

## TECHNICAL ASSISTANCE COMPLETION REPORT

Division: SEAE

<b>TA 5900–REG: Regional Study on Forest Policy and Institutional Reforms</b>			<b>Amount Approved:</b> \$595,000	
			<b>Revised Amount:</b>	
<b>Executing Agency:</b> Asian Development Bank	<b>Source of Funding:</b> TASF	<b>TA Amount Undisbursed</b> \$16,616.01	<b>TA Amount Utilized</b> \$578,383.99	
<b>Date</b>			<b>Completion Date</b>	
<b>Approval</b> 29 Dec 1999	<b>Signing</b> 29 Dec 1999	<b>Fielding of Consultants</b> Sept 2000	<b>Original</b> 30 June 2001	<b>Actual</b> 31 Dec 2005
			<b>Original</b> 30 June 2001	<b>Closing Date</b> <b>Actual</b> 23 June 2006
<b>Description</b>				
<p>Recognizing the developmental importance of the forest sector, ADB had invested about \$1.0 billion in loans and TA projects since the inception of its forest sector operations in 1977. Implementation of these projects had mixed experience for ADB. On one hand, sector investments had positive impact on checking forest loss, but most recently concluded forestry projects on the other hand had “partially successful or unsuccessful” rating. Despite ADB’s investment and support from other donors, continuing forest degradation is still prevalent in the region. This situation coupled with ADB’s emerging new priorities and developments in the sector called for a review of ADB’s 1995 Policy on Forestry to determine its continued relevance.</p>				
<b>Expected Impact, Outcome and Outputs</b>				
<p>TA aimed at enhancing the poverty reduction impact of ADB’s forestry operations. The identification of ADB’s pro-poor forest sector policy priorities and investment framework was the main expected outcome. Expected outputs included: (i) ADB forest sector portfolio assessment; (ii) Bangladesh, Pakistan, Philippines, and Sri Lanka country case study reports that describe forest policy and institutional trends and issues in the region; (iii) the draft ADB forest sector policy; and (iv) enhanced awareness and recognition of poverty reduction potential of forestry among ADB staff, DMC forestry departments, development partners and stakeholders.</p>				
<b>Delivery of Inputs and Conduct of Activities</b>				
<p>Overall TA objectives, scope, consultant terms of reference (TOR) and implementation arrangements were found to be appropriate and adequate. There were no cost over-runs, and only minor changes were required in the international and national consultant input levels. Adoption of a multi-stakeholder participatory diagnostic and design approach enriched the TA implementation process and outputs. TA activities were undertaken in coordination with the World Bank forest policy review process. This avoided duplication of effort in terms of thematic policy issues as well as country case studies. For example, TA utilized the World Bank People’s Republic of China (PRC), India and Indonesia country case study outputs in the design of the revised draft ADB forest policy. At least two review missions were conducted during TA implementation. Compliance with the TOR was ensured through an intensive feedback process between Mission Leader and the Consultants. The performance of the country forestry departments (implementing agencies) and consultants was satisfactory. Consultant inputs and outputs were of good quality and well received by stakeholders and development partners. Extending implementation completion date from 30 June 2001 to 31 December 2005 was the principal change made during TA implementation.</p>				
<b>Evaluation of Outputs and Achievement of Outcome</b>				
<p>The main outputs were consistent with the original scope of work. These were well received by ADB staff, developing member country (DMC) forestry departments, participating stakeholders, development partners, and external community of forestry practitioners. These are summarized as follows:</p>				
<p>(i) <b>Assessment of 1995 Policy on Forestry and Portfolio.</b> A review of 33 projects implemented from 1980 to 2000 was undertaken to assess the 1995 ADB policy and forest sector portfolio. The key findings of the portfolio assessment are:</p>				
<p>a) <b>1995 Policy on Forestry.</b> The policy focused on forest protection and management, encouraged wider stakeholder participation of multiple institutions implementing projects, addressed gender issues and provided guidance in prioritizing interventions. Although it addressed the major issues impacting on the forestry sector, the focus was on technical forestry options rather than how forest resources could or should be used to meet the wider needs of society in DMCs.</p>				
<p>b) <b>Forest Sector Portfolio.</b> The ADB Forest sector portfolio analysis showed that ADB forestry projects have been instrumental in introducing the state-of-the-art forest planning, management, monitoring and evaluation technologies. Individual loans averaged around \$20 million, although the average lending per country ranged from around \$50 million in four resource rich countries to \$135 million in two resource poor countries. The projects are found to have had a significant positive impact, particularly in relation to forestland access and tenure security, governance and income generation. Some projects have also contributed positively to rural infrastructure, rural energy and rural finance needs. However, implementation of institutional reform and organizational restructuring has been difficult and slow.</p>				

- (ii) **Analysis of the forestry sector in the Asia-Pacific Region.** The situation analysis of the state of the forest sector revealed that the region is already a major net importer of forest products, and the remaining forest resources are under severe pressure. Moreover, the region is likely to become increasingly dependent on global trade to secure the forest products needed for sustainable economic development. The region as a whole is a net importer of industrial wood products, with total imports exceeding total exports by over 100 million m<sup>3</sup> annually. A substantial proportion of the national exports and imports represent inter-regional trade. There are 12 DMCs that are either net exporters or that have substantial forest resources. There are 17 DMCs that can be classified as deficit countries because they are net importers of forest products. By 2003, People's Republic of China took over Japan as the largest forest product importer in the region.
- (iii) **Impacts of National Economic Policies on Forestry Sectors In Asia and the Implications for ADB 1995 Policy on Forestry.** An assessment of national economic policies on forestry and its implications to ADB Forest Policy was undertaken. Among the fundamental economic issues that impacts on project performance are (i) misguided or inefficient pricing policies of forest products and competing sectors, especially agriculture; and (ii) lack of assessment of the economic value of forests and the costs of environmental degradation.
- (iv) **Global, regional regulatory frameworks and their impacts on ADB Forest Policy.** A review of global agreements on forest use and management was carried out. There is no single binding forest or forestry agreement. However, there exists a body of binding multilateral agreements and soft law instruments that directly and indirectly address forest conservation. Majority of DMCs are parties to these agreements and have assumed obligations to implement in their national regulatory regimes measures prescribed in these agreements.
- (v) **Draft ADB Forest Policy.** Prepared the draft ADB Forest Policy-R paper. The draft policy paper contains the vision, goal, and policy purpose. The policy builds on the 1995 policy and takes account of the Rural Asia Study<sup>1</sup> and ADB's LTSF<sup>2</sup> to identify forestry interventions that will directly contribute to poverty reduction while supporting the environmental protection function of forests. Forest land tenure and access security have been identified as the dominant governance issues in order to achieve the desired development and conservation objectives. It promotes the use of landscape approach for the development and institutionalization of sustainable forest management in the region. It also supports market based instruments such as certification and carbon sequestration. This is to assist DMCs in improving their forest management practices and performance, and help mobilize additional resources for the forest sector development.
- (vi) **Outcome:** Pro-poor forest policy priorities and investment strategies identified by the TA have had positive influence on ADB's forestry operations in Bangladesh, Lao People's Democratic Republic, Sri Lanka and Viet Nam. However, new draft ADB forest policy was not adopted.

#### Overall Assessment and Rating

TA is rated as partly successful. While it raised fundamental issues related to ADB's support to the forest sector and informed the design and development of new projects, it has not led to the adoption of a new ADB forest sector policy. TA rating is based on the following: TA implementation and outputs (i) assisted in improving the implementation of on-going forestry sector operations in Bangladesh and Viet Nam; (ii) provided the policy, institutional and technological knowledge base for designing new investments in Lao PDR and Viet Nam, and the preparation of draft ADB Forest Policy R-Paper, (iii) facilitated information dissemination to internal and external stakeholders on need and urgency of forest sector policy and institutional reform implementation; (iv) provided the necessary information and framework for policy dialogues with the ADB's internal and external stakeholders, which enabled ADB to be recognized as a key partner in the sector; (v) enhanced alignment of the ADB forest sector policy and investment priorities with forest sector policies of DMCs; (vi) promoted participatory institutional review and policy development in the DMCs, thereby increasing the stakeholder influence on national forest policy and management regimes. A website was developed and maintained to inform the public on the implementation process, and seek their feedback; and (vii) Other outputs not originally included in the TA such as a) the eco-governance roundtable discussion in the Philippines and review of Forest Code; and b) Forestry in Asia: Situation Analysis and Strategic Directions, which is under peer review and to be published by SEAE in December 2006.

#### Major Lessons

- (i) To carry out a comprehensive, multistakeholder and participatory analysis of ADB Forest Policy and institutional reforms is a complex, time consuming and human and capital resource intensive process. However, the investment can be justified as it caused improvements in the design of new investments, and capacity building of partnering agencies and stakeholders;
- (ii) The institutional context for development in Asia-Pacific including the forest sector is complex depending on each DMC's specific regulatory regimes. Consequently, it is difficult to identify policy and institutional reform implementation strategies that will be universally applicable;
- (iii) ADB and/or other donors have to be willing and capable to lead in political advocacy in dealing with corruption that is a major cause of deforestation in Asia-Pacific region. But macro level political advocacy has to be complemented by on-ground engagements and investments; and
- (iv) Different perceptions on the role of forestry in poverty reduction, and ADB's comparative and competitive

<sup>1</sup> ADB. 1999. *Quality of Life in Rural Asia*. Hong Kong: Oxford University Press for ADB. Manila.

<sup>2</sup> ADB. 2001. Long Term Strategic Framework.

advantage in the sector, caused difficulty and delay in finalizing the TA outputs including the draft R-Paper.

**Recommendations and Follow-Up Actions**

It is important that TA findings are disseminated to national forest departments and relevant external stakeholders. Discussion with relevant ADB staff and Management should be conducted to decide on how best ADB can address the increasing risks region's deforestation and forest degradation pose to MTSFII priorities, especially to ADB's investments in water, energy and rural infrastructure sectors; and strategic objectives of pro-poor, socially inclusive and sustainable economic growth. Both within and outside ADB, TA's network of practitioners should be utilized for this purpose.

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