting forests by promoting responsible forestry practices by providing an independent, third-party assurance, that a forestry operation meets standards set by a certification program. Companies apply voluntarily, and government has no direct role in the process.⁶

Non-timber Forest Products

The term non-timber forest product (NTFP) encompasses all biological materials other than timber which are extracted from forests for human use.⁷

Reduced Impact Logging

Reduced impact logging (RIL) is a method of harvesting trees with minimal residual damage and degradation of the forest site through the use of pre-harvesting, harvesting and post-harvesting planning and design.⁸

Acronyms

CARPE	Central African Regional Program for the Environment
CBFP	Congo Basin Forest Partnership
CBNRM	Community Based Natural Resource Management
CI	Conservation International
CIFOR	Center for International Forestry
CITES	Convention on International Trade in Endangered Species
EAPFI	East Asia and Pacific Environment Initiative
EGAT	Bureau for Economic Growth, Agriculture and Trade
FOREST	Forestry Resources and Technologies (USAID project)
FY	Fiscal Year
GDA	Global Development Alliance
GIS	Geographic Information Systems
ICRAF	World Agroforestry Centre
INRENA	The Institute for Natural Resources
iNRM Portal	Integrated Natural Resources Management Portal
LFI	Liberia Forest Initiative
NGO	Nongovernmental Organization
NRM	Natural Resources Management
NTFP	non-timber forest product
PROARCA	Regional Environmental Program for Central America
RIL	Reduced Impact Logging
SFPGA	Sustainable Forest Products Global Alliance
TFCA	Tropical Forest Conservation Act
TNC	The Nature Conservancy
USAID	U.S. Agency for International Development
USDA	U.S. Department of Agriculture
WWF	World Wildlife Fund

Sources for Definitions

- 1 CIFOR-REHAB http://www.cifor.cgiar.org/rehab/_ref/glossary/Afforestation.htm
- 2 USDA National Agroforestry Center <http://www.unl.edu/nac/agroforestry.html>
- 3 SNV Netherlands <http://www.snvworld.org/cds/rgSFB/Biodiversity/bufferzones.htm>
- 4 Forests and the European Union Resource Network (FERN) <http://www.fern.org/pages/climate/carbon.html>
- 5 Borrini-Feyerabend, G., Farvar, M. T., Nguingiri, J. C. & Ndangang, V. A. 2000. *Co-management of Natural Resources: Organising, Negotiating and Learning-by-Doing*. GTZ and IUCN, Heidelberg, Germany: Kasperek Verlag.
- 6 Forest Certification Resource Center, <http://www.certifiedwood.org/education-modules/forest-certification.htm>
- 7 <http://www.ntfp.org/definition.html>
- 8 USDA Forest Service International Programs, <http://www.fs.fed.us/global/aboutus/policy/tt/logging.htm>

Executive Summary

The United States Agency for International Development (USAID) hereby submits its Fiscal Year (FY) 2004 report on tropical forests and USAID's role in supporting sustainable management of the world's forests, as required by the Foreign Assistance Act of 1961, as amended. In Section 118 of the Act, Congress "recognizes the importance of forests and tree cover," expresses particular concern about the "continuing and accelerating alteration, destruction and loss of tropical forests in developing countries," and mandates that USAID take certain actions regarding tropical forests (see Annex I of this report for the entire Section 118 text).

This report fulfills, for FY 2004, the Section 118 (f) requirement for an annual report on implementation of Section 118 (a)-(e).

In FY 2004, USAID realized important accomplishments in tropical forest management and forest conservation, including activities funded by both USAID missions and Washington, D.C.-based offices. Many of the forestry programs discussed in the report also contribute to USAID's biodiversity conservation objectives. A report published under separate cover details USAID's biodiversity conservation activities worldwide.



A community forestry user group member in Nepal speaks during a public hearing. USAID projects encourage community involvement and the decentralization of management authority to achieve sustainable forest management.

Section I of this Report provides a brief introduction to USAID's forestry programs. Section II discusses USAID's strategic approach to forest conservation and management, and identifies several highlights of its programs in FY 2004. Section III provides a synopsis of both current and historical USAID funding patterns for forestry. Section IV presents an overview of both USAID regional and bilateral forestry programs.

FY 2004 witnessed many historical events that will reverberate throughout the world for years to

come. USAID responded to these events, when feasible, by supporting forestry programs that promoted democracy and facilitated sustainable economic growth. For example, USAID responded to a cease-fire in the West African country of Liberia by working closely with the U.S. Department of State on the Liberia Forestry Initiative (LFI) to rehabilitate Liberia's forestry sector. The LFI is supported by multilateral donors, international NGOs, and the U.S. Government. Much of the U.S. Government's support is channeled through an interagency agreement



LAWRENCE RUBY, USAID/MALAWI

A tree nursery in Malawi. Nurseries play an important role in reforestation efforts throughout Africa and elsewhere in the developing world.

USAID forestry activities include: forest management; production and trade of sustainably harvested forest products; agroforestry; forest monitoring; community-based forest management; integrated watershed protection using forest resources; restoration of degraded lands; maintenance of sustainable forest habitat for animals; forest certification programs; activities to reduce illegal or destructive logging; and research, policy, or regulatory reform in support of sustainable forest resource management.

between USAID and the USDA Forest Service’s International Programs. The LFI is building the capacity of the Liberian people and government to manage their forest resources transparently, equitably, and sustainably, thereby encouraging a more peaceful and prosperous future for Liberia.

USAID continued to play a key role in implementing the President’s Initiative Against Illegal Logging in FY 2004. This program helps developing countries in their efforts to combat illegal logging and corruption in the forest sector. USAID also supports the Sustainable Forest Products Global Alliance, a public-private partnership to address critical sustainable forest management issues through the marketplace. This program, one of USAID’s Global Development Alliances (GDA), works with private sector partners such as The Home Depot, Andersen Windows, and IKEA to promote sustainable forest use and

minimize illegal logging. In FY 2004, this alliance supported global markets for responsibly harvested forest products in more than 30 countries, and trained more than 2,600 individuals representing the private sector, local NGOs, and local governments in improved community forestry practices. This has resulted in more than 12.5 million hectares under improved forestry management.

The USDA Forest Service continued to be a key USAID cooperating partner in FY 2004. Washington-based Bureaus and Offices, as well as numerous missions, implemented forestry programs through the USAID/USDA Forest Service Inter-Agency Agreement. In addition to the Liberia Forestry Initiative, the USFS provided fire management training in Mexico, watershed management assistance in Honduras, and support for managing protected areas in Brazil, Kenya, Madagascar, and Gabon. Section II provides a

more detailed description of these activities.

From a regional perspective, USAID’s forestry programs were diverse in purpose and scope. In Africa, forests play a significant role in the lives of millions of people living in diverse landscapes such as the Sahel, the Congo Basin and in east Africa and southern Africa. In villages throughout these areas, forests and forest products are inextricably linked with incomes, health, and culture for millions of families. Forests are recognized for their ability to protect water supplies, supply valuable commodities, and even play a prominent role in cultural and spiritual traditions. In addition, areas rich in biodiversity, home to some of the world’s most spectacular and unique wildlife such as the Lemurs of Madagascar, and the great apes of the Congo, depend on forests for their home and survival. Africa’s forests, however, are threatened by slash

and burn agriculture, illegal logging, charcoal production, bush meat hunting, and other threats. In many parts of Africa, this forest loss continues at an alarming rate, threatening the people, their livelihoods, and the wildlife that depends on this valuable resource.

In FY 2004 USAID forestry programs in Africa continued to build capacity to conserve forests and improve forest management. Regional programs include the Central African Regional Program for the Environment (CARPE), which implemented forestry programs in nine countries — in support of the Congo Basin Forest Partnership (discussed in detail on pages 7 and 21). The Agency also supported country-level programs in agroforestry, the sustainable use of forest resources, protected area management, land-use planning, and biodiversity conservation in Ghana, Guinea, Kenya, Liberia, Madagascar, Malawi, Senegal and

Uganda. These efforts resulted in the production and sales of 30,000 energy efficient wood stoves in Ghana that eliminated the need to harvest 1,000 hectares of forest, and helped put 7.7 million hectares under better forest management practices in Madagascar.

In Asia and the Near East, regional programs included Managing Conflict in Asian Forest Communities, Environmental Support to Raise Rural Incomes, and the East Asia and Pacific Environmental Initiative. Asia and the Near East country level programs in Bangladesh, Cambodia, India, Indonesia, Nepal, the Philippines, and Sri Lanka strengthened forestry efforts. Although the December 26, 2004 tsunami did not occur in FY 2004, it did dramatically change USAID priorities for FY 2005, and forestry programs are currently responding to this disaster.

In Latin America and the Caribbean, regional programs included the Parks in Peril program and the Regional Environmental Program for Central America (PROARCA), both of which work to improve sustainable forest management capabilities in the region. USAID supported country-level programs in Bolivia, Brazil, Colombia, Dominican Republic, Ecuador, Guatemala, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, and Peru. This support translated into community groups sustainably managing millions of hectares of tropical rainforest in the Peten region of Guatemala, increased capacity to control destructive forest fires in Mexico, and communities increasing incomes through improved forest management in Bolivia.



DENNIS FITZPATRICK/THE NATURE CONSERVANCY

USAID works to protect natural, biodiverse forests such as those found in Noel Kempff Mercado National Park in Bolivia. Noel Kempff provides habitat for 139 mammal species, 74 reptile species, 62 amphibian species, and 254 fish species. USAID also promotes improved management and certification of the commercial and community forestry sectors in Bolivia.

I. Introduction

Forests support the livelihoods of many people, especially those in rural parts of the developing world, who derive food, medicine, fuel, construction materials, and monetary income from forests. They offer spiritual and aesthetic value and are central to the cultural identities of many indigenous peoples. Local communities often serve as forest stewards, preserving and protecting areas rich in biological diversity. Many local and national economies depend on the sale of forest-derived commodities, especially timber, for revenue. Globally, forests provide vital environmental services, regulating climate through their role as carbon

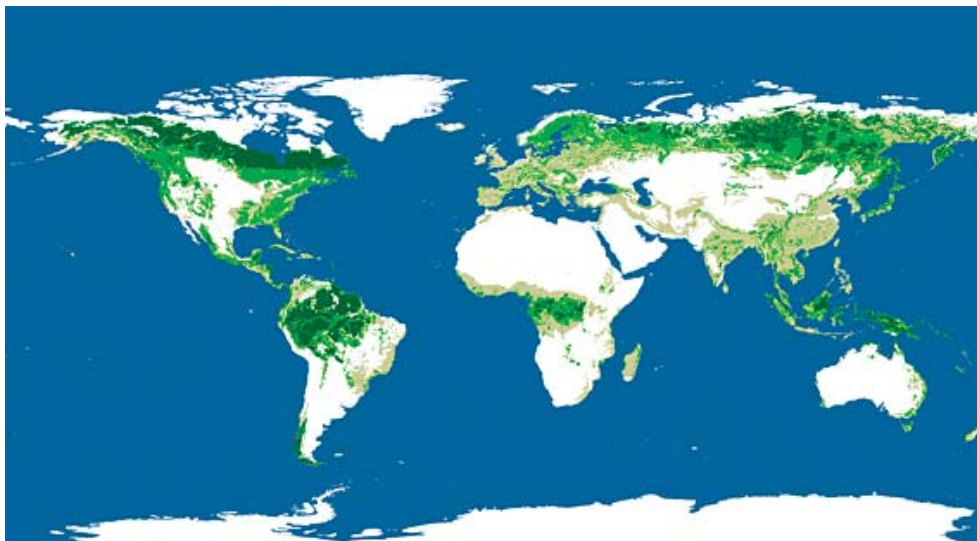
sinks, protecting water quality and the health of watersheds, and reducing the risk of landslides and flooding.

The resources, goods, and services provided by forest ecosystems can meet the economic and environmental needs of today, as well as the needs of future generations, if forests are managed in an environmentally and socially sustainable manner. Unfortunately, forests are being destroyed at unprecedented rates due to unsustainable and illegal logging, agricultural expansion, population pressures, large-scale industrial and infrastructure projects, and national policies that subsidize forest

conversion to other uses. In recognition of the threats posed to forests, and the potential that forestry holds to promote sustainable economic development, USAID supports forestry programs to help developing countries around the world better conserve and manage forest resources.

USAID works with the U.S. Department of State, and other U.S. agencies to implement the U.S. Government's objectives in international forest conservation and the global trade and marketing of forest products. USAID's forestry activities provide assistance to foreign governments from the national to local level, as well as to

Global Distribution of Forest Cover



Legend

- Frontier Forest — areas of intact primary forest large enough to support the area's natural biodiversity
- Current Forest Cover (based on 1992-1993 satellite imagery)
- Estimated 'Original' Forest Extent (8,000 years ago) under current climate conditions (where climate would allow forests to occur)

nongovernmental organizations (NGOs) and local communities to improve the management and conservation of forests. Leadership for USAID's forest-related activities comes from USAID missions, and the Washington, D.C.-based Forestry Team, managed within the Office of Natural Resources Management (NRM) of the Bureau for Economic Growth, Agriculture and Trade.

This report highlights USAID's activities during FY 2004 in support of tropical forest management, protection, and conservation. It includes a brief history of the Agency's tropical forest project assistance and a trend analysis that depicts the change in activity and level of funding over time. The report concludes with a description of USAID-funded forestry activities throughout the world in FY 2004.

It should be noted that many of the activities discussed in this report also contribute to the Agency's objectives in biodiversity conservation. Activities that protect natural forests and promote sustainable forest management also help conserve the plant and animal resources of these valuable forests. A report submitted under a separate cover details USAID's portfolio of biodiversity conservation programs worldwide.



USAID promotes poverty reduction through the sustainable use of forest resources.

The economic benefits that forests provide include much more than timber. Non-timber forest products, such as fruits, nuts, medicinal plants, and artisan materials provide incomes to families throughout the world.

Adjacent: a woodworker in Guatemala plies his trade with lumber that was harvested by a certified forest concession. He is creating a souvenir to be sold to tourists at a local shop.

II. USAID Forestry Programs: Strategic Approach and Highlights

Strategic Approach

USAID believes that sustainable forest management can be accomplished when it is incorporated into the larger development objectives of economic growth, good governance, and more democratic societies. As a fully integrated component of these broader objectives, natural resources management, and forest management in particular, can:

- Increase incomes in nearby communities
- Strengthen good governance
- Reduce the potential for conflict
- Protect human health, and
- Conserve biological diversity

The following examples demonstrate how USAID's forestry

programs accomplished these goals in FY 2004.

Increasing Incomes

Sustainable forest management is most successful when the benefits derived from forests are well known, and fairly distributed. One of the most immediate benefits from forests and trees is income generation – both from timber, and non-timber forest products (NTFPs). In Bolivia, an innovative and distinctly new grant management model called the Foundation for the Conservation and Sustainable Use of the Environment (PUMA) Foundation has begun funding projects that involve using the forest to provide jobs and increase incomes, without jeopardizing the health of the forest itself. PUMA was capitalized through a bilateral debt reduction agreement with the U.S. in August

1991. Communities presenting proposals to PUMA must secure the support of all community members and provide counterpart funding at specific levels depending on the overall project cost.

Since December 2003, the PUMA Foundation has approved 29 grants totaling more than \$1.9 million. A good example of an early success of the PUMA Foundation is the community forestry activity with the people of the Bajo Paragua indigenous territory. Before receiving the grant from PUMA, 80 percent of the Bajo Paragua community members derived their livelihoods from subsistence agriculture. Since the start of project implementation in April 2004, Central Indigena de Bajo Paragua has invested nearly all of the PUMA Foundation's grant of \$99,843 in a forest census, forest



JUAN CARLOS CHAVEZ CORRALES / FUNDACION PUMA

A rural saw mill processes sustainably managed timber that enables a community group to “add value” to harvested logs, while a community group celebrates the opening of the sawmill in Bajo Paragua funded through a PUMA Foundation grant in Bolivia.

management plan, training, equipment purchases including an industrial saw mill, and project administration. Along with the community's contribution of more than \$203,000 in land, materials, labor and working capital, the combined investment has generated 49 jobs. Wood production has already reached significant levels: 1507 cut trees, 3,767 m³ trunks removed from the forest management zone, 610 m³ trunks sold, and 35,800 table feet sold.

Expected long term economic, environmental and social benefits of the Bajo Paragua project are significant. The participating communities have designated 65 percent of profits for training, a revolving fund for additional sustainable forest management activities, public works, and a

reserve fund. In addition to the salaries generated, these investments will improve the quality of life and opportunities for the indigenous people of the Bajo Paragua. Pressure to increase the agricultural frontier at the expense of forest lands and biodiversity is expected to diminish and the buffer zones of nearby Noel Kempff Mercado National park will continue to protect its biological integrity. Importantly, the project will serve to strengthen and demonstrate an effective form of indigenous community administration and sustainable land stewardship. As Ronald Dorado, the General Cacique, or traditional authority, of the community says, "Before we were workers, now we are owners."

Strengthening Natural Resource Governance

Good governance is central to sustainable and equitable forest management. Without consistent and transparent governance systems, it is difficult to manage forests for the long term, and ensure that all stakeholders can benefit from the economic, social, and cultural services that forests provide. In many developing countries the forestry sector is one area where improved governance can have an immediate, dramatic, and visible effect on the lives of citizens, and this can build support for good governance in other sectors. A well-governed forestry sector points to a government's ability to be accountable to its citizens, its competence to



Forest certification provides a way for wood purchasers to know they are buying legally harvested wood. The certification process involves careful marking and recording of standing and cut trees.

Left: In Central America, a tree is marked with an "S" for seed tree. Loggers will not cut it down so that it will help regenerate the surrounding forest.

Above: This felled tree in Indonesia is marked with numbers to identify it as a log that has been harvested in a sustainable manner. The remaining tree stump is marked with the same number so that the log can be traced back to its source.

Laura Miller and Ben Fraser/Chemonics International (left);
© WWF-Canon / Martin Harvey (right)

formulate policies and deliver services, and its commitment to the rule of law. USAID forest programs support good governance within the forest sector through the following interventions:

Decentralization of decision-making.

Decentralization is the process of gradually transferring the authority and responsibility for decision making and service provision to lower levels of government — including municipal governments, community groups, and tribal governing structures. Decentralized decision making brings the authority to make decisions regarding using forest resources, closer to the people that actually depend on these resources for their cultural, economic and spiritual needs. USAID supports decentralization by establishing relevant roles and authorities for the central institutions responsible for forest policy, while assisting lower levels of government acquire sufficient authority, knowledge, and expertise to carry out their responsibilities.

Improved legal and regulatory frameworks and consolidation of the rule of law.

Illegal logging is perhaps the most visible result of poor governance in the forest sector. Illegal logging causes environmental damage and biodiversity loss, undermines sustainable forest management, deprives legitimate revenue and income, and jeopardizes the livelihoods of forest dependent people. By assisting local forest users and/or owners with the tools they need to monitor and protect their forests, USAID helps increase community involvement in forest governance and reduce forest sector corruption. Recognizing this, USAID supports countries that are trying to control illegal logging and

associated illegal trade of other forest products.

For example, USAID is a key implementing agency of the President's Initiative Against Illegal Logging (PIAIL). The U.S. Department of State launched this effort in July 2003 to help developing countries in their efforts to combat illegal logging — including the sale and export of illegally harvested timber — and corruption in the forest sector. The initiative addresses illegal logging by harnessing market forces, enhancing community involvement in forest governance, and promoting technologies for forest monitoring, and strengthening the rule of law. See page 10 for a more detailed discussion of the President's Initiative Against Illegal Logging.

In addition to PIAIL, USAID supports numerous other initiatives to assist in developing the legal, regulatory and institutional policy regimes that encourage a stable market environment in which forest sector transactions occur. Specific interventions include:

- Development of stable, transparent, and predictable rules for forest concessions
- Control of illegal logging and the illegal export of forest products
- Establishment or strengthening of regulatory bodies in forest sector tariffs, taxes, export licensing and quality control
- Support of regional forest products trade initiatives to foster information exchanges and harmonize rules, business practices, and technologies

Technical assistance and training in community forestry. In rural areas of

developing countries, forest resources are a critical component of the family's ability to support themselves. Further, the central government is often unwilling and/or unable to actively manage what happens on the ground, and it is up to the local communities to monitor and enforce the management and utilization of forest resources. Therefore, it is critical that community members and governance structures have access to technical training in forest management, and have input into how these resources are managed. USAID supports community involvement in forest management by:

- Providing lower levels of government with administrative and operational tools they need to play a more active role in forest protection and management
- Working with community groups, cooperatives and small businesses to increase their ability to have input into forest management decision making
- Assisting local businesses and community groups with adding value to forest products at the local level

Reducing and Preventing Conflicts

USAID's forestry program works to reduce and prevent conflicts caused, or exacerbated by disagreements over natural resources. Cambodia is one example where this is occurring. Since the Cambodian civil war ended in 1993, vast tracts of forest have been logged, resulting in increased competition for limited forest resources. For example, recent improvements to roads in Monduliri Province near the

Vietnam border, particularly improvements between the provincial capital Sen Monorum and Koh Nhek, allowed new settlers to arrive and claim land for themselves. As the amount of forest clearing increased, tensions led to clashes between local communities and recent immigrants. USAID is funding three NGOs — the Agri-Business Institute Cambodia, Community Forestry International, and World Wildlife Fund (WWF) Cambodia — to help Cambodians devise solutions to the forest and land conflicts.

For example, USAID’s partner, WWF-Cambodia, implements the Management of Strategic Areas for Integrated Conservation Project in Mondulhiri Province, to reduce the extent and intensity of land and forest use conflicts between immigrants and indigenous people. Forest and land laws have been translated into Khmer and the indigenous Pnong languages. Assistance to indigenous

communities include delineating and demarcating indigenous ancestral lands, and registering these claims with provincial authorities, as well as developing local language videos to raise awareness on conflict reduction in land and resource management issues. Another partner, the Agri-Business Institute Cambodia is working to promote and strengthen the legal rights of forest and indigenous communities by conducting training sessions with and for communities, strengthening community forest networks and advocating for forest and indigenous community land use rights at the provincial and national levels. Cambodia is one of 11 countries covered by Asia and the Near East region that experiences conflict over forests; others include the Philippines, Afghanistan, and Indonesia.

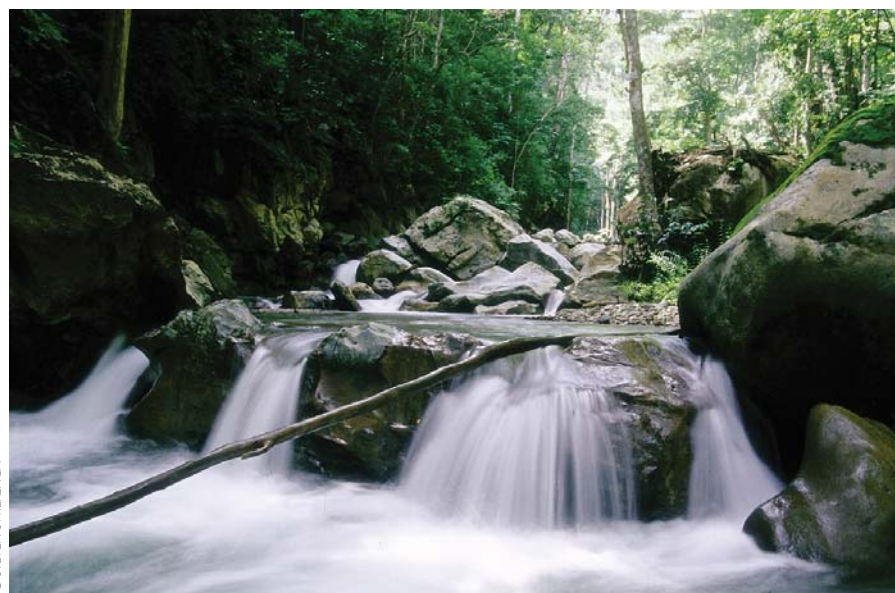
Protecting Human Health

The nexus between forests and human health are becoming clearer

every year. Healthy forests provide a valuable environmental service by filtering and regulating water flows. Forests soak up, filter, store, and slowly release water, and protect watersheds from erosion following heavy rains. Throughout Central America and the Caribbean, USAID works to improve forested watershed management, which in turn improves access to clean water to better protect human health, particularly for the poor and disenfranchised.

USAID/Honduras, for example, supports the development of management plans for 12 sub-watersheds covering approximately 40,000 hectares of hillside land mainly in the Choluteca River watershed. Specific activities include low-cost practices to protect the water supplies, improve water storage for farming, and implement better soil conservation and irrigation practices, and community-based watershed management and protection. USAID/Honduras has also supported the operation and maintenance of a network of satellite telemetry stream gauges and rain gauges that yield high-quality hydrological data, used for disaster preparedness and mitigation.

In Jamaica, forests located within the upper reaches of Jamaica’s watersheds are under severe threat because of land clearing. In response, USAID’s Ridge to Reef/Watershed program has been introducing sustainable land management practices in the upper watershed. At the policy level, USAID/Jamaica provided technical support to the Government of Jamaica in the preparation of the final draft of a National Watershed Policy.



© STEVEN SWIERENGA

Olancho River, Honduras. Healthy forested watersheds can ensure a safe and reliable water supply for local communities and distant cities. Clean water is one of the primary necessities for protecting human health.

Conserving Biological Diversity

Forest protection and biodiversity conservation are inextricably linked. USAID forestry programs reflect this fact, and often concentrate on promoting better forest management in areas with high rates of biodiversity. An example of this approach can be seen in the USAID Central African Regional Program for the Environment (CARPE). CARPE is the primary U.S. Government contribution to the Congo Basin Forest Partnership (CBFP) — a group of international public and private partners working to support economic development, poverty alleviation and improved governance and management of

forest resources in Central Africa. CARPE works to reduce the rate of forest degradation and loss of biodiversity in the Congo Basin. CARPE is working to maintain healthy populations of species such as elephants and large predators, while also conserving important, globally threatened species like mountain gorillas and bonobos, (a great ape species). It is critical that the goal of slowing forest degradation be achieved in tandem with other conservation measures such as controlling animal poaching and reducing the “bushmeat” trade (the over hunting of wild animals for food), so that Congo Basin countries don’t experience the “empty forest syndrome” in which

the trees are largely intact but the fauna are dramatically depleted.

The vast Congo Basin, extending from the coast of the Atlantic Ocean in the west to the mountains of the Albertine Rift in east, contains the world’s second-largest dense humid tropical forest, surpassed only by the Amazon Basin. Repeated studies have shown that fragmentation of natural ecosystems threatens biodiversity, making the protection of functioning ecosystems at large scales a key conservation challenge. CARPE is meeting this challenge by protecting a suite of 11 large tracts (or landscapes) of relatively intact wilderness and other areas of unique ecological importance.

The Congo Forest Basin



This image of the Congo Basin Forest shows dense forest in dark green and degraded forest or agricultural areas in light green. Grassland appears in pink and wooded savanna in violet. CBFP conservation activities focus on 11 landscapes (outlined in white) that were identified by more than 160 regional and international experts. The protection of these areas is critical for protecting global biodiversity.

These 11 landscapes were selected by international experts because of their outstanding biodiversity (including their concentration of endemic species), because they encompass intact populations of larger mammals or represent important and distinctive habitats and communities of species. These priority landscapes cover approximately 685,000 square kilometers in six countries. They are not protected areas; rather, they represent zones within which conservation should play a prominent role through various land use activities such as protected areas and “corridors,” and through sustainable forestry management and community-based natural resources management. Landscape planning is based on the concept of

preserving intact core areas with increasing human use and influence radiating outward. With an average area of 62,300 square kilometers each, the landscapes are of sufficient size to capture the large home and seasonal ranges of focal species such as forest elephants, hornbills, and giant tiger fish, and to maintain viable populations of wide-ranging and rare species.

One of these landscapes is the Sangha Trinational Forest Landscape, which straddles the borders of Cameroon, Republic of Congo and the Central African Republic. Capacity building efforts there have led to the creation of a business development plan for the landscape. This plan is the foundation for the recently

established Sangha Trinational Trust Fund, the first of its kind in the region. Other landscapes in the Republic of Congo will benefit from a formal commitment to create a national service for protected areas and wildlife management. Within the Democratic Republic of Congo, including all or part of five landscapes, the Congolese Institute for Nature Conservation (ICCN) has begun to synthesize critical ecological and socioeconomic information gained from on-the-ground patrols and surveys to inform key decision makers. A landscape-wide integrated planning process involving key stakeholders has begun in all of the 11 priority landscapes.



USAID forestry programs work within biologically rich and ecologically distinct forests and contribute significantly to the Agency's biodiversity conservation goals. Tropical moist broadleaf forests, such as those found in Indonesia (above, left), contain about one-half of all the world's species. Subtropical dry forests such as those in Madagascar (above, right) provide habitat for, and are comprised of, some of the world's most distinctive species.

Highlights of FY 2004

This section provides highlights of USAID'S efforts in FY 2004 in the conservation, protection, and sustainable management of forests. These highlights include samples from programs managed by USAID's Forestry Team, regional bureaus and programs, and bilateral missions.

The Liberia Forest Initiative

Liberia's forests play a vital role in the nation's economy, generating up to 60 percent of the nation's foreign exchange earnings and employing around 7,000 people as recently as 2002. These forests constitute the largest remaining blocks of the Upper Guinean

Forest Ecosystem, a threatened global hotspot for biodiversity that is home to many rare and endangered flora and fauna. Under the regime of Charles Taylor, forests in Liberia were not managed sustainably or transparently, and revenues generated through commercial logging were used to fund armed conflict in the region. The recent change of government in Liberia, and current UN sanctions on importing Liberian timber, provide the National Transition Government of Liberia and its partners a rare opportunity to reform forestry practices throughout the nation.

In early 2004, the U.S. Congress made \$200 million available for reconstruction in Liberia. The U.S. State Department received \$4

million to support forest sector reform in Liberia, \$1.1 million of which was transferred to USAID. With these funds the U.S. Government facilitated the formation of the Liberia Forest Initiative (LFI). The long-term goal of the LFI is to reform the forest sector in Liberia so its forests are managed sustainably and benefit all Liberians. The principal implementing partners on behalf of the U.S. Government are the USDA Forest Service, Conservation International, the Center for International Forestry Research, and the Environmental Law Institute.

In April 2004, a multi-agency team performed an initial assessment of the Liberian forest sector rehabilitation and reform needs.

FY 2004 Highlights from USAID Bilateral Programs

In Africa, USAID:

- Supported the production and sales of more than 30,000 energy saving stoves in Ghana, saving an estimated 1,000 hectares of forest.
- Supported community forest management in Senegal to provide villagers legal access to forest resources. To date, the program has helped transfer 128,000 hectares of community and protected forests to local users.
- Facilitated government orders in Madagascar that requires environment impact assessments on 12 million hectares of vulnerable forest area, and restrict exploitation of 7.7 million hectares of potential protected areas.

In Asia and the Near East, USAID:

- Trained more than 1,860 individuals in Indonesia in sustainable forest management practices, enabling them to better manage 81,000 hectares in Nanggung and Gunung Halimun National Park, which is a major watershed for the capital city of Jakarta.
- Trained forestry and buffer zone user groups in Nepal in community forestry management and forestry inventory techniques that improved management of 11,438 hectares of forest. The groups harvested 13,554 metric tons of forest products in a sustainable manner.

- Trained more than 3,000 farmers in the Philippines in cocoa production in conjunction with the establishment of cacao tree nurseries and cacao propagation. To date, 206,000 cacao seedlings have been produced at 53 nursery sites, with 34,000 seedlings distributed to trained farmers.

In Latin America and the Caribbean, USAID:

- Supported the creation of 11 new protected areas in Belize as a result of PROARCA activities.
- Facilitated the signing of a US \$10 million debt-for-nature swap with the Panamanian government that will capitalize a trust fund, to support tropical forest conservation in the Chagres protected area.
- Helped Bolivia get an additional 800,000 hectares of tropical forest certified, making a total of 2 million hectares, the most in the world.
- Supported the formulation of the Forest Management Policy and Non-timber Products Policy in Guatemala. These policies were officially approved and are being applied through regulations, dialogue, and agreements with communities.
- In Haiti 250,000 crop trees with strong export market growth potential such as coffee, mango, and cocoa were planted, benefiting an estimated 69,000 farmers. These trees will increase income and reduce erosion, thereby increasing soil fertility.



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Forests generate up to 60 percent of Liberia's foreign exchange earnings. USAID is working with the Liberian government and other partners to support an action plan for sustainable management of Liberia's forests.

The resulting “Action Plan” described a clear path to overall reform of the sector. Priority activities included reviewing existing concession agreements, implementing transparent systems for timber extraction and revenue collection activities, assessing the state and extent of Liberia’s forests, expanding the protected area network and developing community based forestry. A strong cross-cutting theme in the action plan is capacity building for the staff of the Liberian Forest Development Authority, the agency responsible for managing Liberia’s forests.

The LFI Action Plan proposed immediate or short-term actions that could be implemented within six months to:

- Create conditions favorable to lifting the United Nations’ sanctions on timber from Liberia
- Reestablish the timber industry on a transparent and sustainable basis
- Secure and expand parks and protected areas

- Promote community involvement in managing forest resources
- Ensure transparent management of forest sector revenues for the benefit of all Liberians

The LFI is already showing results. Specific activities underway and accomplishments include the following reforms in forestry reviews, financial management, and legal considerations:

Forestry Reforms. With USAID funds, the USDA Forest Service placed an advisor in Liberia in September 2004 to implement capacity-building activities and coordinate reform efforts. The advisor has been tasked with organizing and implementing the third and final phase of the forestry concession review, an administrative process to review more than 30 existing forestry concessions, many of which were previously issued or carried out under questionable conditions.

Financial Management Reforms. Given the importance of transparent management of resources derived from forestry operations, USAID has worked with appropriate financial management experts to understand current accounting procedures at the Liberian Forestry Department, and develop a new system that will ensure proper financial management.

Legal Reforms. USAID issued a grant to the Environmental Law Institute to implement a suite of legal reform efforts related to the forest sector. Principal accomplishments included:

- Scanned and digitized Liberia’s forestry laws and regulations and placed them on CD-Rom
- Engaged and effectively sought the views of all stakeholders in Liberia on the scope and content of the amendments and regulations proposed to the Forestry Law of 2000
- Drafted amendments to strengthen the Forestry Law (2000)

The President’s Initiative Against Illegal Logging

Illegal logging causes environmental damage and biodiversity loss, undermines sustainable forest management, and jeopardizes the livelihoods of forest dependent people. The President’s Initiative Against Illegal Logging, led by the U.S. Department of State, was launched in July 2003 to help developing countries in their efforts to combat illegal logging — including the sale and export of illegally harvested timber — and corruption in the forest sector. The Initiative addresses illegal logging by harnessing market forces, enhancing community involvement

Table 1. President's Initiative Against Illegal Logging Funding: USAID FY 2004 Activities

Region/Country	Activity	Funding (\$)
Congo Basin	CARPE	1,900,000
Liberia	Liberia Forest Activity	1,100,000
Brazil	Forest Transparency and Monitoring	50,000
Peru	Combating Illegal Logging	1,000,000
Bolivia, Brazil, Peru	CITES Mahogany	800,000
Colombia	Governance, Markets, and Communities	6,000,000
Bangladesh	Community-based Forest Management and Protection	1,000,000
Indonesia	Orangutan Habitat Protection	1,000,000
Philippines	Eco-Governance	400,000
Global	Sustainable Forest Products Global Alliance	1,000,000
Total in FY 2004		\$ 14,250,000

in forest governance, promoting technologies for forest monitoring, and strengthening the rule of law. USAID provided its valuable technical and field experience to help shape this initiative, and USAID activities constitute more than 90 percent of the FY 2004 budget for this Initiative. The President's Initiative focuses on three regions: the Congo Basin in Africa, the Amazon Basin and Central America, and South and Southeast Asia.

In Africa, during FY 2004, USAID grantees held a workshop for key forest stakeholders of the Congo Basin to design a forest concession monitoring system. The monitoring system will independently document the industry's logging practices in the region. Logging companies agreed to be monitored on more than 30 performance measures that will be used to track their logging practices, including legality.

In Asia, USAID/Indonesia partners have been successful in their negotiations with logging

concessionaires. Concessionaires have agreed to set aside large tracts of their concession areas for conservation and to practice reduced-impact logging techniques in remaining areas to minimize the impact on habitat and wild orangutan populations. In the Philippines, 31 local governments committed \$270,000 to reduce illegal logging, place open access areas under management, and mitigate forest-related conflicts on at least 670,000 hectares of forest. Local governments and local communities jointly conducted numerous activities, including establishing co-management agreements and implementing land-use plans that govern tenure, law enforcement, and forest protection.

In Latin America, USAID is supporting national efforts in Peru to enforce laws and regulations related to protected areas, as well as helping communities manage forests and certify wood products. USAID assisted the Government of Peru to establish a committee on illegal logging, as well as to implement a transparent public

bidding process for legal private forestry concessions. In Colombia, USAID partners began reviewing working versions of Colombia's new forestry law and related policies, and conducted an institutional diagnostic study of regional forestry agencies to assess their capacity to administer and regulate forest resources. At the community level, USAID's program entered into partnership with Familia Guardaparques, a community-based group to support improved monitoring of protected areas.

The Sustainable Forest Products Global Alliance

The Sustainable Forest Products Global Alliance (SFPGA/Global Alliance) is a public/private partnership that seeks to make markets work for forests and people. Together, the partners in the Global Alliance work to advance a new model for forest conservation and community development in USAID-assisted countries in which sustainable forest management is rewarded in

the global marketplace. Transforming market behaviors on a global scale will reduce the trade of illegally or unsustainably harvested wood from developing regions, and create opportunities for forest-dependent communities.

The Global Alliance is anchored by USAID's Forestry Team and NGO partners Metafore and World Wildlife Fund (WWF). USAID provides country knowledge and technical support to Global Alliance activities. WWF, through its Global Forest and Trade Network (GFTN) creates networks of suppliers in developing countries, and buyers in consuming nations, with a commitment to the production and trade of responsible forest products. Metafore works to increase the demand for products from well-managed forests by catalyzing change in the way companies purchase and use wood and paper products. They do this through the development and dissemination of information and decision-making tools. The Global Alliance also includes corporate and government partners such as The Home Depot, window and door manufacturer Andersen Corporation, and the USDA Forest Service. Several other companies such as Nike, Inc., Starbucks Coffee Company and Staples, Inc. contribute to this effort through Metafore's Paper Working Group. IKEA and almost 400 companies support the efforts of the Global Alliance through WWF's GFTN.

In FY 2004, WWF and Metafore extended the global reach of the Global Alliance in Latin America, Central and West Africa, the Russian Far East and Siberia, and South East Asia. These regions support some of the largest

remaining intact areas of forest. Through the Global Alliance, committed producers in these regions are provided with training and support to help them achieve responsible forestry and certification, technical support to achieve optimization of production, business development services, and the market recognition they need to support their commitments. Specific Global Alliance achievements in FY 2004 are discussed below.

Building Private Sector Capacity in Forest Certification. In FY 2004 WWF supported responsible producers by: 1) facilitating 23 baseline appraisals and action plans for small and medium sized companies and community operations in Peru, Ghana, Russia, Indonesia, and Malaysia; 2) building the capacity of companies to implement chain-of-custody systems for monitoring legality and compliance with certification in Russia (80 trained) and Nicaragua; 3) training nearly 40 potential auditors in Malaysia, Ghana, and Indonesia, thereby building local capacity to conduct baseline appraisals and develop certification action plans; 4) refining diagnostic tools used to assess the production capacity of producers of responsibly harvested forest products. For example, a Production Capacity Assessment Toolkit is intended to be used by coordinators or managers of groups of responsible forest products companies to collect data on the product lines and current production capacity of the producers they represent.

Sourcing Forest Products. WWF and Metafore also continued to cooperate to engage leading companies to source forest products from legal, well-managed

forests. The Global Alliance partners conducted analyses which identified the top U.S. buyers of furniture and plywood products from Indonesia, as well as from Malaysia and China, which serve as major transshipment countries for products from threatened forests. Metafore continued to make the business case for responsible purchasing to a wide audience, including these newly identified partners, through its Fortune 100 report and In Focus newsletter. The Global Alliance will work with these companies in 2005 to implement responsible purchasing practices.

Tools for Responsible Purchasing. The Global Alliance made substantial contributions to improving the methods and systems by which responsible purchasing is implemented. Most notable among these contributions is the WWF's GFTN Responsible Purchasing Guide and Metafore's Paper Working Group and its related tools. WWF's GFTN has now published Responsible Purchasing of Forest Products in English, Spanish, and Japanese. This publication is a practical guide for companies wishing to develop responsible programs for the procurement of forest products. The document draws together common themes of responsible purchasing models which can then be adapted to specific company needs. Over 2,500 copies of the English version alone have been distributed. WWF has used the guide to educate over 200 representatives from companies that buy forest products from Indonesia, Malaysia, China, Russia, and Peru.

The efforts of the Global Alliance are paying off. For example, WWF

secured a number of strategic victories with the following new commitments: Office Depot and Staples used their purchasing power to halt the destruction of key elephant and tiger habitats in the Tesso Nilo landscape in Indonesia through direct pressure on the global supply chain; HSBC, one of the largest banking and financial services organizations in the world, adopted a responsible forest investment policy that gives preference to customers who have achieved forest certification, or who are following a credible path towards achieving certification within five years. WWF's GFTN grew to 366 buyers in the network including 170 manufacturers and traders; 50 timber importers; 50 retailers (including IKEA and The Body Shop); 20 paper and print companies (including BBC Worldwide Ltd.); 10 local governments; 20 trade associations; 10 construction companies; and 30+ other miscellaneous organizations, including four banks. These buyers have committed to responsible purchasing of forest products from legal, well-managed forests.

The Integrated Natural Resource Management Web Portal

USAID's Forest Team is tasked with providing technical support that expands Missions' ability to implement their forest conservation and management programs. As part of the Team's effort to fulfill this mandate, the Team conducted an extensive needs-based assessment that resulted in the creation of a web-based content information management system and tool designed to network USAID staff and partners known as the Integrated Natural Resource Management (iNRM) Portal.

The iNRM Portal provides an online library, training, and meeting work place for Missions and partners worldwide composed of a community of dedicated professionals with similar goals, focusing on natural resource management, improvement of rural livelihoods, promotion of renewable energy, and environmental protection and promoting human health across the globe. The Forest Team hosts this

Portal Community and contributes its own technical and programmatic resources, creates the linkages between missions, programs, and sectors, and helps establish networks of professionals willing to work collaboratively to meet evolving development challenges.

The strength of the iNRM Portal lay as a content management and networking tool based on the philosophy that sustainable natural resource management requires an integrated approach — one that links nature, energy, and human services and works at the landscape level. The iNRM Portal provides the platform to host a multi-stakeholder, multi-media, and cross-sectoral approach.

As an Agency-level tool the Portal is powerful as it can be deployed at all the various operating levels. It allows USAID missions to establish and facilitate communications and reporting between USAID Washington and its mission, between missions; and within a mission or mission program to link Agency staff with implementing partners and host-country affiliates.



JEAN BRENNAN, USAID

In FY 2004, the Forestry Team conducted training so that USAID's geographically dispersed, and often remote cooperating partners in Brazil could use the iNRM portal to increase efficiency.

As a work tool the Portal provides collaborative tools for users including the ability to view, add, and share files and images (virtually all electronic media), the ability to define workgroups, an online calendar, a resource library and training area, news and the ability to comment on items posted within the portal, and fora that support topical online dialogues. Discussion fora provide a dynamic and cost-effective communication tool for staff and sponsored partner organizations, institutions, or consortia, and can immediately capture lessons learned so they can be widely shared.

The web address of the Portal is: <http://www.nrmre.org/>. The iNRM Portal is an open Web site that grants public access to its library and many open forums and workgroups, while also hosting private forums and materials that can only be viewed by USAID mission staff and partners through its login membership.

The USAID and USDA Forest Service Partnership

The USDA Forest Service is the principal technical agency for forestry and natural resources management in the United States. To conserve tropical forests around the world, the USDA Forest Service — Office of International Programs, and USAID, combine skills, expertise, and financial resources to support sustainable tropical forest management and conservation programs in Africa, Asia, and Latin America and the Caribbean. In FY 2004, the USDA Forest Service's partnership with USAID helped build local capacity for forest management by promoting improved park management, reduced impact

logging (RIL), forest-fire management, landscape planning and management, and watershed protection.

In Africa, the USDA Forest Service worked with USAID partners in the Congo Basin, Ghana, Kenya, Madagascar, South Africa, and Tanzania. In the Congo Basin, the USDA Forest Service helped the governments of the Republic of Congo and Gabon with forest mapping and geographic information system (GIS) technology, including the establishment of a GIS and remote sensing lab in the Republic of Congo and the development of park management plans and GIS maps in Gabon. The new park management plans in Gabon will serve as a guide for the nation's newly created national parks, where researchers have identified more than 159 reptile and amphibian species, 70 freshwater fish species, and 140 tree species.

In Latin America, the USDA Forest Service worked with USAID partners in Bolivia, Brazil, the Dominican Republic, Jamaica, Honduras, Mexico, and Peru. In Mexico, a comprehensive analysis of United States-Mexico cooperation on wild-land fire has led to increased emphasis on fire response planning and training, community involvement in fire prevention and response, and rehabilitation of fire damaged forest lands.

The USDA Forest Service also completed a joint analysis of the use of criteria and indicators to gauge sustainability of montane forests in northern Mexico. It is also working with its Mexican counterparts on a similar effort in tropical forest in southern Mexico.

In Bolivia, the USDA Forest Service is providing technical assistance to improve forest management and wood processing and to link certified forest products to buyers in the international market. The USDA Forest Service's work with USAID programs in Brazil is focused on improving forest management through reduced-impact logging training, and the improvement of forest monitoring and fire detection systems in the Amazon Basin. The Tropical Forest Foundation, a close USDA Forest Service partner in Brazil, was selected as the primary implementing mechanism for a newly established Amazon Forest Management training center.

In Asia, the USDA Forest Service supported activities in Brunei, Jordan, India, Indonesia, Malaysia, and Singapore. Using a Reduced Impact Logging Financial Simulator software package developed by the USDA Forest Service, Asian foresters are able to compare the cost of reduced impact logging to conventional logging practices, enabling more informed decisions about sustainable forest management practices. Through a series of training workshops, forest managers have learned how they can reduce the environmental impact of forestry operations while maintaining profitability.

In addition to conserving tropical forests, USAID and USDA Forest Service programs also support temperate and boreal forest conservation in Russia. The USDA Forest Service continues to work with Russian counterparts on forest planning, fire management and dialogue on forest management models as Russian authorities consider fundamental changes in forest governance institutions.

III. USAID Forestry Funding

USAID FY 2004 Forestry Expenditure Analysis

USAID supports sustainable forest management in three ways: through centrally funded activities, regional programs, and bilateral country programs managed by USAID field missions. Forestry activities are defined as activities that promote ecologically sustainable management of forests and other tree systems. Activities include: forest management; production and trade of sustainably harvested forest products; agroforestry; forest monitoring; community-based forest management; integrated watershed protection using forest resources; restoration of degraded lands; maintenance of sustainable forest habitat for animals; forest certification programs; activities to reduce illegal or destructive logging; and research, policy, or regulatory reform in support of sustainable forest resource management. In FY 2004, forestry expenditures across the Agency totaled more than \$95 million. This was a decrease of approximately \$18.6 million from FY 2003. Table 2 provides a complete listing of USAID forest-related expenditures in FY 2004.

In FY 2004, USAID's Washington, D.C.-based Forestry Team provided \$950,000 in support to an interagency agreement with the

USDA Forest Service, as well as more than \$2 million to support the Sustainable Forest Products Global Alliance. USAID also invested more than \$1.4 million in two international research centers: The Center for International Forestry Research (CIFOR) and The World Agroforestry Centre (ICRAF). In addition, USAID's Washington, D.C.-based Biodiversity Team manages the multi-partner Global Conservation Program, which provided \$1.28 million in FY 2004 for forestry-related projects.

In FY 2004, the Africa region had the highest total expenditure in forestry activities of any region, accounting for approximately 38 percent of the total USAID forestry budget. The Africa region is critically important to Agency efforts to manage and protect tropical forests because of the need to promote sustainable rural livelihoods across Africa and the unique natural resources found in this region. For example, the second largest expanse of remaining tropical forests in the world in the Congo Basin, and the unique biodiversity found in the threatened forests of Madagascar.

CARPE continued to be a centerpiece of the Agency's work in Africa, receiving more than \$15 million to support the Congo Basin Forest Partnership. Madagascar



USAID provides funding, among other things, to train guards for parks and protected areas.

received more than \$8 million to conserve its biologically diverse forest ecosystems. Also in Africa, The U.S. State Department transferred \$1.1 million to USAID to support the Liberia Forest Initiative, which aims to reform the Liberian forestry sector so that all Liberians may benefit.

The Latin America and the Caribbean region had the second highest total expenditure on forestry activities, accounting for approximately 35 percent of total USAID forestry spending. The

Table 2. USAID Forestry Activities and Programs FY 2004

Country/Program	Activity	Total (\$)
Centrally Funded Forest Programs		
USAID/USDA Forest Service Partnership	Interagency Agreement (IAA)	950,000
Sustainable Forest Products Global Alliance (SFPGA)	Forest Service IAA	981,602
Sustainable Forest Products Global Alliance (SFPGA)*	Leader with Associates Award	1,100,000
Global Conservation Program	Forest Conservation Activities	1,283,859
Global Climate Change	Assessment of Soil Organic Carbon, Forest Service IAA	155,000
CIFOR	Center for International Forestry Research	775,000
ICRAF	World Agroforestry Center	675,000
Technical Staff		1,028,804
Networking Platform (pilot)	Develop an Integrated NRM Portal	100,000
Natural Resources Information Clearinghouse	Technical Support	208,732
Centrally Funded Total		7,257,997
Africa Region		
Central African Regional Program for the Environment*		13,800,000
Central African Regional Program for the Environment	Congo Basin Forest Partnership	1,025,000
Central African Regional Program for the Environment	Forest Service IAA	200,000
Mountain Gorilla Habitat Conservation	Gorilla Conservation Directive	1,000,000
Africa Bureau	Community Forestry Technical Assistance	100,000
Ghana	Agroforestry and Energy Saving Stoves	469,962
Ghana and Central Africa	Producer Groups	200,000
Guinea	Sustainable Natural Resources Management	3,800,000
Kenya	Forest Rehabilitation and Env. Mgmt. Strengthening	141,000
Kenya	Improved NRM in Biodiverse Areas	3,026,000
Kenya	Global Development Alliance	500,000
Liberia*	Liberia Forestry Initiative	1,100,000
Madagascar	Biologically Diverse Ecosystems Conserved	8,032,991
Madagascar	Forest Service IAA	200,000
Malawi	Sustainable Increases in Rural Incomes	601,040
Senegal	Agriculture and Natural Resources Management	2,000,000
Uganda	Natural Resources Management	0
Africa Total		36,195,993
Asia and the Near East		
Asia and the Near East Region	Managing Conflict in Asian Forest Communities	200,000
Asia and the Near East Region	Environmental Support to Raise Rural Incomes	175,000
Asia and the Near East Region	East Asia and Pacific Environmental Initiative	700,000
Asia and the Near East Region	Reduced Impact Logging, Tropical Forest Fndn, FS IAA	180,000
Bangladesh*	Tropical Forest Resource Management	1,400,000
Cambodia	Alternative Livelihoods (Wild Aid)	673,000
India	Linking Water and Energy Use in Indian Villages	175,000
India	Disaster Preparedness, Forest Service IAA	700,000
Indonesia*	Watershed Management and Orangutan Conservation	6,800,000
Nepal	Sustainable Forest and Agricultural Products	650,000
Nepal	Increased Management Capacity of NRM Groups	603,000
Philippines*	Improved Environmental Governance	1,687,488
Sri Lanka	Eco-tourism Alliance	0
Asia and the Near East Total		13,943,488

Table 2. USAID Forestry Activities and Programs FY 2004 (cont'd.)

Country/Program	Activity	Total (\$)
Latin America and the Caribbean		
Latin America and the Caribbean	Caribbean Basin Regional Env'l. Advisor; Forest Service IAA	95,000
Latin America and the Caribbean Regional Program	Parks in Peril	1,214,000
Regional Program for Central America	PROARCA	3,000,000
Latin America and the Caribbean Regional Program	Forests, Biodiversity, Trade	156,649
Bolivia*	Sustainable Forest and Biodiversity Resource Mgmt	2,205,000
Bolivia	Forest Service IAA	150,000
Bolivia	Global Development Alliance	500,000
Bolivia	Parks in Peril	300,000
Brazil*	Environmentally Sustainable Land Use	6,450,000
Brazil	Forest Service IAA	200,000
Colombia*	Forestry Development Program	3,321,939
Colombia	Forest and Wood Program	3,335,579
Dominican Republic	Improved Policies for Environmental Protection	150,000
Dominican Republic	Parks in Peril	30,000
Ecuador	Indigenous Forest Management	1,200,000
Ecuador	Parks in Peril	1,000,000
Ecuador	Ecomadera	125,000
Ecuador	PSUR	200,000
Ecuador	Forest Service IAA	30,000
El Salvador	Agroforestry for Soil and Water Conservation	250,000
Guatemala	Improved NRM and Biodiversity Conservation	500,000
Haiti	Hillside Agriculture Program	500,000
Honduras	Integrated Watershed Resources Management Program	1,672,543
Honduras	Capacity Building in Disaster Response and Forest Mgmt	924,457
Jamaica	Ridge to Reef Watershed Program	450,000
Jamaica	Forest Service IAA	50,000
Mexico	Critical Ecosystems Conserved	340,000
Mexico	Forest Service IAA	400,000
Mexico	Regional Program for Central America	500,000
Nicaragua	Sustainable Forest Management	500,000
Nicaragua	Natural Resources Management Program	500,000
Panama	Sustainable Management of the Canal Area	400,000
Panama	Parks in Peril	268,400
Paraguay	Management of Globally Important Ecoregions	938,000
Peru*	Strengthened Environmental Management	1,940,000
Peru	Parks in Peril	50,000
Peru	Forest Service IAA	50,000
Latin America and the Caribbean Total		33,896,567
Europe and Eurasia Region		
Europe and Eurasia Regional	Forest Service IAA	65,715
Bosnia and Herzegovina	Mountain Conservation	10,040
Bulgaria	Natural Resources Management	0
Russia	Forest Resources and Technologies	4,000,000
Russia	Forest Service IAA	74,400
Europe and Eurasia Total		4,150,155
Total Forestry Obligation in FY 2004		\$ 95,444,200

* All or a portion of these programs contributed to the President's Initiative Against Illegal Logging, for a total contribution of \$14.25 million in FY 2004
 Note: The figures above are unofficial budget estimates provided by USAID Bureaus and overseas Missions.

region also had the greatest number of forestry programs of any region. PROARCA received \$3 million to support improved environmental management in the Mesoamerican Biological Corridor (Central America and Mexico). The program works to conserve the region's forests by providing training and technical assistance to improve protected area management and by working to harmonize regional environmental regulations and laws. Brazil received more than \$6.8 million, which was the largest amount for any Latin American country. This included funding to support the training of forest managers in the Brazilian Amazon, the world's largest intact tropical rainforest. Colombia received more than \$6.6 million to conserve the country's forests through strengthening indigenous communities' participation in forest management, working with the commercial forestry sector to develop forest products and markets, and improving the management of Colombia's forests and protected areas. These activities also contribute to U.S. Government goals of reducing illicit crop production in targeted zones. Other significant bilateral programs include: Ecuador: \$2.5 million, Bolivia: more than \$2.8 million, Honduras: \$2.5 million, and Peru: \$2 million.

The Asia and the Near East region accounted for approximately 15 percent of the agency's forestry funding. Indonesia received \$6.8 million to promote improved watershed management and orangutan conservation. USAID's program in the Philippines, which focuses on reducing illegal logging and the conversion of natural forests, received more than \$1.6 million.

Table 3. Significant Changes in Forestry Program Funding Levels

Forestry Programs	FY 2003 (\$)	FY 2004 (\$)	Difference (\$)
Funding Increases			
ICRAF	0	675,000	675,000
Guinea	1,500,000	3,800,000	2,300,000
Kenya	1,400,000	3,667,000	2,267,000
Liberia	0	1,100,000	1,100,000
Senegal	1,500,000	2,000,000	500,000
EAPEI	0	700,000	700,000
India	0	875,000	875,000
PROARCA	500,000	3,000,000	2,500,000
Nicaragua	436,800	1,000,000	563,200
	Total		+ 11,480,200
Funding Decreases			
GCP Forestry Programs	2,670,500	1,283,859	-1,386,641
Mountain Gorilla	1,500,000	1,000,000	-500,000
Ghana	1,238,133	669,962	-568,171
Malawi	1,721,796	601,040	-1,120,756
Uganda	940,000	0	-940,000
ANE Community Forest Mgmt	500,000	0	-500,000
Indonesia Timber Alliance	2,850,000	0	-2,850,000
SUCCESS/Cocoa Alliance	3,000,000	0	-3,000,000
Cambodia	1,200,000	673,000	-527,000
Indonesia	10,386,000	6,800,000	-3,586,000
Nepal	5,000,000	1,253,000	-3,747,000
Sri Lanka	900,000	0	-900,000
Parks in Peril	2,800,000	1,214,000	-1,586,000
Bolivia	4,658,000	3,155,000	-1,503,000
Colombia	9,800,000	6,657,518	-3,142,482
Ecuador	3,458,000	2,555,000	-903,000
Guatemala	1,523,100	500,000	-1,023,100
Panama	1,500,000	668,400	-831,600
Peru	3,500,669	2,040,000	-1,460,669
Bulgaria	599,998	0	-599,998
Russia	5,000,000	4,074,400	-925,600
	Total		-31,594,017
Total Forestry Funding	114,045,548	95,444,200	-20,113,817

Significant changes are defined in this table as increases or decreases of \$500,000 or more from FY 2003 to FY 2004. Because smaller changes are not included, increases and decreases listed do not account for 100 percent of funding level changes.

In Europe and Eurasia, the temperate forest of the Russian Far East is of critical global importance for its potential to sequester large amounts of carbon, thus helping to

mitigate the impacts of climate change. In FY 2004, the agency supported more than \$4 million worth of forestry activities in the region, mostly in Russia.

Figure 1. Forest-related Expenditures by USAID

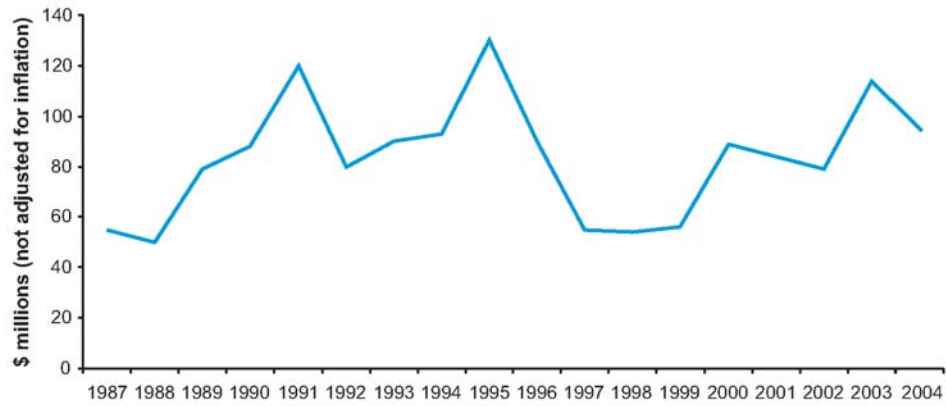
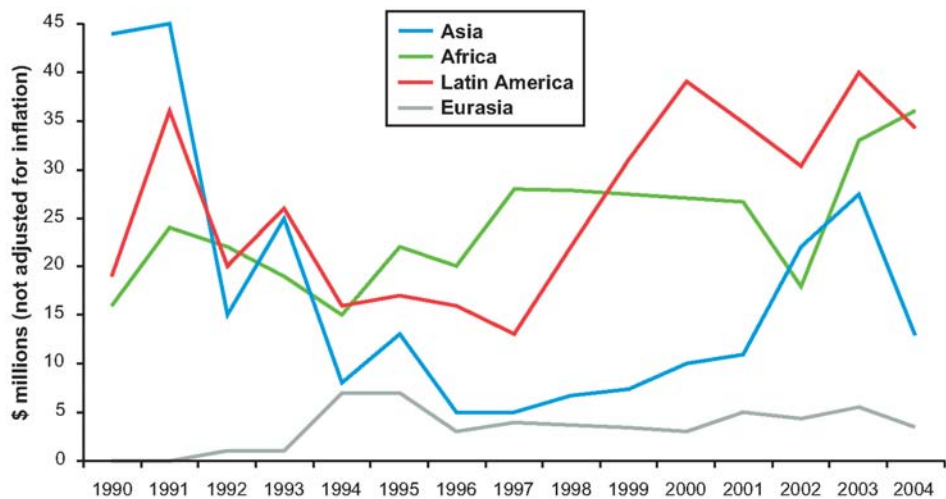


Figure 2. USAID Funding to the USDA Forest Service's International Programs



Figure 3. Spending on Forest-related projects by USAID in the Four Major Regions, 1990-2003



Historical Trends Analysis

Trends in USAID Forest Expenditures

Since the enactment of Section 118 of the Foreign Assistance Act in 1986, forest management and conservation has been an important part of USAID's efforts to protect the global environment. From 1990-2004, forestry expenditures have averaged approximately \$80 million annually (Figure 1). In FY 2004, more than \$95 million was spent on forest projects and forestry activities compared to \$114 million in FY 2003. The majority of the decrease in funding (approximately 75 percent) occurred in the Asia and Near East region, where several regional programs came to an end and the two largest bilateral programs, Indonesia and Nepal, obligated significantly fewer resources toward forestry-related activities in FY 2004. Table 3 describes significant increases and decreases in forestry funding from FY 2003 to FY 2004.

Figure 1 describes trends in USAID forestry funding during the last two decades. The figure reflects an increase in USAID forestry expenditure in the late 1980s, a result of the increasing importance of tropical forests in the global environmental agenda. As one of the world's leading donor agencies, USAID is often at the forefront of designing and implementing projects that address emerging development objectives and themes.

In the mid-to-late 1990s, USAID forestry expenditure began to fall, slipping from \$118 million to \$53 million (not adjusted for inflation). The decline is mostly attributed to a reduction in the overall USAID

budget in the 1990s, which resulted in less funding and fewer technical personnel for forestry projects. In addition to Agency budget reductions, Executive Branch and Congressional priorities shifted to new areas such as democracy and governance and human rights.

There was an upswing in forest-related expenditures in the late 1990s through 2003, due in part to an increase in biodiversity-related activities and in programs in such biodiversity-rich regions as Madagascar, the Congo Basin, and the Amazon Basin. However, in FY 2004 total USAID expenditures for forestry related programs decreased by about \$18.6 million, as discussed above.

Much of USAID's forestry assistance flowed through grants to NGOs focused on conserving forest biodiversity. A second focus was government-to-government technical assistance and international research cooperation. Programs are implemented through a diverse set of cooperating agencies and NGOs, as well as through contracts with private firms and individuals. Much of these funds are channeled through USAID's interagency agreement with the USDA Forest Service. In FY 2004, USAID funding to the USDA Forest Service's International Programs totaled more than \$5,800,000. Figure 2 documents USAID funding to the USDA Forest Service's International Programs since 1991.

In the past decade, trends in forest funding varied among the Agency's four major regions of operation (Figure 3). Overall, the Africa region has seen an increase in forest expenditures, whereas Asian funding levels decreased significantly in FY 2004. Forestry

expenditures in Africa have increased in the last decade due to the initiation of regional programs such as CARPE and the more recent Congo Basin Forest Partnership. Funding this year for CARPE remained relatively steady, maintaining the sizable increase seen in FY 2003, reflecting the importance of this program as the primary U.S. Government contributory mechanism for the Congo Basin Forest Partnership. The Liberia Forestry Initiative was a significant new program in Africa in FY 2004, with Agency expenditures reaching \$1.1 million. USAID's Missions in Guinea, Kenya, and Senegal also experienced significant increases in forestry-related expenditures. Figure 3 illustrates spending on forest-related projects by USAID in the four major regions from 1990 to 2004.

USAID continues to support forest projects in the Latin American and Caribbean region although total expenditures dropped from approximately \$40 million in FY 2003 to approximately \$33.9 million in FY 2004. PROARCA saw a large increase in expenditures during the past year, but this was offset by a decrease in expenditures by the Parks in Peril program as it approaches close-out, and significant forestry funding decreases in seven bilateral Missions in FY 2004: Bolivia, Colombia, Ecuador, Guatemala, Panama, Paraguay, and Peru.

Eastern Europe and Eurasia began receiving funding in the early 1990s, which leveled off at approximately \$4 million per year since FY 2000. In FY 2004 USAID spent \$4 million per year on forest management activities in Russia, most of it focused on the Russian Far East.

IV. USAID Forestry Programs: Regional and Country Profiles

Africa Programs

The Africa Bureau and Mission-supported activities highlighted in this section include a description of the Liberia Forest Initiative, CARPE/CBFP, as well as activities in Ghana, Guinea, Kenya, Madagascar, Malawi, Senegal, and Uganda.

Liberia Forest Initiative

In response to a cease-fire in the West African country of Liberia, and hopes for a more peaceful and democratic future for this country,

the U.S. Government launched LFI. This initiative, led by the U.S. Department of State and USAID, is being implemented through an interagency agreement between USAID and the USDA Forest Service's International Programs. LFI is building local capacity to manage Liberia's vast tropical forest resources transparently, equitably, and sustainably, resulting in a valuable resource that helps sustain the country through a more peaceful and democratic future. For more information on the Liberia Forest Initiative, see page 9.

Central African Regional Program for the Environment/Congo Basin Forest Partnership

CARPE is a 20-year regional initiative that began in 1995. The program was created to increase knowledge of forests and biodiversity and build institutional and human resources capacity in nine Central Africa countries (Burundi, Cameroon, Central African Republic, the Democratic Republic of Congo, Equatorial Guinea, Gabon, the Republic of Congo, Rwanda, and São Tomé e Príncipe).

CARPE partners are applying and implementing sustainable natural resources management practices in Central Africa, improving environmental governance in the region, and strengthening natural resources monitoring capacity in more than 65 million hectares. Areas where important species of plants or animal habitats occur are being identified and mapped, management plans developed, and staff trained. Key activities include protected area management, improved logging policies, rational forest use by local inhabitants, and improved environmental governance. CARPE partners are working with Central African institutions to develop specific land and resource use plans in targeted

Forests in Africa

The African continent contains approximately 650 million hectares of forest, including dry tropical, moist tropical, and subtropical forests; woodlands; and mangroves. These represent 17 percent of the world's total forests. Forest loss in Africa is estimated at 5.3 million hectares annually.

Since rural communities depend on forests for food, fuel, medicine, construction materials, and income generating activities, conserving Africa's forests is critical to sustainable development efforts across the continent.



landscapes. With an emphasis on the application of sustainable natural resource management, strengthening of institutions, policies and laws, and institutionalizing sound natural resource monitoring practices, CARPE is increasing local, national, and regional natural resource management capacity.

On September 4, 2002, the United States and South Africa joined the Congo Basin Forest Partnership (CBFP), a group of 27 international public and private partners working to support economic development, poverty alleviation and improved governance and management of forest resources in Central Africa. This ambitious partnership was

formed to help six Central African nations (Cameroon, the Central African Republic, the Democratic Republic of Congo, Equatorial Guinea, Gabon, and the Republic of Congo) achieve their goals of forest conservation and sustainable forest management across the Basin. CARPE is the primary U.S. government contribution to the CBFP. The U.S. goal in CBFP is to promote economic development, alleviate poverty, and improve governance and natural resources conservation through support for a network of protected areas and well-managed forestry concessions. The partnership assists communities that depend on the conservation of the outstanding forest and wildlife resources in 11

of the 12 key landscapes on which CARPE focuses. See page 7 for more information of CARPE/CBFP's landscape-scale approach. While USAID is not the only U.S. Government agency with programs that support the CBFP, CARPE is the primary mechanism through which the U.S. Government provides support to the CBFP.

In all of the CARPE countries, partners have developed relationships with local communities, private and public sectors and other stakeholders towards the creation of land-use plans within the target landscapes.

Approximately 90 percent of the CARPE landscapes lie outside of parks and reserves, and are under the de facto administration of private sector companies. To minimize the adverse environmental impacts of land use within these areas, CARPE partners collaborate with the private sector, particularly logging and oil companies. CARPE partner collaboration with the private sector has raised the standards for forest management throughout the Congo Basin. Several major logging companies are moving toward forest certification and in the process have committed to improving management practices through activities such as designating no-cut zones for sensitive wildlife areas and establishing local hunting regulations for non-endangered game, minimizing the extent of road development, and closing down roads following logging.

The execution of the Congo Basin Forest Partnership has raised the profile and worldwide interest in the overall conservation of the Congo Basin. Efforts over the past two years have greatly solidified the collaborative spirit of the partnership and have opened the dialogue between the international partners. On the ground the CBFP has proved to be a significant collaborative forum to mobilize and engage the political will of the Congo Basin country governments to coordinate on the management and conservation of the Basin resources.



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The CARPE program projects ecologically important landscapes across Central Africa including those that provide critical habitat to Mountain Gorillas.

Ghana

Community Forestry and Agroforestry to Meet Food and Energy Needs

USAID supports the conservation of forests in Ghana by promoting agroforestry and the use of energy saving stoves. USAID works through a program implemented by the Adventist Development and Relief Agency to encourage community agroforestry and afforestation efforts. About 38,000 farmers and community volunteers were trained in agroforestry and afforestation techniques in FY 2004, including in improved seedling management, sustainable tree nursery systems, proper spacing and alignment of tree crops, and proper use of fertilizer. With USAID support, farmers continue to expand plantings of citrus, cashew, mango, and other woody species, intercropped with maize, soybeans, beans, groundnuts, cassava, yams, and plantain. Community volunteers planted 1,308,750 seedlings provided by USAID, to cover a total of 9,988 hectares.

The successful involvement of school children in tree planting activities contributed to a reduction in soil erosion on school compounds, protected school structures against storms, and created a congenial environment for learning in the schools. The major challenge for the program was bushfires and suppressing and preventing local livestock from grazing on the tree seedlings. To address these issues, the program provided pilot fencing of some community woodlots and training in bushfire prevention.

To help reduce pressure on forest resources, USAID promotes the



A trained artisan in Ghana crafts the shell for a ceramic-lined stove. These stoves reduce the amount of wood needed to cook food. USAID promotes the conservation of forests through this energy-saving device.

ADELINE OFORIBAH, USAID/GHANA

use of energy saving stoves that require less charcoal. During FY 2004, the energy saving program of USAID partner Enterprise Works reported that 37 metal workers produced and sold about 30,900 stoves, exceeding the original target of 10,000 stoves. An estimated 86 percent of the stoves are reported to be used as the primary means of cooking. Based on these results, this project avoided the deforestation of an estimated 1,000 hectares of forest, and prevented the release of more than 7,680 tons of carbon dioxide.

Guinea

Increasing Co-management of Forests to Promote Rural Economic Growth

USAID's programs in Guinea focus on preserving forests and watersheds, increasing agricultural production, and promoting rural economic growth. Activities promote the joint management of

natural resources by government and local communities. Co-management has resulted in the devolution of forest management authority to the local level, thus bringing the people that depend on these resources closer to the decisions on how to manage them so they can profit.

The Agency supports local community's expanded forest management role by helping them develop natural resource management plans. In FY 2004, 78 villages developed and began successfully implementing natural resource management plans. These plans have led to more effective management of approximately 117,000 hectares of forests and tree plantations. Approximately 200 people were trained in better forest management techniques in FY 2004. Other program activities have improved local capacity to market crops, particularly among women.

With increased security of land tenure, natural resource users are more likely to invest in long-term sustainable practices. To promote greater land tenure security, in FY 2004 USAID/Guinea facilitated the signing of 133 long-term land-use contracts between landowners and land-users to support the conversion to long-term, market-oriented production. These contracts for land use also involve the production of cereal and cash crops and tree-based production such as orchards or lumber, which has important benefits for forest cover, watershed protection, and fire control.

USAID has been active in developing two Global Development Alliance (GDA) public-private partnerships with Guinean and American firms. These alliances will provide technical assistance and other support for a variety of natural resources management activities throughout Guinea. In particular, a partnership with Kraft Foods is bringing technical expertise, as well as access to international markets, to the Guinean cashew industry - one of Guinea's most promising agroforestry and agribusiness opportunities.

Kenya

Protecting and Promoting Sustainable Use of Limited Forest Resources

Kenya's forests cover a small amount of the country's total land area, yet are relied upon to provide critical inputs for the Kenyan economy. Wood currently provides about 93 percent of rural household energy needs. The Kenyan forests contain the five "water towers" that form the upper catchments of all major rivers.

These forest-covered watersheds purify and regulate water flow to downstream hydroelectric dams that provide 83 percent of the country's electricity. The rivers also serve as sources of water for irrigation, agriculture, and industrial processes. The forests form habitats for wildlife on which Kenya's vibrant tourism industry depends. They also act as reservoirs for biodiversity and serve as sinks for carbon.

Building on experiences from community-based natural resources management activities, USAID designed and began implementing the Forest and Range Rehabilitation and Environmental Management Support Program. The goals of this program are to reverse forest and rangeland degradation, expand the use of sustainable forest-based enterprises, and empower constituencies to implement the Environmental Management and Coordination Act. Program activities include natural resource planning, reforestation, tree nurseries establishment, training communities in range planning and rehabilitation, conducting forest inventory, and training forest guards in fire management.

Specific accomplishments in FY 2004 include placing more than 11,000 hectares of land under improved forest management, including the establishment of 22 hectares of woodlots as a buffer zone along a coastal forest. More than 4,000 men and women were trained in improved resource management practices.

Twenty-five community nurseries were established and more than 46,000 tree seedlings were planted. Nine non-timber forest enterprises including fodder production,

agroforestry, seedling production, and apiculture (bee-keeping) were supported.

As part of institutional strengthening and capacity building for enhanced forest protection, a total of 237 forest guards were trained in basic forest management and conservation. The Kenya Wildlife Service and Forest Department developed a Joint Fire Management Plan using technical support from the USDA Forest Service.

The Forestry Bill of 2004 was debated in Kenya's parliament, and referred back for amendments. The contentious issues have been addressed and the bill is being redrafted for presentation to parliament after it resumes in March 2005.

Madagascar

Conserving Biologically Diverse Forest Ecosystems

Madagascar's unique biological diversity ranks it among the top three "biodiversity hotspots" in the world by the international conservation community. More than 80 percent of the plants and 90 percent of the trees and animals found in the country are endemic to the island, and more than 90 percent of this biodiversity is found in the country's last remaining forests.

Because of the importance of this resource, USAID's Environment/Rural Development program in Madagascar aims to assist Malagasy government agencies and communities conserve biodiversity, improve management of forests and other natural resources, and reduce poverty.

At the national level, significant progress was made in moving forward with the President of Madagascar's commitment to triple the protected area network and conduct forestry service reform. The Agency worked closely with the mining-forest commission to reduce conflicts between two ministries (the Ministry of Environment and Forests and the Ministry of Energy and Mines)

over land resources, particularly in potential conservation sites. Two orders were signed that increased protection for future protected areas. The first was a ministerial order delineating 12 million hectares of sensitive forest zones that are subject to environment impact assessments. The second was an inter-ministerial order restricting exploitation in the 7.7

million hectares of potential protected areas.

USAID, in collaboration with the USDA Forest Service, improved the Malagasy Forest Service's capacity for transparent management of forest permits and revenue generation by assisting in the design and implementation of a competitive permit bidding system. Training sessions were also provided to the Malagasy Forestry Service information unit at national and regional levels on GPS data collection, database management techniques, GIS techniques, and processing and management of documentation centers. In addition, the Agency provided support to initiate the National Technical Forestry Committee, which is a public-private platform to enhance good governance within the forestry sector.

The program continued to show that it is possible to help farmers significantly increase production and become responsible stewards of the environment. The program links community-based forestry to a farming systems approach, reinforcing rural associations, providing credit, improving water management, maintaining technical diffusion centers, and working with both public and private actors to integrate the environmental dimension into planning and decision-making. A total of 31 local communities put in place locally acceptable natural resource management activities, as well as promoted an anti-bush fire campaign and reduced slash-and-burn practices.

As a key element in providing alternatives to slash-and-burn practices, USAID promoted farming systems that are diversified,



LDI PROJECT

Madagascar is ranked among the top three “biodiversity hotspots” in the world by the international conservation community. More than 90 percent of its biodiversity is found in its forests. Forest and biodiversity conservation are at the heart of USAID’s environment programs in Madagascar.



USAID promotes local economies in Malawi by supporting the growth of markets for non-timber forest products, such as mushrooms.

sustainable, more productive, and more profitable than traditional slash and burn practices. 708 farmers received training that allowed them to become more self-sufficient, more environmentally sensitive, better organized, and more capable of effectively responding to market opportunities.

Malawi

Decentralizing Natural Resources Decision-Making and Improving Rural Income Generation

In Malawi, USAID is working to deepen decentralization of natural resources decision-making, help communities adopt improved natural resources management techniques, and provide marketing assistance for natural resources based products such as honey, wild fruits, tree seed oils, wild mushrooms, and other non-timber forest products. Training and technical assistance continues in

reforestation, rehabilitation of catchment areas, tree nursery development, and co-management of forest reserves. Local communities are realizing that natural resources are a potential source of wealth, providing incentives for community-based natural resources management (CBNRM). By the end of FY 2004, the number of communities adopting CBNRM practices grew from 599 in FY 2003 to 642 in FY 2004, a 7 percent increase. The number of households participating in CBNRM activities also increased over FY 2003 from 30,681 to 61,083. 1,867 community members were trained in FY 2004, 27 percent of whom were female.

The Malawi Agroforestry Extension Project promotes agroforestry technologies that contribute to smallholder agricultural productivity and food security. Techniques include alley cropping, systematic farm

integration of *acacia albida*, fodder banks, and contour grass strips, hedgerows to control erosion and runoff, multipurpose tree species for homestead/boundary planting, and small scale treadle pump irrigation. As part of this project, a USAID-supported Resource Centre provides communities with information on best practices in agroforestry technologies. USAID sponsored nurseries sold over 21 tons of general tree seeds in FY2004, which is more than double the amount of general tree seeds distributed in FY 2003.

FY 2004 marked the signing a new Global Development Alliance, a public-private partnership between USAID/Malawi and Washington State University to support community-based management of the Lake Malawi Chia Lagoon Watershed, which provides a livelihood for 55,000 inhabitants. This 1,000 square kilometer watershed has been degraded by deforestation and soil erosion, resulting in declining fish stocks and biodiversity loss. The decline of fishing and farming has caused a spike in poaching and illegal logging, and the local population has become more dependent on external assistance. This new GDA alliance will identify and encourage sustainable uses for the watershed's natural resources, flora, fauna, and land. Local communities within Chia Lagoon will be given more responsibility, power and resources to manage their natural assets. Sustainable agricultural practices, support for increased crop production and diversification, agroforestry, and conservation will help improve food security, nutrition and incomes, and reduce environmental degradation.

Senegal

Promoting the Rights of Communities to Manage Local Forest Resources

USAID works to improve livelihoods and protect forest resources in Senegal through the “Wula Nafaa” program (a Bambara term meaning “Richness of the Forest”), implemented by the International Resources Group. This program supports community forest management in Senegal as a means to provide villagers legal access to forest resources and ensure that forests are managed sustainably.

The program’s emphasis on the application of existing natural resources management laws and the reduction of regulatory barriers for improved natural resources management started to bear fruit in FY 2004. Local governments

partnered with each other to develop eight local conventions and six local codes, and establish forest zoning in seven communities. These conventions and codes are prerequisites for the transfer of management rights to local communities and for the development of sustainable management plans. This is a significant milestone toward local forest management as it safeguards exclusive local access to the natural products and lays out agreed management standards designed to ensure sustainability. The program has helped transfer 128,000 hectares of community and protected forests to rural communities and has engaged 470 villages and provided training to increase the productivity and regeneration of resources coming from these forests.

The AG/NRM program focused on natural product sub-sectors such as fonio (a local grain), baobab, gum, bamboo, honey, and jujube (a tropical fruit). In all these subsectors, the program contributed to a significant increase in revenues for local enterprises in Senegal. The program helped develop baobab fruit into a new export market for the cosmetic industry. Local partners exported 140 tons of baobab fruit to Europe for use in the cosmetic and natural medicine industries. This represents a \$200,000 market for the first year, of which about \$82,000 was generated as profits for 115 local beneficiaries. USAID also continued providing technical assistance and technology transfers to promote profitable joint ventures between local communities and the private sector by providing support to producer groups, women’s groups, family-run businesses, and enterprises.

The Agency’s natural resources management program in Senegal has also established significant partnerships with private sector companies, helping them develop joint ventures with local businesses and extension services to local producer groups. These companies include Gaia Enterprises and Orange/Bleu for fonio, the Baobab Fruit Company for baobab fruit, Moringa Enterprise for moringa oil, and Setexpharm for the extract of the kerala gum tree, locally known as the *mbep* tree. The program’s emphasis on joint ventures has led 123 producer groups to sign commercial contracts with other businesses or partners.



OLIVER PERSON

A member of a Village Forest Management Committee in the Tambacounda Region of Senegal extracts gum from the Kerala Gum Tree (*Sterculia setigera*), locally known as the “mbep” tree. The gum is sold on local markets as a food and clothing additive, and is extracted in a sustainable fashion according to a village forest management plan.

Uganda

Assisting Implement Watershed Management Plans and Developing Alternate Economic Opportunities

USAID's program in Uganda contributes to the protection of tropical forests through an integrated conservation and development approach. Activities include supporting the improved management of protected areas, promoting agroforestry efforts to improve watershed management in agricultural areas, and supporting research in temperate fruit production.

Uganda's montane forests in the southern portion of the Greater Virunga Landscape, a section of a transboundary ecosystem stretching into the Democratic Republic of the Congo and Rwanda, harbor more than one-half of the world's population of the critically endangered mountain gorillas. Activities to improve protected area management focus on the Virunga montane forests, increased ecotourism, and alternative economic opportunities for buffer zone communities. In FY 2004, gorilla tourism revenues, Uganda Wildlife Authority gate receipts, and revenue sharing with communities all increased.

In western Uganda, model integrated watershed management plans are being implemented within selected watersheds. More than 3,000 farmers received more than 140,000 tree seedlings and training in improved agro-forestry, zero grazing, and soil and water conservation practices. As a result, farmers have experienced increased crop yields, and have increased their incomes from the sale of their surplus seedlings to farmers outside the watershed areas. An increase in the availability of stakes and fuel wood is also saving farmers time and energy associated with the collection of wood.

Asia and the Near East Programs

This section highlights Asia and the Near East Regional and Mission-supported work including activities in Bangladesh, Cambodia, Indonesia, Nepal, the Philippines, and Sri Lanka.

Managing Conflict in Asian Forest Communities

Conflict over forest resources is occurring in 11 of the 27 countries in Asia and the Near East. For this reason, USAID's Bureau for Asia and the Near East supports a program to manage conflict in Asian Forest Communities. This activity supports Missions in designing approaches to reduce conflict over forest resources and to build alliances among those who can influence this reduction.

In FY 2004, assistance was provided to Missions in Cambodia, Indonesia, the Philippines, and Sri Lanka. In the Philippines, a

national-level workshop was funded and attended by government, NGOs, and indigenous organizations. This workshop gained agreement among the stakeholders on next steps to mitigate conflict. One such step was the suggestion by the Cabinet Secretary of the Department of Environment and Natural Resources to establish conflict mitigation units. NGOs and the government also decided to work together to harmonize some natural resource laws that exacerbate conflict.

In Cambodia, a national level analysis of the degree of conflict was carried out in collaboration with the mission and was followed by a workshop in Monduliri Province. The actions proposed and currently underway include land-use planning with communities to improve their access to forests and lands. Assistant Secretary of State John Turner, along with other U.S. Government officials, visited these

community sites and congratulated them on the progress being made.

Environmental Support to Raise Rural Incomes

This activity explores and promotes innovative ways to raise rural incomes, such as the transfer of payments to communities for sound environmental management. In FY 2004, technical assistance was provided to USAID missions in Nepal and the Philippines to analyze the feasibility of incorporating transfer of payments to communities into national environmental management strategies. This analysis also informed the design of USAID's new environmental strategy for the Philippines.

The analysis was published and distributed widely to USAID's missions in Asia and the Near East, USAID staff in Washington, D.C., and others. A workshop attended by 40 people gave NGO representatives, USAID staff, and



JEAN BRENNAN/USAID

Forests in Asia

Asia contains 548 million hectares of forest, which corresponds to 14 percent of the world total. The region includes 21 percent of the world's tropical forests and 60 percent of the world's plantation forests.

Unfortunately, deforestation and forest degradation — fueled by timber extraction, the conversion of forest to agricultural and urban land, overgrazing, fuel wood use, and forest fires — are depleting the natural resource base underpinning many national economies in Asia and the Near East.

other donors an opportunity to comment on the approach. Their comments were integrated into the final publication. This analysis laid the groundwork for the development of public-private sector alliances and further technical assistance to Cambodia and Vietnam.

East Asia and Pacific Environmental Initiative

The East Asia and Pacific Environmental Initiative (EAPEI) addresses critical environmental challenges and opportunities in East Asia and the Pacific involving forest, coastal, and marine resources management. The initiative supports transboundary, cross-border, and regional activities and institutions and also activities in USAID non-presence countries. Operating since 1998, the initiative has provided grants to promote community-based management of forest, wildlife, and coastal resources and has supported policy initiatives to improve national and regional legal structures.

In FY 2004, among other accomplishments, EAPEI partner WildAid, operating in Thailand and Cambodia, expanded its regional conservation awareness program in Southeast Asia in partnership with the international advertising firm, J. Walter Thompson. It supports capacity strengthening of a mobile enforcement unit working to interrupt the illegal wildlife trade and respond to hotline calls. In addition, EAPEI and WildAid supported a regional NGO-government nature protection training program, including a new Cambodian Government-WildAid “National Protected Areas Training Center” and an existing training

base at Khao Yai National Park in Thailand.

Bangladesh

Improving Management of Wetlands and Tropical Forest Resources

USAID’s environment program in Bangladesh focuses on protecting and enhancing the status of Bangladesh’s remaining critical wetland and tropical forest resources through increased community participation and partnership with public institutions. Co-management of resources, and public policy advocacy that promotes co-management as an alternative model to the “command and control” approach to natural resources management is emphasized. The co-management approach gives the poor a central role in the planning and implementation process and also encourages the participation of other members of the community (including local government and private enterprise). The project makes a significant contribution to the “engaging communities” component of the President’s Initiative Against Illegal Logging, demonstrating how the co-management model can increase control over local resources. The objective is to take the pressure off the rapidly disappearing natural resources by providing alternate livelihood opportunities to the poor communities who depend on these resources.

The first-year objectives of the project centered on developing a clear understanding of the biophysical, socioeconomic, and administrative constraints and challenges involved in establishing co-management agreements for five targeted protected areas, as well as

developing consensus with the Bangladesh Forest Department and other stakeholders on how to address these complex issues. USAID also helped the Forest Department develop an institutional vision and a communication strategy to enhance the policy climate for sustainable co-management of threatened habitat and worked with the Department to suggest revisions to the Bangladesh Wildlife Preservation Act, providing the formal foundation for development of a national protected area management system. To ensure an appropriate institutional platform for co-management, USAID worked closely with the Forest Department to carry out a critical in-depth institutional analysis. This study also recommended significant strategic shifts and organizational changes. The project has completed secondary data reviews, rapid rural appraisals, and participatory rural appraisals. Initial preparation of an ecological and social monitoring framework for tracking project impact has also been completed.

The forestry component is establishing co-management agreements by which participants support conservation. Newly constituted Co-management Councils and Committees at pilot protected areas set new standards for transparency and openness, and allow a local voice in protected area management. In FY 2004, activities were launched, starting with the collection of information on the biophysical, ecological, and socioeconomic characteristics of the landscape covering 14,904 hectares of protected core area.

Illegal logging in protected areas is rampant in Bangladesh, and USAID’s Nishorgo Support Project

is designed to address this issue. The Forest Department, with direct support of USAID, has set out its vision for change in Nishorgo Vision 2010, which focuses on building Bangladesh's capacity to manage protected areas.

The forest co-management program in Bangladesh also supports a variety of training and capacity building efforts focused principally on local stakeholders and Forest Department staff. A training and exchange visit by senior Forest Department officials to observe co-management experiences in West Bengal, India was organized in FY 2004. This visit was a cost-effective way to raise awareness of co-management opportunities for new Forest Department staff.

Cambodia

Promoting Good Governance through Better Natural Resource Management

In Cambodia, USAID works with partners to protect and manage Cambodia's natural resources and environment, reduce natural resource conflicts, and promote good governance to provide responsible and accountable stewardship in all sectors. USAID's existing projects work throughout the country but with particular emphasis on activities in Koh Kong, Mondolkiri, Ratanakiri, Battambang, Siem Reap, and several other provinces.

USAID's partner Community Forestry International supports communities and local sub-grantees to develop community forestry systems through the Community Forestry Alliance for Cambodia. The alliance aspires to build the capacity of Cambodia's rural

communities to manage forest lands, and channels flexible funding to innovative Cambodia NGOs that are engaged in community forestry policy development, community forestry extension and training, and community forestry field project implementation. Community forestry training through several sub-grants by the Community Forestry Alliance for Cambodia has taken place in 83 villages benefiting more than 9,000 families. A notable policy success in FY 2004 to empower communities authority over natural resources was the approval of the Community Forestry Sub-Decree in October 2003. The alliance is working to implement this sub-decree to gain communities their rights. The alliance's broader goal over the next three years is to help construct a shared vision of community forestry as a primary mode of natural resource stewardship.

USAID's partner WildAid promotes community agriculture development and fights illegal trafficking of forest and wildlife products in Cambodia. In FY 2004, alternative livelihood opportunities were developed by WildAid for more than 180 families formerly dependent on destructive and unsustainable forest use. Fifty-five forest rangers were trained by WildAid to protect the wildlife sanctuary in the Cardamom Mountains region. Surveys have shown that 90 percent of Phnom Penh's restaurants have stopped serving wildlife, and more than 17,000 animals have been rescued.

The Agency also supports Global Witness Trust in its effort to monitor and report on illegal logging and advocate for conservation of protected forest areas. Advocacy by Global Witness

Trust has resulted in increased national and international attention to the Government of Cambodia's degree of enforcement of forest and environmental laws.

India

Water and Energy Linked in Indian Villages

Sustainable forest management is most successful when the benefits derived from forests are well known, and fairly distributed. One of the most immediate benefits from forests and trees is income generation – both from timber, and non-timber forest products (NTFPs). In India, USAID supports a project that helps communities use the seeds from a common tree to generate electricity as a way to improve natural resources management, generate income, and minimize emissions that contribute to climate change. In an innovative experiment co-funded by USAID's Mission in India and USAID's Bureau for Economic Growth, Agriculture and Trade, indigenous people in the Indian state of Andhra Pradesh are using oil extracted from the seeds of a local tree as biofuel. The local tree, *Pongamia pinnata* (or Indian beech), is found in abundance in South Asian forests. USAID is funding a three-year project to introduce new technologies to take advantage of the energy potential of this species. The oil is extracted from the seeds and then used to power irrigation pumps and other household and agricultural equipment. The program also strives to ensure social equity, gender balance, and empowerment of the disadvantaged. The activity is being implemented in partnership with the International Crop

Research Institute for the Semi-Arid Tropics and a local NGO.

Substantial progress made during FY 2004 includes a continuation of work in the village of Kishtapur, and the project initiated activities in a new village (Aliguda). Community needs assessments, self-help group formation, and exposure visits have all been completed. Women's groups are working to establish nurseries to out plant thousands of *pongamia* saplings. The energy plantations will eventually provide a source of oil to pump groundwater and run farm equipment in the future. The surplus oil will be sold in the market. Three newly established vermicompost (worm) pits are providing organic material for the nurseries. The sale of carbon through verified emissions reductions to the Wisconsin Interfaith Commission on Energy and Climate Change from related activities in Aliguda village has generated considerable interest and income for the local population.

The benefits of this agroforestry system include electricity for household use and a new

agricultural/forest crop of value (the seed from the *pongamia* tree). Moreover, the cultivation of *pongamia* in hedge rows, windbreaks and non productive areas can reduce soil erosion, increase soil fertility, improve wildlife habitat and provide other natural resources management benefits.

Indonesia

Agroforestry and Forest Certification

USAID's forestry programs in Indonesia in FY 2004 included working to improve the local management of Indonesia's forests, protected areas, and coastal zones, all of which play a critical role in sustainable watershed management and climate change mitigation. The program emphasizes the conservation of forests in national parks and other protected areas.

In FY 2004, USAID supported the implementation of 79 site-specific co-management plans, placing approximately 2.2 million hectares of coastline and forest under improved management. This implementation of improved

management also significantly helped clarify roles and responsibilities related to natural resources management. It further led to more than 263 policy decisions made by the Government of Indonesia in a participatory and transparent manner with local communities, private sector, local governments, and institutions. For example, more than 20,658 people received training on natural resources management, including 6,075 women. The Mission's NGO-led media campaign against illegal logging reached 3.5 million radio listeners, 5.8 million newspaper readers, and 10.7 million TV viewers with public service announcements about the social and environmental costs of illegal logging in Indonesia.

USAID's Global Development Alliance (GDA) is introducing voluntary certification systems in Sumatra and Java to ensure the legal harvesting of timber and wood products. This work has resulted in 1.5 million hectares of forest concessions placed under 3rd-party verification of reduced-impact logging and legal logging practices. USAID's NRM program in Indonesia has continued to expand agroforestry and sustainable agriculture for villages that are adjacent to high conservation value forests and are willing to commit to good stewardship practices. This training has raised village incomes by an additional \$210 per year for 1,769 participating households. Alternative livelihood training activities have raised incomes by \$134 per year for more than 1,500 participating households. Illegal logging and poaching practices have stopped in these areas because villagers learned how to meet their basic food security and livelihood needs.

Villagers from Andhra Pradesh, India, with a generator fueled with oil from the *Pongamia* tree. The generator provides electricity that lights houses and supports income generating businesses such as pumping water for irrigation.



SCOTT BODE, USAID

Indonesia Alliance to Combat Illegal Logging

An estimated five million acres of Indonesia's forests are logged each year. Seventy percent of that logging is illegal, costing the government about \$1 billion in lost taxes and revenues, and threatening the existence of the 30 million people who depend on the forests for their livelihoods.

USAID spearheaded a groundbreaking public-private alliance to combat illegal logging, comprised of the U.S. Government, the Government of Indonesia, international and local NGOs, an international forestry research institution, and more than 17 companies. The Alliance is led by The Nature Conservancy (TNC), WWF, and Tropical Forest Foundation. The Alliance leverages three dollars in resources from the private sector for every dollar that USAID commits.

The Alliance objectives are as follows:

- Strengthen market signals to expand certification and combat illegal logging, specifically to stimulate demand for certified forest products and reduce the market for illegally cut wood products in Japan, China and other key Indonesian export markets
- Increase supply of certified Indonesian wood products
- Demonstrate practical solutions to achieve certification and differentiate legal from illegal timber supplies
- Reduce financing and investment in companies engaged in destructive or illegal logging in Indonesia
- Share lessons learned from this project widely

Alliance Results in FY 2004

- The Alliance has facilitated a national dialogue that resulted in a new consensus among international buyers, Indonesia timber and wood product producers, and the Government of Indonesia on a common standard (definition) for determining the legal status of timber and wood products.
- Alliance members in partnership with private entities built an independent legal verification and timber tracking system in two forest concessions in East Kalimantan, Borneo covering 350,000 hectares of natural forest. The alliance has assisted three forest companies in West Kalimantan, Borneo to successfully convert their timber concession practices to meet Reduced Impact Logging Verification standards as well as legality standards. More than 506,560 hectares of natural forest are now covered by the logging verification system.
- The Alliance's effort to reduce financing and investment in unsustainable timber enterprises in Indonesia is having an impact as well. Indonesia's largest pulp and paper manufacturing group, Asia Pulp and Paper, has responded to new investor pressure by setting aside more than 58,000 hectares of high conservation value forest in Tesso Nilo, Sumatra and by accelerating their transition plans from natural to plantation-sourced timber for their factories.
- Major member retailers including The Home Depot, Homebase, IKEA, Carrefour, and Lowe's have announced policies to exclude illegally cut timber from their supply chains. Major timber importers in Europe and North America who had stopped buying Indonesian wood products are now negotiating contracts with Indonesian companies employing these certification systems. These market signals have been noticed, as the Alliance certification partners have received dozens of requests from timber and wood product producers for assistance in joining the certification programs.

Alliance Partners include: The Home Depot, IKEA, Carrefour, Lowes, Goldman Sachs, ABN-AMRO Bank, Caterpillar, Inc., ERDAS, ESRI, BP, The Association of Indonesian Forest Concession Holders, The Forests Dialogue, including MeadWestvaco, United Kingdom's Department for International Development, Indonesian Ministry of Forestry, TNC, WWF-Indonesia, Global Forest Watch of the World Resources Institute, Tropical Forest Foundation, Tropical Forest Trust, CIFOR, and numerous Indonesian NGOs.

USAID provided capacity-building opportunities on agro-forestry and livelihood enhancement in West Java. This led to the establishment of 10 farmer group nurseries and 38 single farmer nurseries, with a total production of 65,000 high-quality fruit and timber seedlings of priority species. The program also trained more than 1,860 individuals on priority setting, tree propagation and nursery management, tree garden design and management, market linkage development, monitoring, and impact assessment. These activities increased the leadership, planning, and land management capacity of all participants, enabling them to maintain or enhance the sustainable management of 81,000 hectares in Nanggung and Gunung Halimun National Park which is a major watershed for the capital city of Jakarta. Project assistance and adoption of recommended best practices helped stakeholders in other parts of Indonesia maintain or enhance the sustainable

management of 3.2 million hectares of additional critical land.

Nepal

Improved Sustainable Management of Natural Resources

In FY 2004, USAID promoted sustainable forest management and forest-based enterprise development in Nepal through its natural resources governance and economic growth activities. In addition, it strives to increase household income and improve food security by promoting the production of sustainable forest and agricultural products. The program activities include: small-scale farm and forest enterprise development; marketing of high-value forest and farm crops; analysis and action on policy impediments to agricultural growth and trade; and support for private-public partnerships to access new technologies and markets. By helping farmers and community-

based organizations produce high value crops such as coffee and non-timber forest products such as wintergreen oil, the program is expected to increase incomes of the targeted poor by at least 50 percent and bring the target population of 40,000 households above the poverty line by 2006.

As a result of community forest management and simple inventory training in FY 2004, forestry and buffer zone user groups in five districts improved management of 11,438 hectares of forest. The groups harvested 13,554 metric tons of forest products in a sustainable manner. Trainings were also conducted on good governance to increase the participation of women and marginalized households in the groups. Women hold more than 40 percent of the executive positions in the user groups. The program also promoted equitable distribution of benefits. To initiate additional income generating



JIM DUGAN, ORANGUTAN FOUNDATION (LEFT); JEAN BRENNAN, USAID (RIGHT)

In the Indonesian province of Kalimantan, USAID's implementing partners have expanded community based patrolling to cover more than 30 percent, or 124,800 hectares, of Tanjung Puting National Park. This forested ecosystem is critically important habitat for more than 2,500 wild orangutan.



SAIFA AGGARWAL/USAID

In Nepal, local nurseries (pictured at left) have been developed to grow fodder trees and reduce dependency on forests.

In FY 2004, with USAID's assistance, nearly 11,500 hectares of forest were under improved management, with 306 forestry groups actively participating.

USAID has supported improved sustainable management of natural resources in other ways, such as marketing of high-value forest and farm crops, and support for private-public partnerships to access new technologies and markets.

activities, 104 user groups provided grants and loans to 1,140 poor households. A total of 306 forestry groups, surpassing the target of 284, prepared participatory operational plans, incorporating the needs of the most vulnerable members in the community (i.e., women, poor and disadvantaged groups). Groups initiated advocacy campaigns to establish user rights and make their executive committees and local government agencies more transparent. Public hearings and public auditing, the key to transparency and accountability, were conducted by 44 groups, and 255 groups conducted financial audits of their accounts. These activities resulted in more transparent use of group funds and recovery of \$4,550 misused by group executive committee members, fostering local anti-corruption efforts. The program provided services to 596 groups in good governance in forest management. A total of

420,000 people have benefited from this program.

Since the initiation of the program in FY 2003, the total forest and high value agricultural products sold by project beneficiaries increased by \$3.69 million, exceeding the target of \$2.5 million. This was contributed by 15,694 households, covered to date by the activity, who sold vegetables worth \$2.2 million. Targeted rural households increased their income by approximately 45 percent.

Philippines

Reducing Illegal Logging and Conversion of Natural Forest through Improved Local Environmental Governance

USAID's Energy and Environment objective in the Philippines aims to strengthen management of key natural resources by local governments and other stakeholders, with a geographic

focus on Mindanao and other conflict-affected areas, as well as on high-biodiversity sites. Program activities are focused on reducing illegal logging of natural forests, which threatens livelihoods, lives, and biodiversity, and is a key factor in deforestation. The Philippines, considered as among the world's centers of species diversity and endemism, is experiencing the highest rate of deforestation in Southeast Asia.

In FY 2004, USAID intensified efforts to improve environmental governance at the national and local levels by building the capability of governments and communities to manage critical forest and other natural resources. Through greater transparency, accountability and participation, USAID helped local governments, communities, and the Philippine Environment Department maintain 242,235 additional hectares of forest cover under co-management plans, significantly exceeding targets. Also,

at least 280,000 hectares of forestlands put under tenure are declared as forest reserves or protected areas. To date, at least 30 local governments contributed \$294,000 to protect and conserve forest resources through development and implementation of forest land-use plans, law enforcement, resource rehabilitation, conflict management, and legislative actions.

Moreover, Agency assistance to the Government of the Republic of the Philippines on key legislation helped set the stage for continued expansion of effective forest management. A June 2004, Philippine Presidential executive order, "Promoting Sustainable Forest Management," strengthened ongoing forest management efforts pending passage of a comprehensive forestry law. The executive order creates opportunities for partnerships and decentralized approaches to the development, protection, and management of forests in the context of existing laws. In Mindanao, USAID helped pioneer a consultative process of law development that resulted in the May 2004 Autonomous Region in the Muslim Mindanao Sustainable Forest Management Act. The new Act incorporates elements of good governance consistent with local customs and religious law, and improves the legal framework for forest management in the Mindanao area.

In a public-private alliance with Masterfoods and the Philippine Cacao Foundation, USAID is

promoting the production of cocoa as an effective forest management and livelihood activity. This year, 3,137 farmers (including more than 1,000 women) were trained in cocoa production at project sites in conjunction with the establishment of cacao tree nurseries and cacao propagation. To date, 206,000 cacao seedlings have been produced at 53 nursery sites, with 34,000 seedlings distributed to trained farmers.

Lastly, the Philippine Government, U.S. Government, and NGO community are currently working together to establish the Philippine Tropical Forest Conservation Foundation which will manage the fund. The Foundation was created pursuant to two U.S.-Philippine bilateral agreements under the U.S. Tropical Forest Conservation Act, signed in 2002, which treated \$41.5 million in Philippine debt to the United States and diverted \$8.25 million in interest payments over 14 years to a local fund that will support forest conservation activities of local NGOs. The Foundation expects to start giving grants in 2005.

Sri Lanka

Sustainable Financing for Sri Lanka's Forests

In FY 2004, USAID supported the Sri Lanka Eco-tourism Alliance to allow private partners to invest in Sri Lanka's first ecolodge that meets international standards. This public-private alliance in Sri Lanka's conventional tourism industry involves partners Aitken Spence Hotels, Jetwing Hotels, Serendib

Leisure, and John Keels Hotels. The alliance gives impetus to build capacity in the tourism industry to spur private sector investment that incorporates conservation, community development, and sustainable best management practices in tourism. It will focus on a project that includes a 20-unit ecolodge, forest canopy walkway, research station, and carefully managed forest reserve sited on a private tea estate bordering the Sinharaja Rain Forest, which is a World Heritage site. The alliance will also conserve, conduct, and research in a private buffer zone reserve adjacent to the ecolodge.

During FY 2004, the detailed plans for the Rainforest Ecolodge were drawn, and the partners finalized the land agreements with the Government of Sri Lanka. Feasibility studies for waste management and power options have been completed. A company was formed, and the project will move ahead in FY 2005.

USAID facilitated the negotiation between the Government of Sri Lanka, the U.S. Treasury Department, and the U.S. State Department on the introduction of the U.S. Tropical Forest Conservation Act in Sri Lanka, and hosted a video conference attended by stakeholders, including staff from the Government of Sri Lanka's ministries of Finance, Forestry, and Environment.

The Agency also supported a limited scope study on conflicts related to forestry and use of natural resources.

Latin America and the Caribbean Programs

Highlights of the Latin America and Caribbean regional and Mission-supported activities described in this section include updates on the Parks in Peril program and PROARCA, as well as reports on country programs in Brazil, Bolivia, Colombia, Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, and Peru.

Parks in Peril

The Parks in Peril program, a partnership among USAID, TNC, local NGOs, and local governments, continues to be one of the Agency's most successful and important conservation activities. Since 1990, the program has worked to improve the protection of 45 critically threatened Latin American and Caribbean national parks and reserves.

Accomplishments in FY 2004 include strengthening management capacity in 12 parks by improving personnel, financial management, operations, and strategic planning skills. In Panama, the Parks in Peril program helped to increase greatly the resources available to Chagres National Park by facilitating the signing of an historic debt-for-nature swap between the U.S. Government, the Government of Panama and TNC that traded US \$10 million dollars of Panamanian debt for a commitment on the part of the Panamanian Government to set up a trust fund, with TNC and USAID support, that will finance tropical forest conservation in the Chagres protected area. It is estimated that this fund will provide approximately \$375,000 per year for conservation projects.

The Parks in Peril program also had an impact at the regional level, for example in the tri-national Maya Forest region (Belize, Guatemala, and Mexico). Historically, a lack of coordination between institutions within the region has limited

conservation achievements. With Parks in Peril support, nine local, national, and international institutions took part in a participatory planning effort to shape a common conservation vision for an area of nearly 2.9 million hectares within the Maya Forest. This vision includes strategies and activities to mitigate critical threats, maintain the health of conservation targets, and strengthen regional capacities for long-term conservation.

In addition to building park management capacity, the program supported activities that sequester carbon in developing countries, thus working to combat global climate change. In Guatemala, for example, Parks in Peril support for a forest fire prevention campaign in five priority watersheds in the Sierra de las Minas reserve resulted in a 30 percent decrease in the amount of area that burned in 2004 compared to 2003. Strong institutional, community, and municipal coordination within the locally-formed Forest Fire

Forests in Latin America and the Caribbean

Latin America and the Caribbean contain nearly one-quarter of the world's forests, including more than 800 million hectares of tropical forests and 130 million hectares of temperate and dry forest. The region includes the Amazon Basin, the world's most extensive tropical rainforest and one of the world's richest ecosystems. The region's forests supply the wood industry and provide communities, including forest-dependent indigenous communities, with essential non-wood forest products. Unfortunately, deforestation led to the loss of an estimated 47 million hectares of forest between 1990 and 2000.



CAD PROJECT (LEFT); ORGANIZACIÓN DE LA NACIONALIDAD HUAORANI DEL ECUADOR (ONHA-E) (RIGHT)

Emergency Committees (Comités de Emergencia de Incendios Forestales) and fire prevention measures taken, including more than 80 kilometers of fire lines and 2,350 hectares of prescribed burns, helped reduce the effect of forest fires.

Regional Environmental Program for Central America

The Regional Environmental Program for Central America, known by the Spanish acronym PROARCA, supports improved environmental management in the Mesoamerican Biological Corridor (Central America and Mexico). The program works to conserve the region's forests by providing training and technical assistance to improve protected area management and by working to harmonize regional environmental regulations and laws. It also aims to increase access by local community members to financial resources and expanded markets for certified products.

PROARCA activities support implementation of the environmental program outlined under the presidential accords between Central America and the United States (CONCAUSA), and are coordinated with other donors through the Central American Commission on Environment and Development. The commission has emerged as a leader in the environment sector. The donor community has aligned with it and is shifting to regional models of cooperation. Environment ministries throughout the region are directly implementing activities through the commission's working groups such as those described below in FY 2004.

Belize declared 11 new protected areas and developed a National Protected Areas Strategy as a direct result of PROARCA's efforts. The Environment Ministry of El Salvador developed a National Protected Areas Law. The PROARCA climate change program enhanced the fire management capabilities for all of the protected areas in the region (approximately 64.75 million hectares for Central America) by improving protected area managers access to fire monitoring, prevention, and mitigation information with the satellite web-based fire monitoring tool.

PROARCA's beneficiaries made significant progress in forest management and marketing in FY 2004. The management of almost 90,000 hectares was improved and more than 5,000 cubic meters of certified wood were sold. The greatest indicator of success has been the improvement in forest management of the region's largest forest products company - PRADA S.A., a Nicaraguan plywood and hardwood lumber manufacturer.

PROARCA also helped develop a regional forest trade network, "Jagwood+," which includes 25 members in five countries covering more than 45,000 hectares with an annual volume of more than 200,000 cubic meters. One of the biggest obstacles now facing Central American wood producers and manufacturers is that the demand for certified timber is higher than the supply. To address this, PROARCA produced and distributed a series of eight simple technical documents about certified timber production. These helped to increase the area of community certified forests in the region to more than 700,000 hectares, with 13 new certified community groups.

To learn more about PROARCA, visit: <http://www.proarca.org/English/index.html>

Bolivia

Forest Certification and Value-Added Processing

Bolivia is a global biodiversity "hotspot" straddling the extremely



USAID supports improved environmental management in the Mesoamerican Biological Corridor (Central America and Mexico). A critical component of USAID's efforts is to build capacity to manage protected areas.

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diverse tropical Andes. Its 50 million plus hectares of forest make it the sixth most forested country in the tropics. These resources are at risk, however, particularly from deforestation in the lowlands. To address this challenge USAID supports efforts to improve community management and increase trade in certified forest products, as well as to improve park and protected area management.

FY 2004 is the second year of a major six-year forestry program in Bolivia that builds on the success of more than 10 years of USAID support to the Bolivian forestry sector. The program builds community capacity to manage local forest resources, particularly by securing independent certification; assists the private sector to partner with communities and international firms to increase sales of timber and non-timber forest products; and works with government institutions to develop and implement policies that support sustainable forest management.

With USAID support, Bolivia has become the global leader in certified tropical forest management. Nearly two million hectares have been independently certified as “well-managed.” This represents an increase of 800,000 hectares in FY 2004 alone. Moreover, the area of commercial forests under approved management plans is now more than eight million hectares. Bolivian wood product exports have grown approximately 22 percent since last year. Certification is proving important not only for its environmental and social benefits, but as a component of overall

forestry exports. The percentage of wood exports that are certified has risen from 10 percent in 2000 to roughly 25 percent in FY 2004. Total exports of certified wood products in 2004 were estimated to be \$20 million.

The lack of a wood processing and distribution center in Bolivia has been a major bottleneck for the overall development of the sector. In FY 2004, the GDA Secretariat and USAID contributed \$950,000 to establish a wood collection, processing and distribution center (*centro de acopio*) in the Department of Pando. Total investment for Bolivia’s first *centro de acopio*, including cash and in-kind contributions by GDA members, is close to \$5 million. The facility is expected to be operational by August 2005.

USAID is also working with indigenous people on land titling, community forestry, and alternative livelihood development. The program supports the development of community-based forest management plans. In addition to empowering communities to manage local forests, USAID’s program has helped link communities and the private sector for their mutual benefit.

Brazil

Replicating Environmentally Sound Forest Management Practices at Large Scales

USAID/Brazil’s forest programs seek to address both local forest management issues that affect the livelihoods of millions of Brazilians, as well as the global problems of climate change and biodiversity loss in critical forest ecosystems. The program generates

impacts that are local, regional, and ultimately global in scope by supporting programs that: a) improve the quality of the workforce in the forestry sector; b) support certification of forests and forest products; c) facilitate public-private partnerships in the forestry sector; and d) strengthen civil society and amplify its role in forest management decision making. Furthermore, in FY 2004 USAID/Brazil seized on a new opportunity to conserve biodiversity on lands occupied by Brazil’s indigenous populations, covering almost 22 percent of the Brazilian Amazon. USAID/Brazil chose to focus on the Xingu River basin where a complex of 2.8 million square hectares of officially recognized and demarcated indigenous lands comprise the world’s largest tract of protected tropical forests. USAID supports village-level assistance equipping Xingu and Kayapo Indians to protect their own traditional forested lands and to develop models for long-term use of forest resources as pressures mount for forest conversion to agriculture on private lands immediately adjacent to these reserves. Other forest-related accomplishments are discussed below.

USAID/Brazil’s Environment program recognizes that sustaining Brazil’s natural ecosystems requires sustaining the economic base of traditional populations living in forested areas. In the past, conventional timber harvest in the Amazon counted on seasonal (often forced) labor with little concern for worker safety. USAID support is helping to revert the boom-bust cycle of past extractive resource exploitation in favor of a sustainable forest-based economy

requiring a skilled, qualified, year-round workforce. To date over 2,000 forest practitioners and managers have been trained by USAID partners in safe, sound, reduced-impact forest management in the Brazilian Amazon. Technical school graduates who have completed USAID-supported hands-on field training have all found employment in forest industries that are investing in their own future by hiring qualified individuals trained in the latest science-based sustainable forest management practices. In recognition of its key role in forest workforce improvement, the USAID-supported training center has been designated as the “reference base” in the Amazon for Brazil’s new National Support Center for Forest Management, CENAFLO.

Although it is difficult to measure the full impact and reach of USAID investment in sustainable management of forest resources, one clear indicator is the total area under independently-verified, voluntary, certified forest management. In FY 2004, Brazil reached the mark of 1.3 million hectares of certified natural forests in the Amazon alone. In April 2004, Brazil hosted South America’s first Certified Forest Products Trade Fair in São Paulo with over 6,000 individuals in attendance and full participation of certified companies and communities. Beyond the obvious good example of operating as legal enterprises in a region where informality in the timber sector is still the norm, these companies and communities are showing the world that tropical timber and non-timber resources can be managed in a

responsible, sustainable manner that conserves forest biodiversity.

Brazilian forest product companies increasingly recognize the value of corporate social and environmental responsibility to improve their public image and to assure their future as forest-based enterprises. Several of Brazil’s largest pulp and paper companies are contributing to biodiversity conservation in Brazil’s highly threatened Atlantic Forest after concluding that investment in landscape mosaics of plantations intermingled with native forests helps control pests and forest fires. A unique public-private partnership between these companies and a USAID-supported environmental NGO is helping to develop both low-cost techniques for forest restoration as well as simplified policies and procedures for official recognition of biodiversity conservation efforts on private lands. By reducing traditional tensions between environmentalists and corporations, both groups recognize that contiguous forest corridors are good for biodiversity conservation and are good for the pulp and paper industry, hopefully inspiring a new model of “business as usual” in the Atlantic Forest region.

Much of the alarming Amazon deforestation in 2004 is clustered along federal highway BR- 163, extending north from the region that has become Brazil’s soybean belt through the yet-unpaved stretch surrounded by unclaimed government lands in southern Pará, where deforestation is frequently associated with illegal land claims. USAID supports three Brazilian consortia with 21 partner organizations, working to strengthen the capacity of civil

society to participate in public hearings on large infrastructure projects such as paving of this 1000 kilometer segment of BR-163. After USAID partners presented the Minister of National Integration with a map showing that land clearing in 2004 in certain areas surrounding the Xingu Indigenous Park already exceeds computer projections ten years into the future, the Minister agreed to postpone paving this highway until the regional participatory planning process is completed.

Colombia

Strengthening Indigenous Communities’ Participation in Forest Management

USAID’s environment program in Colombia helps conserve the country’s forests by strengthening indigenous communities’ participation in forest management. The Agency also works to promote improved forest management techniques in natural and plantation forests, and helps the commercial forestry sector develop products and markets. USAID/Colombia’s forestry activities contribute to the President’s Initiative Against Illegal Logging by strengthening protected area management and reducing incentives to illegally harvest in production forests. The three main programs under way are: the Northwest Amazon Program, the Forest and Woods Program, and the Colombia Forestry Development Program.

Through the Northwest Amazon Program, implemented by the Amazon Conservation Team, an NGO, USAID is improving the livelihoods of indigenous peoples living in and near protected areas of

the Amazon Basin, while protecting Amazon forest resources.

Accomplishments in FY 2004 include the signing of an agreement between the Special Administrative Unit of the Colombian National Park System, the Universidad del Rosario, and the Amazon Conservation Team, for the declaration of a “Healer’s Special Area” within the 20,000-hectare Predio UMIYAC protected area, located on ancestral land near the Guamuez River. Support has been provided for medicinal gardens to a group of traditional healers, including 11 female healers. These gardens were constructed and maintained by voluntary communal labor. The Amazon Conservation Team also published several books demonstrating the biological and cultural significance of the Predio UMIYAC area, and formally submitted these publications to the Parks Unit and USAID. In total, 3,328 families from six indigenous groups (Ingano, Siona, Coreguaje, Cofan, Tukano, and Kamtza) have been benefited from this program.

The Forest and Woods Program, implemented by Chemonics International with the participation of Corporacion Nacional de Investigacion y Fomento Forestal, aims to strengthen the forestry production chain in Colombia. In FY 2004, key achievements included:

- Managing forests sustainably on 3,375 hectares of natural forest in Putumayo Department
- Processing and marketing the wood coming from the managed forests in two Forestry Services Centers
- Developing two forestry enterprises, and creating an

enterprise owned by afro-colombian people, to process *totumo* (a green edible fruit), supported by planting 248 hectares of *totumo* combined with other wood trees

USAID initiated the Colombia Forestry Development Program in FY 2004 to improve the efficiency of Colombia’s commercial forestry sector. The program is expanding the production of marketable and profitable forest products to increase incomes throughout the forestry sector and provide alternative sources of income to the rural communities where forestry activities are centered. The program assists in developing a viable commercial forestry sector and catalyzing development efforts in four rural forestry clusters that offer reasonable access to markets, forest sector support services, and production chains. Significant program results include establishing 15,000 hectares of industrial plantations and agroforestry, establishing three wood processing centers, and creating 500 new jobs that benefit 3,000 families. In FY 2004, three forest inventories and two forest plans were completed.

Dominican Republic

Building Capacity in the Institutions that Manage Forests

In FY 2004, USAID worked with the Government of the Dominican Republic to develop a set of environmental norms to help guide the sustainable use of forest resources. Included in this policy instrument package were norms for operation of forestry industries, forestry management plans, and permission procedures for forest logging. These norms were published by the Secretariat of the

Environment and Natural Resources in August 2004.

USAID also carried out a dual-track training initiative to upgrade the institutional capacity of the Secretariat to manage its forestry resources. Track-One was a 40 hour program on basic management skills for middle-level managers and technicians of the Sub-Secretariat of Forestry Resources. The course was offered twice and trained 60 staffers. The USAID program trained 25 forest rangers in forestry management skills with an emphasis on ecological interpretation, inter-action with local communities on forestry co-management, and forest fire detection and suppression.

Finally, the Agency also sponsored a three-day international workshop on fire management and applied fire suppression techniques. Attendees included 43 scientists, forest managers and technicians, local universities, and NGOs.

Ecuador

Improving Management of Protected Areas and Indigenous Communities

In 2004, USAID completed its first full year of implementation of its revised strategy for conserving Ecuador’s protected areas and other biologically significant areas. Activities focus on managing protected areas and indigenous territories, increasing local participation in natural resources management, and ensuring sustainable financing and incomes for forest dependent communities.

Forest Boundary Definition. During the past year, USAID succeeded in reducing forest boundary conflicts by delimiting the boundary of 90

miles of indigenous territory along the slopes of the Andes, one of the most biodiverse tropical rainforest ecosystems in the world. This was accomplished by confirming the legality of the territorial limits, physically marking them on the ground, and entering into written agreements with neighboring communities and producer groups to respect boundaries.

Regular patrolling by an indigenous guard force trained and equipped under the USAID-sponsored program in Cofan, an indigenous territory, has helped to enforce respect for territorial boundaries, led to the eradication of coca fields, and reduced illegal logging, fishing, and mining within indigenous territories.

The Ecomadera Alliance. The ultimate goal of the Ecomadera Project, a GDA activity, is to reverse the loss of forests by increasing local incomes through the marketing of sustainable forest products. This goal is realized through the implementation of valued-added wood processing and marketing of high-value wood products. In FY 2004, the project also developed native species tree nurseries for use by community producers, to ensure long term viability of some of the lesser known species with a high monetary or biodiversity value. Encouraging the sale of high-value wood products allows local producers to produce fewer high-quality products rather than many less-expensive items, thus limiting the extent of indiscriminate deforestation.

Forestry Best Management Practices. In the province of Morona Santiago, the Southern Border Integration Program works with isolated Shuar communities to introduce best

practices in natural resources management. This has helped diversify incomes and reduce impacts on forests under approved forest management plans, particularly those with an “appropriate” cable logging system technology. In FY 2004, the program included a component to increase information about various tools for sustainable forest management, including forest certification.

El Salvador

Improving Agroforestry to Conserve Soil and Water Resources

USAID supports forestry and agroforestry initiatives in El Salvador through the AGUA program. Most of these activities are at the farm level. One thousand farm units were established in 2004 to implement farm planning and resource protection and conservation. Each farm plan details farm activities and implements mitigation measures to conserve soil and water resources. This includes live/dead barriers, living fences, planting of high-value trees such as fruit and hardwoods, and reducing destructive activities such as burning and unregulated pesticide applications. Crop diversification is also promoted. USAID’s approach to better management of natural resources at the farm level has worked extremely well. As a result, several farmer group associations now focus on natural resources management and USAID plans to use this model in future activities. Initial results indicate that these farmers have increased their annual income by more than \$1,500 annually on average, and this is having a significant impact on local economies.

Guatemala

Building Civil Society Capacity to Manage Guatemala’s Forests

With the assistance of USAID, Guatemala has become a world leader in certified community-managed forests. By the end of FY 2004, 350,000 hectares of community forest were certified. During FY 2004, USAID assisted ten community forestry organizations by providing training and technical assistance in business management (organization, administration, accounting and financing, planning, marketing, customer service); forest management and certification; marketing research, pricing and costing; and preparation of forest management and financial plans. An analysis of these organizations indicates that they have increased their capacity to manage their businesses and are applying improved practices. Internal by-laws were developed, financial records were updated in most of the organizations, and five-year management plans and financial planning instruments were also developed. By having a five-year operational plan, concessionaires are in a better position to negotiate timber sales with buyers as well as to promote long-term alliances with the private sector.

The new Community Enterprise for Forest Services in Peten, which was legally established at the beginning of FY 2004, provides technical services to ten community organizations for marketing their products and managing their harvest. The program also focused on developing the financial management capacity of the concessions. Almost 20 percent of the concession’s timber was sold

through the enterprise, with the remainder negotiated and sold directly by the concessions, as in the past. The enterprise generated a price increase of \$0.20 per board foot of mahogany for the concessions. Significant progress has been made in consolidating forest certification by using the Community Enterprise for Forest Services as an umbrella. This will reduce the cost of certification.

USAID continued its support to fight forest fires by providing technical assistance, facilitating training activities, purchasing fire fighting equipment, and providing support to cover operating expenses, such as meals, gasoline, and payment of fire brigades.

At the policy level, the Agency supported the formulation of the Forest Management Policy and Non-timber Products Policy, that were officially approved by the National Council of Protected Areas, made available to the public, and are being applied through regulations, dialogue (*mesas de diálogo*), and agreements with communities. The Forest Management and Non-timber Products Policies have been key in

managing forestry activities, including the enforcement of CITES regulations for mahogany; the development of regulations, procedures, and guidelines for *xate* palm management activities inside parks; the development and implementation of park management plans; and the support of user rights and compliance by forestry concessions.

Haiti

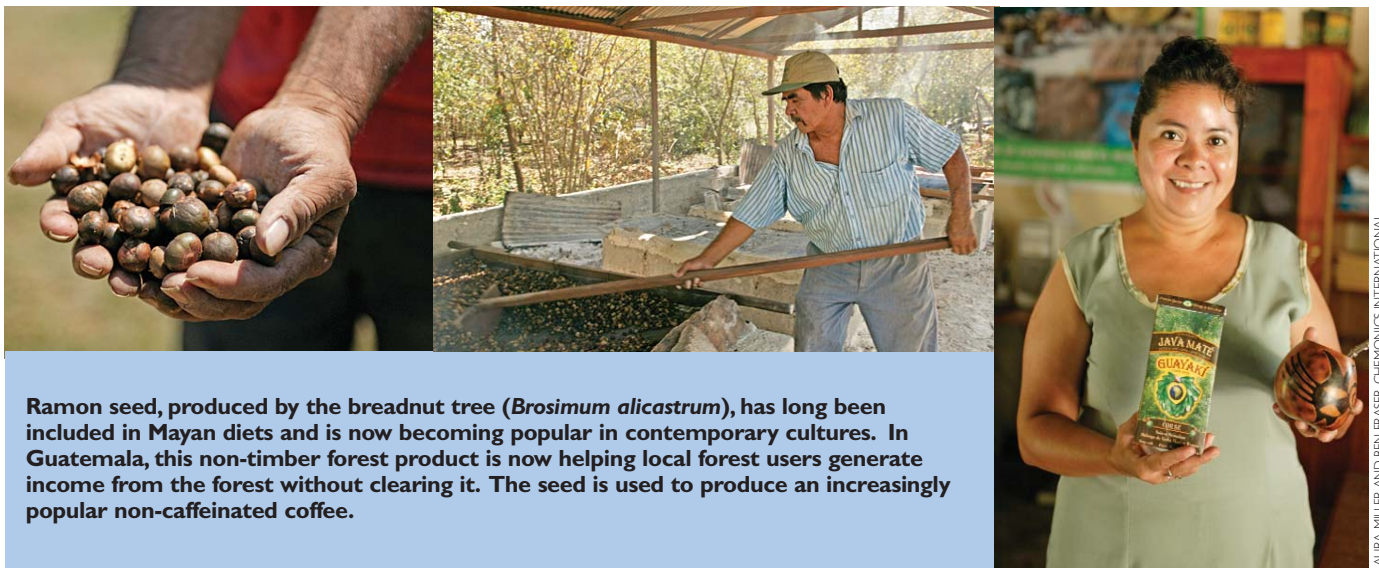
Promoting Agroforestry in Strategic Watersheds

USAID's Hillside Agriculture Program supports the restoration of Haiti's forest cover by promoting coffee, mango, and cocoa trees that have exhibited strong export market growth potential. In FY 2004, a total of 250,000 trees were planted and 10,000 grafted, benefiting an estimated 69,000 farmers. Farmers continue to be trained on how to combine these high-value fruit tree species with an appropriate mix of food crops in their plots. Other trainings included fruit tree production technology, grafting, top grafting techniques, and coffee pruning. Increased income from

these tree crops provides an economic incentive for farmers to manage them sustainably, thereby reducing erosion and increasing soil fertility. USAID also supported the Ministry of Agriculture's nationwide tree seedlings distribution program. Local organizations participated in reforestation efforts in key watersheds. A total of 120,000 tree seedlings were distributed under this activity in all agricultural regions.

Through the Hillside Agricultural Program and with the National Associations of Mango Exporters, the Agency is supporting the production of wasps used for the biological control of pink mealy bug hibiscus. This insect represents a real threat for most of the fruit trees found and planted in Haiti.

In FY 2004, the total value of targeted agricultural sales amounted to \$1.1 million, slightly above the target levels. Coffee exports from the Federation of Native Coffee Farmers Association, which received technical assistance from USAID reached an all-time high in both quantity and value for the second year in a row. The



Ramon seed, produced by the breadnut tree (*Brosimum alicastrum*), has long been included in Mayan diets and is now becoming popular in contemporary cultures. In Guatemala, this non-timber forest product is now helping local forest users generate income from the forest without clearing it. The seed is used to produce an increasingly popular non-caffeinated coffee.

LAURA MILLER AND BEN FRASER, CHEMICON INTERNATIONAL

association's sales revenues topped the half-a-million dollar mark for the first time at \$548,727.

Honduras

Improving Management of Watersheds, Forests and Protected Areas

In the draught-stricken area of southern Honduras, USAID continues to support the protection of some 250,000 hectares of critical pine forest against forest fires and severe pest outbreaks. In addition, the Agency has supported the development of management action plans for 12 sub-watersheds covering approximately 40,000 hectares of hillside land mainly in the Choluteca watershed. Specific activities include low-cost practices to protect the water supplies, improve water storage for farming, implement better soil conservation and irrigation practices, and practice community-based watershed management and protection.

Forests soak up, store, and slowly release water, and protect watersheds from erosion due to the winds and torrential rains of hurricanes, such as Hurricane Mitch. In addition to watershed protection activities USAID supports the operation and maintenance of a network of satellite telemetry stream gauges and rain gauges and the production of high-quality hydrological data.

This network and the data it produces will be used for disaster preparedness and mitigation, water use such as irrigation and energy production, and land management.

Poorly managed forests and the drought conditions Honduras has experienced, have contributed to an



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To improve forest management in Honduras, USAID supports training community volunteer brigades on forest fire response.

environment in which ecosystems are susceptible to forest fires. USAID helped communities understand how to improve the management of the forest through demonstration activities that taught them how to glean dried, downed wood while maintaining healthy stands. USAID trained community volunteer brigades on proper forest fire responses as well.

The Choluteca region is heavily deforested and farmers who are experiencing lower crop production as a result of depleted soil nutrients are starting to move up-hill into protected areas and what little forested land remains. USAID helped these farmers to improve

water use and other farming practices to make more efficient use of their own lands. One USAID partner, the Pan-American Agricultural School at Zamorano, has established improved water utilization, particularly small-scale irrigation systems, on 210 hectares of farmland, and installed five demonstration water-harvesting systems. Zamorano has also completed preparation of a detailed basin-wide study of the complex and densely populated Choluteca River watershed, which will assist decision-makers in improving efficiency of use, development planning, and resource allocation.

Jamaica

Supporting Community-Based Watershed Management

Forests cover approximately 32 percent of Jamaica's land area, but less than 8 percent of forested areas remain undisturbed. Forests located within the upper reaches of Jamaica's watersheds are under severe threat due to land clearing for cultivation, fuel-wood, round log stakes, charcoal production, and illegal settlements. In response to this threat to Jamaica's watersheds, USAID's Ridge to Reef/Watershed program has been introducing sustainable agricultural and other land management practices in the upper watersheds. The program continues to support efforts at the community and policy levels. In September 2004, the Agency facilitated the signing of agreements between the Governments of the United States and Jamaica, together with The Nature Conservancy (TNC) to reduce Jamaica's debt to the United States by nearly \$16 million dollars over the next 20 years. In return, the Government of Jamaica has committed to fund projects to conserve and restore important tropical forest resources in Jamaica. The agreements were made possible through a grant of \$6.5 million from the U.S. Government and a contribution of \$1.3 million from TNC.

In FY 2004, USAID's support to community-based watershed management committees included providing seedlings, technical assistance, and tools to facilitate the planting of more than 29,000 timber and fruit trees in two target watershed areas. The program promotes the incorporation of timber trees such as Honduran

mahogany, neem, and cedar, fruit trees such as jew plum, various citrus, soursop, and ackee into crop production systems. In addition to providing slope stability, the fruit crops were strategically chosen to be able to generate income for some 200 families. More than 300 farmers in two target watersheds were trained in various aspects of sustainable agricultural and land management and conservation practices, including fruit tree cropping and planting, soil conservation, and land husbandry.

At the policy level, the Agency continued to provide secretariat and technical skills support to the Sustainable Watersheds Branch of Jamaica's National Environment and Planning Agency and the Government of Jamaica's National Integrated Watershed Management Council. This included the preparation and submission of the final draft of a National Watershed Policy to the Ministry of Land and

Environment. USAID also assisted in the drafting of Jamaica's new omnibus planning and environmental legislation in 2004.

Mexico

Conservation and Sustainable Natural Resource Management in Targeted Watersheds

Mexico's nearly 50 million hectares of forests help support Mexico's megabiodiversity, which includes the world's highest diversity of oaks and pines. More than 80 percent of these forests belong to private and communal landowners, including areas within the country's protected area system. Mexico's biodiverse forests are threatened by deforestation and degradation rates that are among the world's highest. USAID's environment program to improve conservation and sustainable management in targeted watersheds addresses threats to Mexico's valuable forest resources



Pictured above: a healthy pine forest in Mexico. Mexico's biodiversity includes the world's highest diversity of oaks and pines.

through several initiatives that are part of an overall biodiversity conservation focus.

Since Mexico's wildfire emergency in 1998, USAID has been working with national and local governments, NGOs, and communities to build fire-management capacity. Since 1999, USAID's Wildfire Prevention and Restoration Program with the Fondo Mexicano para la Conservación de la Naturaleza has assisted people from almost 300 communities in and near 11 critical protected areas implement fire prevention, fire response, and post-fire restoration programs around their communities. The majority of these projects were planned and implemented jointly with protected area staff. The community-based fire program has complemented efforts to strengthen the professional fire fighting capacity of the Mexican Forestry Commission through exchanges and trainings as part of a collaborative initiative with the USDA Forest Service and other U.S. government agencies.

WWF's Community Forestry Program in the Sierra Norte completed its work in FY 2004. This project helped four indigenous communities in an isolated area of the State of Oaxaca develop community land use zoning plans that include sustainable forest management plans for their communities' forest resources. The program has implemented a number of exchanges between communities in the region that encouraged the communities to share their skills, lessons learned, and successful approaches. All of the community plans included conservation areas that are designed to conserve the cloud forest that borders their land and is the

principle water capture zone for this region. The project also identified gaps between the community conservation zones important to maintain the integrity of the regions highly biodiverse cloud forest; this information is being used to prioritize efforts to increase the conservation of this under-protected forest system.

USAID is continuing to work with WWF on forestry issues as part of two new sites that were added in FY 2004, the Chimalapas of Oaxaca, the largest area of intact tropical forest left in Mexico, and the Sierra Tarahumara of Chihuahua, which is part of the biodiverse pine-oak forests on the northern Sierra Madre. In the first year, work mostly advanced through community planning and developing inter-sectoral working groups with the various government agencies that have long been active, but uncoordinated in their approach in these regions.

The Agency is helping develop tools for more ecologically and financially sustainable management of community forestry resources and non-timber and agroforestry products, particularly shade coffee. In FY 2004, USAID expanded support of its partner, the Rainforest Alliance, in the state of Durango to strengthen forest management, monitoring, and marketing skills for several community forest operators in that state. One of the outcomes of the capacity building and technical assistance is that producers are yielding more and better quality wood through improved processing techniques and grading, while harvesting the same quantity of standing timber from their forest. This program is now part of a larger, regional GDA that is

supporting the Rainforest Alliance in securing market linkages for certified producers of coffee and timber in the region. It is being complemented in Mexico by a second GDA with CI-Starbucks that works to bring practices on participating farms in and around El Triunfo biosphere reserve up to the standards set by Starbuck's buyers.

Nicaragua

Protecting Valuable Forests and Improving the Incomes of the Poor

In FY 2004, USAID began a project to develop a certified forestry system, and link Nicaraguan forest product producers to overseas markets. Objectives of the project are:

- Improve the incomes of the poor by producing timber from forests managed sustainably by indigenous communities, building value chains, and expanding market access for environmentally friendly products and services
- Protect and conserve valuable forests by reducing illegal logging
- Improve biodiversity conservation in six protected areas under co-management in Nicaragua

Key accomplishments in FY 2004 include assisting the community of Las Crucetas complete the forest certification process of the Forestry Stewardship Council, with a total of 11,200 hectares under improved management practices. In total, more than 750,000 hectares are under improved management, including the Bosawas Biosphere Reserve.

There is broad concurrence that sustainable forest commerce should be the focus of governmental and NGO activities in Nicaragua's North Atlantic Autonomous Region, the "RAAN." On a macro-level, the government is considering establishing a forestry "cluster" in the region to foster a competitive hub of producers and manufacturers. In this spirit, the regional government's "Comite Consultivo Forestal" developed a strategy on sustainable forest trade that was approved and published through a participatory process with the private sector, civil society, and regional government. Agreements were forged to implement the strategy. The Government of Nicaragua amended the Forestry Law to include a stated preference for certified wood products. The "sustainable forestry boom" has stimulated many communities and producer groups to solicit assistance in implementing sustainable forest management.

Panama

Protecting the Forests of the Panama Canal Watershed

The forests of Panama provide a particularly valuable environmental service - regulating and purifying the water that flows into the Panama Canal. Yet many of Panama's natural forests lack proper management and protection. The unsustainable and frequently illegal exploitation, trade and use of timber and other forest products are widespread. The Panama Canal Watershed (PCW) remains vulnerable to agricultural, domestic and industrial pollution, siltation and sedimentation that reduce the storage capacity of the lakes that are the water source for Canal operations. Poor forest management and other inadequate land use practices also have a negative impact on biodiversity, soil stability, coral reefs, mangroves and fisheries.

USAID/Panama seeks to improve the management of critical watersheds, especially the PCW by providing technical assistance and training to promote policy reforms, behavior change, and a more participatory and practical approach to watershed management in pilot watersheds and protected areas. Strategic development alliances are an important component of this program with public-private partnerships leveraging USAID funds.

Activities in FY 2004 focused on: developing sound policies at the local level, implementing field-based practical systems, processes and tools for sustainable management of the PCW, and generating stable funding sources to assure financial sustainability. For example, the Chagres Fund, capitalized by the \$10 million "debt-for-nature" swap that USAID facilitated under the Tropical Forest Conservation Act, is now operational. This fund is hiring new personnel to protect the Chagres National Park and improve the infrastructure of the park, which provides 50 percent of the water for canal operation and 50 percent of the water for human consumption in Panama. The Fund also complements other efforts underway with USAID funding, such as the USAID/The Nature Conservancy Parks in Peril activities.

International experience in watershed management shows that decentralized and organized community participation is a necessary factor for success. USAID/Panama is breaking new ground with the traditionally highly centralized Government of Panama by introducing watershed management concepts and field



ACADEMY FOR EDUCATIONAL DEVELOPMENT/GREENCOM PROJECT

USAID helped to greatly increase resources available to Chagres National Park by facilitating a "debt-for-nature" swap between the U.S. and Panamanian governments and The Nature Conservancy.

interventions with government institutions at the local level. This is a major challenge that required a constructive relationship with the Panama Canal Authority, strengthening the capacity of local NGOs, and addressing operational issues within the Inter-Institutional Commission for the Canal Watershed (CICH). With USAID as a catalyst, the National Environmental Authority (ANAM), environmental NGOs and community members agreed on a co-management scheme for the Chagres National Park. Participation of all stakeholders in the management of protected areas will improve the long-term financial and environmental sustainability needed. The willingness of Government of Panama authorities to share management of the parks with the private sector and the communities represents a major institutional change in ANAM.

Improved sustainable agricultural practices will minimize the need to clear more forests. USAID/Panama is funding pilot sustainable agriculture demonstration activities. A grant was awarded to a local

NGO to implement sustainable and replicable environmental practices for cattle ranching activities in three rural sub-watersheds west of the Panama Canal. Fifteen farms were selected to participate in this activity which will include assessments and management plans to help increase production while decreasing erosion and water pollution. Best practices, including intensive cattle ranching with improved pastures and the incorporation of trees, will replace traditional practices. With USAID assistance, a policy reform proposal for sustainable cattle ranching was developed and vetted by a panel of experts for submission to the CICH.

Paraguay

Building the Forest Management Capacity of Local NGOs and Government

Almost one-third of Paraguay is forested, but its forest cover is highly threatened. Timber reserves have been nearly exhausted, and long-term economic growth is being severely compromised by the

depletion of Paraguay's rich endowment of natural resources. USAID's environment program is working to improve the management of the Atlantic rain forest, the Chaco dry forest, and the Pantanal wetlands, three globally important ecoregions. Activities are coordinated with efforts in Argentina, Bolivia, and Brazil with whom Paraguay shares these eco-regions. In FY 2004, USAID's efforts led to almost 125,000 hectares of forest under improved management.

The Agency works to build capacity of local NGOs and work with local governments to develop the policy, legal, and financial tools needed for effective eco-regional management in Paraguay. In FY 2004, with support from USAID, Instituto de Derecho y Economía Ambiental, a local NGO, improved the national environmental policy-making process by assisting the legislature with the proposal and analysis of bills based on technical considerations and not political ones. During the year, the institute was instrumental in two key policy changes. The first was a water law that provides for stricter regulation of ground water. The second provides departmental level governments greater participation and authority over activities that could have adverse environmental impacts. Additionally, USAID supported the promotion of the legislature's first environmental public hearing, resulting in a more participatory and transparent process for environmental legislation in Paraguay.

Accomplishments in FY 2004 in the Chaco dry forest eco-region include USAID's partner DeSdelChaco Foundation improving the skills of park guards



Pantanal wetlands area in Paraguay.

in ecological management, and enforcement and helping re-open two enforcement posts to prevent illegal logging. Another effort improved the management of parks by creating shared management responsibility agreements between the Paraguayan federal government and respective local governments.

Peru

Forest Sector Reform and Governance

Forestry law in Peru gives the government extensive legal powers over forest use and management, even on private property. Because this arrangement does not extend to non-forested land, there is a tremendous disincentive for private landowners to protect and manage the forest on their land. By destroying forests on their land, private land owners can gain control over their property and be less regulated by the government. Therefore, promoting private property rights and responsibilities over forest resources could be an effective incentive for private landowners to manage and conserve the forests on their properties, as has been demonstrated in many other countries of the world, especially the United States.

In FY 2004 with USAID support, the Government of Peru continued to invest in forest sector reform by implementing a first round of public bidding for sustainable private forest concessions in the department of Loreto, Peru's largest Amazonian region. In collaboration with its implementing partners, USAID played a critical role in facilitating the introduction

of concession bidding. An awareness raising program promoted understanding of the benefits and regulations of the forest concessions. In addition, direct technical assistance was provided to 34 applicants who were awarded a total of 540,000 hectares in forest concessions in Loreto. To date, USAID's partner The Institute for Natural Resources (INRENA), which has the legal mandate to regulate the use of natural resources in all of Peru, has granted timber forest concessions in five departments, covering 7,216,288 hectares of forests through 528 concessions, located in Madre de Dios, Ucayali, San Martin, Huanuco, and Loreto.

One of the lessons learned thus far is related to the importance of having some previous forestry experience as a selection criterion for granting a concession. In the first competition round two years ago, this criterion was critical. However, based on some criticism received by INRENA, this criterion was disregarded in the following rounds to make the process more inclusive. Consequently, in the following competitions, new concessionaires required far more technical assistance, while INRENA's institutional capacity to serve them was not strengthened.

Three forest enterprises covering 226,777 hectares received preliminary evaluations of their forest management practices in an effort to gain voluntary forest certification status. Five forest enterprises covering 286,346 hectares have signed formal Memoranda of Understanding committing them to pursue this

certification. In addition, one enterprise participated in a formal evaluation of its chain of custody, as part of the voluntary forest certification process for the entire chain of production. As a result, the foundation for forest certification in the country has been laid.

USAID and its partners in Peru continued to invest significant efforts and resources to combat illegal logging, as part of the President's Initiative Against Illegal Logging. In FY 2004, USAID partner IRG established and convened an Illegal Logging Working Group to serve as a coordinating and advisory body for anti-illegal activities. WWF-Peru and IRG have provided technical assistance for the formation of anti-illegal logging commissions at the regional level in San Martin, Madre de Dios, and Ucayali, bringing together stakeholders to develop and implement a regional plan to combat illegal logging. At the local level, WWF-Peru has facilitated the establishment of 26 forest management committees, made up of local populations, local government authorities, the private sector, and others in the departments of Madre de Dios, San Martin, Huanuco, and Ucayali, in an effort to promote resource management and control by those actors most impacted by the illegal exploitation of the forests. Additional technical assistance provided by IRG has focused on a "pilot inspection" process to evaluate and develop methodologies for inspecting forest concessions for compliance and evidence of illegal logging activities.

Europe and Eurasia Programs

Bosnia and Herzegovina

Supporting Communities and Government to Protect Mountain Forests

USAID/ Bosnia and Herzegovina supports the Sarajevo Scouts Union's continuing efforts to rehabilitate and protect the forests in the mountains of Igman and Bjelasnica, best known as the site of the 1984 Winter Olympics. The Scouts Union works to raise public awareness of the value of these forested areas, and to encourage authorities to ensure the permanent protection of these mountains. To accomplish this, the scouts collaborated with representatives from two local municipalities to gather information on illegal logging in the area. Together, they conducted 11 field visits to the area and organized four meetings with Ministry level officials, in which they presented the scope of the problem and agreed on priorities.

As a result, the local government has made protection of the mountains of Bjelasnica and Igman a priority, and work is underway to declare them as national parks. The Ministry supports the scouts' efforts and has appointed a private company to maintain the forests of Bjelasnica and Igman. A roundtable was held in FY 2004 on the protection of Bjelasnica and Igman. All participants expressed interest in protecting this area and agreed to begin cooperating to protect other areas as well. This project gave the Scouts Union recognition for their efforts to protect natural resources.

Bulgaria

Protected Area Management

Bulgaria's three National Parks contain more than 75 percent of the old growth forest in the nation, while more than 50 percent of the nation's total forested area falls within the national protected area system. In addition, 85 percent of

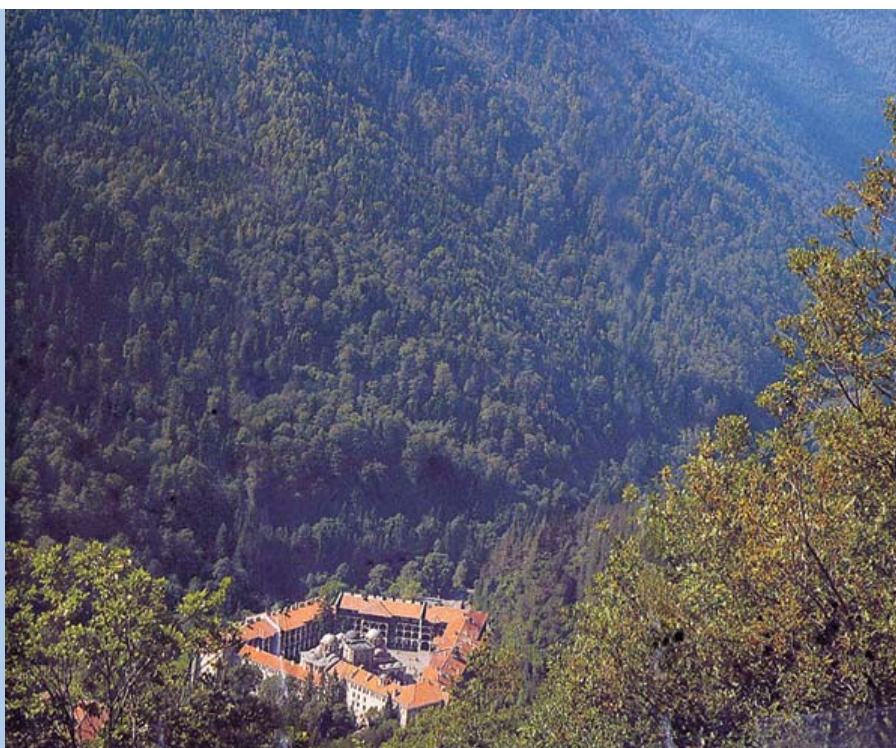
the nation's water supply originates from forested areas throughout the country. In recognition of the critical role of forests and protected areas, USAID continued to support efforts to conserve Bulgaria's forests.

In FY 2004, USAID acknowledged the successful completion of more than 12 years of U.S. Government support to nature conservation and sustainable development in Bulgaria. Throughout these years, USAID provided assistance in the development and implementation of national park management plans, focusing on two of the three national parks in the country that together protect 81,150 hectares of old growth and primary forest. As a result, in October 2003 (early FY 2004) the Central Balkan National Park became the fourth certified member of the PAN Parks (Protected Area Network of Parks) organization in Europe. This prestigious organization is creating a European network of wilderness areas to promote nature protection

Support to National Parks in Bulgaria

USAID provided assistance to protected areas in Bulgaria including the Rila Monastery Nature Park (pictured at right). The Rila Monastery Nature Park protects one of the most significant watersheds in the nation, which provides the capital city of Sofia with most of its water.

The medieval Rila Monastery, whose current buildings date from the 14th century, is one of Bulgaria's most visited and revered sites. It became a World Cultural Heritage Site in 1983.



through the development of sustainable tourism.

The Agency supported the finalization of the first management plan of the Rila Monastery Nature Park in FY 2004. The Rila Monastery Nature Park is unique in that it is located on land that was recently restituted to its former owner, the Bulgarian Orthodox Church. It protects part of one of the most significant watersheds in the nation, supplying Sofia, the capital city, with most of its water supply. The Management Plan was approved by the Bulgarian Government Council of Ministers in April 2004. The plan provides for conservation and management of more than 25,000 hectares of forest and high-mountain meadows located in the heart of Rila Mountain, and for preservation of more than 14,706 hectares of forest within a core reserve and conservation zoning status. The plan will guide investment, preservation, and sustainable use

activities in the Park for a period of 10 years.

Another USAID achievement was the establishment of the first Protected Areas Fund (PAF) in Bulgaria which was institutionalized within the National Eco Trust Fund in 2004. The PAF is designed to be an on-going mechanism for financing protected areas activities after USAID's program ends. The PAF is expected to begin accepting major grants: \$2 million was pledged by the Global Environment Facility (GEF) as well as matching contributions by the Bulgarian Government.

Russia

Sharing Forest Technical Management Skills to Protect Forests and Provide Energy

About 22 percent of the world's forests are in Siberia and the Russian Far East. These forests are a globally significant carbon sink,

they provide habitat for endangered species, and represent an important economic resource. Unfortunately, they are threatened by uncontrolled forest fires, pest outbreaks, illegal logging, and poorly managed harvesting, which destroy valuable timber and wildlife habitat. USAID's forestry programs focus on protecting Russia's forest resources and its rich biodiversity, in the Russian Far East and Siberia.

USAID's Forestry Resources and Technologies (FOREST) Project is a five-year (2000-2005), \$20 million initiative that aims to improve Russia's forests through fire-prevention activities, forest pest monitoring, value-added processing of non-timber forest and secondary wood products, and biomass energy development.

Through FOREST, Russia has continued to increase its capacity to predict and control forest pest outbreaks through the use of pheromone traps. During FY 2004,

“USAID’s FOREST Project has provided excellent assistance in the areas it has worked and coordinated with the Russian government. This type of work should continue as it is making a true contribution, and building closer ties between the United States and Russia.

— A. Pisarenko, Senior Candidate of Sciences of Forestry for the Russian Federation, and Mr. Putin's most senior forester in the Russian Federation



Pest management is part of effective forest management. Pest trapping in Russia, as seen in these photos, helps forest managers to predict pest outbreaks with greater accuracy for more efficient control.

seven regions fully integrated the new pheromone monitoring system on 200,000 hectares thereby protecting up to 175 million hectares of forestry resources, one third of Russia's forests. USAID helped the Russian Regional Forestry Agency to develop forestry outbreak prediction maps in six regions, and stronger natural resource methods have now been employed in eight regions of Russia. These regions are now used as pilot model regions for Russia with the federal Russian Center of Forest Protection to apply the pheromone technology to other parts of Russia. This improved pest control also is helping to protect forests in the United States, which can be damaged when pests are transported to America during trade transactions. This work also contributes to the global climate change initiative as Russia accounts for a significant percentage of the world's forest carbon sink.

FOREST is implementing an anti-forest fire program to educate the public on the protection of the forest. A fire prevention campaign modeled on the U.S. "Smokey the Bear" campaign was implemented in FY2004. 451 schools, 63 mass media outlets, and 64 NGOs participated. It is estimated that 2.5 million people were reached through public service announcements. NGOs were trained to advocate on issues surrounding the environment, based on USAID's fire prevention training. Ninety-one percent of people now recognize the FOREST Project's message that "8 out of 10 forest fires are caused by people."

Another component of the FOREST project involves increasing the productivity of the wood processing industry through better use of wood processing waste products (e.g. biomass). The FOREST project has successfully demonstrated that biomass energy

is a viable, cost-effective alternative for energy supply in the Russian Far East and Siberia. The demonstration that biomass energy can produce higher margins encourages companies to move toward more sustainable wood processing, both as an environmental and economic opportunity. Nine biomass energy facilities have been installed in the Russian Far East. As a result, these nine companies have put into operation 14 biomass boilers of 34.5 MW total capacity and 41 dry kilns of 5,770 m³ total capacity to produce about 230,000 m³ dry lumber per year with an added value of more than \$7 million per year. Another six are in the initial stages of development with a planned 50 megawatts of energy. These projects now serve as pilots for the Ministry of Energy and examples utilized by the regions.

For example, Igrim-Tairiku (Irkutsk), a long-standing FOREST partner, has three Biysk boilers (19.5 MW thermal energy) in full operation. The third boiler was successfully installed in December 2004. These boilers have increased dry lumber output to more than 150,000 m³ per year and supply heat to the novaya Igrim settlement.

In the Russian Far East and Siberia, the USDA Forest Service and USAID are working with the Ministry of Natural Resources on forest planning, forest inventory and monitoring, fire-ecology research, reforestation, and forest-policy development. The program promotes sustainable, ecologically sound forest management practices, while also addressing global climate change.



VALENTIN ISAKOV

Rising energy costs worldwide are spurring interest in renewable energy resources. In Russia, USAID assists the forest products industry to utilize residue from lumber processing (a renewable resource) to generate electricity and heat nearby homes and businesses.

Annex I. Section 118 of the Foreign Assistance Act

The United States Agency for International Development

Foreign Assistance Act of 1961, Pub. L. 87-195, Part I, Section 118 — Tropical Forests
22 U.S.C. 2151p-1. Sec. 118 was added by Sec. 301(3) of Public Law 99-529 (100 Stat. 3014).

- (a) Importance of Forests and Tree Cover.—In enacting section 103(b)(3) of this Act the Congress recognized the importance of forests and tree cover to the developing countries. The Congress is particularly concerned about the continuing and accelerating alteration, destruction, and loss of tropical forests in developing countries, which pose a serious threat to development and the environment. Tropical forest destruction and loss—
- (1) Result in shortages of wood, especially wood for fuel; loss of biologically productive wetlands; siltation of lakes, reservoirs, and irrigation systems; floods; destruction of indigenous peoples; extinction of plant and animal species; reduced capacity for food production; and loss of genetic resources; and
 - (2) Can result in desertification and destabilization of the earth's climate. Properly managed tropical forests provide a sustained flow of resources essential to the economic growth of developing countries, as well as genetic resources of value to developed and developing countries alike.
- (b) Priorities.—The concerns expressed in subsection (a) and the recommendations of the United States Interagency Task Force on Tropical Forests shall be given high priority by the President—
- (1) In formulating and carrying out programs and policies with respect to developing countries, including those relating to bilateral and multilateral assistance and those relating to private sector activities; and
 - (2) In seeking opportunities to coordinate public and private development and investment activities which affect forests in developing countries.
- (c) Assistance to Developing Countries.—In providing assistance to developing countries, the President shall do the following:
- (1) Place a high priority on conservation and sustainable management of tropical forests.
 - (2) To the fullest extent feasible, engage in dialogues and exchanges of information with recipient countries—
 - (A) Which stress the importance of conserving and sustainably managing forest resources for the long-term economic benefit of those countries, as well as the irreversible losses associated with forest destruction, and
 - (B) Which identify and focus on policies of those countries which directly or indirectly contribute to deforestation.
 - (3) To the fullest extent feasible, support projects and activities—
 - (A) Which offer employment and income alternatives to those who otherwise would cause destruction and loss of forests, and
 - (B) Which help developing countries identify and implement alternatives to colonizing forested areas.
 - (4) To the fullest extent feasible, support training programs, educational efforts, and the establishment or strengthening of institutions which increase the capacity of developing countries to formulate forest policies, engage in relevant land-use planning, and otherwise improve the management of their forests.
 - (5) To the fullest extent feasible, help end destructive slash-and-burn agriculture by supporting stable and productive farming practices in areas already cleared or degraded and on lands which inevitably will be settled, with special emphasis on demonstrating the feasibility of agroforestry and other techniques which use technologies and methods suited to the local environment and traditional agricultural techniques and feature close consultation with and involvement of local people.
 - (6) To the fullest extent feasible, help conserve forests which have not yet been degraded, by helping to increase production on lands already cleared or degraded through support of reforestation, fuelwood, and other sustainable forestry projects and practices, making sure that local people are involved at all stages of project design and implementation.
 - (7) To the fullest extent feasible, support projects and other activities to conserve forested watersheds and rehabilitate

those which have been deforested, making sure that local people are involved at all stages of project design and implementation.

- (8) To the fullest extent feasible, support training, research, and other actions which lead to sustainable and more environmentally sound practices for timber harvesting, removal, and processing, including reforestation, soil conservation, and other activities to rehabilitate degraded forest lands.
- (9) To the fullest extent feasible, support research to expand knowledge of tropical forests and identify alternatives which will prevent forest destruction, loss, or degradation, including research in agroforestry, sustainable management of natural forests, small-scale farms and gardens, small-scale animal husbandry, wider application of adopted traditional practices, and suitable crops and crop combinations.
- (10) To the fullest extent feasible, conserve biological diversity in forest areas by—
 - (A) supporting and cooperating with United States Government agencies, other donors (both bilateral and multilateral), and other appropriate governmental, intergovernmental, and nongovernmental organizations in efforts to identify, establish, and maintain a representative network of protected tropical forest ecosystems on a worldwide basis;
 - (B) whenever appropriate, making the establishment of protected areas a condition of support for activities involving forest clearance of degradation; and
 - (C) helping developing countries identify tropical forest ecosystems and species in need of protection and establish and maintain appropriate protected areas.
- (11) To the fullest extent feasible, engage in efforts to increase the awareness of United States Government agencies and other donors, both bilateral and multilateral, of the immediate and long-term value of tropical forests.
- (12) To the fullest extent feasible, utilize the resources and abilities of all relevant United States Government agencies.
- (13) Require that any program or project under this chapter significantly affecting tropical forests (including projects involving the planting of exotic plant species)—
 - (A) be based upon careful analysis of the alternatives available to achieve the best sustainable use of the land, and
 - (B) take full account of the environmental impacts of the proposed activities on biological diversity, as provided for in the environmental procedures of the Agency for International Development.
- (14) Deny assistance under this chapter for—
 - (A) the procurement or use of logging equipment, unless an environmental assessment indicates that all timber harvesting operations involved will be conducted in an environmentally sound manner which minimizes forest destruction and that the proposed activity will produce positive economic benefits and sustainable forest management systems; and
 - (B) actions which significantly degrade national parks or similar protected areas which contain tropical forests or introduce exotic plants or animals into such areas.
- (15) Deny assistance under this chapter for the following activities unless an environmental assessment indicates that the proposed activity will contribute significantly and directly to improving the livelihood of the rural poor and will be conducted in an environmentally sound manner which supports sustainable development:
 - (A) Activities which would result in the conversion of forest lands to the rearing of livestock.
 - (B) The construction, upgrading, or maintenance of roads (including temporary haul roads for logging or other extractive industries) which pass through relatively undegraded forest lands.
 - (C) The colonization of forest lands.
 - (D) The construction of dams or other water control structures which flood relatively undegraded forest lands.

(d) PVOs and Other Nongovernmental Organizations.—Whenever feasible, the President shall accomplish the objectives of this section through projects managed by private and voluntary organizations or international, regional, or national nongovernmental organizations which are active in the region or country where the project is located.

(e) Country Analysis Requirements.—Each country development strategy statement or other country plan prepared by the Agency for International Development shall include an analysis of—

- (1) The actions necessary in that country to achieve conservation and sustainable management of tropical forests, and
- (2) The extent to which the actions proposed for support by the Agency meet the needs thus identified.

(f) Annual Report.—Each annual report required by section 634(a) of this Act shall include a report on the implementation of this section.

Annex II. The Tropical Forest Conservation Act

The Tropical Forest Conservation Act (TFCA) was enacted in 1998 to build on the success of the Enterprise for the Americas Act. Although the TFCA is funded through the U.S. Treasury Department, and not directly through USAID, USAID does play a key leadership role.

The TFCA reduces concessional debt owed by qualifying countries to the U.S. government resulting from old loans made by USAID and the P.L. 480 Food for Peace program. To qualify, a country must have such debt, be meeting substantial macro-economic and political reforms, and have tropical forests of importance. In exchange, participating countries generally create a Tropical Forest Fund, capitalized in local currency, which provides grants to civil society organizations to conserve and manage their tropical forests while furthering their countries' development.

The TFCA is overseen by a public-private Enterprise for the Americas Board led by an effective partnership among the Department of State, the Department of Treasury, and USAID, with collaboration from other federal agencies and major U.S. environmental NGOs. USAID administratively houses the TFCA Secretariat. USAID takes the lead, with State Department and

Treasury Department collaboration, in field level implementation of the deals once they have been created.

By the end of FY 2004, \$56 million of TFCA appropriated funds had been used for debt reduction/debt swap agreements with Bangladesh, Belize, Colombia, El Salvador, Jamaica, Panama (twice), Peru, and the Philippines. Through these agreements, more than \$97 million in forest conservation funds will be generated in these countries over the next 10- 26 years.

The TFCA program will benefit from additional leveraged contributions from cost-sharing of grants, interest income, and direct

contributions from other donors. The program has already leveraged a cumulative total of \$7.6 million dollars of additional private funds from The Nature Conservancy, Conservation International, and World Wildlife Fund through their participation in debt swaps. The TFCA program has also benefited programmatically from its partnerships with these large U.S.-based environmental conservation NGOs.

In FY 2004, TFCA agreements were signed with the governments of Colombia, Jamaica, and Panama. Cumulatively, they represent a U.S. budgetary cost of \$20 million, with a private leverage of \$4 million,



Aerial photo of the lowland forest within the Northern Sierre Madre National Park in the Philippines.

CONSERVATION INTERNATIONAL

resulting in the generation of \$37 million for tropical forest conservation (the original face value of the treated debt was greater than \$37 million). Each of the three new agreements were debt-swaps with participation of TNC, CI, or WWF.

Two countries currently eligible for the TFCA program are Sri Lanka

and Paraguay. Several other countries have requested eligibility, including: Guatemala, Ecuador, Peru and St. Vincent. Expressions of interest from other countries are also expected.

Additional details on the TFCA program are available in the 2005 Report to Congress entitled “The

Operation of the Enterprise for the Americas Facility and the Tropical Forest Conservation Act for Calendar Year 2004”, submitted by the U.S. Department of State. Or on the web at:

http://www.usaid.gov/our_work/environment/forestry/tfca.html

Annex III. Partnerships*

United States Government Agencies

U.S. Geological Survey (USGS)
U.S. Department of Agriculture (USDA)
U.S. Department of Interior (DOI)
USDA Forest Service
U.S. Department of Treasury
U.S. Department of State/Bureau of Oceans and International Environmental and Scientific Affairs (OES)
U.S. Peace Corps

International Donor Organizations

The Inter-American Development Bank (IDB)

Implementing Partners

Development Alternatives, Inc.
Chemonics International
International Resources Group (IRG)

Private Sector Partners

The Andersen Corporation
Bolivian Institute for Forestry Research
The Baobab Fruit Company, Senegal
Grupo Tahuamanu, Bolivia
The Home Depot
Kraft Foods
Nike, Inc.

PanAmerican Agricultural University at Zamorano – Honduras
Rio Tinta
Tetra Tech EM Inc. – the Philippines
Staples, Inc.
Starbucks Coffee Company
Sukachev Institute of Forestry – Private Educational Institution – Russia

Partner Government Agencies

Bangladesh Forest Department
Vice Ministry of Natural Resources and Environment, Bolivia
Kenya Wildlife Service and Forest Department
Ministry of Natural Resources (SERNA) – Honduras
Ministry of Environment and Forests, Madagascar
Forestry Department and Ministry of Agriculture, Jamaica
National Forestry Commission (CONAFOR), Mexico
Uganda Wildlife Authority
League of Municipalities of the Philippines
Department of Environment and Natural Resources (DENR), Philippine
Ministry of Natural Resources, Russia
Federal Forestry Agency, Russia
The Ministry of Agriculture and Forestry, Bulgaria

National, Regional, and Local Nongovernmental Organizations

Amazonian Center for Sustainable Forest Enterprise (CADEFOR)
Fundación Pando, Bolivia
4-H Clubs of Jamaica
Fondo Mexicano para la Conservación de la Naturaleza
The National Forestry Institute (INAFOR) – Nicaragua

International Nongovernmental Organizations

Adventist Development and Relief Agency
Agricultural Cooperative Development International-Volunteers in Overseas Cooperative Assistance (ACDI-VOCA)
Center for International and Environmental Law
Conservation International
Enterprise Works Worldwide
Global Forest Trade Network
Heron Group
Metafore
Rainforest Alliance
The Nature Conservancy
WildAid
Winrock International
World Wildlife Fund

* This list represents a sample of USAID forestry partners and is not meant to be comprehensive.

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