

OKINAWA SUMMIT

21-23 July 2000

Meeting of Heads of State and Government

- [Communiqué](#)
- [Okinawa Charter on Global Information Society](#)
- [G8 Statement on Regional Issues](#)
- [G8 Statement on Korean Peninsula](#)
- [G7 Statement](#)

Meeting of Foreign Ministers

- [Conclusions](#)
- [G8 Miyazaki Initiatives for Conflict Prevention](#)
- [Report on The Implementation of The G8 Action Programme on Forests](#)
- [Statement on the Meeting between the G8 Foreign Ministers, the Delegation of the Non-Aligned Movement Troika, and the Group of 77](#)

Meeting of Finance Ministers

- [Actions Against Abuse of the Global Financial System](#)
- [Poverty Reduction and Economic Development](#)
- [Strengthening the International Financial Architecture \(G7 Finance Ministers Report to the Heads\)](#)
- [Impact of the IT Revolution on the Economy and Finance \(G7 Finance Ministers Report to the Heads\)](#)

COMMUNIQUÉ

Okinawa, 23 July 2000

Preamble

1. We, the Leaders of eight major industrialised democracies and the President of the European Commission, met together here in Okinawa for the 26th Summit in the year which heralds a new millennium. We reflected upon the challenges faced and progress made since the First Summit in Rambouillet in working toward peace and prosperity throughout the world, and we discussed the role the G8 should play as it evolves in the 21st century.
2. During the last quarter of the 20th century, the world economy has achieved unprecedented levels of prosperity, the Cold War has come to an end, and globalisation has led to an emerging common sense of community. Driving these developments has been the global propagation of those basic principles and values consistently advocated by the Summiteers—democracy, the market economy, social progress, sustainable development and respect for human rights. Yet we are keenly aware that even now in many parts of the world poverty and injustice undermine human dignity, and conflict brings human suffering.
3. As we make the transition into the new century, we will continue to exercise leadership and responsibility in addressing these persistent problems and squarely face new challenges as they arise. We must tackle the root causes of conflict and poverty. We must bravely seize the opportunities created by new technologies in such areas as information and communications technology (IT) and life sciences. We must acknowledge the concerns associated with globalisation, while continuing to be innovative in order to maximise the benefits of globalisation for all. In all our endeavours we must build on our basic principles and values as the foundations for a brighter world in the 21st century.
4. In a world of ever-intensifying globalisation, whose challenges are becoming increasingly complex, the G8 must reach out. We must engage in a new partnership with non-G8 countries, particularly developing countries, international organisations and civil society, including the private sector and non-

governmental organisations (NGOs). This partnership will bring the opportunities of the new century within reach of all.

5. We hope that our discussions in Okinawa provide a positive contribution to the United Nations Millennium Summit, which we expect to articulate, in the spirit of the Secretary-General's report "We the Peoples", a vision that will guide the United Nations as it rises to the challenges of the new century. To that end, we will continue to work for a strengthened, effective and efficient United Nations and remain convinced that reforms of the United Nations, including the Security Council, are indispensable.
6. A new era dawns. Let us move forward together, with hope, toward a 21st century of greater prosperity, deeper peace of mind and greater stability.

Toward a 21st century of greater prosperity

World Economy

7. The 20th century has achieved unprecedented economic progress. Yet the financial and economic crises of the past few years have presented enormous challenges for the world economy. Together with many of our partners around the world, we have devoted ourselves to alleviating the adverse effects of the crisis, stimulating economic recovery, and identifying ways to help prevent future upheavals, including measures to strengthen the international financial architecture. The world economy will grow strongly this year, and we are particularly encouraged by the strength of recovery in most crisis-affected countries.
8. While the pace of recovery varies across Asia, trade is expanding and indeed some countries have achieved dynamic growth. Reform efforts must now focus on maintaining the momentum behind financial and corporate sector reforms, improving public and private sector governance and transparency, and strengthening social safety nets to ensure strong, sustainable growth and avoid future instability.
9. Despite recent positive developments in the world economy, we recognise that there is no time for complacency as globalisation intensifies and the rapid diffusion of IT brings about fundamental structural changes to our economies. There are encouraging signs of a new reality in the improvement of productivity in the United States and, to a lesser extent, in other G8 economies. But to capitalise on the opportunities before us, we must renew our unwavering commitment to structural change in our own economies, including greater competition and more adaptable labour markets, underpinned by appropriate macro-economic policies.

Information and Communications Technology (IT)

10. IT empowers, benefits and links people the world over, allows global citizens to express themselves and know and respect one another. It also has immense potential for enabling economies to expand further, countries to enhance public welfare and promote stronger social cohesion and thus democracy to flourish. Access to the digital opportunities must, therefore, be open to all.
11. We clearly recognise that the process of globalisation and the fast pace at which IT is advancing have engendered various concerns. We need to address such concerns so that we can contribute to greater peace of mind for all. Acting in concert, we will maximise the benefits of IT and ensure that they are spread to those at present with limited access. In this regard, we welcome contributions from the private sector, such as those of the Global Digital Divide Initiative of the World Economic Forum and Global Business Dialogue on Electronic Commerce (GBDe).
12. In support of these goals, we commit ourselves to pursuing the aims and ambitions set out in the Okinawa Charter on the Global Information Society. We will set up a Digital Opportunities Task Force (dot force), which will be asked to report to our next meeting its findings and recommendations on global action to bridge the international information and knowledge divide.

Development

13. The 21st century must be a century of prosperity for all, and we commit ourselves to the agreed international development goals, including the overarching objective of reducing the share of the world's population living in extreme poverty to half its 1990 level by 2015. 13. We welcome the Report

on Poverty Reduction by Multilateral Development Banks (MDBs) and the International Monetary Fund (IMF) which we requested in Cologne, and we look forward to receiving an annual poverty report as we review progress each year in reducing poverty across the globe. This report shows that progress is possible where the right conditions are created for growth and social development. But it reminds us of the vast challenges that remain. While the percentage of poor in developing countries declined from 29% in 1990 to 24% in 1998, there are still 1.2 billion people living on less than one dollar a day and there are marked differences both within and between regions. In particular, many developing countries, notably in Africa, are growing too slowly. The HIV/AIDS pandemic aggravates the situation.

14. As the report indicates, many countries have made significant progress in overcoming poverty in the past quarter century, and their example is a beacon of hope for others. From their success, we have learned that poverty can best be overcome in resilient, peaceful, and democratic societies with freedom and opportunity for all, growing and open economies and dynamic private sectors, and strong and accountable leaders and institutions.
15. Robust, broad-based and equitable economic growth is needed to fight poverty and rests on expanding people's capabilities and choices. Government must, in co-operation with the private sector and broader civil society, establish economic and social foundations for broad-based, private sector growth. Small and medium sized enterprises, together with the opportunities presented by IT can be powerful tools for development. We will work with developing countries to put in place policies, programmes and institutions that offer people a fair chance to better their lives. We therefore welcome the constructive discussions of the Tenth Meeting of the United Nations Conference on Trade and Development (UNCTAD X) in Bangkok, and will work in the United Nations and other fora to further reduce poverty, especially in the Least Developed Countries (LDCs).
16. We also welcome the increasing co-operation between the International Labour Organisation (ILO) and the International Financial Institutions (IFIs) in promoting adequate social protection and core labour standards. We urge the IFIs to incorporate these standards into their policy dialogue with member countries. In addition, we stress the importance of effective co-operation between the World Trade Organisation (WTO) and the ILO on the social dimensions of globalisation and trade liberalisation.
17. Trade and investment are critical to promoting sustainable economic growth and reducing poverty. We commit ourselves to put a higher priority on trade-related capacity-building activities. We are also concerned that certain regions remain marginalised as regards foreign direct investment, and that the 48 LDCs attract less than 1% of total foreign direct investment flows to the developing countries. We urge multilateral development organisations and financial institutions to support developing countries' efforts to create a favourable trade and investment climate, including through the Poverty Reduction Strategy Papers (PRSPs) and the Integrated Framework (IF).
18. We are particularly concerned about the severity of the challenges facing the LDCs, particularly those in Africa, which are held back from sharing in the fruits of globalisation by a debilitating and self-reinforcing combination of conflict, poverty and weak governance.
19. We are committed to mobilising the instruments and resources of the international community to support and reinforce the efforts of these countries to combat and overcome these challenges, with particular priority on promoting equitable distribution of the benefits of growth through sound social policies, including regarding health and education. To this end, as we set out in detail below, we have agreed to:
 - Push forward the Heavily Indebted Poor Countries (HIPC) debt initiative;
 - Provide significantly improved access to our markets;
 - Strengthen the effectiveness of our official development assistance (ODA);
 - Implement an ambitious plan on infectious diseases, notably HIV/AIDS, malaria and tuberculosis (TB);
 - Follow up vigorously the conclusions of the recent Dakar Conference on Education by ensuring that additional resources are made available for basic education;
 - Address the widening digital divide;
 - Implement measures to prevent conflict, including by addressing the issue of illicit trade in diamonds.

20. ODA is essential in the fight against poverty. We commit ourselves to strengthening the effectiveness of our ODA in support of countries' own efforts to tackle poverty, including through national strategies for poverty reduction. We will take a long-term approach favouring those countries where governments have demonstrated a commitment to improve the well-being of their people through accountable and transparent management of resources devoted to development. To achieve increased effectiveness of ODA, we resolve to untie our aid to the Least Developed Countries on the basis of progress made in the Organisation for Economic Co-operation and Development (OECD) to date and a fair burden-sharing mechanism that we will agree with our OECD partners. We believe that this agreement should come into effect on 1 January 2002. In the meantime, we urge those countries which maintain low levels of untying of ODA to improve their performance. We will also seek to demonstrate to the public that well-targeted ODA gets results, and on that basis will strive to give increased priority to such assistance. Well co-ordinated assistance is helpful for developing countries and we will consider how best to improve such co-ordination.

21. We also agree to give special attention to three issues - debt, health, and education, as a spur to growth.

Debt

22. Last year in Cologne, we agreed to launch the Enhanced HIPC Initiative to deliver faster, broader and deeper debt relief, releasing funds for investment in national poverty reduction strategies. We welcome endorsement of this initiative by the international community last autumn.

23. Since then, while further efforts are required, progress has been made in implementing the Enhanced HIPC Initiative. Nine countries (Benin, Bolivia, Burkina Faso, Honduras, Mauritania, Mozambique, Senegal, Tanzania and Uganda) have already reached their Decision Points and are seeing the benefits of the Initiative. Total debt relief under the HIPC Initiative for these countries should amount to more than US\$15 billion in nominal terms (US\$8.6 billion in Net Present Value).

24. We welcome the efforts being made by HIPCs to develop comprehensive and country-owned poverty reduction strategies through a participatory process involving civil society. IFIs should, along with other donors, help HIPCs prepare PRSPs and assist their financial resource management by providing technical assistance. We are concerned by the fact that a number of HIPCs are currently affected by military conflicts which prevent poverty reduction and delay debt relief. We call upon these countries to end their involvement in conflicts and to embark quickly upon the HIPC process. We agree to strengthen our efforts to help them prepare and come forward for debt relief, by asking our Ministers to make early contact with the countries in conflict to encourage them to create the right conditions to participate in the HIPC Initiative. We will work together to ensure that as many countries as possible reach their Decision Points, in line with the targets set in Cologne, giving due consideration to the progress of economic reforms and the need to ensure that the benefits of debt relief are targeted to assist the poor and most vulnerable. We will work expeditiously together with HIPCs and the IFIs to realise the expectation that 20 countries will reach the Decision Point within the framework of the Enhanced HIPC Initiative by the end of this year. In this regard, we welcome the establishment of the Joint Implementation Committee by the World Bank and the IMF. We for our part will promote more responsible lending and borrowing practices to ensure that HIPCs will not again be burdened by unsupportable debt.

25. We note the progress made in securing the required financing of the IFIs for effective implementation of the Enhanced HIPC Initiative, and welcome pledges including those to the HIPC Trust Fund. We reaffirm our commitment to make available as quickly as possible the resources we have pledged in the spirit of fair burden sharing.

Health

26. Health is key to prosperity. Good health contributes directly to economic growth whilst poor health drives poverty. Infectious and parasitic diseases, most notably HIV/AIDS, TB and malaria, as well as childhood diseases and common infections, threaten to reverse decades of development and to rob an entire generation of hope for a better future. Only through sustained action and coherent international co-operation to fully mobilise new and existing medical, technical and financial resources, can we strengthen health delivery systems and reach beyond traditional approaches to break the vicious cycle of disease and poverty.

27. We have committed substantial resources to fighting infectious and parasitic diseases. As a result, together with the international community, we have successfully arrived at the final stage of polio and guinea worm eradication, and have begun to control onchocerciasis.
28. But we must go much further and we believe that the conditions are right for a step change in international health outcomes. We have widespread agreement on what the priority diseases are and basic technologies to tackle much of the health burden are in place. In addition there is growing political leadership and recognition in the most afflicted countries that health is central to economic development. We particularly welcome the success of the recent HIV/AIDS conference held in Durban and the importance attached to tackling HIV/AIDS by African leaders, donors, international financial institutions and the private sector.
29. We therefore commit ourselves to working in strengthened partnership with governments, the World Health Organisation (WHO) and other international organisations, industry (notably pharmaceutical companies), academic institutions, NGOs and other relevant actors in civil society to deliver three critical UN targets:
- Reduce the number of HIV/AIDS-infected young people by 25% by 2010 (UN Secretary-General Report to the General Assembly on 27/3/2000);
 - Reduce TB deaths and prevalence of the disease by 50% by 2010 (WHO Stop TB Initiative);
 - Reduce the burden of disease associated with malaria by 50% by 2010 (WHO Roll Back Malaria).
30. In order to achieve this ambitious agenda our partnership must aim to cover:
- Mobilising additional resources ourselves, and calling on the MDBs to expand their own assistance to the maximum extent possible;
 - Giving priority to the development of equitable and effective health systems, expanded immunisation, nutrition and micro-nutrients and the prevention and treatment of infectious diseases;
 - Promoting political leadership through enhanced high-level dialogue designed to raise public awareness in the affected countries;
 - Committing to support innovative partnerships, including with the NGOs, the private sector and multilateral organisations;
 - Working to make existing cost-effective interventions, including key drugs, vaccines, treatments and preventive measures more universally available and affordable in developing countries;
 - Addressing the complex issue of access to medicines in developing countries, and assessing obstacles being faced by developing countries in that regard;
 - Strengthening co-operation in the area of basic research and development on new drugs, vaccines and other international public health goods.
31. We note with encouragement new commitments in these areas. We strongly welcome the World Bank's commitment to triple International Development Association (IDA) financing for HIV/AIDS, malaria, and TB. We also welcome the announcements to expand assistance in this area made by bilateral donors.
32. In addition, we will convene a conference in the autumn this year in Japan to deliver agreement on a new strategy to harness our commitments. The conference should look to define the operations of this new partnership, the areas of priority and the timetable for action. Participation of developing country partners and other stakeholders will be essential. We will take stock of progress at the Genoa Summit next year and will also work with the UN to organise a conference in 2001 focusing on strategies to facilitate access to AIDS treatment and care.

Education

33. Every child deserves a good education. But in some developing countries access to education is limited, particular for females and the socially vulnerable. Basic education not only has intrinsic value, but is also key to addressing a wide range of problems faced by developing countries. Without accelerated progress in this area, poverty reduction will not be achieved and inequalities between countries and within societies will widen. Building on the Cologne Education Charter, we therefore support the Dakar Framework for Action as well as the recommendations of the recently concluded follow-up to the Fourth World Conference on Women, and welcome the efforts of developing countries

to implement strong national action plans. We reaffirm our commitment that no government seriously committed to achieving education for all will be thwarted in this achievement by lack of resources.

34. We therefore commit ourselves to strengthen efforts bilaterally and together with international organisations and private sector donors to achieve the goals of universal primary education by 2015 and gender equality in schooling by 2005. We call on IFIs, in partnership with developing countries, to focus on education in their poverty reduction strategies and provide greater assistance for countries with sound education strategies. These strategies should maximise the potential benefits of IT in this area through distance learning wherever possible and other effective means.

Trade

35. The multilateral trading system embodied by the WTO, which represents the achievements of half a century of untiring efforts on the part of the international community to realise rule-based free trade, has provided its Members, developed and developing countries alike, with enormous trade opportunities, spurring economic growth and promoting social progress. In order to extend these benefits to a greater number of countries in a more tangible manner, the system needs to better address legitimate concerns of its developing country members, particularly the LDCs. The adoption of the short-term package in Geneva, regarding implementation of Uruguay Round undertakings, increased market access for the LDCs, technical assistance for enhanced capacity building as well as improvement in WTO transparency, was an important first step in this direction and must be pursued expeditiously. We recognise the need to go further with greater urgency in this area. And we will do so. In particular, in view of critical importance of trade for the development of developing countries, trade-related capacity building should be substantially expanded, which would be conducive to the more effective participation of developing countries in the system, and especially to fuller utilisation of improved market access in their favour. We also commend bilateral and regional initiatives in this regard. We commit ourselves to playing a leading role by strengthening our support to developing country members for capacity building in line with their individual needs. We also call on international organisations including the WTO, the World Bank, the IMF, the United Nations Development Programme (UNDP), and UNCTAD, to join with us in working collectively toward this objective.
36. We must ensure that the multilateral trading system is strengthened and continues to play its vital role in the world economy. Recognising this responsibility, we are firmly committed to a new round of WTO trade negotiations with an ambitious, balanced and inclusive agenda, reflecting the interests of all WTO members. We agree that the objective of such negotiations should be to enhance market access, develop and strengthen WTO rules and disciplines, support developing countries in achieving economic growth and integration into the global trading system, and ensure that trade and social policies, and trade and environmental policies are compatible and mutually supportive. We agree to intensify our close and fruitful co-operation in order to try together with other WTO members to launch such a round during the course of this year.
37. We recognise that more comprehensive partnership must be developed to help address the challenges of globalisation. In this regard, international and domestic policy coherence should be enhanced, and co-operation between the international institutions should be improved. We also underline the importance of our engagement with our publics to establish a constructive dialogue on the benefits and challenges of trade liberalisation.
38. It is in our common interest to integrate all economies into the multilateral trading system. We therefore welcome the progress made on China's accession to the WTO and support the efforts of other applicants toward early accession.

Cultural Diversity

39. Cultural diversity is a source of social and economic dynamism which has the potential to enrich human life in the 21st century, as it inspires creativity and stimulates innovation. We recognise and respect the importance of diversity in linguistic and creative expression. We welcome the work of relevant international organisations, in particular the United Nations Educational, Scientific and Cultural Organisation (UNESCO), in this field.
40. Increased interaction among peoples, groups and individuals is bringing greater understanding of and appreciation for what is interesting and good in every culture. Promoting cultural diversity enhances mutual respect, inclusion and non-discrimination, and combats racism and xenophobia. We renew our

strong support for the work of the United Nations in its preparations for the UN World Conference against Racism to be held in South Africa in 2001. The first steps toward enhancing cultural diversity are the preservation and promotion of cultural heritage. We welcome efforts already made to preserve tangible heritage and call for further efforts toward the preservation and promotion of intangible heritage. We encourage programmes dedicated to protect movable art and archaeological wealth in developing countries, as well as UNESCO's projects on Masterpieces of the Oral and Intangible Heritage of Humanity.

41. Increased encounters between different cultures foster creative cultural interaction. IT opens up unprecedented opportunities for individuals to create and share cultural content and ideas inexpensively and world wide. Experience shows that diversity can arouse interest, engender initiative and be a positive factor in communities seeking to improve their economies, particularly when assisted by the extraordinary means of the IT society. We shall strive to promote the digitalisation of cultural heritage through, for example, fostering international links between national museum systems, with a view to enhancing public access.
42. To maximise the benefits of cultural interaction, we must encourage our peoples to learn to live together by nurturing interest, understanding and acceptance of different cultures. We therefore welcome the results of the G8 Education Ministers' Meeting on the promotion of education that fosters understanding of different cultures and non-mother tongue languages and encourage competent authorities to promote exchange of students, teachers, researchers and administrators with the goal of doubling the rate of mobility over the next ten years.

Toward a 21st century of deeper peace of mind

Crime and Drugs

43. Everyone deserves a life free from the threat of crime. Rapid globalisation has opened up new opportunities for pursuing more fulfilling lives. But it has also created new room for criminal exploitation, challenging the basic rules of our social, economic and political systems. We reaffirm our support for the adoption by the end of 2000 of the United Nations Transnational Organised Crime Convention and three related Protocols on firearms, smuggling of migrants and trafficking in persons for the establishment of an effective legal framework against transnational organised crime (TOC). We are particularly concerned to fight against those who organise and take advantage of illegal immigration and human trafficking. We appreciate the work undertaken by the Lyon Group in the fight against TOC, and request them to report back to our next meeting. We also endorse the results of the Moscow G8 Ministerial Conference on Combating Transnational Organised Crime.
44. We must take a concerted approach to high-tech crime, such as cyber-crime, which could seriously threaten security and confidence in the global information society. Our approach is set out in the Okinawa Charter on Global Information Society. Taking this forward, we will promote dialogue with industry, including at the joint Berlin meeting in October. We welcome the results and the momentum created by the Government/Industry Dialogue on Safety and Confidence in Cyberspace in Paris, and look forward to the second High-level Meeting on High-tech Crime with industry to be held in Japan.
45. We reaffirm our concern at the increasing global threat posed by the trafficking and use of illegal drugs. We remain committed to reducing demand in our own countries, and to countering the threat from the production and trafficking of illicit drugs globally. We will work with other countries, the UN system and other groups to reduce both supply and demand. We will support regional initiatives to end narcotics production and trafficking. We urge universal implementation of the conclusions of the 1998 UN Special Session on countering the world drugs problem. We are also committed to strengthening international co-operation to:
- Combat the illicit diversion of precursor chemicals for the production of illegal drugs;
 - Address the growing new threat from amphetamines and other synthetic drugs, and will convene an ad hoc meeting of drugs experts by the end of this year;
 - Accelerate the pace of work on asset confiscation;
 - Examine, by means of an international conference hosted by the United Kingdom, the global economy of illegal drugs.

46. Financial crime, including money laundering, poses a serious threat to our economies and societies. We hereby declare our commitment to take all necessary national and international action to effectively combat financial crime, in line with international standards.
47. We renew our commitment to combat corruption. We stress the need for transparency in government in this regard, and call for the ratification and effective implementation of the OECD Anti-Bribery Convention by all signatory parties. Working with other countries, we will prepare for the launch of negotiations in the United Nations on a new instrument against corruption, and instruct the Lyon Group to pursue work on this issue. We look forward to the Second Global Forum to be hosted by the Netherlands as a continued response to our call at Birmingham.
48. Enhanced investigation and prosecution of crime requires enhanced judicial co-operation. We direct our experts to find ways to do so.
49. We must assist capacity-building efforts in the more vulnerable jurisdictions to strengthen their criminal justice systems, in order to prevent criminal groups from threatening their social, economic and political structures and exploiting them as loopholes in the global framework to fight crime.
50. We must also protect vulnerable groups and the young in the fight against crime, and provide particular care for the victims of crime. We reaffirm the need for effective co-operation among competent authorities and for measures to be taken in co-operation with civil society.

Ageing

51. The progressive ageing of our populations compels us to rethink the conventional concept of a three-stage life cycle of education, employment and retirement. As the vitality of our societies increasingly depends on active participation by older people, we must foster economic and social conditions, including IT-related developments, that allow people of all ages to remain fully integrated into society, to enjoy freedom in deciding how to relate and contribute to society, and to find fulfilment in doing so. The concept of "active ageing", as articulated at the Denver Summit, remains our guiding principle in this endeavour.
52. The central challenge is to promote a culture that values the experience and knowledge that come with age. To this end, we will:
- Make further efforts to remove inappropriate disincentives for people below retirement age to stay in the labour market;
 - Counter age prejudice in employment;
 - Encourage life-long learning so that people can remain active through the accelerating transition toward an information society;
 - Pursue healthy ageing policies that permit a continued high quality of life;
 - Seek to increase relevant cross-national research, including comparable longitudinal surveys;
 - Engage with the private sector and civil society in promoting older people's participation in community and volunteer activities.
53. In pursuing these objectives we attach continued importance to international co-operation and policy dialogue, and encourage the OECD to continue its work in this area.
54. We look forward to the upcoming meeting of G8 Labour and Social Affairs Ministers in Italy in November.

Life Science

Biotechnology/Food Safety

55. Maintenance of effective national food safety systems and public confidence in them assumes critical importance in public policy. We are committed to continued efforts to make systems responsive to the growing public awareness of food safety issues, the potential risks associated with food, the accelerating pace of developments in biotechnology, and the increasing cross-border movement of food and agricultural products.
56. The commitment to a science-based, rule-based approach remains a key principle underlying these endeavours. The on-going work in international fora to develop and refine such an approach needs to

be accelerated. In particular, we attach strong importance to the work of the CODEX Alimentarius Commission (CAC), the principal standard-setting body in food safety, and encourage its Ad Hoc Intergovernmental Task Force on Foods Derived from Biotechnology to produce a substantial interim report before completion of its mandate in 2003. We also support the efforts of the CAC's Committee on General Principles to achieve greater global consensus on how precaution should be applied to food safety in circumstances where available scientific information is incomplete or contradictory.

57. Policy dialogue, engaging all stakeholders and including both developed and developing countries, must be intensified to advance health protection, facilitate trade, ensure the sound development of biotechnology, and foster consumer confidence and public acceptance. The report by the OECD Ad Hoc Group on Food Safety and the work of the Task Force for the Safety of Novel Foods and Feeds and the Working Group on Harmonisation of Regulatory Oversight of Biotechnology represent a useful step in this direction. We welcome the further work agreed by OECD ministers. We note with approval that the OECD will continue to undertake analytical work and to play an effective role in international policy dialogue on food safety, maintaining its engagement with civil society and seeking to share its work in this area with countries outside the organisation's membership. Drawing on its comparative advantages, the work of the OECD will effectively complement the activities of other international organisations, in particular the Food and Agriculture Organisation (FAO) and WHO. We also encourage the FAO and WHO to organise periodic international meetings of food safety regulators to advance the process of science-based public consultations.
58. In pursuing this dialogue we will pay particular attention to the needs, opportunities and constraints in developing countries. We will work to strengthen our support for their capacity building to harness the potentials of biotechnology, and encourage research and development as well as data and information sharing in technologies, including those that address global food security, health, nutritional and environmental challenges and are adapted to specific conditions in these countries.
59. Open and transparent consultation with and involvement of all stakeholders, including representatives of civil society, supported by shared scientific understanding, is a key component of a credible food and crop safety system. We note the proposal to establish an independent international panel put forward at the recent OECD Edinburgh Conference. Building on the success of that Conference, we will explore, in consultation with international organisations and interested bodies including scientific academies, the way to integrate the best scientific knowledge available into the global process of consensus building on biotechnology and other aspects of food and crop safety.

Human Genome

60. Advances in life science continuously improve our quality of life. Opening new medical frontiers points to unprecedented opportunities for the benefit of humankind and will have to be achieved taking account of principles of bioethics.
61. The announcement of the nearly complete mapping of the human genome, a momentous discovery in itself, constitutes a further dramatic and welcome step in this development.
62. We consider this mapping to be critically important for all humanity and call for the further rapid release of all raw fundamental data on human DNA sequences as such. We also emphasise the importance of pursuing the post genome-sequence research on the basis of multilateral collaboration.
63. We recognise the need for a balanced and equitable intellectual property protection for gene-based inventions, based wherever possible on common practices and policies. We encourage further efforts in relevant international fora to achieve broad harmonisation of patenting policies of biotechnological inventions.

Environment

64. We must all work to preserve a clean and sound environment for our children and grandchildren. We welcome the results of the G8 Environment Ministers' Meeting in Otsu. We also welcome the conclusion of the Cartagena Protocol on Biosafety, and encourage the parties concerned to work for its early entry into force.
65. We will endeavour with all our partners to prepare a future-oriented agenda for Rio+10 in 2002. We are strongly committed to close co-operation among ourselves and with developing countries to

resolve as soon as possible all major outstanding issues, with a view to early entry into force of the Kyoto Protocol. To that end, we are determined to achieve a successful outcome at the Sixth Conference of the Parties to the Framework Convention on Climate Change (COP6), in order to achieve the goals of the Kyoto Protocol through undertaking strong domestic actions and supplemental flexibility mechanisms.

66. Working together and with existing institutions to encourage and facilitate investment in the development and use of sustainable energy, underpinned by enabling domestic environments, will assist in mitigating the problems of climate change and air pollution. To this end, the increased use of renewable energy sources in particular will improve the quality of life, especially in developing countries. We therefore call on all stakeholders to identify the barriers and solutions to elevating the level of renewable energy supply and distribution in developing countries. We invite stakeholders to join in a Task Force to prepare concrete recommendations for consideration at our next Summit regarding sound ways to better encourage the use of renewables in developing countries.
67. We fully endorse the conclusions of our Foreign Ministers regarding sustainable forest management. In this regard, we attach particular importance to projects that help indigenous and local communities practice sustainable forest management. We will also examine how best we can combat illegal logging, including export and procurement practices.
68. Export credit policies may have very significant environmental impacts. We welcome the adoption of the OECD work plan to be completed by 2001. We reaffirm our commitment to develop common environmental guidelines, drawing on relevant MDB experience, for export credit agencies by the 2001 G8 Summit. We will co-operate to reinvigorate and intensify our work to fulfil the Cologne mandate.
69. Strengthening international maritime safety is vital for the protection of the ocean environment, a global heritage. We will jointly co-operate with the International Maritime Organisation (IMO) to improve maritime safety. We endorse efforts by the IMO to strengthen safety standards, in particular for ships carrying dangerous or polluting cargo, and to verify implementation and enforcement of the application of international standards by flag States. We also endorse efforts by coastal states to enhance safety of navigation and protection of their marine environment through the use, where appropriate, of IMO-adopted routing and reporting measures. We encourage the early achievement of these goals.
70. We welcome the IMO efforts to pursue practical reform of current international regimes on maritime pollution, in particular the 1992 Convention on Civil Liability for Oil Pollution Damage and the 1992 International Oil Pollution Compensation (IOPC) Convention with respect to, inter alia, better compensation.

Nuclear Safety

71. We renew the commitment we made at the 1996 Moscow Summit to safety first in the use of nuclear power and achievement of high safety standards world wide. We agreed to continue to co-operate in promoting a high standard of nuclear safety. We continue to attach great importance to the full and timely implementation of the Nuclear Safety Account Grant Agreement.

Toward a 21st century of greater world stability

Conflict Prevention

72. The international community should act urgently and effectively to prevent and resolve armed conflict. Many people have been sacrificed and injured, many economies have been impoverished, and much devastation has been visited upon the environment. In an ever more interdependent world such negative effects spread rapidly. Therefore, a "Culture of Prevention" should be promoted throughout the global community. All members of the international community should seek to promote the settlement of disputes by peaceful means in accordance with the Charter of the United Nations.
73. We underline the importance of the work done by our Foreign Ministers on conflict prevention since their special meeting in December 1999 in Berlin and the Conclusions of their July 2000 meeting in Miyazaki. We commit ourselves to work for their implementation particularly with respect to economic development and conflict prevention, children in conflict, and international civilian police. We express

special concern that the proceeds from the illicit trade in diamonds have contributed to aggravating armed conflict and humanitarian crises, particularly in Africa. We therefore call for an international conference, whose results shall be submitted to the UN, building on the UN Security Council Resolution 1306 and inter alia the 'Kimberley' process launched by the Government of South Africa, to consider practical approaches to breaking the link between the illicit trade in diamonds and armed conflict, including consideration of an international agreement on certification for rough diamonds. The UN Conference on the Illicit Trade in Small Arms and Light Weapons in All Its Aspects next year requires strong support to ensure a successful outcome, including earliest possible agreement on the Firearms Protocol. We invite the international community to exercise restraint in conventional arms exports, and are committed to work jointly to this end. We invite our Foreign Ministers to examine further effective measures to prevent conflicts.

Disarmament, Non-proliferation and Arms Control

74. We welcome the successful outcome of the 2000 Nuclear Non-Proliferation Treaty (NPT) Review Conference. We are determined to implement the conclusions reached at this Conference, including the early entry into force of the Comprehensive Nuclear-Test-Ban Treaty (CTBT) and the immediate commencement and the conclusion within five years of negotiations for the Fissile Material Cut-Off Treaty. We remain committed to promoting universal adherence to and compliance with the NPT.
75. We look forward to the early entry into force and full implementation of the Strategic Arms Reduction Treaty (START) II and to the conclusion of START III as soon as possible, while preserving and strengthening the Anti-Ballistic Missile (ABM) Treaty as a cornerstone of strategic stability and as a basis for further reductions of strategic offensive weapons, in accordance with its provisions. We welcome the ratification of the CTBT and START II by Russia.
76. The transparent, safe, secure, environmentally sound and irreversible disposition and management of weapon-grade plutonium no longer required for defence purposes remains vital. The agreement on plutonium disposition reached between the United States and Russia, reinforced by their statement of intention concerning non-separation of additional weapon-grade plutonium, marks a critical milestone. The co-operation among the G8 countries has yielded significant results and our next steps should build on this co-operation and related international projects.
77. Our goal for the next Summit is to develop an international financing plan for plutonium management and disposition based on a detailed project plan, and a multilateral framework to co-ordinate this co-operation. We will expand our co-operation to other interested countries in order to gain the widest possible international support, and will explore the potential for both public and private funding.
78. We welcome the reinforcement of global regimes to prevent proliferation of weapons of mass destruction and their delivery systems. We also recognise the need to examine and promote further multilateral measures to curb missile proliferation. In this regard, we strongly support the important work of the Missile Technology Control Regime (MTCR) and will consider the proposal for a Global Monitoring System. We will work to increase the level of international contributions to the Russian chemical weapons destruction programme. We commit ourselves to work with others to conclude the negotiations on the Verification Protocol to strengthen the Biological Weapons Convention as early as possible in 2001.

Terrorism

79. We renew our condemnation of all forms of terrorism regardless of their motivation. We are determined to combat them. We call for the urgent strengthening of international co-operation, in particular in exchanges of counter-terrorism information, improving measures against the financing of terrorist activities, and working together to bring terrorists to justice. We welcome the adoption of the International Convention for the Suppression of the Financing of Terrorism. We call for all states to become parties to the twelve international counter-terrorism conventions to enhance international co-operation against terrorism.
80. We are deeply concerned at the increased number of terrorist acts, including hijacking and taking of hostages. We express our great concern over the continuing pattern of terrorist activities in many regions. We will continue to raise this in our bilateral contacts, carefully monitor developments and maintain close co-operation between us.

81. In this regard, emphasising the international concern over the terrorist threat emanating from Afghan territory under the control of the Taliban, we call for full implementation of the UNSCR 1267.

Next Summit

82. We have accepted the invitation of the Prime Minister of Italy to meet in Genoa next year. To enhance communications in the meantime, we have agreed to establish an e-mail network

OKINAWA CHARTER ON GLOBAL INFORMATION SOCIETY

1. Information and Communications Technology (*IT*) is one of the most potent forces in shaping the twenty-first century. Its revolutionary impact affects the way people live, learn and work and the way government interacts with civil society. *IT* is fast becoming a vital engine of growth for the world economy. It is also enabling many enterprising individuals, firms and communities, in all parts of the globe, to address economic and social challenges with greater efficiency and imagination. Enormous opportunities are there to be seized and shared by us all.
2. The essence of the *IT*-driven economic and social transformation is its power to help individuals and societies to use knowledge and ideas. Our vision of an information society is one that better enables people to fulfil their potential and realise their aspirations. To this end we must ensure that *IT* serves the mutually supportive goals of creating sustainable economic growth, enhancing the public welfare, and fostering social cohesion, and work to fully realise its potential to strengthen democracy, increase transparency and accountability in governance, promote human rights, enhance cultural diversity, and to foster international peace and stability. Meeting these goals and addressing emerging challenges will require effective national and international strategies.
3. In pursuing these objectives, we renew our commitment to the principle of inclusion: everyone, everywhere should be enabled to participate in and no one should be excluded from the benefits of the global information society. The resilience of this society depends on democratic values that foster human development such as the free flow of information and knowledge, mutual tolerance, and respect for diversity.
4. We will exercise our leadership in advancing government efforts to foster an appropriate policy and regulatory environment to stimulate competition and innovation, ensure economic and financial stability, advance stakeholder collaboration to optimise global networks, fight abuses that undermine the integrity of the network, bridge the digital divide, invest in people, and promote global access and participation.
5. Above all, this Charter represents a call to all, in both the public and private sectors to bridge the international information and knowledge divide. A solid framework of *IT*-related policies and action can change the way in which we interact, while promoting social and economic opportunities worldwide. An effective partnership among stakeholders, including through joint policy co-operation, is also key to the sound development of a truly global information society.

Seizing Digital Opportunities

6. The potential benefits of *IT* in spurring competition, promoting enhanced productivity, and creating and sustaining economic growth and jobs hold significant promise. Our task is not only to stimulate and facilitate the transition to an information society, but also to reap its full economic, social and cultural benefits. To achieve this, it is important to build on the following key foundations:
 - Economic and structural reforms to foster an environment of openness, efficiency, competition and innovation, supported by policies focusing on adaptable labour markets, human resource development, and social cohesion;
 - Sound macroeconomic management to help businesses and consumers plan confidently for the future and exploit the advantages of new information technologies;
 - Development of information networks offering fast, reliable, secure and affordable access through competitive market conditions and through related innovation in network technology, services and applications;
 - Development of human resources capable of responding to the demands of the information age through education and lifelong learning and addressing the rising demand for *IT* professionals in many sectors of our economy;
 - Active utilisation of *IT* by the public sector and the promotion of online delivery of services, which are essential to ensure improved accessibility to government by all citizens.
7. The private sector plays a leading role in the development of information and communications networks in the information society. But it is up to governments to create a predictable, transparent and non-discriminatory policy and regulatory environment necessary for the information society. It is

important to avoid undue regulatory interventions that would hinder productive private-sector initiatives in creating an *IT*-friendly environment. We should ensure that *IT*-related rules and practices are responsive to revolutionary changes in economic transactions, while taking into account the principles of effective public-private sector partnership, transparency and technological neutrality. The rules must be predictable and inspire business and consumer confidence. In order to maximise the social and economic benefits of the Information Society, we agree on the following key principles and approaches and commend them to others:

- Continue to promote competition in and open markets for the provision of information technology and telecommunications products and services, including non-discriminatory and cost-oriented interconnection for basic telecommunications;
 - Protection of intellectual property rights for *IT*-related technology is vital to promoting *IT*-related innovations, competition and diffusion of new technology; we welcome the joint work already underway among intellectual property authorities and further encourage our experts to discuss future direction in this area;
 - Governments' renewed commitment to using software in full compliance with intellectual property rights protection is also important;
 - A number of services, including telecommunications, transportation, and package delivery are critical to the information society and economy and improving their efficiency will maximise benefits; customs and other trade-related procedures are also important to foster an *IT*-friendly environment;
 - Facilitate cross-border e-commerce by promoting further liberalisation and improvement in networks and related services and procedures in the context of a strong World Trade Organisation (WTO) framework, continued work on e-commerce in the WTO and other international fora, and application of existing WTO trade disciplines to e-commerce;
 - Consistent approaches to taxation of e-commerce based on the conventional principles, including neutrality, equity and simplicity, and other key elements agreed in the work of the Organisation for Economic Co-operation and Development (OECD);
 - Continuing the practice of not imposing customs duties on electronic transmissions, pending the review at the next WTO Ministerial Conference;
 - Promotion of market-driven standards including, for example, interoperable technical standards;
 - Promote consumer trust in the electronic marketplace consistent with OECD guidelines and provide equivalent consumer protection in the online world as in the offline world, including through effective self-regulatory initiatives such as online codes of conduct, trustmarks and other reliability programmes, and explore options to alleviate the difficulties faced by consumers in cross-border disputes, including use of alternative dispute resolution mechanisms;
 - Development of effective and meaningful privacy protection for consumers, as well as protection of privacy in processing personal data, while safeguarding the free flow of information, and;
 - Further development and effective functioning of electronic authentication, electronic signature, cryptography, and other means to ensure security and certainty of transactions.
8. International efforts to develop a global information society must be accompanied by co-ordinated action to foster a crime-free and secure cyberspace. We must ensure that effective measures, as set out in the OECD Guidelines for Security of Information Systems, are put in place to fight cyber-crime. G8 co-operation within the framework of the Lyon Group on Transnational Organised Crime will be enhanced. We will further promote dialogue with industry, building on the success of the recent G8 Paris Conference "A Government/Industry Dialogue on Safety and Confidence in Cyberspace". Urgent security issues such as hacking and viruses also require effective policy responses. We will continue to engage industry and other stakeholders to protect critical information infrastructures.

Bridging the Digital Divide

9. Bridging the digital divide in and among countries has assumed a critical importance on our respective national agendas. Everyone should be able to enjoy access to information and communications networks. We reaffirm our commitment to the efforts underway to formulate and implement a coherent strategy to address this issue. We also welcome the increasing recognition on the part of industry and civil society of the need to bridge the divide. Mobilising their expertise and resources is

an indispensable element of our response to this challenge. We will continue to pursue an effective partnership between government and civil societies responsive to the rapid pace of technological and market developments.

10. A key component of our strategy must be the continued drive toward universal and affordable access. We will continue to:

- Foster market conditions conducive to the provision of affordable communications services;
- Explore other complementary means, including access through publicly available facilities;
- Give priority to improving network access, especially in underserved urban, rural and remote areas;
- Pay particular attention to the needs and constraints of the socially under-privileged, people with disabilities, and older persons and actively pursue measures to facilitate their access and use;
- Encourage further development of "user-friendly", "barrier-free" technologies, including mobile access to the Internet, as well as greater utilisation of free and publicly available contents in a way which respects intellectual property rights.

11. The policies for the advancement of the Information Society must be underpinned by the development of human resources capable of responding to the demands of the information age. We are committed to provide all our citizens with an opportunity to nurture *IT* literacy and skills through education, lifelong learning and training. We will continue to work toward this ambitious goal by getting schools, classrooms and libraries online and teachers skilled in *IT* and multimedia resources. Measures aiming to offer support and incentives for small-to-medium-sized enterprises and the self-employed to get online and use the Internet effectively will also be pursued. We will also encourage the use of *IT* to offer innovative lifelong learning opportunities, particularly to those who otherwise could not access education and training.

Promoting Global Participation

12. *IT* represents a tremendous opportunity for emerging and developing economies. Countries that succeed in harnessing its potential can look forward to leapfrogging conventional obstacles of infrastructural development, to meeting more effectively their vital development goals, such as poverty reduction, health, sanitation, and education, and to benefiting from the rapid growth of global e-commerce. Some developing countries have already made significant progress in these areas.

13. The challenge of bridging the international information and knowledge divide cannot, however, be underestimated. We recognise the priority being given to this by many developing countries. Indeed, those developing countries which fail to keep up with the accelerating pace of *IT* innovation may not have the opportunity to participate fully in the information society and economy. This is particularly so where the existing gaps in terms of basic economic and social infrastructures, such as electricity, telecommunications and education, deter the diffusion of *IT*.

14. In responding to this challenge, we recognise that the diverse conditions and needs of the developing countries should be taken into account. There is no "one-size-fits-all" solution. It is critically important for developing countries to take ownership through the adoption of coherent national strategies to: build an *IT*-friendly, pro-competitive policy and regulatory environment; exploit *IT* in pursuit of development goals and social cohesion; develop human resources endowed with *IT* skills; and encourage community initiatives and indigenous entrepreneurship.

The Way Forward

15. Efforts to bridge the international divide, as in our societies, crucially depend on effective collaboration among all stakeholders. Bilateral and multilateral assistance will continue to play a significant role in building the framework conditions for *IT* development. International Financial Institutions (IFIs), including Multilateral Development Banks (MDBs), particularly the World Bank, are well placed to contribute in this regard by formulating and implementing programmes that foster growth, benefit the poor, as well as expand connectivity, access and training. The International Telecommunications Union (ITU), the United Nations Conference on Trade and Development (UNCTAD) and the United Nations Development Programme (UNDP) and other relevant international fora, also have an important role to play. The private sector remains a central actor driving *IT* forward in developing countries and can contribute significantly to the international efforts to bridge the digital

divide. NGOs, with their unique ability to reach grassroots areas, can usefully contribute to human resource and community development. *IT*, in short, is global in dimension, and thus requires a global response.

16. We welcome efforts already underway to bridge the international digital divide through bilateral development aid and by international organisations and private groups. We also welcome contributions from the private sector, such as those of the Global Digital Divide Initiative of the World Economic Forum (WEF), the Global Business Dialogue on E-Commerce (GBDe), and the Global Forum.
17. As highlighted by the UN Economic and Social Council (ECOSOC) Ministerial Declaration on the role of *IT* in the context of a knowledge-based global economy, there is a need for greater international dialogue and collaboration to improve the effectiveness of *IT*-related programmes and projects with developing countries, and to bring together the "best practices" and mobilise the resources available from all stakeholders to help close the digital divide. The G8 will seek to promote the creation of a stronger partnership among developed and developing countries, civil society including private firms and NGOs, foundations and academic institutions, and international organisations. We will also work to see that developing countries can, in partnership with other stakeholders, be provided with financial, technical and policy input in order to create a better environment for, and use of, *IT*.
18. We agree to establish a Digital Opportunity Taskforce (dot force) with a view to integrating our efforts into a broader international approach. To this end, the dot force will convene as soon as possible to explore how best to secure participation of stakeholders. This high-level Taskforce, in close consultation with other partners and in a manner responsive to the needs of developing countries, will:
 - Actively facilitate discussions with developing countries, international organisations and other stakeholders to promote international co-operation with a view to fostering policy, regulatory and network readiness; improving connectivity, increasing access and lowering cost; building human capacity; and encouraging participation in global e-commerce networks;
 - Encourage the G8's own efforts to co-operate on *IT*-related pilot programmes and projects;
 - Promote closer policy dialogue among partners and work to raise global public awareness of the challenges and opportunities;
 - Examine inputs from the private sector and other interested groups such as the Global Digital Divide Initiative's contributions;
 - Report its findings and activities to our personal representatives before our next meeting in Genoa.
19. In pursuit of these objectives, the dot force will look for ways to take concrete steps on the priorities identified below:

Fostering policy, regulatory and network readiness

- supporting policy advice and local capacity building, to promote a pro-competitive, flexible and socially inclusive policy and regulatory environment;
- facilitating the sharing of experience between developing countries and other partners;
- encouraging more effective and greater utilisation of *IT* in development efforts encompassing such broad areas as poverty reduction, education, public health, and culture;
- promoting good governance, including exploration of new methods of inclusive policy development;
- supporting efforts of MDBs and other international organisations to pool intellectual and financial resources in the context of co-operation programmes such as InfoDev;

Improving connectivity, increasing access and lowering cost:

- mobilising resources to improve information and communications infrastructure, with a particular emphasis on a "partnership" approach involving governments, international organisations, the private sector, and NGOs;
- working on ways to reduce the cost of connectivity for developing countries;
- supporting community access programmes;
- encouraging research and development on technology and applications adapted to specific requirements in developing countries;

- improving interoperability of networks, services, and applications;
- encouraging the production of locally relevant and informative content including in the development of the content in various mother tongues.

Building human capacity:

- focusing on basic education as well as increased opportunities for life-long learning, with a particular emphasis on development of *IT* skills;
- assisting the development of a pool of trained professionals in *IT* and other relevant policy areas and regulatory matters;
- developing innovative approaches to extend the traditional reach of technical assistance, including distance learning and community-based training;
- networking of public institutions and communities, including schools, research centres and universities.

Encouraging participation in global e-commerce networks:

- assessing and increasing e-commerce readiness and use, through provision of advice to start-up businesses in developing countries, and through mobilisation of resources to help businesses to use *IT* to improve their efficiency and access to new markets.
- ensuring that the "rules of the game" as they are emerging are consistent with development efforts, and building developing country capacity to play a constructive role in determining these rules.

G8 STATEMENT ON REGIONAL ISSUES

Okinawa, 21 July 2000

South Asia

The level of tension between India and Pakistan remains a cause of international concern. We call on the two countries to resume dialogue as soon as possible in the spirit of Lahore in order to realise a sustainable peace in the region.

We call on both India and Pakistan to join international efforts to strengthen the non-proliferation and disarmament regime. While welcoming those positive statements and steps that have been made, we reiterate our call for them to carry out fully the concrete measures set out in the UNSCR 1172, including signing and ratifying the CTBT.

Middle East Peace Process

In the Middle East, there is a real opportunity for the achievement of a comprehensive peace based on the UN Security Council Resolutions 242 and 338 and the agreements of Madrid and Oslo. We reaffirm our strong support for the efforts by the parties concerned to advance the peace process toward this end. We reiterate the importance we attach to a continuing commitment to the peaceful resolution of disputes.

In the light of the trilateral Summit Meeting on a peace between Israel and the Palestinians, we applaud the intensive efforts by President Arafat and Prime Minister Barak, with the facilitation of President Clinton, to reach agreement on all permanent status issues. We welcome their courageous decision to continue negotiations, and confirm our support for their endeavours. We confirm too our commitment to assist the implementation of a peace agreement, and invite the international community to participate in the efforts to help the parties implement such an agreement when it is reached.

We underline the importance of resuming the activities of the multilateral working groups, recognising that progress in the multilateral tracks is related to and supports the bilateral tracks.

We condemn any violent attempts by extremists and terrorists to interfere with the Middle East peace process, and call for a cessation of support for such violence.

We welcome the recent withdrawal of the Israeli forces from Lebanon, in accordance with the UNSCR 425, as verified by the UN Secretary General and confirmed by the UN Security Council. It is the responsibility of the Government of Lebanon to ensure the return of its effective authority to maintain peace and security in southern Lebanon. Being aware that attaining these goals will also depend on the government's ability to meet the infrastructure and development needs of this region, we are committed to supporting its efforts to this end.

Balkans

The G8 remains committed to supporting peace, stability, foreign and national investment, and development in South Eastern Europe. Towards this goal, we call upon all parties concerned in the region to refrain from violence and to promote further their mutual co-operation, and we reiterate the importance of promoting harmony among ethnic groups and creating the conditions for co-existence among all communities. We welcome contributions supporting South Eastern Europe made by states and international organisations, in particular by the EU, which plans a Summit with the western Balkan countries. We commend the co-ordination provided by the Stability Pact which is contributing to enhanced regional political and economic co-operation in South Eastern Europe. We also welcome the 2.4 billion Euro in pledges for quick-start projects in the fields of democratisation, economic development and security under the Stability Pact. We will meet our financial commitments, and urge countries in the region to intensify their efforts for reform. We give our strong support to the projects being implemented by the World Bank, European Commission, European Investment Bank, and European Bank for Reconstruction and Development within the framework of the Stability Pact.

We reaffirm our commitment to the full implementation of the UNSCR 1244 and underline our support for the efforts made by the UN, the EU, KFOR and the OSCE. Successful and carefully prepared municipal elections in Kosovo will be an important step in the establishment of a democratic and multi-ethnic society, and we urge all communities in Kosovo to refrain from violence and to help build such a society.

We look forward to a democratic Federal Republic of Yugoslavia so that it can be reintegrated in the international community and play its rightful part in contributing to the stability of the entire region. We are very concerned by the motivation for and the possible consequences of the revision of the FRY Constitution. We call on the government in Belgrade to refrain from any action which could contribute to the further escalation of violence. We also call on the opposition to contribute to the peaceful democratic development of the FRY. We strongly oppose the recent restrictions on the free press in the FRY. We welcome the continued consolidation of democracy in Montenegro, reiterate our support for its democratically elected authorities, and urge them to continue to practice restraint.

Africa

We are deeply concerned about the growth of armed conflict in the continent of Africa. Africa must mobilise the political will to prevent and resolve armed conflicts. We stress that the rule of law, good governance and democracy are indispensable elements to achieve that goal. We reaffirm our strong commitment to help. We also reaffirm our commitment to support Africa's quest for peace and stability.

Cyprus

We recall the declaration issued at our last meeting in Cologne calling for a resumption of comprehensive negotiations under the UN auspices on a Cyprus settlement. We commend the UN Secretary General for convening proximity talks between the parties to the Cyprus dispute to prepare the ground for meaningful negotiations leading to a comprehensive settlement. The failure of the two parties to resolve their differences and end the division of Cyprus remains a matter of serious concern to us. We call upon the parties to take the historic opportunity that now exists to intensify the negotiations in an effort to strike the compromises needed to reach a just and lasting settlement that protects the fundamental interests of both parties in an undivided Cyprus giving full consideration to relevant Security Council resolutions. We express the hope that decisive progress will be made in the current round and in the months ahead.

G8 STATEMENT ON KOREAN PENINSULA

Okinawa, 21 July 2000

We warmly welcome the Summit Meeting between the ROK and the DPRK held in Pyongyang on 13-15 June 2000 and underline the historic importance of this meeting. We fully support the positive developments set in train by the meeting, and encourage the South-North dialogue to continue and advance further. We sincerely hope that such a process, including the faithful implementation of the South-North Joint Declaration, will usher in a new era in inter-Korean relations and reduce the tensions in the Korean Peninsula.

We strongly support all efforts by the ROK and the DPRK to reduce tension and establish lasting peace on the Korean Peninsula that contribute to stability in Northeast Asia. We reiterate also our strong support for the ROK's engagement policy which is contributing to positive developments. We welcome the constructive attitude shown by the DPRK, and take note of the reconfirmation of its moratorium on missile-launch as a positive step. We call on the DPRK to continue such efforts. In this context, we look forward to a constructive response to international concerns over security, non-proliferation, humanitarian and human rights issues.

G7 STATEMENT

Okinawa, 21 July 2000

World Economy

1. Since we last met in Cologne, prospects for world economic growth have further improved, as the underlying fundamentals of the industrial countries and the world economy more generally have strengthened, and as our economies move towards a more balanced and therefore more sustainable pattern of growth. Emerging market economies, including the crisis-affected economies in Asia and elsewhere, continue to strengthen.
2. At the same time, continued vigilance and further action are needed to ensure that sustained, strong and balanced growth is achieved. We agree on the importance of directing macroeconomic and structural policies in all our countries at achieving this objective, with emphasis on taking full advantage of the investment opportunities created by new technologies to raise potential growth rates.
3. More specifically,
 - In the United States and Canada, where growth remains strong with low unemployment and inflation well contained, macroeconomic policies should continue to be directed towards maintaining a sustainable rate of growth and low inflation, and in the United States, national saving should increase.
 - In the euro area, where growth has further strengthened and employment is rising, sound macroeconomic policies and vigorous structural reforms directed towards expanding investment, employment, and productive potential remain important.
 - In the United Kingdom, where growth has strengthened, employment is still rising, and inflation is low, economic policies should continue to aim at meeting the inflation target while sustaining growth and employment.
 - In Japan, where the economy continues to show positive signs of recovery, although uncertainty still lingers, macroeconomic policies should continue to be supportive to ensure domestic demand-led growth. Structural reform should be continued to promote an increase in productive potential.
 - We welcome the recovery in many emerging market economies as well as countries in transition and developing countries, but we stress the importance of further progress in corporate and financial restructuring and the importance of sound underlying fiscal positions and debt structures.
4. We are concerned about the adverse effect on world economic growth of recent developments in world crude oil markets. In this context, we highlight the need for greater stability of oil markets to help ensure sustained growth and prosperity in both oil producing countries and oil consuming countries.

Strengthening the International Financial Architecture

5. Following a series of crises since 1997, the international community has endeavoured to promote greater stability of the global economy through strengthening the international financial architecture, in view of the drastic changes to the global financial landscape, particularly in light of the increasing size and importance of private capital markets.
6. We welcome the progress made thus far and support the further steps set out by our Finance Ministers in the following areas.
7. We will continue to work together with other members of the international community to further strengthen the international financial architecture.

Reform of the International Monetary Fund (IMF)

8. The IMF should continue to play a central role in advancing macroeconomic and financial stability as an important precondition for sustainable global growth and should continue to evolve to meet the challenges of the future. As a universal institution, the IMF must work in partnership with all its members, including the poorest, based on shared interests. In this regard, we attach particular importance to the following measures:

Strengthening IMF surveillance to prevent crises: A substantial qualitative shift in the nature and scope of the surveillance is needed in light of globalisation and large scale private capital flows.

Implementation of international codes and standards: We are determined to strengthen our efforts to this end, including through their incorporation in IMF surveillance.

Reform of IMF facilities: To adapt to the globalisation of capital markets, we attach priority to early progress in achieving a streamlined, incentive-based structure for IMF lending as set out by our Finance Ministers.

Safeguarding IMF resources and post-programme monitoring: It is imperative to implement the strengthened safeguard measures and to enhance IMF's capacity for post-programme monitoring.

Strengthening governance and accountability: It is important that the IMF's decision-making structure and its operation remain accountable taking into account changes in the world economy.

Promotion of private sector involvement in crisis prevention and resolution: We welcome that private external creditors have contributed to the financing of recent IMF programmes, confirming the importance of making operational the approach agreed by our Finance Ministers last April based on the framework we laid out in Cologne.

Reform of the Multilateral Development Banks (MDBs)

9. The core role of the MDBs should be accelerating poverty reduction in developing countries while improving the efficiency of assistance and avoiding competition with private financial flows. The MDBs should increase their resources devoted to core social investments such as basic health and education, clean water and sanitation. The Comprehensive Development Framework (CDF) and the Poverty Reduction Strategy Papers (PRSPs) should become the basis for programmes that have strong ownership by the recipient countries.
10. All the MDBs should allocate their support increasingly on the basis of borrower performance. Country assistance strategies should take full account of borrowers' policy environments, including governance issues. The MDBs' own governance and accountability should also be strengthened.
11. We look to the MDBs to play a leadership role in increasing the provision of global public goods, particularly for urgently needed measures against infectious and parasitic diseases including HIV/AIDS, as well as environmental degradation.

Highly-leveraged Institutions (HLIs), Capital Flows, and Offshore Financial Centers (OFCs)

12. We stress the importance of implementing measures recommended by the Financial Stability Forum (FSF) last March.
13. With regard to concerns about the potential consequences of the activities of HLIs, we agree that the recommended measures should be fully implemented and that they will be reviewed to determine whether additional steps are necessary. We note that the FSF considered, but did not recommend, at this stage, direct regulation of the currently unregulated HLIs, but emphasized that direct regulation would be reconsidered, if, upon review, the implementation of its recommendations were not adequately addressing concerns identified.
14. We urge the IMF to conduct quickly assessments of offshore financial centres identified by the FSF as a priority.
15. We agree that it remains essential for each country to strengthen the financial system, choose an appropriate foreign exchange rate regime, and liberalise the capital account in a well-sequenced manner.

Regional Co-operation

16. We agree that regional co-operation through intensified surveillance can help contribute to financial stability by strengthening the policy framework at the national level. Co-operative financing arrangements at the regional level designed to supplement resources provided by the international financial institutions (IFIs) in support of IMF programmes can be effective in crisis prevention and resolution. In this context, we welcome the recent developments in Asia and North America. In a different institutional context, economic and financial integration mechanisms, and monetary unification in Europe are also contributing to the economic and financial stability of the global economy.

Progress of the Enhanced HIPC Initiative

17. The International Development Goal of cutting in half by 2015 the proportion of the world's population living in extreme poverty is an ambitious one. It demands a strategy of economic growth accompanied by the right social sector policies which can contribute to a virtuous circle of poverty reduction and economic development. Debt relief for Heavily Indebted Poor Countries (HIPCs) is only one part of such a strategy, but it is a crucial part.
18. Last year in Cologne, we agreed to launch the Enhanced HIPC Initiative to deliver faster, broader and deeper debt relief, releasing funds for poverty reduction. We welcome endorsement of this initiative by the international community last autumn.
19. Since then, while further efforts are required, progress has been made in implementing the Enhanced HIPC Initiative. As reported in the annex to our G7 Finance Ministers' report, published today, on "Poverty Reduction and Economic Development," nine countries (Benin, Bolivia, Burkina Faso, Honduras, Mauritania, Mozambique, Senegal, Tanzania and Uganda,) have already reached their Decision Points and are seeing the benefits of the Initiative. Total debt relief under the HIPC Initiative for these countries should amount to more than US\$15 billion in nominal terms (US\$8.6 billion in Net Present Value).
20. We welcome the efforts being made by HIPCs to develop comprehensive and country-owned poverty reduction strategies through a participatory process involving civil society. We encourage those HIPCs that have not yet done so to embark quickly on the process and thus fully benefit from the debt reduction. We are concerned by the fact that a number of HIPCs are currently affected by military conflicts which prevent poverty reduction and delay debt relief. We call upon these countries to end their involvement in conflicts and to embark quickly upon the HIPC process. We agree to strengthen our efforts to help them prepare and come forward for debt relief, by asking our Ministers to make early contact with the countries in conflict to encourage them to create the right conditions to participate in the HIPC Initiative. We will work together to ensure that as many countries as possible reach their Decision Points, in line with the targets set in Cologne, giving due consideration to the progress of economic reforms and the need to ensure that the benefits of debt relief are targeted to assist the poor and most vulnerable.
21. In this regard, we welcome the establishment of the Joint Implementation Committee (JIC) by the World Bank and the IMF, and strongly urge both HIPCs and IFIs to accelerate their work toward the implementation of the Initiative. IFIs should, along with other donors, help HIPCs prepare PRSPs and assist their financial resource management by providing technical assistance.
22. We reaffirmed our commitment to provide 100% debt reduction of ODA claims, and newly commit to 100% debt reduction of eligible commercial claims. We welcome the announcement made by some non-G7 countries that they too will provide 100% debt relief, and we urge other donors to follow suit.
23. We note the progress made in securing the required financing of the IFIs for effective implementation of the Enhanced HIPC Initiative, and welcome pledges and the initial contributions including those to the HIPC Trust Fund. We reaffirm our commitment to make available as quickly as possible the resources we have pledged. In this context, we recognise the importance of fair burden sharing among creditors.
24. Given the enormous destructive effect of war and crisis, we call upon the OECD to review strengthened measures, including a review of national rules and regulations, toward ensuring that export credits to HIPCs and other low income developing countries are not used for non-productive purposes. We encourage the OECD to complete this work and publish the results as soon as possible.

Actions Against Abuse of the Global Financial System

25. To secure the benefits of the globalised financial system, we need to ensure that its credibility and integrity are not undermined by money laundering, harmful tax competition, and poor regulatory standards.
26. We welcome and strongly endorse our G7 Finance Ministers' report, published today, on "Actions Against Abuse of the Global Financial System," and attach particular importance to the following developments:

Money laundering: We welcome the initial work of the Financial Action Task Force on Money Laundering (FATF), which has published its review of the rules and practices of 29 countries and territories and its identification of 15 non-co-operative countries and territories (NCCTs). We note with satisfaction the issuance of advisories to our domestic financial institutions that they should take cognisance and enhance their scrutiny of the risks associated with business and transactions with individuals or entities from the 15 NCCTs. We are ready to give our advice and provide, where appropriate, our technical assistance to jurisdictions that commit to making improvements to their regimes. We are prepared to act together, when required and appropriate, to implement co-ordinated counter-measures against those NCCTs that do not take steps to reform their systems appropriately, including the possibility to condition or restrict financial transactions with those jurisdictions and to condition or restrict support from IFIs to them.

Tax havens and other harmful tax practices: We welcome the OECD Report on Progress on Identifying and Eliminating Harmful Tax Practices, which includes two lists: certain jurisdictions meeting tax haven criteria; and potentially harmful regimes within the OECD member countries. We also welcome the public commitments already made by jurisdictions to eliminate harmful tax practices and we urge all jurisdictions to make such commitments. We encourage the OECD to continue its efforts to counter harmful tax practices and to extend its dialogue with non-member countries. We also reaffirm our support for the OECD's report on improving access to bank information for tax purposes and call on all countries to work rapidly towards a position where they can permit access to, and exchange, bank information for all tax purposes.

Offshore financial centres: Regarding offshore financial centres (OFCs) that do not meet international financial standards, we welcome the identification by the Financial Stability Forum (FSF) of priority jurisdictions for assessment. We consider it essential for OFCs to implement all measures recommended by the FSF with a view to improving weak regulatory and supervisory systems, as well as to eliminate harmful tax competition and to adopt anti-money laundering measures. In this regard, we attach priority to the eight areas identified by our Finance Ministers: international co-operation, exchange of information, customer identification, abolition of excessive secrecy, effective vetting of financial institutions, enhanced resources for financial supervision and anti-money laundering compliance, improved legislation on money launderings and elimination of harmful tax practices. We will take steps to encourage jurisdictions to make the necessary changes and provide technical assistance where appropriate. Where jurisdictions fail to meet certain standards and are not committed to enhancing their level of compliance with international standards, we will also take measures to protect the international financial system from the effects of these failures.

Role of international financial institutions (IFIs): We urge IFIs, including the IMF and World Bank, to help countries implement relevant international standards, in the context of financial sector assessments as well as programme design and assistance.

27. We stress the urgent need for concrete actions against abuse of the global financial system at both the national and international level. We also strongly urge better co-ordination, further impetus to efforts under way in various international fora, and expeditious follow-up actions.

Nuclear Safety/Ukraine

28. We welcome the decision taken by President Kuchma to close the Chernobyl Nuclear Power Plant (NPP) on 15 December this year. We continue to co-operate with the Government of Ukraine in addressing the problems associated with the permanent shutdown of the Chernobyl NPP.
29. We reaffirm our commitment made at the Cologne Summit to continue our support for the Shelter Implementation Plan (SIP). We welcome the results of the Pledging Conference in July to ensure full implementation of the SIP. We appreciate the contribution of the non-G7 donors.
30. We urge the Government of Ukraine to accelerate its power sector reforms, particularly improvement of cash collection and privatisation, which will attract financially viable investments in the energy sector. We look forward to receiving the report of the European Bank for Reconstruction and Development in this respect. In the meantime, we affirm our commitment in line with the Memorandum of Understanding to assist the Ukraine in the preparation and implementation of energy projects based on least cost principles.

CONCLUSIONS OF THE G8 FOREIGN MINISTERS' MEETING

Miyazaki, 13 July 2000

1. We, the Foreign Ministers of the G8, met in Miyazaki on 12 and 13 July 2000. We discussed the various challenges ahead and drew the following conclusions.

2. In this era of rapid globalisation, we believe that an enduring commitment to peace and the fundamental principles of democracy, the rule of law, human rights and an open economy will remain indispensable. We reaffirm our commitment to human security through the creation of an environment where the dignity, well-being, safety and human rights of all people are ensured.

3. This requires intensified cooperation between sovereign states, international and regional organizations and civil society. It is imperative that the United Nations continue to play a pivotal role in the century to come. We welcome the leadership of the UN Secretary General in the preparation of the Millennium Summit.

GLOBAL ISSUES

Conflict Prevention

4. We reaffirmed our commitment in Berlin in December 1999 to a sustained effort to promote a "Culture of Prevention" throughout the global community and to develop conflict prevention initiatives. We emphasize the importance of pursuing a "Comprehensive Approach", drawing from the range of political, security, economic, financial, environmental, social and development policies, in an integrated manner, from the pre-conflict phase to prevent conflicts from breaking out, to the post-conflict phase to ensure that conflicts do not recur. We will therefore continue to monitor carefully potential areas of armed conflict around the world. We underline the leading role of the United Nations in the prevention of conflict but recognize that the main responsibility rests with the protagonists.

5. To follow up the Berlin meeting, we endorse the following measures, that are detailed in our separate document made public today:

- dealing with the uncontrolled and illegal transfer of small arms and light weapons, as well as their destabilizing accumulation, with a view to restricting the means for armed conflict, and achieving concrete results at the UN Conference in 2001
- ensuring that development policies are constructed so as to contribute to the elimination of potential causes of armed conflict
- addressing the illicit trade in diamonds, particularly those coming from conflict zones in Africa, which provide funds for those engaging in armed conflict
- addressing the impact of armed conflict on children including ending the use of children as soldiers
- addressing the importance of international civilian police (CIVPOL) as a critical element of conflict prevention

We encourage further effort by all concerned and we commit ourselves to continue to cooperate closely and further identify effective measures to prevent conflicts, including supporting the role of women, combating cyber crime and developing the principles of corporate citizenship in conflict prevention.

Disarmament, Non-Proliferation and Arms control

6. We stress the need to maintain and further strengthen the international non-proliferation regime. We remain committed to universal application and full implementation of the NPT, which is the cornerstone for global nuclear non-proliferation and the essential foundation for the pursuit of nuclear disarmament. We welcome the success of the 2000 NPT Review Conference and call for full implementation of the conclusions reached at the Conference. We are pleased at the increase in the number of states which have ratified the CTBT. We call on all those states which have not yet done so to sign and ratify the Treaty without delay, particularly on those whose ratification is needed for its entry into force.

7. We welcome the interest of the international community in the Expanded Threat Reduction Initiative and similar efforts of the European Union and others to address arms control and non-proliferation. In particular, we commit ourselves to cooperate to establish multilateral arrangements necessary for a

coordinated and integrated program for the safe management and disposition of weapon grade plutonium no longer required for defence purposes, and call on other states to join us in supporting this effort.

8. We look forward to the early entry into force and full implementation of START II and the conclusion of START III as soon as possible while preserving and strengthening the ABM Treaty as a cornerstone of strategic stability and as a basis for further reductions of strategic offensive weapons, in accordance with its provisions.

9. We welcome the Final Document of the NPT Review Conference urging the Conference on Disarmament to agree on the immediate commencement of negotiations on the Fissile Material Cut-Off Treaty with a view to their conclusion within five years. We commit ourselves to work together to meet this goal. We will make utmost efforts with others to conclude the negotiations on a Protocol which will effectively strengthen the Biological Weapons Convention as early as possible in 2001. We agree on the need for the international community to increase the level of funding for the Russian chemical weapons destruction program as called for at the 5th Conference of the States Parties to the CWC.

10. We remain deeply concerned at missile proliferation, and we call upon the international community to continue to address this issue on a multilateral basis. We will continue our efforts to address the issue. Adherence to the MTCR plays a key role in this respect.

11. We also remain concerned by the scourge of anti-personnel landmines which have caused harm to so many innocent civilians throughout the world and by the continued existence of vast stockpiles of anti-personnel landmines. We are determined to support efforts, including those under the Ottawa Treaty, aimed at the total elimination of such landmines, and welcome the progress that has been made to date in mine clearance, humanitarian de-mining activities and stockpile destruction, and in the development of technologies for mine action. We will continue encouraging these activities.

Terrorism

12. We renew our commitment to fighting all forms of terrorism regardless of the perpetrator's motives. We commit our governments and our people to this struggle. All states, groups and individuals must recognize that, in accordance with the UNSCR 1269, no haven shall be given to terrorists, no support granted and no criminal act tolerated. We welcome our experts' work and encourage them to continue efforts to improve practical cooperation on counter-terrorism among G8 states. We furthermore emphasize that international counter-terrorism cooperation remains a key factor in defeating international terrorism and will continue to work closely with other like-minded countries to this end. We call for all governments to adhere strongly to the UNSCR 1267 sanctions and for all states to work to close down terrorist camps under the control of the Taliban.

13. We call upon all states to become parties to the twelve counter-terrorism conventions, especially the Convention for the Suppression of Terrorist Bombings and the Convention for the Suppression of the Financing of Terrorism so that they can enter into force and be speedily and effectively implemented. We are engaged in discussions to this end. We condemn absolutely any form of taking hostages. We reiterate our concerns about aviation security, and welcome the initiative to hold a G8 workshop on hijacking in October. We also support the initiative of negotiating an effective comprehensive convention on terrorism.

War Criminals

14. We remain deeply concerned at the flagrant violations of international humanitarian law around the world. Ending the impunity of war criminals is an important step toward peace and reconciliation. We support the work of existing international criminal tribunals, fully cooperate with them, and look forward to the establishment of an effective international criminal court enjoying the widest possible international support.

UN Reform

15. In this year of the Millennium Summit and Assembly, and in view of the challenges posed to the organization, we reaffirm our commitment to reform, strengthen and enhance the effectiveness of the UN system, including the Security Council, which has primary responsibility under the UN Charter to maintain international peace and security. We encourage the United Nations to strengthen partnership and coordination between relevant organizations and other actors in the area of humanitarian and development assistance. We also confirm the need for the UN to operate on a sound financial basis, with

efficient budgetary arrangements, as well as equitable financial contributions among the Member States. We call for all UN members to make a significant contribution toward achieving these objectives.

UN Peacekeeping

16. We reaffirm our support for UN peacekeeping which is playing a crucial and growing role in maintaining peace and stability in the world. We believe that recent events have underlined the need for a comprehensive review of the UN's peacekeeping systems and capacities to improve their effectiveness. We welcome the fact that the UN Secretary General has commissioned a report on this, and look forward to discussions on the basis of the report for the improvement of UN peacekeeping practices. We believe that these discussions should start at the Millennium Summit.

Democracy

17. We reaffirm our commitment to democracy, and underline the positive interaction between democracy, respect for human rights and fundamental freedoms. We also note the mutually reinforcing reciprocal benefits of the democratic process and economic growth. We welcome in this respect the important exchanges of views and experiences shared by the countries who participated in the recent Warsaw conference. We also recognize the valuable contributions of other initiatives, notably the "new and restored democracies" with the conference to be held in December in Cotonou, with the support of the United Nations, to bolster democratic processes and encourage more countries to choose this path.

Crime

18. International criminal activity increasingly threatens peaceful human life and social, economic and political stability, both nationally and internationally. We therefore call for the adoption of the United Nations Transnational Organized Crime Convention and related Protocols by the end of this year. Corruption also undermines democratic institutions and accountability, economic development and international cooperation. We call for the ratification and effective implementation of the OECD Anti-Bribery Convention.

Environment

19. The international community has achieved a great deal on sustainable development since the Rio Earth Summit in 1992, but there is more to be done. Our governments will continue to work with all regions and stakeholders in preparation for Rio+10. We will continue to address the need for capacity building to assist developing countries implement commitments made in multilateral environmental agreements.

20. We welcome the report on the Implementation of the G8 Action Program on Forests, and direct our experts to provide a final progress report in 2002. We welcome the outcome of the Intergovernmental Forum on Forests (IFF), including the proposal for a new international arrangement on forests, and agree to take initiatives to implement the proposals for action agreed by the IFF and the Intergovernmental Panel on Forests (IPF). We look forward to further collaboration among the FAO and ITTO and other relevant international organizations.

21. We reaffirm our commitment to and practice of sustainable forest management, including combating illegal logging. We also note the important contribution to this end of the 1990 Pilot Program to Conserve the Brazilian Rain Forest, the International Model Forest Network, the several ongoing processes on criteria and indicators for sustainable forest management and ITTO work underway to protect mangroves.

22. We welcome the work of the World Water Forum. Cooperation in addressing water resource issues can help alleviate regional tensions and contribute to conflict prevention. We will also work in international organizations and fora such as UNEP, UNDP, UNESCO, and the World Bank in addressing international water resource issues.

23. We urge conclusion of negotiations on a legally binding instrument on persistent organic pollutants by the end of this year.

24. We also underline the significance of the ARGO Project, which will enhance the capacity to predict global environmental change through accurate oceanographic observation. We stress the need for rapid and effective sharing of information to alleviate the effects of natural disasters.

REGIONAL ISSUES

East Asia

25. In East Asia, various destabilizing factors still remain. It is of prime importance that all outstanding issues be solved peacefully and without the threat or use of force. We underline the importance of taking confidence-building measures in this region, and call for the full support of the international community to further promote peace and stability in the entire region.

26. In this respect, we warmly welcome the first ever ROK-DPRK Summit Meeting in June, and look forward to further dialogue and the reduction of the tension in the region. We reiterate our support for the implementation of the Agreed Framework, including KEDO. We reaffirm our support for the ROK's policy of engagement. We welcome the recent steps taken by North Korea toward dialogue with the international community. In this context, we look forward to a constructive response to international concerns over security, non-proliferation, humanitarian and human rights issues.

27. We welcome the democratic developments in Indonesia, and reaffirm our commitment to continuing support for the country's democratic and economic reform efforts. Recalling the importance of Indonesia's territorial integrity, we are determined to provide full support for the efforts of Indonesia toward stabilization of the situation in Aceh, Maluku, Irian Jaya and other regions and we welcome the recent Joint Understanding on a Humanitarian Pause for Aceh.

28. We commend the assistance provided by the UN and other actors toward the independence and nation building of East Timor, and reiterate our firm commitment to continue supporting the people of East Timor in these efforts and we invite other countries in the region to join us.

South Asia

29. We are deeply concerned at the level of tension between India and Pakistan. We call on both countries to refrain from any action which would aggravate the situation and to resume dialogue as soon as possible in the spirit of Lahore.

30. We furthermore call on both India and Pakistan to join international efforts to strengthen the non-proliferation and disarmament regime, including continuation of their unilateral undertakings not to resume nuclear testing. We call on both countries to sign and ratify the CTBT and to take further steps to meet non-proliferation goals elucidated by the international community in the UNSCR 1172.

31. We are also concerned at the continuing conflict in Sri Lanka. We support efforts to facilitate a peaceful resolution of the conflict.

Middle East Peace Process

32. In the Middle East, there is a real opportunity for the achievement of a comprehensive peace based on the UN Security Council Resolutions 242 and 338 and the agreements of Madrid and Oslo. We reaffirm our strong support for the efforts by the parties concerned to advance the peace process toward this end. We reiterate the importance we attach to a continuing commitment to the peaceful resolution of disputes.

33. We welcome the recent withdrawal of the Israeli forces from Lebanon, in accordance with the UNSCR 425, as verified by the UN Secretary General and confirmed by the UN Security Council. It is the responsibility of the Government of Lebanon to ensure the return of its effective authority to maintain peace and security in southern Lebanon. Being aware that attaining these goals will also depend on the government's ability to meet the infrastructure and development needs of this region, we are committed to supporting its efforts to this end.

34. In light of the trilateral Summit Meeting on a peace between Israel and the Palestinians, we call upon both parties to accelerate the negotiations to reach a final status agreement by the target date of 13 September set forth by the Sharm el-Sheikh Memorandum. We invite the international community to participate in the efforts to help the parties implement such an agreement when it is reached.

35. We underline the importance of resuming the activities of the multilateral working groups recognizing that progress in the multilateral tracks is related to and supports the bilateral tracks.

Iraq

36. We call on Iraq to comply fully with the relevant UN Security Council resolutions. Stressing the importance of the implementation of UNSCR 1284 in all its aspects, we call on the Iraqi Government to

cooperate in all aspects with UNMOVIC and the IAEA. Given our continued concern about the plight of the Iraqi people, we call for a coordinated effort to improve the humanitarian situation in Iraq. We reaffirm our commitment to the territorial integrity of all the states of the region and underline the importance of regional stability and security.

Iran

37. We welcome the democratic developments in Iran, including the parliamentary elections in February and the seating of the Majles in May. We look to Iran to strengthen respect for freedom of speech, the rule of law and human rights, ensuring for all the application of universally recognized standards of law. We welcome Iran's efforts to develop positive relations with the international community, and look forward to a more extended dialogue with Iran. We recognize the serious effort of the Iranian authorities in fighting drug trafficking on its borders at a high human and financial cost. We call on Iran to take constructive steps for further progress in the Middle East Peace Process and for the deterrence of terrorism in the region. We call on Iran to sign with the IAEA an additional safeguards protocol. The G8 calls on Iran to cooperate fully in not developing and in preventing the proliferation of weapons of mass destruction and missiles for their delivery.

Afghanistan

38. We welcome recent proposals for reconciliation in Afghanistan. We call for all parties concerned to make further efforts toward a comprehensive peace and stability. Recognizing the international community's growing concern about human rights abuses, narcotics trafficking and terrorism emanating from territory of Afghanistan, especially that controlled by the Taliban, we call for all states to implement fully the UNSCR 1267 and to consider further measures.

Balkans

39. We remain committed to the full implementation of the UNSCR 1244. Successful, carefully prepared municipal elections in Kosovo proposed for the autumn will be an important step in the establishment of a democratic and multi-ethnic society. We will make every effort to encourage and enable the national communities of Kosovo, particularly Serb and Roma, to participate freely in the elections. We reaffirm our support to the efforts made by UNMIK and KFOR to achieve the goals set out in UNSCR 1244 and urge all parties to cooperate fully with them. We stress the need for UNMIK to be given the necessary resources to fulfil its mandate. We recognize the role played by the EU, and welcome the contributions of the OSCE, other states, and the NGOs. We look forward to the effective functioning of the Joint Interim Administrative Structure with the full participation by all parties concerned, and we consider it important that the representatives of the Kosovo Serbs resume their participation in it. Stability, peace and prosperity in Kosovo are conditional upon respect for human rights, the rule of law and democracy. We call for all those with political responsibility in Kosovo to help ensure that all Kosovars, regardless of ethnicity, can enjoy freedom, security and benefit from access to international assistance and essential public services.

40. We look forward to a democratic FRY, so that it can be reintegrated in the international community and play its rightful part in contributing to the stability of the entire region. We are very concerned about the motivation for and the possible consequences of the revision of the FRY constitution. We call on the government in Belgrade to refrain from any action which could contribute to the further escalation of violence. We also call on the opposition to contribute to the peaceful democratic development of the FRY. We strongly oppose the recent restrictions on the free press in the FRY. We welcome the continued consolidation of democracy in Montenegro, reiterate our support for its democratically elected authorities, and urge them to continue to practice restraint.

41. We reiterate our commitment to the full implementation of the Dayton accords for peace in Bosnia and Herzegovina, and will continue to encourage all parties concerned within the country, the citizens and the officials, to assume their responsibilities and to take ownership of their future. We welcome the significant progress made by Croatia towards democracy and reform and encourage the Croatian authorities to continue such efforts. We encourage Albania to continue to make further efforts in the improvement of democracy and in respect for the rule of law.

42. Stability and sustainable development in South Eastern Europe depends on efforts for strengthening political, economic, social, cultural cooperation in the region, thereby promoting harmony among ethnic groups. We warmly welcome the various initiatives and progress to help achieve this objective taken over

the past year, both by individual states and by international and regional organizations, in particular within the context of the Stability Pact, which will contribute to effective regional cooperation. We also look forward to further economic reform efforts in the region, and will continue our support in this regard.

Cyprus

43. We recommend that the Heads reiterate their strong support for the UN Secretary General's efforts to reach a comprehensive settlement in Cyprus.

Africa

44. Recognizing that political stability is a prerequisite for development, we remain deeply concerned at the continuing armed conflicts in Africa. We particularly urge the promotion of a "Culture of Prevention" in Africa and will contribute to it. We commend the initiatives of the OAU, ECOWAS, SADC and IGAD, neighbouring African countries and other actors, in cooperation with the UN, to prevent conflict from occurring, and to promote the peaceful resolution of individual conflicts, particularly the long-standing and destructive civil war in Sudan. Concerned by the current crises in various African countries, we call for the full compliance by all parties concerned with relevant peace agreements and UN resolutions, particularly in Great Lakes Region, Angola and Sierra Leone. We welcome the cessation of hostilities agreement between Ethiopia and Eritrea signed in Algiers last month, and support its full implementation, and reaffirm our full support for all efforts to promote a peace settlement in Ethiopia and Eritrea.

45. We support African efforts to promote the rule of law, good governance and democracy. We also commit ourselves to support Africans' efforts to reduce poverty through growth with equity, and to participate as full partners in the global economy by means including trade and investment liberalization and promotion. We will participate in efforts to combat infectious and parasitic diseases, particularly HIV/AIDS, TB and malaria, and to address the severe economic and social impact of these diseases. We welcome the electoral evidence of a well-rooted democracy in Senegal, as well as the return to democracy in Guinea-Bissau and Niger, and call for the international community to further support the efforts at reform in Nigeria. We call for a just and early settlement to the serious situation in Zimbabwe, based on the rule of law, democracy and human rights. We also call for the early restoration of democracy in Comoros and Cote d'Ivoire. We recognize the need for international support for the Horn of Africa and Southern African countries suffering from drought and flood respectively.

Colombia

46. We fully support the Colombian Government's programs and initiatives to lay the foundations for a stable, lasting peace and the end of the cultivation of and trafficking in illicit crops in Colombia, taking into account the aspirations and needs of local communities. We call on all parties to respect the principles of international humanitarian law and to negotiate an end to the conflict. We reaffirm our commitment to combat money laundering, the illicit trade in arms and chemical precursors usable for illegal drug manufacturing, with a view to eliminating financing sources for the illegal armed groups in the country.

Peru

47. We encourage the Government of Peru to cooperate with the OAS in the implementation of its recommendations for reforms, inter alia in the judiciary, the security sector, the electoral process and press freedoms.

DIALOGUE WITH NAM, G77 AND THAILAND

48. We met the Foreign Ministers of NAM Troika (South Africa, Colombia and Bangladesh), G77 Chair (Nigeria) as well as Thailand (Chair of UNCTAD X and ASEAN), and discussed various global issues of common concern. We see value in sustaining the partnership in the future.

G8 MIYAZAKI INITIATIVES FOR CONFLICT PREVENTION

I. EFFORTS FOR CONFLICT PREVENTION

-- A BASIC CONCEPTUAL FRAMEWORK --

The G8 Heads of State and Government announced last June in Cologne, and we, Foreign Ministers, reiterated last December in Berlin, the determination to make prevention of armed conflict a high priority issue in coming years. We have to nurture a "Culture of Prevention" throughout the global community by encouraging international and regional organizations, states, NGOs and other actors to view their activities and policies from the vantage of conflict prevention, and to commit themselves to work towards this goal.

The G8 confirms that efforts to prevent conflict must be based upon observance of international law including the UN Charter, democracy, respect for human rights, the rule of law, good governance, sustainable development, and other fundamental values, which constitute the foundation of international peace and security.

1. "Comprehensive Approach"

The G8 believes that, because of the diversity and complexity of causes of conflicts, the following "Comprehensive Approach" should be adopted:

Consistent efforts for conflict prevention need to be made at every stage, from pre-conflict to post-conflict (Chronological Comprehensiveness).

During each stage of a conflict, the international community should draw from a wide-ranging menu of political, economic and social policy options. Furthermore, it is crucial to address the issues of human rights and protection of civilians. (Comprehensiveness in Measures for Conflict Prevention)

It should be noted that, in taking concrete measures on individual conflicts, their characteristics, including their causes, parties, modalities, and regional contexts, as well as coherence with policies in other fields - e.g. international trade and finance -- need to be fully taken into consideration.

2. The UN, the G8 and Other Actors

We, the G8 Foreign Ministers recalled at the Berlin Ministerial Meeting on Conflict Prevention that the UN Charter confers the primary responsibility for maintenance of international peace and security upon the Security Council, and that the UN Secretary General also has an important role in this respect. We reaffirmed that a reformed and effective UN remains central. In this context, the G8 notes the relevance of the report of the UN Secretary General in preparation for the UN Millennium Assembly.

While the principal responsibility for preventing conflicts lies with the parties directly concerned, conflict prevention is a joint venture involving all the international community, including other international and regional organizations, states, business sector, NGOs, and individuals.

The G8 welcomes wider use of the relevant provisions of the UN Charter for preventive diplomacy and will work for integration of the diverse elements of the UN system so as to support more effectively preventive action.

The G8 regards the UN's peacekeeping capacity as a key contribution to global conflict prevention efforts. We note the establishment by the UN Secretary General of an expert panel and welcome the effort to conduct a comprehensive review in this field as a contribution to efforts to strengthen the quality and speed of the UN response to peacekeeping challenges. We underline the importance of efforts to create arrangements with member states for an effective surge capacity for planning and conduct of peacekeeping operations. We also look forward to the reinforcement of the capacity of the UN in the area of CIVPOL.

The G8 supports the UN's existing mechanism for maintaining compliance with the international human rights standards and regular communication of this information to relevant UN bodies for use in their deliberations. We intend to contribute to strengthening the conflict prevention and early warning capacity of the UN by, inter alia, promoting the reinforcement of the role of the Special Representatives of the Secretary General.

The G8 stands ready to support the efforts by the international community for conflict prevention, especially in those areas where it has a special contribution to make.

II. THE G8 INITIATIVES FOR CONFLICT PREVENTION

Based on three criteria, namely, (a) whether the issue has a direct relevance to conflict prevention, (b) whether the G8 has a comparative advantage over other players in dealing with the issue, and (c) whether a joint initiative by the G8 could bear fruit, this year the G8 undertakes the following initiatives:

- Small Arms and Light Weapons
- Conflict and Development
- Illicit Trade in Diamonds
- Children in Armed Conflict
- International Civil Police

1. Small Arms and Light Weapons

The G8 believes that the uncontrolled and illegal transfer of small arms and light weapons (hereinafter referred to as "small arms") and the existence of destabilizing accumulations of these weapons in many parts of the world pose a serious threat to peace, security, and prosperity. The G8 therefore strongly supports national, regional, and international efforts to ensure that transfers of small arms are carried out in a responsible and legal fashion, and to reduce existing destabilizing accumulations to levels consistent with legitimate defence and security needs.

The destabilizing proliferation of small arms presents the international community with challenges in many areas including export control policy, prevention of illicit trafficking, law enforcement and crime prevention, disarmament, demobilization and reintegration, post-conflict reconstruction, and security sector reform. The G8 emphasizes the need for international institutions and individual states to increase the effectiveness of their efforts by developing coordinated and coherent policies in all of these areas, while avoiding duplication.

The G8

- looks forward to the holding and a successful outcome of the UN Conference on the Illicit Trade in Small Arms and Light Weapons in All Its Aspects, in 2001. We will work for a conference with a broad agenda whose outcome will genuinely strengthen international efforts to eradicate illicit trafficking, particularly of small arms.
- while recognizing that transfers of small arms are consistent with the right of self-defence enshrined in the UN Charter, confirms that we will exercise a high degree of responsibility in controlling and licensing such exports. Unless we have stricter regulations, in our approach to approving export licenses the G8 will take as a minimum criterion the legitimate defence and security needs of the recipient. The G8 will not authorize the export of small arms if there is a clear risk that these might be used for repression or aggression against another country. Finally, the G8 will consider the scope for further action at the national level and in international fora such as the Wassenaar Arrangement to minimize the risk that small arms may be illegally diverted or re-exported. To this end, the G8 agrees on the importance of effective national controls for arms brokering. The G8 strongly encourages other small arms exporting countries to adopt these principles in their own policies.
- emphasizes the importance of complementary demand-side measures. In this context, the G8 welcomes the October 1998 adoption of the ECOWAS Moratorium on the Importation, Exportation and Manufacture of Light Weapons and encourages other regions affected by the problem of small arms proliferation to consider similar measures. The G8 will take steps to ensure that our export licensing decisions respect the ECOWAS moratorium and urge other exporting states to do likewise. The G8 also welcomes the recently-adopted Nairobi Declaration on the Problem of Proliferation of Illicit Small Arms and Light Weapons in the Great Lake Region and Horn of Africa. The G8 encourages those in a position to do so to provide financial and technical assistance to support the implementation of the ECOWAS moratorium as well as the Nairobi Declaration.
- encourages the countries and regions directly affected by illicit arms trafficking to enhance transparency in this regard which could include exchange of information on discovered instances and routes of illicit small arms supply. The G8 considers that the marking of small arms could improve their trace ability. The G8 will work to build international consensus on increasing the degree of transparency attached to such transfers. With the aim of combating the illicit trafficking

of small arms and building confidence, the G8 stands ready to exchange information in appropriate fora concerning national legislation, practices and experience, and calls upon other states to do likewise.

- emphasizes the fundamental importance of measures to combat illicit trafficking in small arms. The G8 is committed to maintaining effective national export control and enforcement systems in order to prevent the illicit transfer of small arms from, via or to our territories. We reaffirm our commitment to implement strictly all arms embargoes imposed by the UN Security Council. To this end, the G8 strongly supports appropriate national legislation that establishes legal enforcement of these embargoes. We strongly support efforts to increase the effectiveness of UN sanctions, such as the Security Council's decision to investigate reports on the violation of measures against UNITA.
- stands ready to support projects and programs which will increase the capacity of states directly affected by illicit small arms trafficking to implement effective controls. The G8 emphasizes the importance of coordinated regional and international action in this area, and welcomes initiatives such as the OAS Inter-American Convention Against the Illicit Manufacturing of and Trafficking in Firearms, Ammunition, Explosives and other Related Parts and the EU/SADC action program for tackling illicit arms trafficking in Southern Africa. The G8 also attaches importance to increased information exchange in the Wassenaar Arrangement and in other international and regional fora as appropriate on issues such as illicit trafficking routes and diversionary destinations.
- recognizes the need to tackle the problem of illicit small arms possession and misuse through effective law enforcement and crime prevention measures. With regard to firearms, the G8's Lyon Group will continue within its mandate to consider how to improve the effectiveness of the G8 members' policies and countermeasures to the illicit manufacturing of and trafficking in firearms. The G8 will play an active and constructive role in the work to elaborate the Protocol against the Illicit Manufacturing of and Trafficking in Firearms, Their Parts and Components and Ammunition, supplementing the draft UN Convention Against Transnational Organized Crime, which will serve as a key element in international efforts to combat illicit firearms trafficking, with a view to ensuring these negotiations are completed by the end of 2000.
- pledges its full support for the effort to reduce existing destabilizing accumulations of small arms. The G8 encourages affected countries and regions to adopt confidence-building measures and incentives to encourage the collection and destruction of surplus or illegally-held small arms. The G8 confirms that we are ready to support such efforts through the voluntary provision of financial and technical assistance, including through specifically targeted funds, existing or to be established, at the UN, regional and local level, and designed to deal with the problem of small arms, and call upon the international community to do likewise. In this context, the G8 emphasizes the central importance of comprehensive demobilization, disarmament and reintegration programs in post-conflict situations. The G8 will support the inclusion of such programs where appropriate in peace agreements between the parties to conflicts and mandates of peace keeping forces and other relevant missions.
- emphasizes the importance of the role of civil society in tackling destabilizing accumulations of small arms, for example through awareness-raising at the community level. The G8 encourages the international community and governments of affected countries actively to involve civil society in efforts to prevent the uncontrolled spread and destabilizing accumulation of small arms.
- reaffirms its support for the principle that all surplus or illegally-held small arms which have been removed from circulation in countries or regions affected by destabilizing accumulations should, if not immediately destroyed, be properly secured and managed prior to their early and effective destruction, preferably under international or third party supervision

2. Conflict and Development

Peace and democratic stability are indispensable pre-conditions for economic growth and sustainable development. Moreover, economic and development co-operation has an important role to play in fostering peace and stability. The G8 can use its position as the major provider of the development assistance to pursue actively initiatives in this area. While ensuring that fundamental development goals remain at the core of bilateral and multilateral assistance policies, the G8 should take initiatives particularly in three areas: (a) promoting the consideration of conflict prevention in development

assistance strategies, (b) focusing assistance to ensure quick action to prevent conflict, and (c) ensuring a smooth transition from emergency humanitarian assistance to development assistance in the post-conflict stage. The G8 also recognizes that a recipient government's ownership of its development policies and civil society's participation can contribute to mitigating tensions.

(1) Promoting the Consideration of Conflict Prevention in Development Assistance Strategies

The G8,

- continues to extend economic and development cooperation to promote prosperity, reduce poverty, and to help create resilient societies that promote inclusion and opportunity for all citizens.
- recognizes the importance of addressing root causes of conflicts, including through assistance to regional and sub regional organizations.
- will consult with the relevant international financial institutions regarding conflict-related implications of development assistance.
- aims, with other bilateral and multilateral actors, to use development assistance to promote democratic and legislative institutions, good governance, rule of law, peaceful resolution of disputes, civic education and other structural elements.
- aims to build capacity in administrative and security systems, including police, penal and judicial institutions.
- enhances technical assistance to build capacity and to ensure appropriate social investments in education, health and nutrition, and other programs targeting vulnerable segments of society, seeking to protect these expenditures during economic downturns and time of crises.
- considers ways to use economic and development assistance to address causes of conflict stemming from competition for natural resources, such as water, and to encourage regional approaches to their management .
- will pay attention, in extending economic and development cooperation, to excessive military expenditure where it occurs in recipient countries and calls upon developing countries to ensure effective, transparent and accountable public sector management of state expenditures, including military budgets and the use of development assistance.
- recognizes the important role that donor coordination in the area of conflict prevention plays in enhancing the effectiveness of economic and development assistance in this regard.
- welcomes the work of the OECD Development Assistance Committee (DAC) to review bilateral donors' practices in the field of conflict prevention.

(2) Focusing Assistance to Ensure Quick Action to Prevent Conflict

The G8,

- recognizes the importance of extending flexible, quick assistance with the aim to helping to alleviate and stem the spread of human suffering to countries and regions neighbouring conflict areas, including displaced persons and refugees, and will work towards more effective and better coordinated provision of emergency and other relevant assistance through regional and international organizations, in particular the United Nations.
- encourages the international community to focus its attention on conflict and development in Africa and to carry out closer exchanges of perspectives and information, including at the field level and within the UN system.

(3) Ensuring a Smooth Transition from Emergency Humanitarian Assistance to Development in the Post-Conflict Stage

The G8,

- recognizes the importance of continuous and coordinated efforts by various actors including UNHCR, UNDP, UNICEF, World Bank, other international and regional organizations as well as NGOs in achieving a smooth transition, and invites the international community to give further consideration and support toward this end.
- will strive to focus emergency and transition aid on supporting local security, economic and political stability, local capacity building, and reconciliation.

3. Illicit Trade in Diamonds

The G8 is concerned that the proceeds from the illicit trade in certain high value commodities, especially diamonds, are providing funds for arms purchases, thus aggravating conflicts and humanitarian crises in Africa (particularly Angola, DRC and Sierra Leone).

Whilst insisting that the interests of the legitimate diamond producers and traders are not put at risk, the G8 will take the following steps to counter the illicit trade in diamonds, particularly those coming from conflict zones in Africa.

The G8, which accounts for the bulk of the global market for diamonds,

- will co-operate closely with governments of diamond-producing states, neighbouring states, major marketing centres, regional organizations and industry in order to curb illicit diamond flows.
- calls on producers and buyers to work in close co-ordination on the elaboration of specific measures to trace and block the illicit trade in diamonds in Africa on an urgent basis, as a first step.
- supports the efforts of African states in strengthening regional law enforcement and internal capacity building for curbing the illicit trade in diamonds and welcomes their respective initiative in this regard.
- emphasizes that the UN Sanctions Committee on Angola is central to efforts to strengthen sanctions enforcement against UNITA and the need to fully implement UN Security Council resolutions 1173 and 1295.
- welcomes the initiatives within the UN framework to assess the impact of the illegal exploitation of natural resources, including diamonds, on the conflict in Democratic Republic of Congo.
- calls for the urgent cooperation of interested parties including the diamond industry with the government of Sierra Leone on the proper control over trade in diamonds produced in Sierra Leone.
- welcomes 'Technical Forum on Diamonds' held at Kimberly, South Africa, as an important contribution to finding pragmatic solutions. The G8 supports rapid follow-up, involving all the key actors, which should include the exploring of a possible certification scheme for rough diamonds from conflict areas, industry codes of conduct and an international body to promote transparency and accountability.
- will consider appropriate action to keep diamonds from illicit transactions out of the G8 markets.

4. Children in Armed Conflict

The plight of war-affected children, a group which includes, in particular, child soldiers, child orphans, sexually exploited children and children traumatized by armed conflict, but also comprises all the children affected by the effects of war in wider sense, is one of the most disturbing human security issues facing the world today. The G8 is particularly concerned by the issues raised by children in armed conflict both as participants and victims. In this context, the G8 agreed upon the following approaches.

(1) Pressure Against Those Who Involve or Target Children in Armed Conflict in Breach of International Standards

The G8

- will concert G8's pressure in UN and other fora against individual governments and armed groups when access to assistance is denied to children or when children are specifically targeted as victims and/or participants in a conflict.
- will take account of, and promote international standards on the non-use of child soldiers in considering our military assistance to armed forces in third countries.

(2) Support for International Standards and Mechanisms

The G8

- urges universal adherence to the ILO Convention 182 on Elimination of Worst Forms of Child Labour.
- welcomes the adoption of and supports the universal adherence to the Optional Protocol to the Convention on the Rights of the Child on the involvement of children in armed conflict.

- provides support for the office of the UN Special Representative for Children and Armed Conflict in its role as an advocate on behalf of war-affected children, and to UN agencies including UNICEF.
- will cooperate in the UN and other international fora when there is a need to ensure assistance to children in armed conflicts or when children are specifically targeted as victims and/or participants in a conflict.

(3) Outreach

The G8

- supports action by the UN, regional organizations, NGOs and media in raising awareness of problems of children in armed conflict.
- commits to include child rights training in military assistance training programs.
- supports the 2001 UN Special Session to review the achievement of the goals of the World Summit for Children and works to ensure that any document it adopts has a strong section addressing the issue of war-affected children.
- encourages and supports other national and regional efforts to highlight the issue of children in armed conflict, including the Conference on War Affected Children in West Africa (April 2000) and the international conference to be hosted by Canada in September 2000 on this subject.

(4) Reintegration and Rehabilitation

The G8

- commits to promote the protection, welfare and rights of children during peace negotiations and throughout the process of consolidating peace in the aftermath of conflict, including through reintegration of former child soldiers in peace support operations.
- commits to prioritise assistance for war-affected children, including former child soldiers, in expenditure for post-conflict reconstruction.
- makes close contact, through UNICEF and other fora, on individual reintegration programs e.g. to identify and share best practice, noting the particular needs of displaced and vulnerable children in rehabilitation and reintegration programs and being sensitive to gender differentiated experiences.

5. International Civilian Police

UN deployed civilian police (CIVPOL), usually as a component of peacekeeping operations, are a critical element in conflict prevention as they help indigenous civilian police forces develop the capacity to maintain law and order, and if necessary, can perform this function on an interim basis.

The G8

- notes the recent dramatic increase in civilian police operations and the resulting increase in the demand for international civilian police officers. The G8 calls upon the UN and regional organizations to work with member states to explore ways to meet this demand in a timely and effective way. The G8 urges that states in a position to do so make efforts to enhance their own capability to provide qualified civilian police officers on a timely basis, and that those with active training programs for international civilian police officers make them available to police from other contributing states.
- stresses the need to enhance the capacity of the UN in the frame work of peacekeeping operations to support more comprehensive planning and better coordination of indigenous civilian police operations, criminal justice, and development of indigenous criminal justice systems. The G8 calls on the UN, in close consultation with member states, to take further steps to improve its international civilian police capabilities. Such steps should include development, on the basis of national contributions, of a reserve list of pre-trained, UN-certified international civilian police officers for possible service; completion of the review and revision, as appropriate, of the criteria for selection, evaluation, and training of these officers; and formulation of comprehensive policies on international civilian police operations to reflect new responsibilities such as in recent UN peacekeeping operations.
- calls as well for increased UN support for training local police forces also as a post conflict activity and as a regular developmental activity with priority emphasis where such training would help

prevent conflict. The G8 calls for new efforts in this regard on the basis of a dialogue involving member states, all relevant UN institutions, including UNDP, and other developmental institutions. This activity should promote the principles of democracy, good governance, human rights, and equal treatment under law.

REPORT ON THE IMPLEMENTATION OF THE G8 ACTION PROGRAMME ON FORESTS

- I. Executive Summary
- II. Introduction
- III. Implementation Highlights
 - A. Monitoring and Assessment
 - B. National Forest Programme
 - C. Protected Areas
 - D. Private Sector
 - E. Illegal Logging
- IV. Conclusion
- Annex A Individual Progress Reports
 - Canada
 - France
 - Germany
 - Italy
 - Japan
 - Russia
 - United Kingdom
 - United States of America
 - European Commission
- Annex B G8 Action Programme on Forests
 - G8 Action Programme on Forests, May 1998
 - Excerpt from G8 Denver Summit Communiqué, June 1997
 - Excerpt from G8 Foreign Ministers Conclusions, May 1998
 - Excerpt from G8 Birmingham Summit Communiqué, May 1998

I. Executive Summary

At the G8 Birmingham Summit in 1998, Heads of State or Government of eight major industrialized democracies and the President of the European Commission announced that in the year 2000 they would assess progress on implementation of the newly launched *G8 Action Programme on Forests*, which focuses on five areas of particular importance: (1) monitoring and assessment; (2) national forest programmes; (3) protected areas; (4) private sector; and (5) illegal logging. The Action Programme reflects a political commitment and aims to complement the extensive range of actions currently being taken by the international community and various regional and international processes.

This report, which will be considered at the Kyushu Okinawa Summit in July 2000, provides information on efforts made to date by G8 members domestically, internationally and collaboratively towards sustainable forest management. G8 activities since 1998 are diverse, reflecting the variety of their forest ecosystems, land ownership arrangements, administrative and governance structures, and international cooperation programmes, as well as G8 members' individual and collective leadership and endeavours with respect to forests. They also illustrate where the G8 members have capitalised on their strengths and worked cooperatively on a number of issues as opportunities arose, including in support of the Intergovernmental Forum on Forests (IFF). This report highlights some significant activities, while a more detailed overview is provided in the individual progress reports attached as Annex A.

In the area of monitoring and assessment, the G8 members took a wide range of actions from launching a new national forest inventory system to establishing a public-private stakeholder process on implementation of criteria and indicators, adopting national guidelines to assess forest resources,

developing a national climate change strategy that includes forest sector issues, as well as improving the comparability of national inventories in Europe. The G8 members hosted international meetings on criteria and indicators under the Montreal and Pan-European processes and established new cooperative forest fire management programmes with partner countries in Southeast Asia, the Amazon, the Mediterranean basin and Central America. The G8 members are also in the early stages of initiating a collaborative effort to assess the enhanced use of remote sensing as a tool to inventory, assess, monitor and manage forests.

With regard to national forest programmes, G8 members' actions taken include adopting strategic documents on forest conservation and use, establishing a new national forest programme, enacting new legislation either nationally or to reduce debt in return for tropical forest conservation, and producing major policy documents on promoting sustainable forest management. Bilateral and international cooperation were strengthened to support national forest programmes in Africa, Asia, Central and Latin America and the Near East. The G8 members also sponsored international initiatives and experts meetings related to national forest programmes to support the work of the IFF.

With respect to protected areas, the G8 members took actions such as designating a new national protected forest system to preserve wildlife and other values, announcing plans to close extensive areas of national forests to harvesting and road building, expanding in a significant fashion protected areas, and establishing a border park to protect significant boreal forests and a European network of protected areas. Cooperative work on forest protection in the Near East was expanded, and an international experts meeting on protected forest areas was co-sponsored to support the work of the IFF.

A number of G8 members' actions involved the private sector. These range from forming a national government-NGO coalition on new technology for forest industries to launching a public-private pilot project on sustainable forest management in Central Africa, creating a joint venture to restore Central American forests devastated by Hurricane Mitch, and announcing plans for a new fund to support private sector activities in East Asia. Further development was also seen domestically in voluntary certification schemes by the private sector, including NGOs, in voluntary codes of conduct by industry, in some cases with support from governments, through grants, studies and projects, as well as in assistance in aboriginal business development and local decision making.

In the area of illegal logging, the G8 members highlight a major review of the nature and extent of illegally harvested timber, new funding commitments to tackle this problem in partner countries particularly in Southeast Asia, as well as plans to host a regional conference on illegal logging and cross border trade. Funds were also provided through international organisations to improve statistics and economic information systems in tropical timber producing countries and increase market transparency.

The Action Programme on Forests launched two years ago represents the first consolidated experience for the G8 members in working together on the world's forests. It builds on individual G8 member's experiences and complements the extensive range of actions currently being taken by the international community in various regional and international processes. While the actions taken to date are important contributions towards sustainable forest management and in turn sustainable development, the G8 members recognise that further efforts are needed by all members to meet these ends.

II. Introduction

Heads of State or Government of eight major industrialised democracies (Canada, France, Germany, Italy, Japan, Russian Federation, United Kingdom, United States of America) and the President of the European Commission meet annually to discuss issues affecting people in their own and other countries. Recognising the continuing pressure on the world's forests and the positive contribution that sustainable forest management can make to sustainable development, the G8 Leaders at their summit in Denver 1997 reiterated their commitment to implement the proposals for action contained in the report of the United Nations Commission on Sustainable Development's Intergovernmental Panel on Forests (IPF, 1997) and agreed to support a practical Action Programme focused on five priority areas:

- Monitoring and Assessment
- National Forest Programmes
- Protected Areas
- Private Sector
- Illegal Logging

In May 1998, the "G8 Action Programme on Forests" was launched by G8 Foreign Ministers. G8 Leaders agreed at the Birmingham Summit to assess progress on implementation of the Action Programme in the year 2000.

The G8 Action Programme on Forests reflects political commitment and aims to complement the extensive range of actions currently being undertaken by the international community and various regional and international processes and to strengthen some activities G8 members have identified as issues of particular importance. The G8 Action Programme focuses on domestic actions by the G8 members and on areas where they can make unique contributions through their bilateral assistance programmes and through their support for intergovernmental processes.

This report provides information on efforts made to date. In Chapter III. Implementation Highlights, illustrative activities carried out in this context are highlighted by the five priority areas. Further information on current activities is provided in the individual reports of G8 members contained in Annex A. This report will be considered at the Kyushu Okinawa Summit in July 2000.

III. Implementation Highlights

This section contains highlights provided by individual G8 members on their efforts to advance particular aspects of the G8 Action Programme on Forests. Collectively these highlights illustrate the range of activities being undertaken cooperatively, internationally and domestically which support the Action Programme. Details on the work of each G8 member can be found in the individual reports included at Annex A.

Together, the G8 members account for nearly 40% of the world's forests* and the vast majority of bilateral assistance to forests. However, it is important to recognise that G8 countries are highly diverse regarding the extent and nature of their forest ecosystems, land ownership patterns, governance and regulatory systems, and terms of aid and international co-operation. The European Commission, as the executive body of the European Union (EU), is increasingly involved in major forest policy processes within and outside Europe.

The activities highlighted below reflect this variety within the G8.

A. Monitoring and Assessment

The G8 members have been making substantial efforts to develop better information on the state of forests and monitor and assess their condition, domestically and in many regions of the world. Canada, Japan, Russia and the USA are members of the 12-country Montreal Process on criteria and indicators for sustainable forest management, while France, Germany, Italy, Russia, the UK and the European Commission actively participate in the Pan-European Process on criteria and indicators for sustainable forest management.

In 1998 and 1999, Russia and the USA respectively hosted the 10th and 11th Meetings of the Montreal Process Working Group on Criteria and Indicators for the Conservation and Sustainable Management of Temperate and Boreal Forests. The meetings, held in Moscow and Charleston, South Carolina, brought together representatives of governments, international and non-governmental organisations, other criteria and indicators processes and academics, as well as a variety of domestic stakeholders, to advance implementation efforts. In 1998 countries reported their progress on institutionalising criteria and indicators, while at the 1999 meeting, among other things, they called on FAO to cosponsor with interested governments an international meeting to explore ways to improve comparability among the several existing criteria and indicator initiatives. Also in 1999, Canada, which serves as the Liaison Office for the Montreal Process, hosted a meeting with its Pan-European counterpart to share experiences and discuss further development of criteria and indicators, data collection and reporting and other issues of mutual interest.

The Third Ministerial Conference on the Protection of Forests in Europe, held in Lisbon in 1998, reached an important milestone when it adopted general criteria and indicators for monitoring and assessing sustainability of European forests, as well as *Pan-European Guidelines for Sustainable Forest Management at the Operational Level*. In October 1999 the Pan-European Process agreed a detailed programme of work which includes a review of the regional criteria and indicators for sustainable forest management and their refinement for use in national forest inventories and management plans within

Europe. Further, the European Commission is in the process of improving comparability of national inventories and establishing a database for community forest measures and programmes.

**State of the World's forests 1999*, Food and Agriculture Organization of the United Nations (FAO), Table 2.

In a related area, the G8 has begun work on a collaborative initiative to consider the enhanced use of remote sensing as a tool to inventory, assess, monitor and manage forests and detect and respond to forest related threats and disasters such as fire. Work is underway to make an inventory of existing G8 remote sensing initiatives, both domestic and in partnership with countries and international organisations.

Recognising the disastrous effects on forests of the catastrophic fires of 1998, as well as their threat to the global environment and regional stability, G8 members have strengthened and expanded co-operative activities with partner countries in Southeast Asia and Central and Latin America. For example in December 1998, Japan International Co-operation Agency (JICA), the International Tropical Timber Organization (ITTO), and the Indonesian government co-organised the *International Cross-Sectoral Forum on Forest Fire Management in Southeast Asia*, attended by over 200 experts from 17 countries and 8 international organisations, in order to share information, review existing forest fire management activities, and contribute to the effective implementation of future measures to combat forest fires. In addition, Canada worked closely with Mexico in early 1999 to develop and implement a new Forest Fire Information System for Mexico. It accesses weather data through the World Meteorological Organization and processes them through the Canadian Forest Fire Danger Rating System to produce daily fire weather and fire danger maps.

Individual G8 members have undertaken considerable efforts to better monitor and assess the state of forests domestically. In 1999 Japan launched a new nationwide Continuous Forest Inventory (CFI) to monitor and assess forest resources and their dynamics using nationally unified methodologies. The CFI is considering the compatibility with the Montreal Process criteria and indicators and so reflects the multifaceted components of sustainable forest management such as biodiversity, productivity, ecosystem health, conservation of water resources and global carbon cycles.

The Federal Forest Service of Russia adopted new Guidelines for the State Forest Account, which introduce uniform procedures consistent with the Forest Code and provide a basis for timely adjustment of national forest policies at federal and regional levels. In 1998 the Forest Account was conducted through a multi-factorial assessment of forest resources. A comparison of data between the periods 1993-98 and 1988-93 reveals a general improvement in basic characteristics of Russia's forests (e.g., increased area of forest lands, greater share of conifers in the "young stands" age group, and significantly shorter periods after which forest plantations are considered forested lands), while also identifying serious challenges facing regional forest management.

Germany is also carrying out a broad survey of its forests and various forest functions. Following up on the first Federal Forest Inventory in 1987, which supplied baseline information on forest area, shares of tree species, growing stock, forest structures, forest opening, etc., this second Federal Forest Inventory, scheduled for 2002, will provide additional, topical information on growth, removals and ecological parameters, taking into account the Pan-European criteria and indicators of sustainable forest management.

In 1998 the UK published the *Forestry Standard*, setting out how the principles of sustainability will be delivered, and the criteria and indicators by which sustainability can be assessed at national and forest management unit levels. The UK Government will monitor performance against these criteria, which will influence development and refinement of the *Standard* as well as related policy, regulations, incentives and guidance.

Also in 1998, in a major step to improve US forest monitoring and assessment nationwide, the Chief of the Forest Service launched the "Roundtable on Sustainable Forests," a unique public-private initiative bringing together representatives of federal, state and local government, NGOs, academia, industry and forest owners to facilitate implementation of the Montreal Process criteria and indicators for the 300 million ha of US forests, including 180 million ha owned by 10 million private owners. The Roundtable will hold a number of workshops in 2000 to address data collection issues for each of the seven criteria and their associated indicators.

B. National Forest Programmes

National forest programmes as defined in 1997 by the Intergovernmental Panel on Forests (IPF) encompass a wide range of approaches to achieve sustainable forest management reflecting national circumstances. In order to promote implementation of the many IPF proposals for action directed to countries, as well as to gain experience with national forest programmes, Germany and the UK together with several other developed and developing countries sponsored in 1998 the *Six-Country-Initiative* for putting the IPF proposals for action into practice at the national level. The initiative involved a series of case studies to assess the IPF Proposals for Action against national settings.

Several G8 members continue to be actively involved in supporting the Pilot Program to Conserve the Brazilian Rain Forest (PP-G7), which was initiated by the G7 at the Houston Economic Summit in 1990. Germany and the EU continue to be the major donors; other contributors include France, Japan, the UK and the USA.

France, Germany and the UK are also co-operating through UNDP's Programme on Forests (PROFOR) to promote sustainable forest management in a variety of partner countries, while Italy and Japan are actively working with FAO to the same end. The FAO-Italy Co-operative Programme includes numerous projects in the Mediterranean, Northern Africa and the Near East aimed at promoting and demonstrating complementarity among natural resource management activities, including forests, as well as economic efficiency and participatory and integrated approaches. Japan is working with FAO and the International Model Forest Network Secretariat to host a series of international workshops through 2000 on the promotion of model forests as a field-level application of sustainable forest management, particularly focusing on the Asian region.

G8 members strengthened or initiated bilateral activities with partner countries to support national forest programmes. For example, Germany has identified such programmes as a basic standard for its decisions regarding development co-operation with partner countries in the field of forests. In this context a German technical co-operation strategy is being elaborated to assist development co-operation agencies and their partners to implement the IPF proposals for action and develop national forest programmes.

Canadian development assistance continues in Asia, Africa and the Americas, with a focus on national forest programs and community forestry. Such assistance is administered through the Canadian International Development Agency and the International Development Research Centre, in partnership with Canadian groups and organizations in the private and public sector in recipient countries.

During the 1990s, France enhanced its support in several Mediterranean and African partner countries for environment and sustainable development co-operation projects focused on improving the management of natural resources, including forests and rangelands.

In 1998 US President Clinton launched a major new initiative to assist partner countries by signing the Tropical Forest Conservation Act (TFCA), authorising the reduction of official debt owed the US by tropical countries in exchange for forest conservation measures. The law expands the innovative 1992 Enterprise for the Americas Initiative, which has cancelled nearly \$1 billion in official debt while generating substantial local currency for child survival and environmental projects.

The European Commission, recognising the growing importance of forests within and outside Europe, recently released several fundamental policy documents relevant to forest management, conservation and national forest programmes, including the *Forest Strategy for the European Union*. Moreover, a Council Regulation on support for rural development regulates financial support for forestry measures and links it to existence of and provisions in national or sub-national forest programmes. The EC supports numerous development co-operation projects with the objective of building capacity for national forest programmes in partner countries.

On the domestic front, G8 members have taken various steps to improve national forest programmes. In the context of *Comite 21*, France committed at the highest level to promote sustainable forest management by enacting a new forestry law entitled *Orientation and Modernisation Forestry Law (loi de modernisation et d'orientation forestière)*.

Canada renewed its commitment to sustainable forest management by adopting a new five-year strategy to bring together the ecological, economic, social and cultural aspects of forest conservation and use. The

National Forest Strategy (1998-2003), titled *Sustainable Forests: A Canadian Commitment*, is a collective attempt to reconcile the range of expectations placed on the forest and forest managers.

In October 1998, following a review of relevant national forest laws, Japan introduced a system to make available for public comment draft forest management plans at the local government level, and substantially expanded the roles of municipalities in its forest management planning system.

To preserve and improve long term functioning of its forests, Germany initiated a process of creating its own National Forest Programme based on experiences gained through the Six-Country Initiative and in close co-operation with States, NGOs and other relevant partners. Results are expected in late 2000.

In Russia, where forest fires are an acute problem causing significant economic and environmental losses, the Federal government has begun addressing fire through its national forest programme and in January 1999 approved the *Federal Target Programme: Forest Fire Management for 1999-2005*, which outlines urgent actions and targets to deal with forest fires. Programme implementation and timely investment in fire management are expected to reduce the number and area of anthropogenic forest fires and related economic losses, as well as conserve forest biodiversity, enhance ecological and resource potential of forest ecosystems, improve maintenance of carbon balance, and eventually meet the goals of the Russian Federation's Concept of Sustainable Development.

C. Protected Areas

The G8 members consider forest protection to be an important part of sustainable forest management and are involved in international and domestic efforts to enhance forest protection. For example, recognising the need to build consensus on forest protection and how to achieve it, the USA and Brazil co-sponsored the *International Experts Meeting on Protected Forest Areas* in March 1999 in San Juan, Puerto Rico as a contribution to the work of the IFF. France and the UK, as well as other countries and international organisations, collaborated as members of the organising committee for this meeting, which drew 130 experts from 70 countries, organisations, environmental and indigenous groups, research institutions and universities.

France, Germany, Italy, the UK and the European Community are co-operating under the *Pan-European Work Programme on the Conservation and Enhancement of Biological and Landscape Diversity in Forest Ecosystems*, which aims to conserve all types of forests in Europe and is complemented by EC research programmes on indicators for forest biodiversity, as well as programmes on natural forests and forest reserves. The European Community has also created *Natura 2000* to develop a cohesive European network of representative protected sites, including many forest sites, by 2004.

Complementing these efforts, Development Cooperation of Italy is actively involved in supporting a process of transboundary collaboration toward the sustainable management of protected ecosystems shared across international boundaries in the Peruvian and Bolivian Amazon, and in the contiguous National Parks in the South African region, by opening biological and economic corridors, harmonising respective standards, relevant legislation and management procedures, and by fostering collaboration across the borders by various abutting countries.

In 1999 Russia and Lithuania submitted a request to UNESCO, now under consideration, to include the Curonian Spit National Park in Russia and the Kurshu Nerija National Park in Lithuania on the list of World Cultural and Natural Heritage Sites. Russia is also working with Finland on plans to co-develop a border park in the frontier zone involving the Paanayarvi (Russia) and Oulanka (Finland) National Parks.

In Germany, 65% of its forests are under some sort of special protection, including 83,000 ha excluded completely from commercial uses. In the UK, the Government has initiated a review of its mechanisms for establishing and managing its protected areas.

To ensure the public benefit of forests, in December 1998 Japan formulated the *Basic Plan for Administration and Management of National Forests*, which introduced three new types of National Forest classification by the purpose of management: Forest for Water and Land Conservation, Forest for Humans and Nature, and Forests for Recycling Use of Resources. Japan has since expanded the first two categories, which are for public benefit, to include 80% of national forests, and has been also implementing a Protected Forest System to protect essential natural forests and precious wildlife habitats, which as of April 1999 encompassed about 514,000 ha in 812 locations within the country.

In October 1999, US President Clinton announced plans to protect an additional 18 million ha of national forests from commercial use in order to provide research sites, protect vital fish and wildlife habitats and guard against invasive species. A year-long review process will solicit public comments and produce an environmental impact statement to determine the specific forests to be protected.

D. Private Sector

Individual G8 members have expanded their activities with non-government interests in order to promote sustainable forest management. For example, France has launched a pilot project on integrated sustainable management of tropical rain forests, which brings together local private and public stakeholders in the Dimako region of Cameroon to demonstrate in concrete terms how a tropical rain forest can be sustainably managed.

During his July 1999 visit to China, Japan's Prime Minister Keizo Obuchi announced the establishment of a fund ("*Obuchi Fund*") to support Japan's private sector groups' activities with Chinese counterparts to promote afforestation in China.

The Italian Development Cooperation's project on the agroforestry systems in the Amazonia Region, in the Brazilian states of Rondonia and Acre, aims to help associations of small producers (principally *colonos* and *seringueiros*) in these two States, in finding new economic earning alternatives, that correct the tendency of predatory and indiscriminate exploitation of the natural resources, irreplaceable for the biosphere and for climatic balances, that cause massive deforestation of extensive areas in favour of wild grazing and/or mining.

The US Agency for International Development and the US Department of Commerce joined ranks with the American Forest and Paper Association under its *Sustainable Forestry Initiative* to restore areas of Central America devastated by Hurricane Mitch in 1999, including a pilot programme on the Honduran Island of Guanaja designed to establish the infrastructure needed for long-term sustainable forest management.

The European Community contributes financial support for forest management and conservation complementing the Member State's financial aid systems. EC contributions cover activities such as afforestation, improvement of established forests, reforestation after calamities, forest roads, marketing and processing of forest products, and facilitation of small owner co-operatives. The EC has supported forest certification as an evolving, voluntary, market driven instrument and as a potential, versatile forest policy tool through grants, by hosting conferences and by commissioning publications, as well as by supporting projects regarding certification in tropical partner countries.

In June 1999, the UK Woodland Assurance Scheme (UKWAS) was launched as a voluntary scheme for the independent certification of forest management in the UK. The scheme was developed by a broad partnership of forestry, environmental and social organisations in response to increasing demand for timber products from sustainably managed forests. UKWAS represents the first ever consensus on a forestry performance standard at a national level. UKWAS is managed by a Steering Group made up of representatives of all sectors and interested parties. In the UK, nearly 1 million hectares of forests and woodland, out of a total of 2.5 million, have already been certified against the UKWAS Standard.

The US considers public-private partnerships a powerful tool for sustainable forest management at home and abroad. For example, the US Government joined the Ford Motor Company and a consortium of environmental groups led by the World Wildlife Fund-US to prepare a comprehensive *Conservation Assessment of the Terrestrial Ecoregions of North America*, including forests, which was published in May 1999. In 1998 the US Department of Energy and the American Forest and Paper Association expanded their co-operative *Technology Vision and Research Agenda 2020*, which promotes sustainable forestry practices across the US.

E. Illegal Logging

G8 members have strengthened their efforts to work with partners to assess the scope of illegally harvested timber, which robs governments and other forest owners of significant revenues and acts as disincentive to sustainable forest management. For example, in 1999 the UK completed a major review of this subject in Indonesia, *Addicted to Rent: Corporate and Spatial Distribution of Forest Resources in Indonesia; Implications for Forest Sustainability and Government Policy* and is following up on counter measures with the government and civil society organisations. In the same year, the UK provided funds to

other partner countries to tackle illegal logging, and over a three-year period will support the *Forestry Crime and Reporting Project* in Cambodia and the core activities of *Global Forest Watch*.

The US has committed to hosting an regional conference in Southeast Asia, drawing on the results of the "Forest Law Enforcement" symposium sponsored by the World Bank in Phnom Penh, Cambodia in June 1999, as well as other work underway by governments and NGOs. The US is in the process of consulting with governments and international and non-governmental organisations on potential dates, venue and programme.

Japan has made financial contributions to the activities that aim to improve economic information and market transparency on timber trade. For instance, Japan has contributed funds through ITTO to the producer member countries' projects to develop their human resources and institutions, with a view to developing the statistics and information systems relating to the production and trade of forest products, and to enhancing their statistical processing ability. Furthermore, Japan has also contributed funds to ITTO for its co-operative activities with relevant international organizations to enhance the statistical functions and network internationally.

As documented in its development policy on forests, the EC supports rules that apply world-wide, in order to tackle the problem of trans-national logging companies operating in unregulated frameworks. The EC finances projects which deal with this vexing, persistent problem of illegal logging, and, in specific cases brought to its attention, has approached partner state governments.

The Italian Development Cooperation is actively involved in integrated programmes for the systemic management of forest resources and protected areas, all of which include initiatives to fight illegal hunting and logging, both directly by strengthening forest inspection and control services and the participation of local communities, and by providing economic and administrative incentives towards the establishment of forms of legal use of forest resources. Particular emphasis is given to the development of environmentally compatible forms of their utilization, e.g. ecological and cultural tourism, etc.

Domestically in the UK, tree felling is regulated through licences, management plans, tree preservation orders and statutory development control. All applications for felling licences are placed on a public register before approval is granted, to help the public identify and report unauthorised felling.

IV. Conclusion

The Action Programme on Forests launched two years ago represents the first consolidated experience for the G8 members in working together on the world's forests. It builds on individual G8 member's experiences and complements the extensive range of actions currently being taken by the international community in various regional and international processes.

This report demonstrates that G8 activities since 1998 are diverse, reflecting the variety of their forest ecosystems, land ownership arrangements, administrative and governance structures, and international cooperation programmes, as well as G8 members' individual and collective leadership and endeavours with respect to forests. The report also illustrates where the G8 members have capitalised on their strengths and worked cooperatively on a number of issues as opportunities arose, including in support of the Intergovernmental Forum on Forests (IFF).

While the actions taken to date are important contributions towards sustainable forest management and in turn sustainable development, the G8 members recognise that further efforts are needed by all members to meet these ends.

REPORT ON THE IMPLEMENTATION OF THE G8 ACTION PROGRAMME ON FORESTS

Annex A Individual Progress Reports

Progress Report Canada

I. INTRODUCTION

Canada is endowed with an abundance of natural resources and vast forests that cover nearly half the nation's land area. Our forests are part of our heritage and national identity. Canadians believe that they come to us as a legacy to sustain and pass on, recognizing that these life-supporting ecosystems provide a wide array of environmental, economic, social and cultural benefits ranging from the spiritual to the material.

The following overview describes some of Canada's activities related to sustainable forest management that are consistent with the G8 Action Programme on Forests.

II. Monitoring

Data on Canada's Forests

In 1990, the Canadian Council of Forest Ministers (CCFM) established the National Forestry Database Program (NFDP) to provide a quantitative description of the level of activity in any period, to mark change in activity and to determine changes in the resource itself. Since then, information on the financial aspects of forest management has been added, along with information on the use of pest control products. However, expansion of the database into the realm of non-timber forest values continues to be a challenge.

Another initiative, the Canadian Geospatial Data Infrastructure (CGDI), facilitates the exchange of forestry-related information. It is driven by partnerships among the federal and provincial and territorial governments and the private sector and academia, the purpose of which is to facilitate timely access to geospatial data, information holdings and services to support policy development, decision-making and economic activity.

Criteria and Indicators (C&I)

In 1995, after a year-long process of consultation, the CCFM adopted a framework of national C&I for sustainable forest management. The criteria represent forest values that Canadians want to sustain and, with the indicators, track the nation's progress toward sustainable forest management.

Implementation is underway and reports describing Canada's ability to measure the forest values that Canadians wish to sustain are at: <http://www.nrcan.gc.ca/cfs/proj/ppiab/ci>. In addition, the CCFM approved a plan to collect data and information to report on sustainable forest management, in 2000, through a core set of 49 indicators.

Remote Sensing

Canadians have developed a cost-effective combination of computer software and airborne remote-sensing technology that produce detailed and meaningful pictures of forest composition. The new system automatically groups trees according to their species and other salient characteristics, enabling forest managers to compile faster and more accurate inventories, to pinpoint areas that are ready to harvest, and to detect areas that need protection or help in regenerating.

A new project, Earth Observation for Sustainable Development of Forests (EOSD), is being developed to monitor the sustainable development of Canada's forests from space. Two federal partners, the Canadian Forest Service and the Canadian Space Agency, are mounting the ten-year project in co-operation with the provinces and territories. It will support, with space based technology, Canada's priorities and international commitments for monitoring the sustainable development of its forests and for meeting forest information needs of the Kyoto Protocol. The status and major changes in the composition, distribution,

structure and function of forests over time will be quantified. The remote sensing observations will also form part of a three-stage new national forest inventory. It is intended that products and data will be widely available via intelligent information systems.

Canada also launched GeoConnections, a national project to make Canadian geospatial information available on the Internet, and the Canadian Geospatial Data Infrastructure (CGDI), the geographic information component of the information highway.

Global Disasters

Each year, crown fires are responsible for a large proportion of the forests lost to fire world-wide. The CFS participated in an international ground-breaking study on the behaviour of crown fires (hugely destructive fires in which flames spread quickly across tree tops, consuming vast areas in a short time). The study, which resulted in a detailed, field-tested physical model of crown fires, provides information on how these fires start and spread.

This crown fire model, along with the fire monitoring systems developed in Canada has established Canada as the world's leading innovator in advanced forest fire management. The system developed by Canadian scientists represents the culmination of 75 years of fire science. It includes computer programs that can help fire managers evaluate the risks and spread of forest fires, and can offer managers efficient ways of fighting fires, right down to the number of water bombers needed and where to position initial-attack crews. In the 1980s, the Canadian Forest Fire Danger Rating System gained international recognition when it was adapted for use in New Zealand and Alaska. More recently, the Canadian Wildland Fire Information System (CWFIS) has been adapted for use in B.C., Alberta, Saskatchewan, South East Asia, Florida and Mexico, with other provinces and countries giving it close consideration.

In 1998, Canada played an active role in the discussions related to a proposed Global Disaster Information Network (GDIN), sponsored by the United States Department of State. GDIN is an outgrowth of the G7 Information Society, Global Emergency Management Information Network Initiative, formerly led by the CFS.

III. National Forest Programmes

Canada's National Forest Strategy

A new five-year National Forest Strategy was adopted in May 1998. It provides a framework that will guide the policies and actions of Canada's forest community into the next millennium, setting out nine strategic directions that encompass 31 objectives and 121 commitments to action. The strategic directions are:

- forest ecosystems: multiple values,
- forest management: practising stewardship,
- public participation: many voices,
- the forest industry: a global competitor,
- forest science and technology management: a team approach,
- communities and the work force: living with change,
- Aboriginal people: issues of relationship,
- private woodlots: a growing opportunity, and
- the global view: Canada on stage.

A report on implementing the strategic action plans will be ready in April 2000.

Climate Change

The Canadian Forest Service (CFS) has identified climate change as a priority for science and technology (S&T) research to assist Canada meet its present and future national and international reporting requirements. A Climate Change Task Group made up of scientists and science managers identified two key research needs around which specific deliverables were formulated:

- i) enhanced knowledge and prediction and measurement capabilities pertaining to forest global cycles and the impacts of climate change on Canadian forest ecosystems; and
- ii) adaptation and mitigation options and strategies.

Simultaneously, all of the longer-term research is continuing. This involves experiments and measurements in the field, as well as modelling activities and research into the sensitivities of various genetic complexes to environmental flux.

At the international level, CFS climate change scientists pursue their efforts in support of scientific institutions such as the International Union of Forest Research Organizations (IUFRO), and the International Geosphere Biosphere Program (IGBP). The CFS will also host the International Conference on the Role of Boreal Forests and Forestry in the Global Carbon Budget, to be held in Edmonton in May 2000.

Model Forests

In Canada, a network of eleven working-scale forests is operational across most of the major forest eco-regions. Ranging in size from 100,000 to 1,500,000 hectares, they cover more than 8.5 million hectares and operate on the basis of partners working together on shared sustainable forest management goals within the parameters of unique social, ecological and economic conditions of each forest area. One example of collaboration at the network level is the development of indicators at each site that are locally significant and consistent with Canada's national criteria and indicators framework.

Further, an Aboriginal-led model forest was established in 1998 and a network-wide initiative has increased Aboriginal involvement at the other ten sites.

Official Development Assistance

Canada, through the Canadian International Development Agency (CIDA) and the International Development Research Centre (IDRC), provides assistance to developing countries and countries with economies in transition. Bilateral forestry development assistance is provided on a responsive basis and is generally undertaken within the framework of national forest program where these exist. Such activity covers about 120 projects in Asia, Africa, the Americas and Central and Eastern Europe. Financial support to these and other efforts amounts to approximately \$50 million per year and includes commitments to multilateral institutions and initiatives. Increased public and political interest in international forest issues and sustainable forest management in the tropics will likely result in increased technology transfer and financial support to developing countries.

One major activity for Canada internationally is the Southern African Development Community (SADC) Tree Seed Centre Project in South Africa, initiated in 1991 with a budget of \$11.8 million over 6 years. Additional funding has since been allocated to continue the program.

Intergovernmental Forum on Forests (IFF)

As mandated by the nineteenth Special Session of the United Nations General Assembly on the implementation of the Agenda 21, the IFF focused its work on three categories, one of which dealt with future international arrangements and mechanisms for all types of forests (Category III).

In support of the IFF's mandate to identify the possible elements and work towards consensus on future international arrangements and mechanisms, for example, a legally binding instrument on all types of forests, Costa Rica and Canada entered into a partnership to provide a neutral, transparent, participatory and representative forum to facilitate technical discussions. Twenty-one countries and international organizations contributed to the initiative, financially and otherwise, making it possible to hold regional meetings around the world.

Participation was open to governments, intergovernmental institutions, non-governmental organizations (NGOs), Indigenous Peoples, women's groups and the private sector. Attention was also paid to reflect balanced geographic representation and the range of views on the issues addressed.

IV. Protected Areas

Approximately 83 million hectares are protected in Canada, of which roughly 32 million hectares are forested. Less than half of Canada's forests is managed for timber production. The rest is considered open or inaccessible.

In 1995, a review of progress related to the 1992 National Forest Strategy noted less than anticipated progress toward completing a network of protected areas and consequently identified this goal as being of the highest priority. The restatement of the commitment to protected areas in Canada's new National Forest Strategy, endorsed in 1998, reflects this priority.

In 1998, the G8 Action Programme on Forests called on member countries to achieve consensus on categories of protected areas, drawing on the World Conservation Union's (IUCN) protected areas management categories and other classification systems. It further suggested that members identify key forest types not sufficiently represented within the existing network of protected areas.

Although there continues to be a high degree of interest in protected forest areas domestically and internationally, Canada faces a variety of challenges, aside from the issues of overlapping responsibilities and co-ordination between levels of government. For example, there are no nationally agreed principles for conservation planning; a definition of the term representative has not been formalized; and there exist hundreds of different categories of protected areas. Furthermore, Canada does not currently have a national mechanism to comprehensively collect and report on biological diversity data in relation to protected areas.

The provinces and territories tend to take action toward establishing protected areas according to their own circumstances and decisions are frequently based on geography rather than biological diversity. Some provinces, such as Nova Scotia, Ontario and British Columbia, have made significant progress toward protecting representative areas in recent years. Other provinces and territories are involved in extensive consultations to reconcile the interests of the public and industry.

The Forest Stewardship Recognition Program

Launched at the National Forest Congress in 1998, the Forest Stewardship Recognition Program (FSRP) aims at stimulating awareness of and appreciation for stewardship, sustainable practices and forest biodiversity conservation efforts in Canada's forests. The program is intended to thank people for their work in these areas and share lessons learned to keep Canada's forests and wildlife populations healthy and secure. People, organizations and companies who make outstanding contributions are recognized.

V. Private Sector

Private Lands

Forests in Canada are largely owned by the public in that nearly 90 percent of the country's commercially productive forest is the responsibility of provincial governments. Yet, that land is harvested almost exclusively by private forest companies through lease agreements.

While the exact terms vary, depending on the province and the duration of the lease, tenure agreements generally impose strict requirements on forest companies, ones that attempt to balance the commercial goals of industry with the broader goals of government and the public. These partnerships are complex and changing, are affected by market forces, environmental conditions, government initiatives, international trends and by the changing attitudes and values of Canadians. Public interest has helped shape forest legislation and management throughout Canada's history, and it continues to do so today, more directly than ever before.

In 1997, the CCFM established a task force to review taxation policies and their impact on sustainable private woodlot management. During its meeting in September 1998, ministers received the study which confirmed that taxation regimes at all levels of government raise a number of concerns. The ministers agreed to forward the study to their respective finance ministers once the full extent of the recommendations are evaluated.

Certification

As of July 1999, more than 3.7 million hectares were certified in Canada under one of three systems. One forest area (230,000 hectares) was certified under the Canadian Standards Association (CSA), three (210,000 hectares) were certified under the Forest Stewardship Council (FSC) and six companies (3.7 million hectares) have portions of their forestry operations certified under the International Organization for Standardization (ISO 14000). While these represent a large area, they only form a small share of Canada's forest.

Governments in Canada have not officially endorsed any particular certification scheme, believing such activities should be market based and market driven. In this regard, governments have been offering technical and research support while ensuring initiatives do not become barriers to trade.

Helping Other Countries

Canada, through the Canadian International Development Agency and the International Development Research Centre, provides support to private sector enterprises interested in commercial forest-related activities in developing countries and in countries with economies in transition. Such support is designed to assist Canadian and developing country private sector partners in bringing joint ventures to fruition. However, interest within the Canadian business community to pursue investment opportunities and partnerships in tropical forestry, while increasing, remains modest.

VI. Illegal Logging

Illegal logging, when taken as the illegal harvesting, processing or export of timber on a large scale, is not a major concern in Canada, partly because of legislation and regulations that clearly define procedures pertaining to planning, harvesting and processing of wood. Another reason is the low value of the forest resource in Canada compared to precious tropical species.

From a Canadian perspective, illegal logging is the action of individuals removing live or cut trees from properties that do not belong to them or on which they do not have permission to operate. In this context, provincial and federal authorities are implementing measures ranging from public education, technology development, monitoring, investigations and criminal prosecution of persons conducting activities against the law. Currently, \$10 to \$20 million per year is lost to tree rustlers in British Columbia.

Canada is nonetheless addressing this issue through some of its research activities. For example, the CFS work on wood DNA-analysis techniques may lead to a forensic spin-off: catching and thwarting tree thieves. As CFS scientists refine methods of identifying tree DNA, it may be possible to match a specific yellow or western red cedar log with its stump and to determine whether the log was harvested without authorization. Trees, like all living organisms, contain DNA-genetic material in cells that are as individual as a set of fingerprints.

In addition to being of use domestically, this promising technology can be easily transferred abroad to help countries deal with problems that reach larger proportions.

REPORT ON THE IMPLEMENTATION OF THE G8 ACTION PROGRAMME ON FORESTS

Annex A Individual Progress Reports

Progress Report France

I. Introduction

G8 Action programme on forests was adopted on May 9, 1998, at the G8 Foreign Minister meeting, and endorsed by the Head of States at the Birmingham Summit. The following describes the French progresses regarding the commitments taken.

France considers that the sustainable use and management of natural resources is of utmost importance. In forestry, a long tradition has learnt lessons, on which have been elaborated laws and regulations, but also management practices.

The G8 commitments focused on specific actions, reported below, although they are only a part of a whole, to be considered, and dealt with, in a holistic way.

II. Monitoring and assessment

* monitoring :

The French Forest Health Department which is exactly 10 years old, is made of a core of foresters specialised in forest protection leading a network of 240 correspondents belonging to the different forest management organisations : National Forest Agency (ONF), private ownership organisations (CRPF), and other public services.

They collect yearly about 4,000 individual records of damage caused by insect pests and diseases as well as abiotic factors. This information is stored in a data base.

In addition, crown condition is assessed yearly since 1989 within the systematic 16x16 km (Level I) Network built at European level (EU + 17 other countries). This represents 540 plots and 10,800 trees which are monitored individually.

The relevant results and assessments are published in the annual report: "The health of French Forests (France) in ...".

These monitoring activities are intended to depict not only the current forest condition, but also possible trends, as related to environmental factors, including airborne pollution, monitored by other organisations.

A second permanent network is the RENECOFOR Network, made of 100 plots and implemented by ONF as the French part of the pan-European intensive monitoring (Level II) Network of more than 800 plots distributed throughout 30 countries.

This network, set up in 1992 for a 30 year-period, is aimed at detecting possible long-term changes in a wide range of ecosystems and determining the causes of these changes.

A large number of core parameters is measured in each plot : crown condition, soil and foliage chemistry, growth, ground vegetation, litter fall. Atmospheric deposition (in open field and below canopy), meteorology and soil solution chemistry are monitored in sub samples, on 27, 26 and 17 plots respectively.

* assessment :

Most of data are provided by IFN (Inventaire Forestier National), the National Forest Inventory.

It has been set up gradually between 1960 and 1970, first as part of the Forest Service (Ministry of Agriculture). It was then transformed into a public agency, with its board and independent budget.

The main purpose of the Forest Inventory is to depict the distribution of types of land use and land cover.

It produces diverse data and maps, and firstly, "department" booklets including a general description, and many tables of the main inventory results. These results are analysed, and compared with the previous inventories.

Implementing the commitments of the G8 Heads of States, a particular attention has been brought to FRA 2000, with the publication of a special booklet, gathering required data, with many added comments. Several meetings have been organised, between different countries and FAO representatives to harmonise definitions understandings, and methods as far as possible due to the diversity of backgrounds.

What are the main improvements in progress ?

1. discontinuation of aerial photography in favour of satellite images. The advantages will involve some loss of detail until very high resolution images become available from the SPOT 5 satellite (expected to be launched around 2005)

2. replacement of the statistical estimations derived from sampling theory by "spatialised" estimations.

In addition to these major developments a lot of improvements to procedures are being studied or applied, e.g. :

photo digitalisation, or direct digitalisation ;

transfer of applications for the measurement database to a customer server;

partial automation of the drafting of "department" inventory publications;

in situ capture of ground data using portable input terminals;

replacement of topographical traverses to the sample plots with satellite guided assistance provided by GPS.

III. National Forest Programmes

The G8 members committed themselves to promote sustainable forest management though, *inter alia*, defining and implementing national forest programmes (n. f. p.).

21 - Forest act :

A forest act has been adopted and implemented since 1827. Of course many amendments and additions has been made in the original text.

It was obvious that the G8 commitments had to be translated into a "text at the top", namely in the "Forest Code".

An important work has been initiated. The first part is a preamble, referring to the sustainable management of forests, as an addition to the three classical objectives : economic, ecological and social functions of forests. We expect to achieve this preliminary work *to mature a project, for consideration of the Parliament* as soon as possible, and hopefully during winter 1999 or spring 2000.

22 - Forestry and rural development :

In the European region, there is a long tradition in regulations, laws and also applications on the ground, aiming at improving forest management towards sustainability. The focus on yield shifted, step by step, to include environmental and social aspects. This later aspect is also stressed by an E.U. process targeted on rural development.

It is therefore a unique opportunity to revisit the forest programme, and improve the dialogue and the co-operation with other actors.

As outcome of this dialogue, a 60 page report includes :

- the current situation, as a result of history, with special reference to previous E.U. programmes ;
- Goals and targets, expressed according to an area shared in "great regions" ;
- Precise programme, with quantified targets, defined in a 5 year programme ;
- *ex ante*, mid term and *ex post* evaluation.

The broad dialogue was a valuable opportunity for forest managers and representatives of many ministries and sectors to be better known and understood, and *vice versa*.

Two main ideas:

- the maintenance of rural areas through a balanced management ;
- the creation of employment.

23 - Forestry strategy

Define a national forest programme implies a consensus on the medium and long term objectives.

A broad consultation with our usual partners took place under the aegis of the French " Committee 21 ". As outcome of this wide and open discussion was produced a document, entitled "French Forestry Strategy". The draft is currently being circulated within diverse ministries and regions.

An Internet Forum has also been opened, to encourage transparency and public awareness and participation to the provision and the contents of this document.

IV. Protected areas

The G8 commitment reinforced the primacy of such a topic. France is actively involved in two current and active processes :

The Ministerial Conferences on the Protection of Forests in Europe, with a special focus on biodiversity (Strasbourg Conference Resolution S 2 and EUFORGEN project).

The Natura 2000 network : this network will include many "reserves", with diverse status of protection. The implementation of the E.U. regulation raised many discussions and even conflicts. These conflicts are being solved, one after the other, while designing "*target documents*".

In addition, several research projects have been launched, to improve the knowledge and common understanding in this field, e.g. COST E4, aiming at collecting the data on existing reserves and protected areas, including diverse status of protection.

V. Private Sector

In France, forest is more than 70 % private owned. The private sector plays therefore a major role, not only in term of ownership, production of goods and services, and management, but also as the unique actor in wood logging and processing.

Since a law, adopted in 1963, a management plan is mandatory for any property exceeding 25 ha. These documents are prepared by the owners themselves, taking into account regional orientations. Then the document is discussed and approved by the owner representatives, between themselves, the State representative having only a veto right.

The new forestry act in progress (cf *2) proposes to lower to 10 ha the threshold for the obligation of a mandatory management plan.

Codes of conduct:

The G8 meeting stressed the interest of the involvement of the private sector, taken in a broad sense, to make a greater contribution in securing sustainable forest management.

In this context, an initiative has been taken by forest owners, then jointly with other private partners, in France and, step by step, with other countries, to define a Pan European Forest Certification (PEFC) framework. This voluntary tool is intended to defining in the diverse European conditions what means sustainable forest management, and at the same time, to establishing the foundation for the mutual recognition of certification systems, under a condition of compliance vis à vis some common basic principles.

VI. Illegal logging

Logging is, in France, under strict control.

In public as well as in private forests the management planning defines the felling permitted. France has a limited territory, and a high population density, so that most of offenders are rapidly discovered and prosecuted.

The tentative work on conditions for certification of sustainable management of forests is also an initiative directed towards discouraging illegal logging. However in a country with very small properties and small processes units, the chain of custody is difficult to be set up with safety.

It might be helpful for imported timber, if it appears reliable.

REPORT ON THE IMPLEMENTATION OF THE G8 ACTION PROGRAMME ON FORESTS

Annex A Individual Progress Reports

Progress Report

Germany

I. Introduction

The following report deals with the activities carried out in Germany to implement the G8 Action Programme on Forests, which the G8 Ministers for Foreign Affairs decided at their meeting in Birmingham (United Kingdom) in May 1998. While implementing this Action Programme, Germany will at the same time pursue the implementation of the "Proposals for Action" contained in the report of the Intergovernmental Panel on Forests (IPF). Furthermore, Germany will continue to participate in the dialogue on sustainable forest management in the competent fora, in particular the Intergovernmental Forum on Forests (IFF), the Ministerial Conference on the Protection of Forests in Europe and the Agenda for the Baltic Sea Region (Baltic 21). Germany supports the activities within the framework of the Convention on Biological Diversity (CBD) in the field of biological diversity of forest ecosystems namely the programme of work which takes account of the conclusions of IPF and IFF and aims at contributing to ongoing work within IFF.

II. Monitoring and Assessment

Germany

- carries out a broad survey of its forests, taking account of the manifold shapes and various functions of forests. The first Federal Forest Inventory supplied information on the forest area, shares of tree species, growing stock, forest structures and forest opening etc. by the deadline 1 October 1987. A second Federal Forest Inventory is scheduled for the year 2002. It will go beyond the already surveyed parameters of the first inventory and provide additional, topical information on growth, removals and ecological parameters,
- assesses the condition of forests on a broad basis, including three approaches:
 - surveys on a systematic grid throughout Germany supplying area-representative information on the extent and development of forest condition (designated "Level I Programme" at the European level),
 - the intensive examination of cause-effect relations between forest ecosystems and the factors influencing them ("Level II Programme"),
 - research into forest ecosystems,
- monitors the forest condition additionally by means of separate *Laender* (Federal States) forest monitoring programmes,
- co-operated intensively in the set of questions of the Global Forest Resource Assessment (FRA 2000) of the Food and Agriculture Organization of the United Nations (FAO) and transmitted the FRA 2000 data to FAO,
- takes - as far as possible - account of the criteria and indicators for sustainable forest management in all national survey programmes,
- created the framework conditions for the access of all interested groups and organizations to remote sensing data and technologies,
- supports capacity-building measures regarding fundamental issues of national forest policy and sustainable forest management in developing countries within the framework of bilateral technical co-operation,
- promotes the project "Integrated fire-management in Indonesia" within the framework of technical and financial cooperation. In addition to its normal tasks regarding advisory services as well as infrastructure improvement for forest fire prevention and control in East-Kalimantan in 1996/97, this project made a

major contribution to disaster relief. Ad-hoc advisory services were also financed in this connection.

III. National Forest Programmes

Germany

- required all forest owners under the Federal Forest Act to conserve forests because of their multifunctional importance, to expand them if required and to ensure their proper management on a sustainable basis. This principle of sustainability is accepted by all forest owners and by the public,
- set out the situation of the German forestry sector in the 1997 National Forest Report of the Federal Government and assessed it in terms of its economic, social and ecological significance. The Federal Government formulated aims and measures of the Federal Government forestry policy in this report,
- also adopted the principle of sustainability and proper management to safeguard and develop the multifunctionality of forests into the *Laender* forestry legislation, taking the respective specific regional conditions into account,
- has a programme of measures at its disposal for the "improvement of agricultural structures and coastal protection" in which the Federal Government and the *Laender* jointly assist private and community forest owners in overcoming structural handicaps and safeguarding multifunctional forests on a sustainable basis,
- further expanded the joint Federal/*Laender* programme of measures at *Laender* level through *Laender*-specific measures,
- developed in Federal/*Laender* co-operation a strategy for the conservation and sustainable use of the biological diversity of public forests in Germany,
- participated in the so-called Six-Country Initiative, making a major contribution to the exchange of experience between industrialized and developing countries on the issue of national forest programmes. A methodical set of tools - Practitioner's Guide - has been developed, improved and presented at IFF 3 in May 1999,
- is elaborating a national forest programme in co-operation with the *Laender*,
- takes account of the priority accorded by partner countries of development co-operation to the issue of sustainable forest management as well as the instrument of national forest programmes. The setting of these policy priorities of partner countries will become increasingly important,
- uses new findings (Six-Country Initiative, national forest programmes, cross-section evaluations) for reviewing and, as appropriate, re-aligning German forest-related development co-operation programmes in selected partner countries (e.g. Indonesia, Ecuador, Vietnam) as well as for a better co-ordination of the current promotional measures in the forestry sector,
- supports international initiatives promoting sustainable forest management in various ways. This includes, for example, bilateral promotional measures to assist partner countries in achieving the ITTO-2000 aim (i.a. Indonesia, Malaysia), advisory services and co-ordination with international programmes (UNDP-Global Forests Programme) and the provision of trust funds (e.g. WWF for WWF/World Bank co-operation programme in the forest sector, IUCN, IIED, WRI/Forests Frontier Programme). Within the framework of horizontal exchange of information among relevant projects of development co-operation, these aspects are continuously being intensified and improved,
- is the most important donor (40% of the funds) during the first phase of the Pilot Programme to Conserve the Brazilian Rainforests (PPG7), the largest programme world-wide for the conservation and sustainable management of tropical forests,
- contributes actively to the fulfilment of the IFF mandate, i.a. regarding the identification of possible elements of and working towards a consensus on international arrangements and mechanisms, for example, a legally binding instrument on all types of forests.

IV. Protected Areas

In Germany

- all forests are generally conserved according to the Federal Forest Act. All forest owners have to conserve forests because of their multifunctional importance; where required forests are to be expanded and their proper management is to be ensured in a sustainable manner. This principle of sustainability is accepted by all forest owners and by the public,
- special protected forest areas are created on two legal bases essentially:

- *Nature conservation legislation.* In Germany, the responsibility for the field of nature conservation rests with the *Laender*. The Federal Government provides a general framework through its Nature Conservation Act. Within this framework, the *Laender* can designate various categories of conservation areas, especially nature reserves, national parks and biosphere reserves. Many of the larger conservation units comprise forest areas. The highest degree of protection is achieved in the core zones of these areas, where any type of commercial use of forests is in principle prohibited.
 - *Forest and forestry legislation.* Again this field is within the competence of the *Laender* and the Federal Government provides a general framework through its Federal Forest Act. Within this framework, the *Laender* can designate e.g. protected forest reserves and recreational forests,
- around 65 % of the total forest area is located in protected areas and is under some sort of special protection. About 5 % of the total forest area is situated in forest reserves as well as in the forested parts of nature reserves and national parks. Forests in these reserves are subject to protective regulations which often severely limit or even exclude use. The total forest area, which is completely excluded from commercial use, comprises around 83,000 hectares (around 0.8% of the total forest area, mainly forest reserves and core zones of nature conservation areas),
- there is cross-border co-operation between countries on protected areas. Four protected areas with extensive forest cover maintain a cross-border relationship with protected areas outside of Germany:
- the National Park "Unteres Odertal" in Brandenburg which is part of the Inter-National Park "Unteres Odertal" of Poland and Germany,
 - the "Bavarian Forest National Park and "Sumava National Park" in the Czech Republic,
 - the national park "Sächsische Schweiz" in Saxony and the protected landscape area (and planned national park) "Labske Piskovce" in the Czech Republic,
 - the biosphere reserve "Pfälzerwald" in Rhineland-Palatinate and the biosphere reserve "Vosges du Nord" in France.

In the case of Saxony, cross-border co-operation has a legal basis in a treaty of co-operation in environmental matters between Saxony and the Czech Republic. The co-operation between the biosphere reserve "Pfälzerwald" and the biosphere reserve "Vosges du Nord" is intended to lead eventually to the creation of a cross-border biosphere reserve "Vosges du Nord-Pfälzerwald",

- a system of natural forest reserves has been established by the *Laender*, which aims at the protection and undisturbed development of forest ecosystems. It is co-ordinated at Federal level and permanently improved. The development of these forest ecosystems is monitored in detail to obtain useful information for future forest management practice. The *Laender* have designated a total of 676 forest reserves of various types; average size: over 36 hectares, total percentage: 0.24 % of total forest area,
- the Federal Government and the *Laender* are aiming at further improvements in securing and maintaining biodiversity also in the forest sector. This includes above all close to nature forest management, if possible on the whole managed forest area. In certain regions attempts are being made to establish further protected forest areas,
- support for protected areas is granted by German development co-operation. German development co-operation provides support for a number of projects dealing with the conservation and sustainable management of tropical forests. The management of protected areas and their buffer zones has increasingly received attention over the past few years,
- currently over 150 projects of forest and biodiversity protection (funding commitments: around DM 1.5 billion) are being promoted through bilateral technical and/or financial co-operation. Corresponding measures are additionally also promoted within the framework of funds in trust arrangements with international non-governmental organizations such as IUCN, WWF, WRI and IIED. In some countries like Bolivia and Peru, for example, possibilities of bilateral debt relief or debt swaps measures are also being used.

V. Private sector

Germany

- grants its private (and communal) forest owners in various ways assistance and incentives for a sustainable management of their forests,
- promotes sustainable forest management through specific fiscal regulations for private forestry

enterprises,

- ensures the proper and sustainable management of forests in the privatization of large forest areas in the *new Laender* by a long-term commitment of purchasers,
- can count on a consensus among private forestry enterprises regarding sustainable development as the priority aim of the forestry sector. The objectives are being further refined in an intensive dialogue between the Federal Government, the *Laender* and the private sector discussing possibilities of a more transparent account of the realization of aims,
- supports the improvement of framework conditions in developing countries for a responsible involvement of the private sector in various projects of technical co-operation in the field of forestry (e.g. Ecuador, Malaysia and Indonesia). The sectoral project on certification initiated by the Federal Government in 1998 in the tropical forest/tropical timber area is also closely related to this topic.

VI. Illegal logging

Germany

- is not affected by illegal logging due to its legislation and control, land ownership structures and the traditional management of forests by their owners,
- promotes the improvement of legal or administrative framework conditions and technical possibilities of control aided by the ongoing forestry policy advice, sectoral planning and forest conservation within the framework of technical and financial co-operation to check illegal timber use activities as part of a broader concept of advice or promotion (e.g. Indonesia, Ivory Coast, Central African Republic, Brazil, Costa Rica).

REPORT ON THE IMPLEMENTATION OF THE G8 ACTION PROGRAMME ON FORESTS

Annex A Individual Progress Reports

Progress Report **Italy**

I. Introduction

Considering minor importance of the domestic Italian initiatives in the context of the world forest problems, the report is entirely dedicated to the Development Cooperative Assistance programmes managed by the Ministry of Foreign Affairs.

In this regard, it must be firstly referred the FAO/Government of Italy Co-operative Programme in the field of Environment and Sustainable Development activities, aimed at assisting in improving the management of natural resources, that includes various projects interesting forestry, rangelands and water.

Furthermore, important references to forestry have to be considered on the bilateral and multilateral initiatives generally interesting sustainable agriculture and rural development, following the holistic approach commonly recommended in the Intergovernmental Forum on Forests and specifically examined on the FAO/ Netherlands Conference on the Multifunctional Character of Agriculture and Land, held in Maastricht, 12-17 September 1999.

In fact, the goal of SFM appears to be strongly linked to the general harmonization of human activities which essentially depends on the adequate comprehension of typical cultural values - not only in terms of forestry and agriculture but generally - of the different civilizations existing in the world, as a reflection of their natural identity.

II. Monitoring and Assessment

The most important initiative of Italy in this field is represented by the project "Land Cover Mapping of East Africa based on Satellite Remote Sensing" , that is part of FAO assistance to the Nile Basin Countries and a component of a larger multi-donor program interesting the whole Africa and known under the title of "AFRICOVER".

This project started in 1995 for the duration of 5 years with the development objective to strengthen the capabilities of East African and Riparian Nile countries for a sound planning of natural resource development and their sustainable management, by producing reliable land cover maps and strengthening the national capacities in operational application of remote sensing.

The operational site of the project is based in Nairobi, at the Regional Centre for Surfaces in Surveying, Mapping and remote Sensing (RCSSMRS).

At the national level, activities to search and assess the availability of topographic and existing thematic data for project use have been accomplished. Moreover, national working groups have been established in each country, with thematic capacities in map preparation.

Land cover mapping for Somalia and Kenya have been completed, those concerning Tanzania and Egypt are currently in an advanced state, those related to Burundi, Rwanda and Sudan started in 1998, while other countries are still outstanding.

Another important project actively supported by Italy in the framework of a World Bank programme, aims at the requalification and upgrading of forest management in the Bosnia and Herzegovina Federation.

Project activities include the completion of the federal basis of satellite imagery and mapping of forest resources and an inventory of forest species. While giving particular emphasis to complementing the existing mapping work, the project has a broad integrated institutional building perspective, as it aims toward improving the reference basis and capacities for forest management planning and span from forest legislation and forest policy, forest and parks development and the rehabilitation of State forest enterprises, to the administrative and financial organization.

Furthermore, we must mention the initiative of Italian forest project for Albania to which we are referring in the following point.

III. National Forest Programmes

Regarding this point, the main initiative is the Technical Assistance to the Forestry Project in Albania, funded by the World Bank and by the Italian Government. Assistance regards two of the selected components of the general Forestry Project, thus focussing on the institutional development of forest administration and on improved management of state forests.

The first objective has been to strengthen the institutional capacity of the Directorate General of Forests and Pastures (DGFP), which is the main administrative institution in charge of forest management, to be transformed, upon project completion, into a Forest Corporation and a Forest and Pasture Department. Activities in this domain include the revision of DGFP management principles, and the preparation of a legislation draft to transform the DGFP. A strategy for environmentally sound development of forests and pastures has to be formulated, as well as financing and accounting procedures related to forest management. The project also upgrades the organizational structure of forest agencies, providing training in project evaluation and establishing a system of project monitoring.

Secondly, the project aims at reducing forest degradation, improving the management and planning capacity at the Prefect and District level. It thus provides training to appropriate staff to establish a multi-purpose forest management plan.

Finally, the project has been intended to promote environmental management, monitoring and assessment capacities, establishing a new institutional structure within the Ministry, training its staff, and setting up an information system to monitor the status of Albanian forests, and the socio-economic and environmental impacts of the project.

Due to the civil unrest which spread during 1997, the project effectively started its activities in October 1997, with some logistic problems. In 1998 a large number of consultations were carried out including: forest management plans, wood trading, forest inventories, financial and data management, legislation, monitoring and evaluation, training of trainers. New forest management plan guidelines were drafted, and a review of the thinning operations undertaken. Upon request of the World Bank and the Project Management Unit, the technical assistance is expanding to support monitoring and evaluation of all DGFP activities.

Furthermore, the Project for the "Développement rural intégré dans l'Adder Douchi Maggia" in Niger has been mentioned, as an example of integration between forest and rural programs, with the objective of enhancing the productivity and exploiting the agricultural, forestry and pastoral potentialities of the region.

The activities conducted from July 1996 to March 1999, permitted to cover with forestry trenches an area of about 1.986 ha, utilizing about 2.300.000 plants that had been produced in some 40 small nurseries by peasants' associations.

Some connection with the theme of NFP is offered, also, by an Inter-regional Project for Participatory Upland Conservation and Development, conducted in collaboration with National Agencies dealing with Forestry, Soil Conservation and/or Watershed Management, of Bolivia, Nepal and Tunisia.

Among other results, the Project contributed to improve the management of water streams, forests and rangelands, by introducing innovative technical and organizational measures and/or by revitalizing indigenous know-how.

The NFP item is subsequently considered in the project "Participatory and Integrated Management of Forest Resources in Syria, for the duration of 1 year from May 1999 to April 2000, with the total approved budget of about 306.000 US\$.

Since the forest resources in Syria are threatened by high anthropic pressure, the objective of the project is to facilitate the following aspects: a) a participatory planning and implementation approach, allowing for coordination between central and local levels; b) the nature (i.e. simplicity and cost-effectiveness) of technologies and practices diffused and adopted; c) the user-friendly and effective monitoring system; d) the high importance given to training activities.

Finally, it is important to mention the 4 years project "Country Capacity strengthening for National Forestry Action Plan (NFAP) implementation in Vietnam", with the total approved budget of 1,941,000 US\$.

Among the objectives of the project are confirming aspects already considered for other countries, particularly to note the aim at increasing knowledge and skills of NFAP officials and other individuals involved in the forestry sector on problems related to the process of transition to a market economy.

IV Protected Areas

Regarding this point some particular initiatives must be mentioned.

The first one concerns a project for the management of natural resources in the Province of Taza, in Morocco, the duration of which is 3.5 years, from July 1997 to March 2001, with a total approved budget of 2,940,580 US\$.

The project intends to overcome existing constraints in the Province of Taza, by implementing the adoption of a participatory management approach to natural resources. The project concentrates its activities in two sites of the Taza province, Tafrata and Tazekka, respectively located in the arid plains and in the mountains: Tafrata being interested in strengthening the production potential of pastures; the area of Tazekka, made into a National Park in 1950 and recently enlarged, playing a strategic role in the Moroccan Government's policy of forestry ecosystems protection.

The project aims at: introducing ameliorated grazing systems; supporting local cooperatives at the technical and legal level; training technical personnel in participatory management and planning; activating a system of evaluation of project activities.

Income generating activities in small-scale animal husbandry and apiculture are specifically addressing existing rural women's associations, supporting the creation of new rural cooperatives and associations.

The project team organized various meetings with local farmers, specifically with women groups, defining concrete actions to be undertaken through project assistance.

Towards the end of 1998 a seminar was held in Rome (Italy) to present the participatory planning results obtained so far, which has launched an updated work plan.

Various documents concerning an analysis of foreseen activities have been prepared by the experts who took part in the above meetings, and by local team members of the project.

Other initiatives in the field of protected areas regards the follow up of the Italian Presidency of the European Union, that led Development Cooperation of Italy to be actively involved in supporting a process of transboundary collaboration toward the sustainable management of protected ecosystems shared across international boundaries by opening biological and economic corridors and by harmonising respective standards, relevant legislation and management procedures.

Some of these projects involve extremely important and endangered protected areas of the forest biome which emerge internationally for their level of biodiversity, such as Tambopata Candamo-Madidi National Parks in the Peruvian and Bolivian Amazon, and the Kruger-Zinave-Gonarezou National Parks in South Africa, Mozambique and Zimbabwe respectively.

They are specifically aimed at contributing to the economic, social and political stability of their region, by fostering collaboration across the borders by various abutting countries, in tackling shared problems related to the management of vast and difficult to access forested regions, the non optimal use of resources and their depletion, and illegal activities related to wildlife poaching and drug production

Lastly it must be referred the 4 years project for "Rangeland Rehabilitation and Establishment of a Wildlife Reserve in the Syrian Steppe" that, during its implementation, took in dutiful account the links with the project "Forestry and Food security in the Mediterranean and Near East Region" of the FAO/Italy cooperative programme, closed in 1997.

V. Private Sector

Besides its contribution to boosting entrepreneurial activities by providing an active support to general SFM policy and procedure development (e.g. the Primary Environmental Care model), the Italian Cooperation implements a number of specifically relevant community development projects.

Among these a project in the Madre de Dios basin in the Peruvian Amazon Forest emerge, which aim at involving indigenous communities in the identification and mobilisation of entrepreneurial activities linked to sustainable use of renewable resources of the forest. Special effort are made at integrating existing forms of use with improved technologies and communal trading approaches for better marketability and reducing wastages, identifying alternatives towards the sustainable trade of traditionally used as well as new products from the forest, and finally, contributing with a research assessment on differences in the response of distinct ethnic and cultural groups to entrepreneurial innovation, and their bearing on the formulation of sound management procedures.

An additional noteworthy example is given by a project of Italian Cooperation which focus on agroforestry systems in the Brazilian Region of Amazonia, on the states of Rondonia and Acre.

The project aims to help Associations of small producers (principally *colonos* and *seringueiros*) of these two States, in finding new economic earning alternatives, that correct the tendency of predatory and indiscriminate exploitation of the natural resources -which, locally, are mainly mediated by massive deforestation in favour of wild grazing and/or mining- by not only helping in mobilizing the necessary stakeholder involvement, but also assessing innovation perspectives in the context of effective accessibility to market, user and service areas, and ecosystemic constraints.

The alternative in question is represented by a kind of mixed installation, that foresees the combined use of trees and native-fruit palms and of common perennial farming, generally for human and animal food, in accordance to the schemes approved by the Brazilian and International scientific community, that allow for the recuperating and the sustainable management of the deforested areas.

Agricultural-forestry systems, even if at different levels in the two states of Rondonia and Acre, in relation to their specific situations, are a necessary strategy of human and environmental development, to which private-sector initiatives, relying on international programmes supported by considerable financial resources of the World Bank and of developed countries, can be of great use.

Naturally, these programmes also include action in favour of environmental education, primary and preventive health, acquisition of machinery for the agro-industrial transformation of products and credit opportunities for enterprises.

VI. Illegal Logging.

The issue of poaching forest products is actively dealt with the Italian Cooperation in the framework of its integrated programmes for the systemic management of forest resources and protected areas, all of which include initiatives to fight illegal hunting and logging, both directly -by strengthening forest inspection and control services and enhancing the participation of local communities- and indirectly -by providing economic and administrative incentives towards the establishment of forms of legal use of forest resources- with particular emphasis given to the development of environmentally compatible forms of their utilization (e.g. ecological and cultural tourism) etc.

Among the most relevant examples, two above referred projects types emerge for their systemic approaches and institutional building contributions, which Italy finances for the sustainable management of transboundary protected ecosystems shared across boundaries of South Africa, Mozambique and Zimbabwe, and the forestry projects within National Forest Programmes in Albania and in the Bosnia Herzegovina Federation.

REPORT ON THE IMPLEMENTATION OF THE G8 ACTION PROGRAMME ON FORESTS

Annex A Individual Progress Reports

Progress Report Japan

I. Introduction

G8 Action Programme on Forests was published at the G8 Foreign Ministers Meeting in May 1998 held prior to the Birmingham Summit. The communiqué of the Birmingham Summit held in the same month stated that the G8 leaders will assess the progress on implementation of the Programme in 2000. The following describes Japan's progress on implementation of the Programme, including Japan's domestic actions, international assistance programmes and contributions through intergovernmental processes, as of August 1999.

II. Monitoring and Assessment

Japan

1. has been surveying the state of its forest resources basically every 5 years in order to contribute to the development of appropriate forest management plans and to their smooth implementation. The most recent survey indicated information of the state of forest resources in each of 44 expanded watershed areas around the country.
2. in FY 1999 launched a new nation-wide Continuous Forest Inventory (CFI) to monitor and assess the forest resources and their dynamics using the unified methodologies, considering the compatibility with the criteria and indicators (C&I) of the Montreal Process.
3. has been conducting a 10-year-survey project in two watershed areas in Japan in order to develop C&I at the local level and the monitoring methodologies.
4. has been conducting a research project in Japan in order to develop and assess measurement methodologies of the indicators of the Montreal Process.
5. has been monitoring at fixed locations in Japan for early detection of forest degradation caused by acid rain and for observation of changes in forest conditions.
6. has been undertaking the National Survey on the Natural Environment in order to collect information on the present state of Japan's natural environment including forests, and to utilize it for the national policy development on nature conservation. Especially, as a part of the Survey in 1999, actual vegetation maps throughout the country are being revised.
7. has been conducting surveys to support the development and application of C&I monitoring systems in partner countries.
8. has contributed funds to the International Tropical Timber Organization (ITTO) projects to develop C&I and the C&I measurements application manual, as well as to disseminate ITTO's C&I. Japan will consider the possibility of further contribution to ITTO projects for the wide use of ITTO's C&I.
9. has contributed funds to the Food and Agriculture Organization (FAO) project for strengthening the country capacity in forest resources assessment for sustainable forestry planning in the Asia-Pacific region as a contribution to the Forest Resources Assessment 2000.
10. has been implementing the Forest Fire Prevention Management Project in Indonesia through the Japan International Cooperation Agency (JICA) for the purpose of monitoring forest fires and developing initial suppression methods.
11. has been financially supporting an ITTO project in Indonesia to develop the national guidelines on the protection of forest against fire in line with the ITTO's guidelines on fire management in tropical forest adopted in 1996. In February 1999, these national guidelines were completed at the international workshop in Indonesia. Training of the Indonesian local government personnel using these national guidelines will be conducted.
12. dispatched a JICA project formulation study team on forest fire management to Indonesia and

Malaysia in September 1998. Following up on this study, JICA has dispatched the Japanese experts to Indonesia in 1999, and also will dispatch an expert to Malaysia.

13. financed the ITTO expert mission on forest fire to Indonesia and Malaysia in September 1998. In order to find out further necessary actions, the mission examined the extent and causes of the forest fires, and the various national and international initiatives which had already been undertaken.
14. JICA, ITTO, and the related agencies of the Indonesian government co-organized the International Cross-Sectoral Forum on Forest Fire Management in Southeast Asia in December 1998. The objectives of this forum were to share information among the relevant countries and international organizations, to review forest fire management activities which had been conducted, and to contribute to the effective implementation of future measures against forest fires.
15. has been conducting a project to support the establishment of the methodologies for forest resource assessment using the remote sensing technology and to assist the establishment of the data service system, in order to promote appropriate management of the tropical forests in partner countries.
16. has funded an ITTO project to develop and disseminate user-friendly methods to estimate the forest canopy density, using the remote sensing technology. This project is still on-going.

III. National Forest Programmes

Japan

17. on the basis of the Forestry Basic Law, has developed and announced the "Basic Plan on Forestry Resources and Long-range Demand and Supply Projection on Important Forest Products" as the most basic long-term program on which Japan's forest management plans and various forest and forestry policies and measures should be based. The present Plan clearly sets forth the concept of sustainable forest management and, in view of the importance of forests as an ecosystem, promotes the development of diversified forest resources with the wide range of people's participation.
18. in October 1998 reviewed the relevant laws including the Forest Law with a view to contributing to the promotion of sustainable forest management nationwide. As a result of this review, Japan introduced a system to make available the draft plans, such as forest management plans (e.g., Regional Forest Plans for private and national forests) and the Basic Plan for Administration and Management of National Forests, to the public for comments in order to reflect a wide range of opinions. Japan also expanded substantial roles of municipalities in the forest management planning system.
19. in August 1999 developed the Medium-Term Policy on Official Development Assistance (ODA), in which Japan described the basic direction of its ODA. Based on the philosophy and program of action in the Initiatives for Sustainable Development (ISD), which Japan announced at the United Nations General Assembly Special Session (UNGASS) in 1997, Japan attached great importance to its partner countries' sustainable forest management, and stated in this "Medium-Term Policy" that it would continue to actively implement various technical and financial assistance projects. Japan is conducting technical and financial cooperation through a variety of schemes by JICA and the Overseas Economic Cooperation Fund (OECF), aiming to support the promotion of its partner countries' sustainable forest management.
20. has been conducting a survey to support the establishment of the model forests for the field-level application of sustainable forest management in partner countries, which aims to develop a system for the participation of stakeholders such as local people .
21. has been hosting a series of international workshops, which will continue until FY 2000, for the promotion of model forests as a field-level application of sustainable forest management.
22. in FY 1999 started to provide funds for an FAO regional project which aims at demonstrating sustainable forest management at the field level through strengthening the national capacity building for formulation and implementation of national forest programs in partner countries in Asia.
23. has been conducting the transfer of technology through JICA's Development Studies for the formulation of national or specific regional forest resources master plans in partner countries, and has been carrying out projects to build the partner countries' national capacity to formulate and implement their national forest programs.
24. has contributed funds through ITTO to the producer member countries' projects for the field test and application of ITTO's various guidelines and C&I in Asia, Africa and South America, in order to support the producer member countries' efforts toward the ITTO's Year 2000 Objective. Japan has

also funded a number of other ITTO projects related to the ITTO's Year 2000 Objective.

IV. Protected Areas

Japan

25. has designated various protected areas nationwide to conserve the forest ecosystems and restrict the development activities therein, on the basis of such legislation as the Forest Law, Law for Administration and Management of National Forests, the Nature Conservation Law, and the Natural Parks Law. Japan also conducts research on protected areas.
26. has designated protection forests throughout the country, which are expected to provide the public functions including conservation of the unique natural environment. Through the regulation such as the restriction on logging, forests conservation and appropriate forest management are secured in the protection forests, which account for 30% of the total forests in the country.
27. in December 1998 formulated "The Basic Plan for Administration and Management of National Forests" and shifted its management policy to emphasize the public functions of National Forests. In line with this shift, Japan reorganized forest types into 3 new types categorized by their respective expected functions. These new types are; "Forest for Water and Land Conservation," "Forest for Humans and Nature," and "Forest for Recycling Use of Resources". Among these, the "Forest for Humans and Nature" gives priority to the conservation of forest ecosystems and to the promotion of health, cultural and educational activities, and its area is about 2 million ha (approximately 30% of National Forests). In order to reserve specific forests that are essential natural forests and precious habitats for wildlife, the "Protected Forest System" has been working in the National Forests and its area is about 514 thousand ha in 812 places located in the above-mentioned "Forest for Humans and Nature" as of April 1, 1999.
28. has designated "Wilderness Areas" and "Nature Conservation Areas" throughout the country under the Nature Conservation Law. While the former are the natural areas that maintain a wilderness condition having certain coherence as an area, the latter are the forests in which excellent natural forests account for a considerable part. In these Areas, the natural environment is protected through the regulations on human activities.
29. has designated 28 national parks, 55 quasi-national parks, and 306 prefectural natural parks in Japan as of March 1999, on the basis of the Natural Parks Law. In these natural parks, various human activities are restricted to protect wildlife and their habitats. As a result, natural parks play a great role in conserving the biodiversity. To conserve the forests in these natural parks, certain activities are restricted according to the respective regulations necessary for protection.
30. is considering the identification of forest vegetation types based on the results of the nation-wide Continuous Forest Inventory (CFI).
31. has contributed funds through ITTO to a forest conservation project in the permanent forest estate in Malaysia.
32. has contributed funds through ITTO to a joint project of Indonesia and Malaysia to study biodiversity of flora and fauna in protected areas straddling the Indonesian-Malaysian borders.
33. has been conducting a survey project to support the establishment of appropriate management methods of protected forests in partner countries in tropical areas.
34. in 1999 started the JICA training courses for the technical experts of partner countries to strengthen their capacity to manage protected areas.
35. is planning to do research on the roles played by the protected areas within various types of forests in the world in conserving the biodiversity and preventing global warming.

V. Private Sector

Japan

36. promotes the watershed-based forest management system in 158 watershed areas in the country. Under this system, according to the characteristics of each watershed area, the public and private sectors are consulting with each other on the forest management and activation of forestry throughout the private and national forests. Promotion centres, in which various stakeholders participate, are set up in each watershed area and are formulating and implementing programs and projects on a consensus basis.
37. has been conducting projects in Japan to raise public awareness about functions of forests and to

promote the people's voluntary participation in reforestation, as one of the counter-measures against global warming.

38. has been domestically implementing projects to promote technological innovation of utilization and processing of wood in order to tackle global warming through the effective use of wood.
39. has been conducting a survey to support the formulation of a code of conduct for tropical timber production forests, contributing to the work of the Asia-Pacific Forestry Committee (APFC) of FAO to develop a regional code of conduct for forest harvesting in the Asia-Pacific region.
40. has contributed funds through ITTO to member countries' projects to facilitate effective use of resources and sustainable production in the timber production sector. These projects are still on-going.
41. has been supporting the Japanese private sector's tree planting activities in partner countries by disseminating information and providing training and technical advice regarding tree planting activities.
42. Prime Minister Obuchi announced in July 1999 during his visit to China that Japan would establish a fund ("Obuchi Fund") to financially support Japan's private sector groups' activities to co-operate with the Chinese private sector groups engaged in afforestation programs in China. Japan is currently in the process of organizing the operational body of this fund.

VI. Illegal Logging

Japan

43. in the Forest Law and other relevant legislation, stipulates various systems that regulate disorderly felling and uncontrolled forest development activities in Japan, as well as penal provisions and other rules for the violations.
 - (1) Forest Management Planning System: Submission of logging plans by private forest owners; administrative orders to comply with and/or to make amendments to submitted logging plans.
 - (2) Forest-land Development Permission System: Permission is required for forest development activities exceeding a certain scale.
 - (3) Conservation Forest System: Permission is required for logging (and damaging) of standing timber and bamboo in Protection Forests.
 - (4) Others: Under such legislation as the Nature Conservation Law and the Natural Parks Law, permission is required for logging (and damaging) of standing timber and bamboo in stipulated areas.
 - (5) Penalty: In the case of violation of above-mentioned regulations, the offenders have to pay a penalty.
44. has a domestic system to control illegal logging (stealing) in national forests as follows. Forest officials including the district foresters and the forest rangers of the District National Forest Offices are given authority to take judicial police action against a range of forest-related illegal activities including illegal logging, as agreed upon by the Regional Public Prosecutor's Office.
45. has contributed funds through ITTO to the producer member countries' projects to develop their human resources and institutions, with a view to developing the timber statistics and information system and to enhancing their statistical processing ability. Japan has also contributed funds to co-operative activities by relevant international organizations to enhance the statistical functions and network internationally. Japan contributes to the improvement of economic information and market transparency on timber trade by supporting these activities.

REPORT ON THE IMPLEMENTATION OF THE G8 ACTION PROGRAMME ON FORESTS

Annex A Individual Progress Reports

Progress Report **Russia**

I. Introduction

Pursuant to the agreements, reached at the G-8 Summit, Birmingham, 1998, the President of the Russian Federation issued a Special Decree on the implementation of the above agreements. In compliance with the aforesaid Decree, the Federal Forest Service of Russia has developed and the Russian Government has approved a plan of measures (proposals) to implement the G-8 Action Programme on Forests. Aware of the immense environmental value of the Russian forests, Russia confirms its commitment to implement Proposals for Action of the Intergovernmental Panel on Forests and takes part in the on-going dialogue on sustainable forest management under the Intergovernmental Forum on Forests. The text below presents the National Progress Report of Russia for the G-8 Action Programme on Forests.

II. Monitoring and Assessment

The Russian Federation

- participates in the international processes and in their framework it has developed a system of criteria and indicators for sustainable forest management: the Ministerial Conference on the Protection of Forests in Europe (the Pan-European Process) and the Working Group on Criteria and Indicators for the Conservation and Sustainable Management of Temperate and Boreal Forests (the Montreal Process);
- hosted the 10th Meeting of the Montreal Process Working Group in October 1998;
- signed the General Declaration and Resolutions of the Lisbon Ministerial Conference on the Protection of Forests in Europe in June 1998;
- approved the Criteria and Indicators for Sustainable Management of Forests in the Russian Federation in 1998. This is a federal document to provide an framework for a balanced approach to economic decision-making in the forest sector and forest development sustainability assessment in Russia;
- is working at regional and local adaptation of the criteria and indicators;
- is developing a national system of forest product certification, consistent with the Forest Code;
- has introduced (through its authorised Agency - the Federal Forest Service of Russia) new Guidelines for the State Forest Account to establish uniform procedures of state forest account in compliance with the Forest Code;
- conducted the planned state forest account in the form of a multi-factorial assessment of Russian forest resources, in 1998. The previous similar inventory of forest territories took place in 1993. It has analysed, generalised and reviewed forest account data as of January 1, 1998 and identified positive trends in the forest resource status in Russia;
- submitted data for the Temperate and Boreal Forest Resource Assessment - 2000 (ECE/FAO) in January 1998; would participate in the next stage data collection;
- has developed and commenced to apply GIS-based methods for annual forest inventories to strengthen both federal and regional monitoring of forest ecosystem sustainable development;
- has adjusted the methods to calculate the allowable cut (harvesting volumes), based on the principle of sustainable and multiple use of forests;
- adopted the Concept and the Programme of Forest Information Management in 1998 and started to implement it;

- is exchanging information and experience with partner-countries in designing new technologies and equipment, based on satellite information, remote sensing of forests and meant for rapid detection of forest fires, pest outbreaks and other disturbances;
- has made a decision (based on a respective Government Resolution) to establish a single national system of environmental monitoring, integrating a system of forest monitoring. This system is first implemented on forest territories, homing most valuable stands and stands, prone to negative impacts;
- has established a national network for forest pest monitoring and pest management.

III. National Forest Programmes

The Russian Federation

- adopted a Concept of Sustainable Forest Management in the Russian Federation, in June 1998 (at the IV All-Russia Congress of Foresters); this Concept relies upon the environmental, economic and social values of forests and is a part of the national sustainable development strategy;
- has been implementing a Federal Target Programme called "Forests of Russia" for 1997 - 2000; the Programme is aimed at reducing the area of non-forested forest lands, improving the health of forests and preserving their high yield as well as meeting forest-related international commitments. The Programme integrates components on: forest management planning and inventory, forest monitoring, reforestation and afforestation, thinning, pest management, forest drainage, road construction, governmental supervision over forest utilisation, and forest research;
- has been implementing a Federal Target Programme called "Forest Fire Management" for 1999 - 2000, including a set of activities to prevent and localise forest fire, to ensure timely incipient fire detection and suppression, and to develop and apply new technologies and equipment for forest fire detection and suppression;
- has been implementing a Federal Target Programme to support the national nature reserves (*zapovedniks*) and national parks for the period up to 2000, which would ultimate into a national network of strictly protected areas established;
- has been implementing a sub-programme called "Russian Forest" as part of the Federal Target Research Programme of Russia: "Research and Development in Priority Areas of Scientific and Technical Development up to 2000", which integrates and co-ordinates research organisations' activities to investigate forest ecosystems and to develop guidelines on sustainable forest management;
- is developing a Federal Programme of Timber Industry Restructuring up to 2005 to be aimed at creating a sound core of competitive timber enterprises on the basis of cost-recovery and sustainable development to ensure effective demand for forest products both in domestic and foreign markets;
- is developing co-operation in the framework of the International Boreal Forest Research Association (IBFRA) with boreal countries of the Northern Hemisphere to ensure boreal forest integrated research and sustainable development;
- participates in implementing the international model forest network development programme; is establishing its national network of model forests. In 1998 and 1999, Russia hosted 2 international workshops on model forests.

IV. Protected Areas

The Russian Federation

- is expanding the network of strictly protected areas of the federal significance, representing all natural zones in the Russian Federation. On the forest lands in Russia, there are territories and sites of the highest value from the environmental, scientific, historical, aesthetic and recreational standpoints which are declared forest reserves (*zapovedniks*) (98) and national parks (35), their total area is 24.7 million ha. The conservation regime for these areas requires monitoring of protected flora and fauna status;

- keeps on enlarging the share of Group 1 forests meant for water-conservation, sheltering, sanitation and human health improvement with no permission for final cutting;
- is conducting a compliance study of the national protected forest areas classification versus the existing international systems, in particular, with the IUCN Protected Area Management Categories as well as with akin classifications, adopted by the FAO and other organisations, to identify gaps;
- develops assessment criteria for allocation of forest protected areas to maintain biodiversity and environmental value of forests;
- supports the establishment of direct contacts and the development of co-operation between adjacent national parks, located in the Russian Federation and other neighbouring countries.

V. Private Sector

The Forest Code of the Russian Federation declares federal ownership of forest lands, which are managed by the Federal Forest Service of Russia. And the timber is harvested and processed practically entirely by privatised timber industry enterprises.

The Russian Federation

- sets up rules for the interaction between forest resource owner and users;
- develops forest legislation, regulations and legal acts to improve and promote lease arrangements, to raise forest revenues and decrease the dependence of forest management on the budget allocations, as well as to create an enabling environment for private forest users and investors;
- has entered the final stage of preparing the IBRD-financed Sustainable Forestry Pilot Project, aimed at a favourable investment environment in the forest sector;
- holds negotiations with the World Bank on implementing a Forest Sector Partial-Risk Guarantee Facility;
- is a permanent participant of the CEOs' and NGO Leaders' Ad Hoc Forum on Global Forests convened by the World Bank President and is responsible for its Working Group 3i: " Forest Sector in Russia: Barriers and Incentives to Responsible Forest Investments";
- is improving arrangements to involve the private sector and other social groups in participatory decision-making on basic aspects of forest use.

VI. Illegal Logging

The Russian Federation

- is improving the system of forest use and forest management planning and inventory to make more precise assessments of timber resource potential and its actual utilisation;
- ensures access to forest information for various social groups;
- is introducing forest resource certification procedures and eco-labelling to prevent illegal timber harvesting;
- provides for interaction between customs and export trade organisations to ensure the chain of custody for timber and paper products.

REPORT ON THE IMPLEMENTATION OF THE G8 ACTION PROGRAMME ON FORESTS

Annex A Individual Progress Reports

Progress Report **United Kingdom**

I. Introduction

The UK plays an active part in the international and regional debates on sustainable forestry (Intergovernmental Panel and Forum on Forests, the Pan-European Process and forestry discussions within the G8) and the promotion of sustainable forest management. It attaches great importance to the G8 Action Programme on Forests launched in May 1998 and will continue to implement the programme both nationally and internationally. The following outlines the UK's contribution to the G8 Action Programme.

II. Monitoring and assessment

Domestically, the UK:

- published the *UK Forestry Standard* in 1998. The Standard sets out the criteria for sustainable forestry within the UK and the indicators by which they can be assessed, both at the national level and within individual forests. The Government is committed to monitoring performance against these criteria and will continue to develop and refine the Standard and report on progress. It has published a number of Environmental Guidelines and Guides to support the UK Forestry Standard. Results from monitoring will influence the future of the Standard itself as well as policy, regulations, incentives and guidance.
- is conducting the National Inventory of Woodlands and Trees, a broad-ranging survey of public and private woodlands not just covering the timber resource, but taking in other factors such as environmental characteristics. The inventory covers Britain's largest forests right down to individual trees. The aerial photography is virtually complete and a digital map of British woodlands should be complete early in 2000. The survey field work is on target to finish by April 2000.
- has begun to publish results from the National Inventory and other information in support of its commitment to report on the criteria and indicators published in the UK Forestry Standard. Full results will be published in 2001.
- submitted information in January 1998 for the UN Food and Agriculture Organisation's forest resource assessment (TBFRA-2000) and during 1999 participated in data checking and in reviewing the UNECE/FAO conclusions.
- continues to participate in all areas of the pan-European process and follow-up work of the Lisbon Conference. Agreed a pan-European work programme which includes the continued review, refinement and development of regional criteria and indicators for sustainable forest management.
- undertook a survey of forest landscape in 1999. Sample data have been collected and are being analysed.
- has commissioned independent consultants to undertake a survey of the health and vitality of forestry businesses. The results will be reported by March 2000.
- has published the Forestry Commission Research Strategy to improve the scientific underpinning for sustainable forest management.
- carries out an annual survey to assess forest health.

Internationally, the UK:

- has continued to provide support to capacity building in partner countries to help them develop monitoring and assessment systems and develop and apply criteria and indicators. For example,

the UK Department for International Development (DFID) is working with the South African Department of Water Affairs and Forestry on the assessment of state-owned plantations; on a strategic environmental assessment of forest plantations and catchment yields; and on the development of criteria and indicators for the management of natural forests.

- completed support to FAO's FRA-2000 in two areas: protected area information (through WCMC); and plantations.

III. National Forest Programmes

Domestically, the UK

- has participated and made commitments in the IPF, the G8 and the Pan-European Process. The UK's national forest programme is made up from a number of key documents, including the UK Forestry Standard, with policies and responsibilities for individual components of the national forest programme spread across a variety of Ministries and Agencies.
- played an important role in the Six-Country Initiative in support of the Intergovernmental Forum on Forests which explored how the IPF proposals for action could be put into practice at the national level, to meet the circumstances of individual countries.
- commissioned work to map out the constituent parts of the policy and regulatory framework within which forestry in the UK takes place, and published *Towards a National Forest Programme for the UK* in 1998.
- is preparing a strategy for delivering sustainable forest management in the UK, to update the 1994 *Sustainable Forestry - the UK Programme*. The strategy aims to develop a more integrated approach and improve co-ordination of the mechanisms and processes that deliver the UK's national forest programme.
- devolved forestry responsibilities on 1 July 1999. Forestry strategies for Scotland, Wales and Northern Ireland are being prepared for publication in 2000, with widespread consultation exercises already underway.
- published a Forestry Strategy for England: *A New Focus for England's Woodlands* in December 1998, setting out the Government's priorities and programmes for delivering sustainable forestry over the next 5-10 years. This is based on four key programmes which include a range of actions to implement the strategy: forestry for rural development, forestry for recreation, access and tourism, forestry for economic regeneration, and forestry for environment and conservation.

Internationally, the UK:

- has continued support to partner countries in the elaboration and implementation of national forest programmes and together with the UK Forestry Commission participated in the Six-Country Initiative. Since May 1998 DFID has begun new, long-term, programmes of support in Malawi and Uganda. In both countries the UK works closely with other bilateral and multilateral agencies, including Germany and the European Commission (EC).
- has, in the last twelve months, completed two studies related to climate change and forests in developing countries: *The Clean Development Mechanism: Benefits Of The CDM For Developing Countries* and *Rural Livelihoods and Carbon Management: A Draft Issues Paper For DFID*. Both serve to inform DFID and its partner countries about the implications of carbon offset scenarios for developing countries and, in particular, the rural poor and landless.
- together with Japan, is supporting the review to assess progress towards achievement of ITTO's Year 2000 Objective, to ensure that all exports of tropical timber come from sustainably managed sources.

IV. Protected forest areas

Domestically, the UK:

- initiated a review of the mechanisms for protected forest areas in the UK.
- provided assistance as a member of the Steering Group for the US/Brazil International Experts meeting on protected forest areas in March 1999. The initiative contributed to the work of the Intergovernmental Forum on Forests and helped advance the understanding of issues related to forest protection.

- developed the UK Biodiversity Action Plan which has led to a series of plans and targets for increasing the diversity of UK wildlife, particularly species and habitats defined as national priorities. Many of these plans affect forestry.

Internationally, the UK:

- has conducted a major review of its biodiversity conservation experience in developing countries, with a view to informing DFID's development programmes. Several thematic issues papers have been produced, including one on forests: *Forests, biodiversity and Livelihoods: Linking Policy and Practice*. A synthesis paper which will guide DFID's biodiversity policy and practices in the future will be published in early 2000.
- has started a three-year *Biodiversity in Development Project* in collaboration with the EC and IUCN to assist the EC and Member States of the European Union in working more effectively with developing countries to implement the objectives of the Convention on Biological Diversity. Although not restricted to protected areas or forests the project promotes the conservation of forests in protected areas.

V. Private sector

Domestically, the UK:

- provides grants and information for the private forest and wood processing sectors in the UK, to encourage planting and promote sustainable forest management in line with the UK Forestry Standard. Most new planting is carried out by the private sector and forestry expansion must be balanced with the needs of other land uses and respect the character of the landscape. Grant aid under the Woodland Grant Scheme is aimed at creating habitats for wildlife, enhancing the landscape and providing opportunities for recreation and other benefits to society, as well as timber production. In addition, annual payments over 10 or 15 years are available to farmers establishing new woodlands under the Farm Woodland Premium Scheme. Both grant schemes are part-financed by the EC.
- consults widely and regularly with the private sector, for example, in the development of the UK Forestry Standard. The Government works closely with industry in the development and promotion of codes of good practice.
- worked closely with forestry and environmental organisations to develop and launch in 1999 a national scheme for the independent certification of sustainable forest management.
- launched in June 1999 the UK Woodland Assurance Scheme (UKWAS), a voluntary scheme, developed by a partnership of forestry and environmental organisations in response to the growing consumer demand for timber products from sustainably managed forests. The certification process represents a new way of doing business for the broader forest community so that UK forestry continues to improve its environmental and economic performance. A Steering Group, comprising representatives from private woodland owners, forestry managers and consultants, state forestry sector, environmental organisations, woodland users, timber processors and trade, forest workforce, countryside agencies, local government and forestry standard setting bodies, is formally establishing and taking forward the Scheme. UKWAS represents a consensus on a forestry performance standard at the national level and within the first year of UKWAS being operational it is estimated that up to 75% of wood production in the UK, from both private and public sector lands, could be certified.

Internationally, the UK:

- works with a number of countries to develop regulatory and institutional frameworks which encourage responsible private sector investment and practices. For example, DFID is supporting processes of institutional and legislative change in Ghana's forest sector.
- helps promote private investment and partnerships in sustainable forest management. For example, in South Africa, DFID is supporting the transfer of state-owned plantations to new management through a major restructuring process and the development of partnerships between the private sector and local communities.
- together with the EC, has embarked on a three-year programme (1998-2000) of policy research by the International Institute for Environment and Development (IIED) on *Instruments For Sustainable Private Sector Forestry*. The programme aims to identify effective market and

regulatory instruments which ensure that the private sector produces social and environmental benefits from forest management. Working in a number of countries, the programme is examining partnerships between companies and communities; certification and audit, looking in particular at issues of effectiveness and equity; and other innovative instruments affecting public and private lands.

- together with other agencies (including the EC and Germany), is supporting UNDP's work on innovative financing mechanisms and partnership approaches in a number of countries under PROFOR (Programme on Forests - 1998 to 2002).
- co-sponsored with UNDP an international workshop on financing of sustainable forest management, in the UK in October 1999, as an input to the debate in the IFF.

VI. Illegal logging

Domestically, the UK:

- regulates tree felling through felling licenses, management plans, tree preservation orders and statutory development control. All reports of alleged illegal felling are thoroughly investigated and if confirmed, the individuals concerned are prosecuted.
- places applications for felling on a public register before approval is granted. This helps the public to identify and report unauthorised felling. With certain exceptions, it is illegal to fell trees in the UK without prior approval. Areas approved for felling are usually subject to a condition requiring the area to be replanted or naturally regenerated, except where felling is allowed for environmental improvement or for development authorised under planning regulations.

Internationally, the UK:

- has continued to work with partner countries to develop their capacity to assess the nature and extent of illegally harvested timber and implement counter measures. In 1999, a DFID-supported project working with Indonesia's Ministry of Forests and Estate Crops completed a major review of this subject entitled *Addicted to Rent: Corporate and Spatial Distribution of Forest Resources in Indonesia; Implications for Forest Sustainability and Government Policy*, and is following up on counter measures with the government and civil society organisations.
- has committed over one million dollars in 1999 for two new pieces of work to tackle illegal logging. In the first of these, the UK will, over a three-year period, support the *Forestry Crime and Reporting Project* in Cambodia. This will develop independent monitoring and verification processes and mechanisms to track specific forest crime incidents; promote effective co-ordination between units in different ministries; and create a transparent data base on forest crime.
- is also supporting the core activities of *Global Forest Watch*. This recently created body provides decision makers and civil society with independent and accurate information on the state and change of natural forest through a transparent monitoring network.

REPORT ON THE IMPLEMENTATION OF THE G8 ACTION PROGRAMME ON FORESTS

Annex A Individual Progress Reports

Progress Report United States of America

I. Introduction

Heads of State or Government of eight major industrialized democracies (Canada, France, Germany, Italy, Japan, Russian Federation, United Kingdom, United States) and the President of the European Commission meet annually to discuss global political, economic and environmental issues. Recognizing the importance of forests in meeting the needs of people around the world and maintaining the planet's biodiversity and climatic health, G-8 Leaders at the Denver Summit in 1997 called for the development of a practical Action Program on Forests focusing on five areas: (1) monitoring and assessing the state of forests; (2) national programs for sustainable forest management; (3) protected areas; (4) role of the private sector and (5) illegal logging and illegal trade.

In May 1998 at the Birmingham Summit, the "G-8 Action Program on Forests" was launched by Foreign Ministers and endorsed by Leaders who asked for a progress report on implementation in 2000. The Action Program (see Annex) identifies activities the G-8 partners consider priorities for promoting forest conservation and sustainable management domestically and worldwide.

This report represents an initial response on US efforts to carry forward the actions outlined in the Action Program at home and abroad. It does not include all domestic and international programs and activities undertaken by government and non-government entities that are relevant to the five areas of the G-8 Action Program. The US report, together with other G-8 reports, will be included as an annex to a joint G-8 report submitted to Leaders at the Okinawa Summit in July 2000.

US Context. The United States is the fourth most forested country, with 8% or 300 million hectares (ha) of the world's forests. The US has a highly decentralized system of government and a mix of private and public forest land ownership. About 60% of US forests are privately owned by 11 million owners. The 50 states are individually responsible for guiding and regulating management of these private forests, as well as state-owned forests, which represent about 5% of US forests. The remaining 35% of forest land is publicly owned and managed by several agencies of the federal government, including the US Forest Service, Bureau of Land Management, National Park Service, US Fish and Wildlife Service and the Department of Defence. Given decentralized forest regulation and extensive private ownership, the actions of state and local governments and many non-government parties (small non-industrial forest owners, industry, local communities, etc.) are the principal factors in how US forests are managed and in domestic progress towards forest conservation and sustainable management.

The United States has major forests interests at the international level. The US is the world's largest producer, consumer and trader in wood products, accounting for 15% of the international trade in forests products. Total domestic production, exports and imports are valued at about \$150 billion annually. The US also provides substantial forest-related assistance to developing countries and countries with economies in transition through the US Agency for International Development (USAID) and other federal agencies, as well as through contributions to international organizations and financial institutions, such as the World Bank, and innovative debt reduction initiatives. Several of the largest multinational forest and paper companies are US-owned, and many US-based environmental organizations and academic institutions undertake forest field activities and projects abroad.

The US Government is committed to the goal of forest conservation and sustainable management at home and abroad. The G-8 Forest Action Program, together with the Montreal Process on Criteria and Indicators (C&I) and the Proposals for Action of the Intergovernmental Panel on Forests (IPF), as well as a number of national initiatives, provide an action-oriented policy and political framework for meeting this goal.

II. Monitoring and Assessment

A. Domestic Implementation of Montreal Process Criteria and Indicators

The US Forest Service -

- In June 1998 committed to prepare a *comprehensive national assessment* of the status and trends of US forest conditions and management based on the 7 criteria and 67 indicators for sustainable forest management identified by the Montreal Process. The resulting Presidential report to Congress will be released in 2003 as part of the mandated five yearly national assessment of all forest lands and trends in the forest sector, undertaken within the framework of the 1974 Resources Planning Act.
- In July 1998 initiated *the Roundtable on Sustainable Forests*, bringing together federal, state and local government agencies, environmental groups and industry to facilitate implementation of the Montreal Process criteria and indicators (C&I) for both public and private forests. The Roundtable has drawn up a charter, established working groups on public outreach and technical issues, created a website and taken its message to key domestic forestry meetings. Workshops will take place around the country in 2000 to assess the status of data collection, including gaps, for each criterion and associated indicators.
- Also in July 1998 officially *institutionalised the Montreal Process C&I* as the framework for all future forest inventories, assessments, monitoring and performance accountability from the field level to the national level for the 76 million ha of national forests managed by the Forest Service. Several of the 50 States have since agreed to take similar steps for state and private forest lands.
- Has fully staffed the *National Inventory and Monitoring Institute*, chartered in 1996 to coordinate national and subnational application of inventory systems, including the Montreal Process C&I, and is in the process of integrating and expanding its two existing *national forest monitoring systems*: the Forest Health Monitoring (FHM) program, which includes a systematic assessment of many indicators of environmental health, and the Forest Inventory and Analysis (FIA) program, which provides data on forest extent, type, growth and other timber values.

At the State level --

- *States* in the Northeast, Northwest and Great Lakes regions have begun using the Montreal Process C&I to develop subnational C&I to assess regional forest conditions. The *National Association of State Foresters* (NASF) recently completed a state-by-state survey on the status of available data for each C&I and is evaluating the data it provides federal agencies in order to better contribute to national forest assessments.

B. International Cooperation on Forest Assessments and Criteria and Indicators

- In July 1998 the US Forest Service completed its input to the UN-ECE/FAO Temperate and Boreal Forest Resources Assessment (*TBFRA*) 2000, providing data on general forest resources, biodiversity, protection status, wood and carbon supply, forest condition and socio-economic function. The Forest Service is now looking at strategies to provide crosslinks among the Montreal, Helsinki and TBFRA process indicators. Under the auspices of the North American Forestry Commission, the US, Canada and Mexico have chartered a new study group on inventory and monitoring.
- In July 1998 the Forest Service hosted a regional workshop on how to carry out the *FRA 2000* remote sensing survey in North America, which FAO is using as a model for other regions. The US has since completed its survey, is assisting Mexico with its survey and, through the International Institute for Tropical Forestry in Puerto Rico, has coordinated surveys for the Caribbean, including country capacity building. In addition, the US is providing technical assistance to FAO for the remote sensing and non-wood goods and services components of FRA 2000, as well as consultants to assist FAO with developing related strategic and implementation plans.
- The Forest Service is working with the *International Institute for Applied Systems Analysis* (IIASA) to develop forestry databases for Russia and since 1998 has been providing analytical assistance

for C&I implementation; it has also assisted Argentina, Mexico and Indonesia to establish or revamp their national scale inventories.

- In November 1999 the US hosted the *11th Meeting of the Montreal Process Working Group* on Criteria and Indicators for the Conservation and Sustainable Management of Temperate and Boreal Forests in Charleston, South Carolina. Representatives from the Montreal Process countries attended, as well as over 20 observers from international organizations, other C&I processes, NGOs, States, industry and labour. A major outcome of the meeting was a call to FAO to host, together with interested governments and organizations, a global meeting on ways to improve global C&I comparability and enhance implementation. In 1998, the US was named Convenor of the Working Group's Technical Advisory Committee.

C. International Cooperation on Fire and Remote Sensing

- In response to catastrophic fires around the world, in 1998 the US posted 24 time satellite data (images, graphs, maps) on the World Wide Web on fires in the *Amazon, Indonesia and Mexico* to support government and stakeholder forest fire management, prevention and suppression efforts; contributed \$2 million to Brazil's fire monitoring and prevention program (PROARCO); launched a \$1 million community training and extension program in the Amazon; assisted Mexico with fire emergency planning, preparation and training; co-sponsored a fire experts meeting on fire use and management in agro-pastoral and forestry programs in Mexico; and established an \$8 million fire prevention and restoration fund with Mexican NGOs.
- In March 1999 the National Oceanographic and Atmospheric Administration (NOAA) hosted an "Intercomparison Workshop" with Brazilian and other scientists to assess lessons learned from the 1998 *Brazilian* forest fire monitoring campaign, using the Geostationary Operational Environmental Satellite (GOES), Polar-orbiting Operational Environmental Satellite (POES) and Defence Meteorological Satellite Program (DMSP). On this basis US and Brazilian drew up a 1999 fire management plan, including satellite fire detection, airborne imagery and computerized fire forecasting models to enhance Brazil's fire management capabilities.
- In June 1998 the US Department of State launched a new \$3.3 million *East Asia and Pacific Environmental Initiative* to help address the devastating fires and related haze problems in the region and reduce the extent of future fires. This included funding a study by the Centre for International Forestry Research (CIFOR) and the International Centre for Agroforestry Research (ICRAF) on the underlying causes of the 1997-98 fires.
- In July 1998 the US Department of State hosted the 1st International Conference to launch the *Global Disaster Information Network* (GDIN), which will create a virtual network for timely dissemination of accurate data to prevent, mitigate and respond to natural disasters. In May 1999 the US and Mexico co-sponsored the 2nd GDIN Conference in Mexico City. The 3rd and 4th Conferences will be in Turkey in 2000 and Australia in 2001.
- In 1999 the G-8 agreed to a US-proposed collaborative initiative to enhance the use of *remote sensing* as a tool to inventory, assess, monitor and manage forests and detect and respond to forest-related threats and disasters such as fire. As a first step, the G-8 will inventory their existing remote sensing activities, both domestic and those with other countries and international organizations. This will be complemented by an assessment of needs for remote sensing data and capabilities on forests. On this basis, the G-8 aim to identify ways to create and maintain comparable spatial data bases and internationally, facilitate access to such information by interested countries and other users, enhance capacity of interested countries to utilize and apply remote sensing data and techniques, and improve practical applications to meet the needs of forest field operations.

III. National Forest Programmes

Many of the domestic and international activities identified elsewhere in this report are relevant to improving "national programs for sustainable forest management" in the US and other countries. In addition:

- In September 1999 the US Forest Service issued *new draft planning regulations* that give emphasize sustainable management of National Forests, provide direction for working towards

sustainability and recognize the importance of criteria and indicators and related monitoring activities. Under these regulations, the Forest Service will allocate \$11.5 million to engage more actively in partnerships with states, non-governmental organizations and industry to pursue sustainable forest management.

- In October 1998 the Chief of the Forest Service awarded \$2 million in grant funding under the *Natural Resources Agenda for the 21st Century* -- a major initiative that will use sustainable forest ecosystem management as its unifying theme, with emphasis on restoring degraded watersheds and improving recreation services at national forests.
- In 1998-99 the US Government (USG) initiated a process of consultation with interested stakeholders on implementing the *IPF Proposals for Action* endorsed by the UN General Assembly Special Session on Environment and Development in June 1998. As part of this process, the US is exploring linkages between the IPF Proposals for Action and the Montreal Process C&I.
- In July 1998 President Clinton signed into law the *Tropical Forest Conservation Act* (TFCA) authorizing reduction of official debt owed the US by countries with tropical forests in exchange for forest conservation measures. The law expands the innovative 1992 Enterprise for the Americas Initiative, which has led to agreements with eight Latin American countries to cancel nearly \$1 billion in official debt, generating substantial local currency for child survival and environmental projects. Several countries have expressed interest in entering into agreements under TFCA. Once implementing procedures are in place, the Act has the potential to provide unprecedented opportunities for promoting forest conservation in qualifying countries.
- In 1998 and 1999, the US Global Research Program updated its annual report, "Our Changing Planet," which provides data on the impacts in the US of *climate change*, including the impacts of climate change on forest ecosystems.

IV. Protected Areas

- In October 1999 President Clinton announced plans to *protect an additional 18 million ha* of federally owned forests from harvesting and road building. A year-long review process to solicit public comments and conduct an environmental impact statement will determine the specific areas to be protected. This represents one of the most significant land conservation efforts in American history.
- In February 1999 the US Forest Service announced a *moratorium on new road construction* in selected areas of national forests while a comprehensive study involving local communities is made of each area. New scientific tools and analytical procedures will be used to consider potential environmental, economic and social impacts of additional forest roads, including fragmentation of undisturbed forest ecosystems.
- In March 1999 the US and Brazil co-sponsored the *International Experts Meeting on Protected Forest Areas* in Puerto Rico to advance international understanding of forest protection and contribute to the work of the UN Intergovernmental Forum on Forests (IFF). 130 experts participated from more than 70 countries, international organizations, environmental and indigenous groups, research institutions and universities. The Final Report was presented and issued as a Conference Document at IFF 3 in May 1999.
- In 1998 the US, with Argentina, Brazil and Chile, became guarantors of the Peru-Ecuador Peace Treaty, which created a *peace park* along the heavily forested border as an innovative approach to solving border conflicts while protecting forests.
- The US is working with other Western Hemisphere Governments, universities and NGOs to develop a natural resource database building on computer programs such as the US BIOECONET and the Inter-American Biodiversity Information Network (IABIN), to facilitate hemispheric *information sharing* on resource conservation, including forest protection.

V. Private Sector

Public-private partnerships are essential tools for sustainable forest management in the US and many other countries. The term "private sector" includes the range of NGO interests: environmental, business,

labour, academic, philanthropic, forest owners. Many activities noted elsewhere in this report have involved NGOs. In addition:

- In 1998 the US Department of Energy and the American Forest and Paper Association (AF&PA), representing major US companies (e.g., International Paper, Weyerhaeuser, Proctor & Gamble, Georgia-Pacific), expanded their cooperative *Technology Vision and Research Agenda 2020* to include the US Forest Service. Agenda 2020 promotes sustainable forestry practices across the US by identifying and funding high priority research projects aimed at improved efficiency, biotechnology and sustainable forestry. Agenda 2020 has attracted \$13 million to date in joint public-private financing.
- In September 1999 the State Department initiated a *high-level dialogue* with key non-government constituencies (environmental, business, the States, etc.) with a view to identifying US international forest priorities. The Department also broadened its consultation process to include the *Pulp and Paperworkers Resource Council*, a grassroots organization representing 300,000 workers in pulp, paper, solid wood products and other natural resource-based industries. The Council has established a group to engage the USG on international and domestic forest issues, emphasizing the importance of forest-dependent communities in the promotion of sustainable forest management.
- The US Government cooperated with the World Wildlife Fund US, other environmental NGOs and the Ford Motor Company in an initiative that led to the publication in May 1999 of a comprehensive *Conservation Assessment of the Terrestrial Ecoregions of North America*, including forests.
- At the 1999 Cologne Summit G-8 Leaders at US urging and with support from Canada and others, committed to work within the OECD towards common *environmental guidelines for export credit agencies*, with the aim of completing the work by 2001. The Export-Import (EX-IM) Bank of the United States is the only export credit agency to have in place "Environmental Procedures and Guidelines" for evaluating applications for financial support for foreign projects sponsored by US business, including forest management and wood processing projects..
- The *US Initiative on Joint Implementation (USIJI)*, part of the US Climate Change Action Plan, encourages the US private sector, working with non-US partners, to use its resources and innovations to reduce greenhouse gas emissions and promote sustainable development worldwide, including sustainable forest management. As of March 1999, USIJI had accepted 36 projects in 16 countries, including projects supporting forest conservation, protected areas, reforestation, reduced impact logging and community silviculture that provide carbon sequestration benefits.
- Following Hurricane Mitch in May 1999, USAID and the US Department of Commerce began working with AF&PA through its Sustainable Forestry Initiative (SFI) to *restore devastated areas in Central America*. This partnership includes a pilot program on long-term sustainable forest management on the Honduran Island of Guanaja.
- In 1998 the US, through USAID and contributions to the International Tropical Timber Organization, supported projects on *low impact logging* in tropical forests of Brazil and Indonesia, which are being implemented by the Tropical Forest Foundation, an NGO with members from industry, environmental and academia.
- The USG continues to welcome the development and application of private voluntary *codes of conduct*, as well as private voluntary *market-based mechanisms*, as tools toward sustainable forest management. In this regard, we are informed that:

-- AF&PA has opened participation in its SFI to non-members and is issuing licenses to, among others, local government and NGO forest owners (e.g. St Louis County, MN, The Conservation Fund) that agree to abide by SFI performance measures and reporting requirements, and has expanded the SFI to include a Voluntary Verification Process by which member companies/licensees may apply an internationally consistent verification approach to document and communicate their conformance with the SFI standard.

-- *The International Wood Products Association (IWPA)*, which represents a number of importing and exporting companies, has established membership-approved voluntary Codes of Conduct similar to SFI for trade in wood products and forest management.

-- As a result of the *Forest Stewardship Council (FSC)*'s work with domestic industry and private landowners to develop regional standards and criteria for forest management, today about 179 companies throughout the US carry FSC chain-of-custody certification and 52 US forest management companies are FSC-certified.

-- *The National Woodland Owners Association*, representing thousands of small private forest owners, has developed and is implementing a "Green Tag Forestry Program" that certifies forest management of individual ownerships.

VI. Illegal Logging

- In June 1998 the Animal and Plant Health Inspection Service (APHIS), working in cooperation with the US Fish and Wildlife Service, increased the number of ports of entry available to accept timber species listed on CITES appendices to facilitate and respond to the Appendix III listings of *Swietenia Macrophylla* (a high volume commercially traded mahogany) undertaken by Bolivia, Brazil and other range states.
- In 1998 USAID, through its Proarca Capas program, provided financial support to undertake studies in Central America and Mexico on the distribution and status of *Swietenia Macrophylla* harvesting activities, illegal logging and illegal trade.
- In January 2000, following consultations with host governments in the Mekong Delta region of Southeast Asia, as well as with international organizations, NGOs and potential donor countries, the US announced its intention of hosting a regional workshop on illegal logging and cross border trade, building on the results of the "Forest Law Enforcement" symposium sponsored by the World Bank in Phnom Penh, Cambodia in June 1999.

VII. Next steps

The above actions reflect initial US efforts to carry forward the G-8 Action Program on Forests. Further work is needed in all five priority areas, particularly protected forest areas and illegal logging/trade. The role and contribution of the range of private sector interests, which are critical to improved forest management at home and abroad, also warrant greater attention.

The outcome of the Okinawa Summit in July 2000 will determine how the G-8 Action Program on Forests, which has only been in existence for less than two years, is continued as a G-8 initiative. The US strongly supports continuation of the Action Program, including a future review by Leaders on implementation. There is also value in considering a greater emphasis within the Action Program on collaborative efforts through which the G-8 can bring added value to existing endeavours to promote sustainable forest management.

REPORT ON THE IMPLEMENTATION OF THE G8 ACTION PROGRAMME ON FORESTS

Annex A Individual Progress Reports

Progress Report European Commission

I. Introduction

The Treaties on European Union make no provision for a comprehensive common forest policy. The management, conservation and sustainable development of forests are nevertheless vital concerns of existing common policies, like the Common Agricultural Policy, and the rural development, environment, trade, internal market, research, industry, development co-operation and energy policies. Moreover, the EU annually devotes considerable funds to the conservation and sustainable development of forests. The European Commission actively participates in the international forest regime and in the implementation of the G8 Action Programme on Forests, as described in the following.

II. Monitoring and Assessment

Most of the EU's total forest area of 130 Mio ha¹ are managed in a framework of regular cycles of management planning and implementation. These periodic forest management plans are based on stand-by-stand forest inventories, as well as on periodic analysis and assessment of the forest enterprise, including its economic, social and environmental functions. In many European states, national forest resource surveys, based on sampling theory and designed for statistical precision, incorporate additional forest attributes. Thus, they augment the operational data. Recently, these national inventories have provided a useful basis for assessing carbon stocks in forests.

Additionally, the European Forestry Information and Communication System (EFICS) seeks to improve the quality and comparability of these national inventories, based on pan-European criteria and indicators for sustainability. EFICS also collects information on trade, industry, employment environmental issues in the forestry sector and about community forest measures and national forestry programmes.

Two additional surveys assess the effects of atmospheric pollution and fire on forests, in the EU and other European states. During the last 12 years, crown condition of forest trees have been monitored and reported yearly. In 1997, the sample included 635000 individual trees on 28000 plots. The degree of crown defoliation in this sample serves as an indicator for adverse natural and anthropogenous impacts on growth and stability of forests. On a sub sample of 860 intensive monitoring plots, site variables and atmospheric deposition are monitored, and soil, tissue and growth are analysed. Through this sampling design, it is not only possible to monitor the state of European forests and its year-to-year development², but also to assess at least major causes of forest decline.

A Community information system on forest fires permits monitoring, assessment and priority setting at the pan-European level and throughout Mediterranean countries.

1. Average standing volume of timber in EU forests has increased from 85 m³ in 1950 to 132 m³ in 1990; annual cuts remove only about 70% of the average annual increment of 4.5 m³ / ha
2. In 1998 64 % of European trees showed some degree of defoliation, about one quarter was moderately or severely defoliated.

The Commission participates in the Helsinki process which has developed Criteria and Indicators for monitoring and assessing sustainable forestry. Guidelines for achieving these sustainability goals have been issued recently for the operational level.

Externally, a widely recognised EU remote sensing programme and its associated database (TREES) permit regular systematic surveys of all tropical forests at a 100 m resolution and subsequent analysis. Results will be accessible in the future for institutional users and partners. In addition, the EU supports numerous development co-operation projects overseas, which focus specifically on monitoring and

assessment, or incorporate at least a project component with that objective. Since 1997, the EU has supported 3 large forest monitoring and assessment projects in ACP countries with approximately 3 Mio euro.

III. National Forest Programmes

According to the IPF, National Forest Programmes are understood as "the process used by a country to deal with forest issues, including the planning and implementation of forest and forest-related activities." The EU does not have a mandate for a common forest policy; hence, there is no formal "EU Forest Programme."

However, numerous EU- instruments deal with forests, such as regulations within the Common Agricultural Policy, within the Regional and Cohesion Policy, within a framework of forest protection measures and within other environmental instruments, i.e. the Habitats Directive. In a process and with results that can to some extent perhaps be compared to a NFP, the EU has recently adopted the "Forest Strategy for the European Union." The Commission is currently in the final stages of consultations about a "Communication on Forests and Development" and a "Communication on the Global and Sustainable Competitiveness of the EU forest-based and related Industries".

Within Europe the EC has participated in the formulation and adoption of the resolutions H1 (Guidelines for the sustainable management of forests in Europe) and H2 (Guidelines for the conservation of biodiversity of European forests). These two resolutions establish the necessary framework for the national initiatives to the enhancement of sustainable forest management in Europe. As a result, many European countries reformulated or are in the process of adjusting their policies, strategies, and legislation on forests. The European Forest Institute has just published results of a survey on formulation and implementation of NFP's in Europe.

A recent Council Regulation on support for rural development links financial support for forestry measures to provisions in existing national or sub-national forest programmes or equivalents.

Within its development co-operation the EU supports numerous projects with the objective of building capacity for NFP's. Since 1997 approximately 3 Mio euro have been committed to this goal. The new Communication on Forests and Development contains provisions of financial support for the formulation of NFP's.

IV. Protected Forest Areas

The EU has agreed to the Helsinki and Lisbon resolutions of the Pan-European Process. Resolutions H1.6 and H2.6 commit signatories to protect forest areas of ecological fragility, climax- and primary forests, and to establish coherent ecological networks of such special forests; resolution L2 includes such areas among the criteria for sustainable forest management. The EU also co-operates in the Pan-European Work-Programme on the Conservation and Enhancement of Biological and Landscape Diversity in Forest Ecosystems. The objectives of this programme also include adequate conservation of all types of forests in Europe.

Two Council Directives, the "Birds" and the "Habitats" Directive protect natural habitats, fauna and flora, and create Natura 2000, a European network of protected sites. It links to the external "Emerald Network," created by the Council of Europe. Natura 2000 will eventually include a representative sample of all habitats of Community interest, among them many forest sites. At present, EU Member States propose areas for inclusion, many of them forest habitats. Natura 2000 should be established by 2004. Its importance is recognised specifically in the EU Forest Strategy. Moreover, a special chapter in the Commission's "Communication on a European Community Biodiversity Strategy" is devoted to forests.

The EU also provides financial support for protected forest areas through its programme LIFE-NATURE. A research programmes investigates indicators for monitoring and evaluation of forest biodiversity in Europe (Programme BEAR). COST Action E4 has the objective of promoting research on natural forests and forest reserves.

Protected forest areas are part of the EU approach to "Forests and Development", as stated in the recent Communication. Numerous forestry projects deal mainly with protected areas, others contain such components. Approximately 20 Mio. Euro have been committed to this objective yearly since 1992.

V. The Private Sector

Sixty-six percent of the EU's forest area consists of mostly small private forests managed by over 11 Mio. private owners. With their essential socio-economic and environmental functions these forests form an essential component of rural landscapes and livelihoods and, hence, of the EU's rural development policy. Moreover, the EU contributes financial support for their management and conservation within the framework of Member State's financial aid systems. Contributions cover activities such as afforestation, improvement of established forests, creation and improvement of nurseries, soil and water conservation through afforestation, reforestation after fires and calamities, forest roads and other infrastructure, marketing and processing of forest products and contributions to co-operatives of forest owners.

Over 850000 ha private and community lands were afforested in the period 1993 to 1998. The pace of afforestation is accelerating. Since 1993 annual commitments amounted to roughly 300 Mio euro annually. Overseas projects support the private forestry sector with approximately 0.3 Mio euro annually.

Certification of forest management and labelling of forest products are forest policy tools, which affect mainly the private and industrial sector in forestry. Up to now, the EU has supported this development internally mainly through grants to organisations involved in certification and by commissioning several major studies on the topic. In development co-operation, definition and development of certification systems for timber produced from tropical forests according to sustainable forest management principles is one of the main themes for support.

VI. Illegal Logging

Within EU-forests, illegal logging is essentially not a problem. However, under this term, trans-national companies are frequently accused in fraudulent harvesting, marking and trading practises. In response to several NGO complaints about the practise, the Commission has recently voiced strong support for an NGO role in this respect. Moreover, the new Communication on Forests and Development specifically foresees support for the use of rules that apply world-wide in order to tackle the problem of trans-national logging companies operating in unregulated frameworks. A pilot project for the Brazilian Rainforest, for which the EC contributes a major part of financing, contains a specific component for logging control at the state level. Many other projects, for instance in the Congo Basin, deal at least to some extent with this vexing, persistent problem.

Annex B

G8 Action Programme on Forests

May 1998

I. Introduction

1. Recognising the continuing pressure on the world's forests and the positive contribution that sustainable forest management can make to sustainable development, the G8 members at Denver reiterated their commitment to implement the proposals for action contained in the report of the Intergovernmental Panel on Forests and agreed to support a practical action programme. The following elaborates such a Programme which reflects a political commitment and aims to complement the extensive range of actions currently being taken by the international community and various regional and international processes and to strengthen some activities G8 members have identified as issues of particular importance. The Programme focuses on domestic actions in the G8 member countries and areas where they can make unique contributions through their bilateral assistance programmes and through their support for intergovernmental processes. G8 members intend to follow up this action programme individually and/or co-operatively and to review and report on progress as appropriate to G8 summits.

II. Monitoring and Assessment

2. The G8 members participate in international processes within which national level criteria and indicators for sustainable forest management have been developed. These criteria and indicators are tools for monitoring and assessing national trends across land ownerships in forest conditions and forest management. As such, they provide a common framework for describing, monitoring and assessing, over time, progress towards sustainable forest management. The link between national level criteria and indicators and the Food and Agriculture Organisation's ongoing global forest resources assessment programme is also important in providing consistent, reliable and compatible forest data on a global basis.

3. The G8 members will:

- monitor and assess the state of their own forests using agreed national level criteria and indicators for sustainable forest management and make the results, including areas where additional information is needed, available to interested parties;
- drawing on national level assessments, provide information and data to the Food and Agriculture Organisation's global forest resource assessments and particularly Forest Resource Assessment 2000;
- work with partner countries to build national capacity to:
- participate in regional criteria and indicator processes
- develop and apply agreed criteria and indicators to monitor and assess the state of their own forests
- develop national forest inventory and monitoring systems which take account of these criteria and indicators
- improve scientific underpinning of the economic, social and environmental indicators of sustainable forest management;
- improve access to remote sensing data and geographic information processing technologies, including geographical information systems (GIS) and global positioning systems (GPS), to groups and organisations with an interest;
- exchange information and experience with partner countries on monitoring and responding to large scale disasters affecting forest ecosystems, such as forest fires.

III. National Forest Programmes

4. Countries have sovereignty over their own resources as set out in para 1 (a) of the Forest Principles adopted by the United Nations Conference on Environment and Development and are responsible for achieving sustainable forest management. National forest programmes and other actions to promote sustainable forest management will contribute to national strategies for sustainable development,

which the United Nations General Assembly Special Session called on all countries to formulate by 2002. They encompass a wide range of approaches to achieve sustainable forest management which reflect national circumstances including land ownership patterns and the fact that in many countries the responsibility for forest management is allocated among federal/national, state/provincial and local levels of government, as well as indigenous people. These programmes assess the environmental, social and economic values of forest resources, establish national priorities and identify specific steps to manage forests sustainably in a participatory and transparent manner.

5. The G-8 members will:

- share their experience in developing and implementing their national programmes to promote sustainable forest management and encourage partner countries to develop their own national forest programmes;
- focus technical and financial assistance on those partner countries which give priority to sustainable forest management in the programming of their overseas development assistance (ODA);
- support partner countries in the elaboration and implementation of their national forest programmes, including by supporting new approaches, initiatives and partnerships that promote sustainable forest management;
- work to improve a global understanding and recognition of the role of boreal and temperate forests as important carbon sinks, biodiversity reservoirs and sources of other goods and services, in support of national forest programmes and the sustainable management of these forests;
- identify and support international initiatives which contribute to sustainable forest management, such as the pioneering work of the International Tropical Timber Organisation in respect of tropical forests to achieve the Year 2000 Objective;
- further co-ordinate their in-country support to partner countries, within the framework of respective national forest programmes in support of the International Forum on Forests proposals for action, and urge international institutions, particularly the international financial institutions, to do likewise.

IV. Protected Areas

6. Forests contain 70% of the earth's terrestrial biodiversity and as such are among the world's richest and most diverse ecosystems. They also provide a wide range of ecological services and other values. There are, however, forests with important biodiversity or ecological values in danger of being lost or degraded which warrant special recognition through the establishment of protected forest areas intended to maintain such values. Given that protection is an important element of sustainable forest management, geographic networks of protected areas of representative forest ecosystems at a national, transnational and global level can contribute to protection and recognition of these forests. In this context, a better understanding of protected area management classification systems is needed.

7. The G-8 members will:

- work in domestic, regional and international fora, such as the Convention on Biodiversity and International Forum on Forests, to achieve a broad consensus on categories of protected areas, their management and the biodiversity and other ecological values and benefits they bring to key stakeholders, drawing on the International Union for the Conservation of Nature 'Protected Area Management Categories' and related Food and Agriculture Organisation and other classification systems;
- on this basis, analyse and categorise their existing protected forest areas and identify their key forest types not sufficiently represented in the different categories of protection;
- also, on this basis, encourage the achievement of a global assessment of the effectiveness of protected forest areas in maintaining forest biodiversity and ecological values in co-operation with relevant organisations;
- work with partner countries to maintain and, where necessary, establish protected forest areas and associated networks, including border parks and other transnational and international initiatives, aimed at protecting important forest biodiversity and other ecological values, through for example innovative financial mechanisms, such as Joint Implementation, debt-for-nature swaps and public/private partnerships.

V. Private Sector

8. Sustainable forest management requires a range of partnerships to be successful and is not possible without the positive involvement and commitment of the private sector, which includes forest owners, forest industries, civil society, non-governmental and community-based organisations and indigenous people. In some countries the private sector is playing an increasing part in the management of forests. It is therefore vital that the private sector should make a greater contribution to securing sustainable forest management. It is the responsibility of each government to involve all private sector stakeholders in achieving sustainable forest management and encourage responsible private sector initiatives.
9. The G-8 members will:
 - encourage the private sector, particularly forest-related industries, to develop and apply voluntary codes of conduct that support sustainable forest management, both domestically and internationally;
 - further examine ways of promoting private investment and partnerships in sustainable forest management and the identification of innovative financing mechanisms to attract private sector finance;
 - encourage private voluntary market-based mechanisms that would support improved management practices in the forest sector;
 - share experiences with partner countries on ways in which they encourage the private sector to increase efficiencies and reduce waste in forest product processing and recycling;
 - assist partner countries to develop a regulatory institutional and economic framework which encourages responsible domestic and foreign private sector investment and practices.

VI. Illegal Logging

10 Illegal logging robs national and subnational governments, forest owners and local communities of significant revenues and benefits, damages forest ecosystems, distorts timber markets and forest resource assessments and acts as a disincentive to sustainable forest management. International trade in illegally harvested timber including transfer pricing, under invoicing and other illegal practices, exacerbates the problem of illegal logging. Better information on the extent of the problem is a prerequisite to developing practical and effective counter measures.

11 The G-8 members will:

- encourage the sharing of information and assessments on the nature and extent of international trade in illegally harvested timber as a basis for developing practical and effective counter measures;
- identify and assist in implementing measures to improve economic information and market transparency regarding the international timber trade, including through International Forum on Forests and International Tropical Timber Organisation;
- identify and assess the effectiveness of their internal measures to control illegal logging and international trade in illegally harvested timber and identify areas needing improvement;
- take measures to implement their obligations under international agreements aimed at combating bribery and corruption in international business transactions as they pertain to trade in timber;
- work with interested partner countries and through international organisations including the International Tropical Timber Organisation to develop their own capacity to assess the nature and extent of illegal logging and trade in illegally harvested timber and their capacity to develop and implement counter measures.

Excerpt from G8 Denver Summit Communiqué

June 1997

19. Forests continue to be destroyed and degraded at alarming rates in many parts of the world. To reverse this trend, we call upon all countries to make a long-term political commitment to achieve

sustainable forest management practices worldwide and to join us in the immediate implementation of proposals put forward by UNCSD Intergovernmental Panel on Forests. We have discussed in Denver and have agreed to support a practical Action Programme that includes implementing national programs and building capacity for sustainable forest management; establishing networks of protected areas; assessing the state of each nation's forests using agreed criteria and indicators; promoting private sector management of forests; and eliminating illegal logging. We ask that our officials meet early next year to assess progress in implementing this Action Program and call for a report at our next meeting.

20. At the Special Session of the United Nations, we will work with the active involvement of the environmental groups to build consensus on an international agreement with appropriately high international standards to achieve these goals. We welcome the progress made in implementing the Brazil Pilot Program initiated in Houston, and see it as an example of practical cooperation.

Excerpt from G8 Foreign Ministers Conclusions

May 1998

3. We have published today and commit ourselves to the implementation of an Action Programme on Forests. This sets out specific measures at the domestic and international levels to promote sustainable forest management, complementing the work of the Intergovernmental Forum on Forests and other international initiatives. We underline the importance of participation and transparency in the development and implementation of practical approaches to sustainable forest management that reflect environmental, ecological, social and economic values. We look forward to working together and with other partners, including those outside government, in implementing the Action Programme and reporting back on progress in the year 2000. Recent large scale forest fires lend urgency to this task.

Excerpt from G8 Birmingham Summit Communiqué

May 1998

12. The recent devastating forest fires in south-east Asia and the Amazon, threatening not only our environment but even economic growth and political stability, illustrate the crucial importance of global cooperation, and of better and more effective frameworks and practical efforts designed to sustainably manage and conserve forests. In the year 2000 we will assess our progress on implementation of the G8 Action Programme published last week. We strongly support the ongoing work on forests under the auspices of the United Nations, and we look forward to continuing these efforts.

STATEMENT ON THE MEETING BETWEEN THE G8 FOREIGN MINISTERS, THE DELEGATION OF THE NON-ALIGNED MOVEMENT TROIKA, AND THE GROUP OF 77

Miyazaki, 13 July 2000

The Foreign Ministers of the Group of Eight Industrialized Countries (G8) met the Non-Aligned Movement (NAM) delegation consisting of the Troika of the NAM, South Africa (Foreign Minister), Bangladesh (Foreign Minister) and Columbia (Vice President), Foreign Minister of Nigeria, Chairperson of the Group 77, and Foreign Minister of Thailand, the President of UNCTAD X and the Chair of ASEAN in Miyazaki, Japan, on 13 July 2000.

This meeting addressed important global issues and confirmed the importance of dialogue between the developed and developing countries in jointly responding to the challenges of the new millennium.

The Ministers exchanged views on globalisation and its challenges. Under this theme, NAM/G77 visiting ministers raised issues such as, partnership for development and poverty eradication, information and communication technology and digital divide, conflict prevention, and maintenance of international peace and stability.

In the meeting, the NAM delegation conveyed a written message on the above issues from South African President Thabo Mbeki, the Chair of the NAM, to Japan's Prime Minister Yoshiro Mori, President of the G8.

Senior officials of the NAM delegation had a preparatory meeting with Japanese officials in charge of the G8 Foreign Ministers meeting, on July 10 in Tokyo.

ACTIONS AGAINST ABUSE OF THE GLOBAL FINANCIAL SYSTEM

[G7 FINANCE MINISTERS' REPORT FROM TO THE HEADS]

Okinawa, 21 July 2000

A. Challenges and Our Approach

1. Financial crime is increasingly a key concern in today's open and global financial world, which is characterized by the high mobility of funds and the rapid development of new payment tools. To secure the benefits of the international financial system, we, the Finance Ministers of the G-7 countries, must ensure that its credibility and integrity are not undermined by financial crime. Further, in order to fight effectively against the abuse of the global financial system, we must not allow poor regulatory standards, excessive bank secrecy, and harmful tax competition.
2. Governments must intensify their cooperation and strengthen international frameworks to effectively combat money laundering and harmful tax competition, and to improve the observance of international standards and good governance. For this reason, we need to better coordinate our efforts and provide further impetus to efforts under way at various international fora and expeditious follow-up actions. We also need to promote international cooperation between law enforcement and tax and regulatory authorities in the fight against financial crime and abuse.

B. Money Laundering

3. It is crucial that all financial centres throughout the world meet relevant international standards and cooperate effectively in the fight against money laundering. We welcome the initial work of the Financial Action Task Force (FATF), which published its review of the rules and practices of 29 countries and territories and its identification of 15 non-cooperative countries and territories (NCCTs) in June 2000 on the basis of the criteria agreed in February 2000. In accordance with the decision taken by the FATF and its Recommendations, we have joined other FATF members in informing our financial institutions about the findings of the report. Our authorities have issued advisories to our domestic financial institutions that they should take cognisance and enhance their scrutiny of the risks associated with doing business in NCCTs or with cross-border transactions carried forward by individuals or entities domiciled or holding accounts in such jurisdictions. We call on the FATF to continue its work on identification of NCCTs and to revise its list on a regular basis to take into account changes made in these jurisdictions identified and the situations elsewhere. We endorse the FATF's decision to remain fully engaged with all those countries and territories. We also strongly urge the NCCTs to improve expeditiously their anti-money laundering regime and to remedy the deficiencies identified. We are ready to give our advice and provide, where appropriate, our technical assistance to jurisdictions that commit to taking steps for necessary reform. We are prepared to act together when required and appropriate to implement coordinated countermeasures against those NCCTs that do not take steps to reform their system appropriately, including the possibility to condition or restrict financial transactions with those jurisdictions. We will review the situation for the 2001 Summit.
4. We welcome the creation of Financial Intelligence Units (FIUs) in Canada and Japan, and endorse the establishment of information exchange arrangements among FIUs operating in the G-7 in order to facilitate an active exchange of information among the anti-money laundering authorities.
5. Moving forward from the Birmingham and Cologne Summits, we value the opportunity to discuss a range of measures to fight money laundering. We agree to continue to strengthen our efforts within existing mechanisms, drawing on our experts. We will review and report progress on the following issues in preparation for the 2001 Summit. We also call upon the FATF to consider the scope for revising its Forty Recommendations to address these issues.
 - a. Gatekeepers: We take note that, as a follow-up to the October 1999 Moscow Ministerial Conference on Combating Transnational Organized Crime, an experts group was convened to study the issues related to the involvement of professionals such as lawyers and accountants ("gatekeepers" to the international financial system) in money laundering. We express our support for the continuation of this work.

- b. International Payments System: We urge the financial community to find ways to identify originators in executing cross-border payment orders. In this respect, we believe that it would be useful if the Committee on Payment and Settlement Systems of the G10 central banks and other appropriate agencies could explore the technical aspects of this issues and consider possible concrete measures, taking into account the efficiency and evolution of the international payments system as well as privacy concerns regarding the information.
- c. Corporate Vehicles: Corporations are sometimes established simply in order to gain access to the financial system. If there is obscurity about their ownership, banks and other financial institutions may not be able to discover the identity of the beneficiary of the account and will be unable to meet their "know your customer" obligation. The combination of market access and obscurity of ownership can facilitate money laundering and market abuse. We agree to consider how introductory measures to prevent unlawful use of corporate structures would be best tackled. We stress, in particular, the need to enable law enforcement and administrative authorities to identify beneficial owners. We welcome the OECD's forthcoming review of this subject.
- d. Stolen Assets: International money laundering has often been used by government officials to assist the clandestine diversion of public assets. The vulnerability of government institutions to such crime can be especially substantial in countries with emerging democratic systems and developing or transitional economies. We agree that it would be useful if we could take stock of existing legal tools and the agencies that administer them in each of our countries that would be available to identify, trace, and seize such laundered assets, as a first step to enhancing international cooperation on this issue.

C. Tax Havens and Other Harmful Tax Practices

6. We reaffirm the need to prevent harmful tax competition, which distorts economic behaviour and erodes national tax bases. We welcome the Report on Progress on Identifying and Eliminating Harmful Tax Practices, presented to the Ministerial Council of the OECD in June 2000, and which includes two lists: certain jurisdictions meeting tax haven criteria; and potentially harmful regimes within the OECD member countries. We encourage the OECD to continue its efforts to counter harmful tax practices. In this respect, we support the continuation of the efforts of the OECD member countries to eliminate any harmful features of their preferential tax regimes. We welcome the public commitments already made by jurisdictions to eliminate harmful tax practices and we urge all jurisdictions to make such commitments. We commit ourselves to supporting the OECD's efforts to intensify its dialogue with non-member economies.
7. We reaffirm our support for the OECD's report on improving access to bank information for tax purposes and call on all countries, using the report as a starting point, to work rapidly towards a position where they can permit access to, and exchange, bank information for all tax purposes.
8. Although tax evasion and money laundering are different crimes, there are many similarities in the methods used to commit them. We welcome the progress made through the joint efforts of the OECD's Committee on Fiscal Affairs (CFA) and the FATF on information exchange. We look forward to further regular dialogue between the CFA and the FATF that will enable them to give attention to joint studies, such as on the typologies used by both tax evaders and money launderers.

D. Offshore Financial Centres

9. Efforts to impede financial crime and to prevent tax evasion and avoidance are being undermined by those so-called "offshore financial centres" (OFCs) that do not comply with international standards. In addition to ongoing initiatives in the FATF and the OECD, the Report of the OFCs Working Group of the Financial Stability Forum (FSF) has made recommendations to enhance OFCs' observance of international standards on financial supervision and cooperation, assigning immediate priority to those relating to cross-border cooperation and information sharing, essential supervisory powers and practices, and customer identification and record keeping. The three initiatives together address the three key areas: inadequate anti-money laundering standards, harmful tax practices, and poor financial regulation. We endorse these initiatives and urge these bodies to cooperate with each other and coordinate their actions, as appropriate, to address problematic OFCs.
10. We call on OFCs to respond positively to these initiatives by implementing all recommendations of the fora mentioned above and by improving their systems in the following eight areas.

- a. International cooperation: We expect the authorities responsible for anti-money laundering, tax and financial regulations to cooperate closely to combat cross-border financial crime, tax evasion and regulatory abuse respectively. These authorities should permit effective routine supervision of the cross-border activities of financial institutions.
 - b. Exchange of information: The authorities responsible for tax and anti-money laundering compliance, and the regulatory authorities, should be able to exchange information with their counterparts in other jurisdictions.
 - c. Customer identification: All jurisdictions should prohibit anonymous accounts, and should require financial institutions to establish the true identity of their customers. Companies and trust structures should not provide a mechanism for inappropriately concealing ownership, allowing tax evasion, money laundering and regulatory abuse to flourish.
 - d. Abolition of excessive secrecy: All jurisdictions should prevent bank secrecy rules from inhibiting the enforcement of international standards, obstructing criminal, tax and regulatory investigations, and from constraining effective cooperation with overseas authorities.
 - e. Effective vetting of financial institutions: There should be effective procedures to ensure that the ownership and management of financial institutions do not become infiltrated, controlled or influenced by criminals, or those with a history of regulatory abuse.
 - f. Enhanced resources for financial supervision and anti-money laundering compliance: Jurisdictions which derive economic benefits from the provision of transnational financial services need to devote sufficient resources to prevent effectively the abuse of those services. In particular, sufficient resources should be devoted to financial regulation, the enforcement of anti-money laundering standards, and cooperation with overseas authorities.
 - g. Improved legislation: All jurisdictions should make it a crime to launder the proceeds of all serious crime; should give financial regulators effective powers and sanctions; and should ensure that gaps in their legislation do not inhibit investigations into money laundering, tax evasion and regulatory abuse.
 - h. Elimination of harmful tax practices: We expect all jurisdictions to cooperate internationally in identifying and dismantling harmful tax practices.
11. Where jurisdictions give strong political endorsement to, adhere to, and make progress in implementing international standards, and where possible and necessary, we are prepared to provide technical assistance and support, either directly or through appropriate international bodies.
 12. Where jurisdictions demonstrate failure to meet certain standards and are not committed to enhancing their level of compliance with international standards, we will take steps to encourage jurisdictions to make the necessary changes and take measures to protect the international financial system against the effects of these failures. These measures could include:
 - a. Market incentives including disclosure, in which the market's assessment of a jurisdiction's compliance with international regulatory standards translates into its risk assessment and effects the costs for institutions doing business with that jurisdiction;
 - b. Official incentives applied by the official sector, which can be detailed further under international organization activities and memberships, and national supervisory and regulatory incentives; and
 - c. Counter-measures designed to protect the international financial system, including (i) specific requirements for financial institutions to pay special attention to all financial transactions with non-cooperative jurisdictions, (ii) requirements to report certain financial transactions conducted with individuals or legal entities operating from non-cooperative jurisdictions, and (iii) measures designed to restrict, condition or even prohibit financial transactions with these jurisdictions.
 13. We will urge relevant bodies to review the progress in all these areas.

E. Role of International Financial Institutions

14. Money laundering and corruption threaten the credibility and effectiveness of international financial institution (IFI) programs and the integrity of the IFIs themselves. Thus, we urge the IMF and the World Bank to continue to conduct an authoritative review of their financial procedures and controls and those of recipients, and to improve ways to strengthen safeguards on the use of their funds as well as governance and anti-corruption measures in their programs.

15. Money laundering activities have the potential to bring serious macroeconomic distortions, misallocation of resources and capital around the world, and greater prudential risks to bank soundness. Thus, we call on the IFIs to help countries adopt international standards to include, for example, the FATF Forty Recommendations, the Basel Committee's Core Principles, and IOSCO's Objectives and Principles aimed at fighting money laundering, strengthening regulation and international cooperation, and building stronger domestic financial systems. To this end, we urge the IMF, the World Bank, and other IFIs to encourage and support countries in their fight against money laundering in the context of financial sector program design and assistance, where money laundering is identified as a particular vulnerability or risk. We propose that the Fund-Bank Financial Sector Assessment Program (FSAP) and the IMF's Article IV process include evaluation of anti-money laundering measures where appropriate. We urge the World Bank to raise the issue of money laundering more prominently in its ongoing anti-corruption campaign. The regional development banks, such as the Asian Development Bank, the Inter-American Development Bank, the European Bank for Reconstruction and Development, and the African Development Bank should also play an important role in raising awareness about the importance of combating money laundering as part of financial sector development efforts to strengthen supervision and promote good governance.
16. We acknowledge the potential threats posed to the international financial system by those OFCs which do not adequately meet international standards. In this respect, we welcome the report of the FSF Working Group on OFCs and call on the IMF to play its part in implementing its recommendations regarding the assessment process to enhance OFCs' adherence to international standards.

POVERTY REDUCTION AND ECONOMIC DEVELOPMENT

[G7 FINANCE MINISTERS' REPORT TO THE HEADS]

Okinawa, 21 July 2000

A. A Comprehensive Approach to Development

With the dramatic change in the world economy that has come as a result of the rapid progress in globalisation, it is vital that the international community take action to ensure that developing countries have the opportunity to benefit from the forces of globalisation and to play their role in the world economic system. It is a key objective to take a forward-looking approach in a strategic and intensive manner, in order to assist these countries in their efforts to attain sustained poverty reduction and economic development, and achieve the International Development Goal of a reduction by one half of the proportion of people living in extreme poverty by 2015.

Experience has shown the importance of sustainable growth as a necessary condition for poverty reduction. All development partners should focus on priorities that will bring about the robust growth necessary to meet the 2015 goals. These priorities should include achieving macroeconomic stability, encouraging private sector development, promoting good governance, investing in social development, accelerating trade liberalization, and strengthening financial sectors.

While growth is crucial in the fight against poverty, greater attention must be paid to a more equitable distribution of the benefits of growth. To this end, the right social policies are essential, including institution building, education and skills development, and the improvement of health including through the fight against infectious disease. These are the foundation for poverty alleviation and greater social equity. Social investment secures high returns over the longer term.

Combating global poverty requires a multi-dimensional approach. To achieve this, poor countries need to produce their own comprehensive Poverty Reduction Strategies, centred on the International Development Goals. These strategies will provide a vital link between social and economic policies needed to reduce poverty and increase growth. They should emphasize transparency, accountability, elimination of wasteful expenditure, and good governance. These strategies should also be developed through participatory processes involving civil society. The International Financial Institutions (IFIs) and bilateral donors should assist countries in developing and implementing these strategies, including through technical assistance.

B. HIPC Debt Relief

For the heavily indebted poor countries (HIPCs), debt relief through the enhanced HIPC Initiative is a crucial part of establishing a virtuous circle of poverty reduction and economic development. Last year in Cologne, we agreed to launch the Initiative to deliver faster, broader, and deeper debt relief, releasing funds for poverty reduction. We welcome the endorsement of this initiative by the international community last autumn.

Since then, the implementation of the Initiative has begun. [Nine] countries have reached decision points and are receiving debt relief under the new framework which should total more than US\$15 billion in nominal terms (US\$8.6 billion in net present value)[12.5 billion US dollars]. Up to [eleven] further countries could reach the decision points by the end of this year. Further details on the progress of the enhanced HIPC Initiative are set out in the attached annex.

We encourage those HIPCs that have not done so to embark quickly on the process by beginning to develop Poverty Reduction Strategies, in close cooperation with the World Bank and the IMF, and thus benefit from debt reduction. We will work together to ensure that as many countries as possible reach their decision point, in line with the targets set in Cologne, giving due consideration to the progress of economic reforms and the need to link debt relief to poverty reduction. In this respect, we are concerned by the fact that a number of HIPCs are currently involved in military conflicts, which prevent poverty reduction and delay debt relief. We call upon these countries to end their involvement in conflicts and to embark quickly upon the HIPC process. In that eventuality, we stand ready to strengthen our efforts to help them prepare and come forward for debt relief.

We encourage the World Bank and the IMF to continue to make efforts toward speedy and effective implementation of the Initiative. In this regard, we welcome the establishment in April of the new Joint Implementation Committee by the World Bank and the IMF, and urge the Committee to effectively facilitate the implementation of the HIPC Initiative and provide regular information on the status of individual countries.

We note the progress made in securing the required financing of the IFIs for effective implementation of the enhanced HIPC Initiative. We encourage effective and timely participation of all multilateral and bilateral creditors, including non Paris Club members. Resources for the IMF and World Bank's share of the costs of debt relief have been identified and substantial contributions to the financing needs of other IFIs have been pledged. We urge MDBs' active engagement in the Initiative through the maximum use of internal resources. We welcome the recent progress made in putting together financing that will promote debt relief for HIPC countries in Latin America and Africa.

We reaffirm our commitment to make available as quickly as possible the resources we have pledged. In this context, we recognize the importance of fair burden sharing among creditors. We encourage new contributions by bilateral donors to the HIPC Trust Fund.

We reaffirm our commitment to bilateral debt reduction within the HIPC framework. In this respect, we have now committed ourselves to grant 100% debt forgiveness reduction on our commercial claims eligible for treatment in the framework of the Paris Club. We welcome the announcement made by some other countries that they too will provide 100% debt relief forgiveness, and we urge other creditors to follow suit.

C. Going beyond Debt Relief

Official Development Assistance will continue to be crucial to support and encourage efforts for poverty reduction and economic development by poor countries. In this context, we welcome the recent reversal in the trend of declining aid levels. In order to ensure that those countries to which the Initiative is applied do not face again excessive debt burden, we have committed ourselves to extend ODA mostly in the form of grants for these countries.

Experience shows that economic assistance to countries with sound management raises growth and improves social conditions. Donors can play their part by directing aid more effectively to those poor countries that are serious about tackling economic reforms and poverty reduction. Donors should also improve the effectiveness of their support by coordinating their aid better in support of well-considered and recipient-led programs, and simplifying, and where feasible harmonizing, aid procedures.

In order to ensure responsible lending practices, it is vital that donors reaffirm their commitment to discourage unproductive expenditure. In this context, we call upon the OECD to review through its export credit group strengthened measures toward ensuring that export credit support to HIPCs and other low income developing countries is not used for unproductive purposes. The result of this review should be published and could include the review of the relevant existing national rules and regulations. We encourage the OECD to complete this work as soon as possible. In addition, we welcome efforts by the IFIs and other donors to encourage poor countries to pursue sound debt management policies to ensure the productive use of resources.

Global public goods such as environment and health deserve priority attention and require strong involvement of the IFIs, in particular the World Bank and the regional development banks, and also by bilateral donors. To be effective, the involvement of the international community in global public goods should be built on the principles of comparative advantage and priority-setting.

D. Improved Trade and Investment Environment

In view of the close link between trade and investment growth and economic growth, trade and investment will play a critical role in promoting effective poverty reduction and sustainable economic growth. We must find ways to give HIPC and other low-income developing countries a stake in world trade and to improve access for these countries to international markets. We should ensure that the forthcoming WTO round actively promotes the interests of these countries, so that they too can benefit from trade liberalization. We should also promote regional cooperation among these countries in accordance with WTO rules, which often represent a welcome first step towards further integration in global economy. We call on the relevant international organizations, particularly the WTO and the World Bank, to strengthen their efforts to help build trade-related capacity in the poorest countries. We

should also support the efforts of poor countries to create a welcoming environment for productive investment.

In view of the rapid progress of globalisation and the IT revolution, it is important for developing countries including the poorest to harness the benefits of new advances in IT and prevent digital divide. It is crucial that the international community emphasize capacity and institutional building including those related to IT, such as investment in human capital.

In the longer term, there will be a need to ensure that all developing countries have the ability to progress up the ladder of development. In many countries, domestic savings and private capital flows already play an important role in financing development. Putting in place the conditions for increased levels of stable forms of private financing and investment is key to achieve sustainable development.

While many developing countries will continue to be reliant on concessional aid flows for the foreseeable future, the IFIs should give some consideration to ways for these countries to participate in the global financial marketplace in the future. The objective must be to provide a "roadmap" to support developing countries make the journey from isolation to integration, growth and development.

ANNEX- The Heavily Indebted Poor Countries Initiative: Progress in Implementation

The enhanced HIPC Initiative launched at Cologne last year is aimed at providing faster, broader and deeper debt relief for the HIPC countries and at ensuring that the benefits of debt relief are used to reduce poverty. The link between debt relief, economic and social policy reforms and poverty reduction in the HIPC process is made through the development of comprehensive Poverty Reduction Strategy Papers (PRSPs). PRSPs are developed by the HIPC country itself, through a participatory process involving civil society and with the support of the International Financial Institutions and donors.

Nine countries (Benin, Bolivia, Burkina Faso, Honduras, Mauritania, Mozambique, Senegal, Tanzania, and Uganda) have reached their decision points under the enhanced initiative. For the nine countries, debt relief has been agreed that will provide savings of more than US\$15 billion in nominal terms (US\$8.6 billion in net present value). This represents, on average, a reduction in countries' stock of debt of about 45 per cent in addition to traditional debt relief mechanisms. This figure will be further increased by the reduction in Official Development Assistance (ODA) debt which we agreed at Cologne and by the commitment we have now made to grant 100 per cent debt forgiveness on eligible commercial debt owed to us by HIPCs which achieve debt reduction under the initiative.

Going forward, according to the latest IMF and World Bank estimates, up to eleven further countries could reach decision points before the end of this year (Cameroon, Chad, Cote d'Ivoire, Guinea, Guinea-Bissau, Guyana, Malawi, Mali, Nicaragua, Rwanda and Zambia). This would bring total debt relief agreed under the HIPC initiative of around US\$35 billion in nominal terms (around US\$20 billion in net present value). Again this amount will be increased by the reduction in ODA debt and our commitment to grant 100 per cent debt forgiveness on eligible commercial debt.

The decision point for these countries will depend on their commitment to poverty reduction and economic growth, as demonstrated by their progress in developing poverty reduction strategies and their performance in relation to their IMF programmes. Progress in implementing these commitments would clearly be undermined by situations of armed conflict or significant political unrest.

There remain 20 HIPC countries. Of these:

- Four countries (Angola, Kenya, Vietnam and Yemen) are not expected to meet the indebtedness thresholds for the higher, enhanced HIPC debt reduction;
- Two countries have decided not to seek relief under the enhanced initiative (Ghana, Lao PDR);
- Two countries with IMF programmes are in the process of establishing the necessary track record. In the meantime, both countries are receiving traditional debt relief (Paris Club Naples Terms (67%)) in the context of their current IMF programme (Madagascar and Sao Tome and Principe);
- Twelve countries have not at present agreed programmes under the IMF's Poverty Reduction and Growth Facility, performance against which is necessary for decision point (Burundi, Central African Republic, Democratic Republic of Congo, Republic of Congo, Ethiopia, Liberia, Myanmar,

Niger, Sierra Leone, Somalia, Sudan and Togo). The speed at which these countries can go forward to decision point will vary greatly. A few are close to embarking on the process. Ten countries are affected by conflict. Some are experiencing political unrest and macro economic instability. In such circumstances, many remain unable to commit to the HIPC framework which is intended to ensure that the resources made available through debt relief are used for poverty reduction within a policy framework directed to economic growth.

STRENGTHENING THE INTERNATIONAL FINANCIAL ARCHITECTURE

[G7 FINANCE MINISTERS' REPORT TO THE HEADS]

Fukuoka, 8 July 2000

A. Introduction

1. Following a series of crises that began in Asia in 1997, conditions in the world economy have stabilized and prospects for expansion have improved. However, in view of the rapid changes occurring in the global financial landscape, and in particular in light of the opportunities and challenges presented by the increasing size and importance of private capital markets, the international community must continue to address the challenge of promoting greater stability in the international financial system as a platform for sustainable world growth and prosperity.
2. We, Finance Ministers of the G-7 countries, submitted a report on strengthening the international financial architecture to the Cologne Economic Summit last year and set out a number of specific proposals toward reform. Since then, we have made substantial progress:
 - a) Many developing countries are making efforts to enhance their financial stability by, for example, strengthening financial sectors, adopting appropriate foreign exchange regimes, improving debt management, and adopting internationally agreed codes and standards. Many of them are also making substantial investments in the information they provide to financial markets.
 - b) The IMF has taken steps to implement an assessment framework for internationally agreed codes and standards and to make operational our approach to private sector involvement (PSI) in forestalling and resolving crises. Private sector investors and lenders have been more involved in the financing of recent IMF-led programs. In addition, the IMF Executive Board has deepened its discussions on exchange rate regimes, countries' experiences with capital controls, and other important issues. The transparency of the IMF and the Multilateral Development Banks (MDBs) has been significantly improved, including through greater publication of documents.
 - c) The Interim Committee has been transformed into the permanent "International Monetary and Financial Committee (IMFC) "
 - d) The Financial Stability Forum (FSF) was created last year to enhance financial stability, improve the functioning of markets, and reduce systemic risk. As we requested, the FSF examined the issues of, and published reports this spring on highly leveraged institutions (HLIs), capital flows, and offshore financial centres (OFCs). The FSF also carried out work on the implementation of codes and standards on which it recently released a report.
 - e) The G-20 was established as an informal mechanism for dialogue among systemically important countries within the framework of the Bretton Woods institutional system. The first meeting of G-20 Finance Ministers and Central Bank Governors was held successfully in December of last year in Berlin. The next meeting will be held in October of this year in Montreal.
3. In this report, we discuss how we can further enhance our efforts to strengthen the international financial architecture, carrying forward the reform program that we identified in Cologne. Given the leading role of the International Financial Institutions (IFIs) in implementing a significant part of the Cologne reform program, this report focuses on i) reform of the IMF - especially reform of its facilities, the promotion of the implementation of codes and standards, the enhancement of governance and accountability, and private sector involvement; ii) reform of MDBs; iii) responses to the challenges posed by HLIs, OFCs and cross-border capital movements; and iv) regional cooperation.
4. We are determined to implement all the measures in this report, as well as the broad range of measures endorsed at the Cologne Summit. We will work together with other members of the international community to make steady progress.

B. IMF Reform

5. In view of the changing global financial landscape, and in particular the increasing importance of private global capital markets, we believe it is essential that the international community continues to examine the role and functioning of the IMF and other IFIs. We look forward to exploring this agenda further in Prague this fall at the next meeting of the IMFC and at the next Annual Meetings of the IMF and the World Bank.

Key principles for reform of the IMF

6. At our meeting with Central Bank Governors in April, we laid out the following key principles, which reflect our shared understanding of the IMF's role as we move forward:
 - a) The IMF should play the central role in promoting macroeconomic and financial stability as an important precondition for sustainable global growth and should continue to evolve to meet the challenges of the future.
 - b) The IMF is a universal institution which must work in partnership with all its member countries, based on their shared interests in these goals.
 - c) To be effective, the IMF and its activities must be transparent to the public, accountable to its members and responsive to the lessons of experience and external and independent evaluation.
 - d) In order to foster strong policies and reduce countries' financial vulnerability to crisis, preventing crisis and establishing a solid foundation for sustainable growth should be at the core of the IMF's work. Surveillance of economic and financial conditions and policies in member countries and the implementation of internationally agreed codes and standards are primary tools for accomplishing these aims.
 - e) IMF's financial operations should continue to adapt to reflect the realities of global capital markets while preserving the flexibility to support all member countries, as appropriate, including those with no immediate prospects of market access. They should encourage countries to take preventive measures to reduce vulnerabilities and provide temporary and appropriately conditioned support for balance of payments adjustment, including in cases of crisis, and medium-term finance in defined circumstances in support of structural reform, while avoiding prolonged use.
 - f) IMF lending should not distort the assessment of risk and return in international investment. To this end, the IMF should take appropriate steps to ensure that the private sector is involved both in forestalling and resolving crises, which should help promote responsible behaviour by private creditors.
 - g) While the World Bank is the central institution for poverty reduction, macroeconomic stability - a key tool for the achievement of poverty reduction and growth - is the responsibility of the IMF. The IMF has a crucial role in supporting macroeconomic stability in the poorest countries through the Poverty Reduction and Growth Facility, integrating its efforts with those of the World Bank in working with countries on poverty reduction strategies.

These principles will continue to guide our efforts on IMF reform moving forward in discussions within the IMF Executive Board and the IMFC, and in other fora as we work to implement concrete steps in advance of the Annual Meetings in Prague this fall.

Strengthening surveillance to prevent crises

7. There is consensus within the international community that, as we emphasized in our April meeting, strong surveillance must be at the centre of the IMF's efforts to strengthen the world economy and the international financial architecture. In this regard, we reaffirmed the importance of a substantial qualitative shift in the nature and scope of the Fund's surveillance needed in light of globalisation, large scale private capital flows, and the emerging framework of internationally agreed codes and standards.
 - a) The IMF should, in conducting its surveillance work, continue to sharpen its focus on macroeconomic policy, capital flows and structural issues which have an impact on macroeconomic stability, in particular in the financial sector, and on exchange rates with a view toward encouraging countries to avoid unsustainable regimes.
 - b) The IMF should continue to work to develop and make systematic use of indicators of national liquidity and balance sheet risks as a key part of the surveillance process. We believe that the IMF

should begin publishing such indicators regularly together with relevant explanatory material.

- c) The IMF has an important role to play in promoting transparency and the flow of information. We support the IMF in its efforts to promote the publication by countries of comprehensive, timely, high quality and accurate information in line with the Special Data Dissemination Standard (SDDS) and welcome the IMF's decision to highlight in a quarterly publication countries' achievement in this respect. We also support further actions to enhance the transparency of IMF surveillance through, inter alia, more general use of Public Information Notices following Article IV consultations and Reports on the Observance of Standards and Codes (ROSCs). In this respect, we support the principle of the release of IMF Article IV staff report, and look forward to the conclusions of the IMF Board review on the pilot project in this area.

Implementation of international codes and standards

- 8. We are determined to strengthen our efforts to promote the implementation of internationally agreed codes and standards as follows.
 - a) We confirm the IMF's leading and coordinating role in the assessment of countries' observance of international standards and codes and welcome the IMF's ongoing work in this area through Reports on the Observance of Standards and Codes (ROSCs) as well as through the joint IMF-World Bank Financial Sector Assessment Programs (FSAPs). We also welcome commitments by over 30 countries to undertake ROSC modules and the recent decisions by the IMF and the World Bank to expand the FSAP program. We look forward to consideration of the modalities for voluntary publication of Financial System Stability Assessment (FSSA) reports.
 - b) We agree that the assessment process should cover the 12 key codes and standards highlighted in the Financial Stability Forum's Compendium of Standards, and be carried out on a modular basis. The IMF and national authorities, in consultation with the standard-setting bodies where appropriate, should be responsible for identifying priority standards for implementation by individual countries within the framework of a country's overall economic reform agenda. To enhance credibility, we encourage countries to articulate publicly their adoption of standards, announce their plans of action and participate in IMF-led assessment programs. In this regard, we welcome the commitments by the G-20 Ministers and Governors and by the Western Hemisphere Finance Ministers.
 - c) We agree on the importance of addressing market and official incentives in promoting observance of codes and standards. In this context, we underscore the need for greater disclosure and transparency about countries' intentions and progress in implementing codes and standards. We call on the IMF to ensure that the results of assessments of observance of codes and standards are published, and to continue its work on integrating such assessments into its regular Article IV surveillance process. We look forward to the results of further work by the Financial Stability Forum (FSF) on promoting market and official incentives, specifically regulatory and supervisory incentives. We also call on the IMF to explore further ways of promoting compliance with codes and standards. We look forward to further progress on an overall framework for the implementation of codes and standards at this year's Annual Meetings in Prague.
 - d) We agree that work to implement codes and standards will be most effective if combined with further efforts to foster ownership across a broad range of countries for the codes and standards processes. The IMF and the World Bank should assist countries in the development of action plans for the implementation of codes and standards. We agree to work together and with the IFIs, the FSF, and international regulatory and supervisory bodies to provide technical assistance and training to emerging market and developing countries in this area.
 - e) In order to facilitate the conduct of consistent and objective assessments of countries' adherence to codes and standards, there must be regular, transparent, and constructive dialogue and cooperation between the institutions and agencies responsible. To this end, we call upon the IMF to chair a meeting of the relevant bodies to determine and report on how best to ensure that inputs from the relevant bodies concerned can be most effectively integrated in the surveillance process managed by the IMF.

Reform of IMF facilities

- 9. We re-emphasise that the IMF's financial operations should continue to adapt to the globalisation of

capital markets, while preserving the flexibility to support all member countries, as appropriate, including those with no immediate prospects of market access, in light of their specific circumstances. Therefore, we attach priority to early progress in achieving a streamlined, incentives-based structure for IMF lending that encourages countries to develop stable access to private capital markets on a sustainable basis.

10. The IMF has already begun to simplify its facilities. Going forward, we continue to attach priority to the creation of a more effective structure for IMF lending consistent with this approach that would:
 - a) provide contingent support and incentives for countries to put in place strong ex ante policies to prevent crises, to observe internationally agreed standards and best practices, and to maintain good relations with private creditors (as is currently the case under the Contingent Credit Line (CCL));
 - b) address temporary balance of payment imbalances as well as medium-term financing in defined circumstances in support of structural reform, while at the same time encouraging countries to move toward sustainable access to private capital (as is currently the case under the Stand-By Arrangement (SBA) and the Extended Fund Facility (EFF));
 - c) allow the IMF to respond rapidly and on an appropriate scale to systemic crises with appropriate terms to mitigate moral hazard and encourage rapid repayment (as is currently the case under the Supplemental Reserve Facility (SRF));
 - d) maintain a strong, focused role for the IMF in supporting sound macroeconomic policies in the poorest countries, integrating its efforts with those of the World Bank given the latter's responsibility for promoting poverty reduction and growth-oriented programs (as is currently the case under the Poverty Reduction and Growth Facility (PRGF)).
11. Specifically, we expect that reform of IMF facilities will be conducted as soon as possible based on the following:
 - a) The pricing of non-concessional IMF facilities should be fair and reflect their underlying objectives. The new pricing structure should establish more consistent incentives across facilities, encourage access to private capital, discourage prolonged use of, and deter inappropriate large scale access to IMF resources, thus contributing to their more efficient use. For all non-concessional facilities, the interest rate should increase on a graduated basis the longer countries have IMF resources outstanding. The possibility of adding a premium when the scale of financing goes beyond certain thresholds should be explored. In addition, for countries that continuously resort to IMF facilities, the IMF should make more intensive use of prior actions and limit access to its resources.
 - b) We also look forward to consideration of steps to encourage early repurchases once the IMF borrowers have returned to a sustainable economic and financial path.
 - c) We call upon the IMF to explore, in the context of the review of its facilities, appropriate uses of any resulting increase in IMF income within the existing framework of the Articles with the objective of targeting support to poorest countries.
12. Concerning specific IMF facilities:
 - a) The SBA should remain the standard facility to provide short-term assistance.
 - b) The EFF should be used in well-defined cases where medium-term structural reform is important, and longer-term maturity is appropriate due to the country's structural balance of payments situation and its limited access to private capital. This facility is expected to help countries to carry forward structural reforms necessary to achieve access to private capital over time.
 - c) The CCL should be reviewed with a view to enhancing its effectiveness without compromising the initial eligibility criteria. Specifically:
 - The commitment fee for the CCL should be abolished.
 - The initial rate of charge of the CCL should be reduced to a level below the initial rate of charge of the SRF. In this context, the progressive structure of the rate of charge of the CCL should be reviewed.
 - The activation of the CCL should move to greater automaticity with regard to the initial drawing

and within a predetermined limit, provided that appropriate reviews are conducted and that the ex-ante conditionalities are fully met.

- After approval of the arrangement committing CCL resources, frequent reviews, at least twice a year, on whether the user country continues to meet eligibility criteria should be conducted. A country should be required to exit the CCL when it becomes clear that eligibility criteria are no longer met. We call on the IMF to develop an appropriate exit strategy for these cases. If a country exiting the facility carries the risk of having a balance of payments problem, it should be encouraged to conclude an appropriate IMF program.
 - In light of the abolishment of commitment fee, the reduction of the initial rate of charge and introduction of greater automaticity, the high standards for qualification should be maintained.
- d) The SRF should retain its character as an emergency instrument to respond rapidly and on an appropriate scale to crises of capital market confidence, with appropriate terms to mitigate moral hazard and encourage rapid repayment.

We will work together with other members of the IMF to implement the specific changes proposed and other steps needed to put in place this simplified and incentive-based framework of lending instruments.

13. Going forward, conditions on IMF lending should be focused and address issues of macroeconomic relevance, while adhering to high quality standards. The IMF should sharpen its focus on macroeconomic policies, capital flows, structural issues having an impact on macroeconomic stability, in particular those in the financial sector, and exchange rate regime with the view toward encouraging countries to avoid unsustainable regimes. Success of IMF-led programs depends on strengthened ownership of borrowing countries.

Safeguarding IMF resources

14. The IMF's new framework for the conduct of safeguard assessments adopted last spring, strengthened measures to discourage misreporting and a requirement that countries making use of Fund resources publish annual financial statements independently audited by external auditors in accordance with internationally accepted standards should be implemented vigorously to ensure that IMF funds are used appropriately.

Post-program monitoring

15. It is important that the IMF enhances its capacity to monitor performance while funds are outstanding in order to help ensure that countries maintain strong policies and avoid the need to return to the IMF for financial support. We therefore attach priority to early action by the IMF to strengthen procedures and policies with respect to post-program monitoring.

Strengthening governance and accountability

16. We continue to stress that high priority be placed on increasing the transparency and accountability of the IMF.
- a) The IMF should continue its efforts to make its documents public.
 - b) We welcome the recent decision to publish quarterly the financial transactions plan and encourage the IMF to take further steps to explore a mechanism for simplifying its financial accounting, in order to make its financial operations and statements more understandable to the public.
 - c) The involvement of the IMF Executive Board in the process leading to the formulation of country programs should be further enhanced. The Board should be briefed at an early stage on important and sensitive cases.
 - d) We welcome progress made toward establishing a permanent independent evaluation office inside the IMF, and urge that steps be taken to bring this office into operation by the time of the Annual Meetings in Prague. We look forward to reports on the result of the evaluation by the office to the Executive Board, and regular reports on the activity of the office to the IMFC.
 - e) For the IMF to maintain its legitimacy, credibility, and effectiveness as a global institution in the international financial system, it is essential that IMF's decision-making structure and its operation remain accountable. We take note of the effort now underway in the IMF to examine the formula

for calculating country quotas, which need to be able to reflect changes in the world economy.

We look forward to discussing these proposals constructively and cooperatively with other members of the IMF.

Private Sector Involvement (PSI) in Crisis Prevention and Resolution

17. We welcome that private external creditors, including bondholders, have contributed to the financing of several recent IMF programs of policy reform and recovery. This has confirmed the importance of making operational the framework we laid out in our report to Heads in Cologne.
18. Private sector involvement is crucial for crisis prevention and resolution, and further efforts must be quickly made to implement the following measures;
 - a) Emerging market economies participating in international capital markets and their private creditors should seek in normal times to establish a strong, continuous dialogue.
 - b) The IMF should also encourage the use of appropriate measures, including collective action clauses, to facilitate more orderly crisis resolution.
 - c) The use of collective action clauses in international bonds issued by emerging market economies in our own financial market should be facilitated.
 - d) The World Bank and other Multilateral Development Banks are urged to work to have such clauses used in international sovereign bonds or loans for which they provide a guarantee.
19. The approach the international community adopts towards crisis resolution should be based on the IMF's assessment of a country's underlying payment capacity and prospects of regaining market access, informed by the country's economic fundamentals, payment profile, history of market access, and the market spreads on its debts.
20. All IMF programs need to include analysis of the country's medium-term debt and balance of payments profile, including a section explaining the assumptions taken about the sources of private finance.
 - a) In some cases, the combination of catalytic official financing and policy adjustment should allow the country to regain full market access quickly.
 - b) In some cases, emphasis should be placed on encouraging voluntary approaches as needed to overcome creditor coordination problems.
 - c) In other cases, the early restoration of full market access on terms consistent with medium-term external sustainability may be judged to be unrealistic, and a broader spectrum of actions by private creditors, including comprehensive debt restructuring, may be warranted to provide for an adequately financed program and a viable medium-term payments profile.
21. In the case of c) above, where debt restructuring or debt reduction may be necessary, IMF programs should be based on the following operational guidelines.
 - a) Put strong emphasis on medium-term financial sustainability, with the IMF determining the appropriate degree of economic adjustment required by the country and the IMF and the country agreeing on a financing plan compatible with a sustainable medium-term payments profile.
 - b) Strike an appropriate balance between the contributions of the private external creditors and the official external creditors, in light of financing provided by IFIs. In cases where a contribution from official bilateral creditors (primarily the Paris Club) is needed, the IMF financing plan would need to provide for broad comparability between the contributions of official bilateral creditors and private external creditors. The Paris Club, if involved, should of course continue to assess the comparability desired and achieved between its agreement and those to be reached with other creditors.
 - c) Aim for fairness in treatment of different classes of private creditors and for involvement of all classes of material creditors. The IMF should review the country's efforts to secure needed contributions from private creditors in light of these considerations, as well as medium-term sustainability.
 - d) Place responsibilities for negotiation with creditors squarely with debtor countries. The international

official community should not micromanage the details of any debt restructuring or debt reduction negotiations.

- e) Provide greater clarity to countries at the start of the process about the possible consequences for their programs, including in terms of official financing, of any failure to secure the necessary contribution from private creditors on terms consistent with a sustainable medium-term payments profile. Such consequences could include the need for a program revision to provide for additional adjustment by the country concerned or the option of reduced official financing, or, conversely, a decision by the IMF to lend into arrears if a country has suspended payments while seeking to work cooperatively and in good faith with its private creditors and is meeting other program requirements.
 - f) When all relevant decisions have been taken, the IMF should set out publicly how and what certain policy approaches have been adopted, in line with the Cologne framework.
22. We look forward to further progress at the IMF by this year's Annual Meetings in Prague in making operational our approach, agreed last April, to PSI in the design of IMF programs so as to provide greater clarity to countries and market participants.

C. MDBs Reform

23. We affirm that accelerating poverty reduction in developing countries must be the core role of the Multilateral Development Banks (MDBs). An increased focus on poverty reduction should underpin all aspects of the MDBs' work, including in programs of policy reform, investment projects and capacity-building. MDBs need to adapt their organization and operations in order to fulfil this mission more effectively and consistently in a continuously changing international environment characterized by: a new understanding of the necessary elements of a more effective fight against poverty; growth of private financial markets in the developing countries; new opportunities and challenges arising from globalisation; and stakeholders' stronger interest in efficient use of overall aid resources, and higher standards for transparency and accountability of MDBs.
24. Economic growth is the primary determinant of a country's ability to raise incomes and reduce poverty and inequality. Successful and equitable development also depends upon good governance, sound structural and sectoral policies, including social policy and trade liberalization, accountable and transparent institutions, and investment in human capital and public goods. Therefore MDBs should assist poor countries not only to meet such social priority as education and health, but also with economic and social infrastructure support where this has a clear additional impact on poverty reduction.
25. MDBs can also make an important contribution to poverty reduction in emerging market and/or middle-income countries. MDB activities in countries with access to private capital should be more selective in order not to supplant private capital. At the same time, in case of temporary closure of emerging market countries' access to capital markets, MDBs should stand ready to respond quickly by helping to cushion the effects of exceptional shocks on the poorest and most vulnerable groups.
26. In all cases, MDB multi-year operational frameworks should be established and should include clear commitments to increase support for core social investments such as basic health and education, clean water, and sanitation. They should respect appropriate country exposure limits.
27. MDBs should place high priority on good governance and the full commitment to the poverty reduction by recipient countries. They should allocate their support increasingly on the basis of borrower performance. Experience has shown that aid is only effective in reducing poverty where governments are committed to sound policies. In this regard, we stress the importance of the following:
- a) the Comprehensive Development Framework (CDF) and the Poverty Reduction Strategy Papers (PRSPs) should become the basis for programs that have strong ownership by the recipient countries; and
 - b) performance-based lending frameworks, such as agreed under IDA-12, should be extended in an appropriate manner to all MDB programs.
28. In addition, MDBs should include support for capacity-building and structural and institutional reform in their broad-based approach to assistance for developing countries. In particular, they should:

- a) strive to enhance the overall financing capacity of recipient countries themselves, including by increasing domestic saving and by helping catalyse private capital flows;
- b) address institutional and structural issues that hamper poverty reduction, to ensure transparency, accountability, the rule of law, and appropriate social and human investments for the poor; and
- c) strengthen the financial sector in recipient countries so as to help them prevent and manage financial crises.

Since Country Assistance Strategies (CASs) are comprehensive tools for effective and efficient MDB support for developing countries, MDBs should work to improve their quality and broaden their scope. These strategies should take full account of a borrower's policy environment including governance as well as the legal, institutional and regulatory frameworks. Public Expenditure Reviews should be an essential building block of the strategies. Every CAS should provide an assessment of the country's financial sector and governance.

29. MDBs should avoid competition with the private sector, assume a catalytic role and focus their activities more selectively on projects with clear development and/or transition impact. As the private sector increasingly finances projects traditionally funded by MDBs, more public resources are likely to be available for investment in social sector and public goods.
30. MDBs, and especially the World Bank (WB), should take the lead in facilitating the provision of global public goods, by deepening their engagement in global issues such as infectious diseases and environmental problems closely related to development. In this regard, the comparative advantage of various international institutions, including UN agencies (e.g. such as World Health Organization (WHO) and Joint UN Programme on HIV/AIDS (UNAIDS)) and private institutions should be carefully reviewed given the scarcity of concessional resources.
31. MDBs should emphasize a selective, quality-oriented approach rather than a quantity-oriented or profit-oriented one on the basis of clear definition of their roles as public institutions and their development mandates. MDBs which provide resources to private sector should better define their roles, organizations and operations in this respect.
32. It is important for MDBs to look afresh at the instruments available to fulfil their development and poverty reduction mandate in light of the principles described in the preceding paragraphs and in view of the changing international financial environment. In this regard, we call for a prompt initiation of a comprehensive review of loan pricing policy, including the question of price differentiation for the different types of operation. MDBs should also explore the possibility of some separation of lending and non-lending services to enable a wide range of countries to continue to benefit from MDBs' expertise.
33. Concessional lending by MDBs, focused on the poorest countries, has a critical role in poverty reduction. Replenishment of the concessional funds of the MDBs should be based on the principle of fair burden sharing and we encourage new donors to participate actively.
34. The quality of aid may, in some cases, be improved through healthy competition between the WB and some Regional Development Banks (RDBs). It is nevertheless essential that these institutions strengthen collaboration and coordination in order to ensure efficient use of scarce aid resources. The CDF initiated by the WB and PRSP can be useful tools in coordinating of bilateral and multilateral donors. The WB and the RDBs should conclude Memoranda of Understanding to frame their coordination and closer partnership taking into account circumstances of each RDB. In this regard, we welcome the recent agreement between the WB and the African Development Bank (AfDB). Collaboration in the field is particularly important and, in this respect, a comprehensive review of the progress of the decentralization of the WB operations and the impact of this process on cooperation with the RDBs and on the quality of its projects and its administration would be welcomed.
35. The IMF and the WB have different mandates and need to respect them. Nevertheless, the issues they deal with are increasingly interrelated and in some countries their activities are interdependent. In this respect, they should continue to work closely together to improve efficiency and exchange of information. This would require a clearer definition of their respective responsibilities and activities, and continued development of more effective mechanisms of cooperation.
36. Finally, we call for greater accountability to shareholders and those affected by MDB actions. We

therefore support the recent substantial progress that MDBs have made toward this goal. Nevertheless, there is a clear need for additional progress in such crucial areas as information disclosure, public participation and accountability to the shareholders:

- a) A greater range of operational documents should be released to the public, particularly all country strategies and evaluation reports, while paying due attention to the influence on the market.
- b) Independent inspection panels should be in place in an appropriate manner in all institutions.
- c) Each institution should establish a compliance unit to certify full compliance of project proposals with its policies prior to submission to the Executive Boards.
- d) Monitoring and ex-post evaluation function, internal financial controls, procurement policies and practices and auditing procedures of each MDB should be strengthened and all MDBs should have strong and independent evaluation units.

D. HLIs, Capital Flows and OFCs

37. We stress the importance of the implementation of the recommendations set out in the reports of the Financial Stability Forum (FSF) Working Groups on highly leveraged institutions (HLIs), Capital Flows, and Offshore Financial Centres (OFCs), which were released last March. In this regard, we call on the IMF, World Bank and other bodies to contribute actively to the implementation of the various recommendations by the FSF Working Groups.
38. To respond to concerns about the potential consequences of the activities of HLIs, which may contribute to systemic risks or affect the dynamics of certain markets, it is important to promote the implementation of the following measures:
 - a) Better risk management by HLIs and their counter parties.
 - b) Better disclosure practices by financial institutions, including enhanced disclosure by HLIs and their creditors. We call on all jurisdictions to consider the adequacy of their own disclosure requirements and introduce, where necessary, appropriate changes to legislation or regulations to ensure that major hedge funds located in their jurisdictions are subject to disclosure requirements. This recommendation should apply, in particular, to offshore centres, since they currently host a significant proportion of unregulated hedge funds.
 - c) Enhanced regulatory and supervisory oversight by national authorities of financial institutions which provide credit to HLIs.
 - d) Enhanced national surveillance of financial market activity in view of concerns about systemic risk and market dynamics caused by HLIs' activities.
 - e) Review by leading foreign exchange market participants of existing good practice guidelines for foreign exchange trading and the articulation of model guidelines for possible adoption by market participants in smaller economies.
 - f) Improved market infrastructure

We will review these measures and their implementation to determine whether additional steps are necessary. In this light, we note that the FSF considered in March, but did not recommend, at this stage, direct regulation of the currently unregulated HLIs, but emphasized that direct regulation would be reconsidered, if, upon review, the implementation of its recommendations were not adequately addressing concerns identified.

39. It is also important that each country manages debt-related risks appropriately. In this regard, we welcome the work being carried out by the IMF and World Bank, and urge prompt development of guidelines for public debt and reserve management, with special attention to the risk created by short-term foreign currency liabilities, and taking account of countries' vulnerability to capital account crises, including those vulnerabilities arising from the liabilities of the private sector. The establishment of efficient domestic bond markets is also important. Prudential limitations in the banking system to reduce the risk of excessive exposure to short-term capital flows may be appropriate in some circumstances.
40. Regarding offshore financial centres that do not meet international standards adequately, and therefore, that are potential threats to the international financial system, we welcome the identification

by the FSF of priority jurisdictions, and urge the IMF to conduct quickly a specific assessment in these jurisdictions. We urge all the listed jurisdictions to demonstrate their commitment to improve their implementation of standards, for instance, through a public declaration of their intention to implement relevant international standards, completing assisted self-assessments of adherence to these standards, and eventually addressing shortfalls identified through detailed action plans.

41. To respond to risks caused by large and abrupt international capital movements, it will continue to be important for each country to pursue sound macroeconomic policies, proceed with structural reform for the better functioning of the market, strengthen the financial system, choose an appropriate foreign exchange rate regime supported by consistent and credible macroeconomic policies and other measures, liberalize the capital account in a well-sequenced manner, and take other appropriate policies as needed.
42. Recognizing the crucial role of deposit insurance in contributing to confidence in the financial system, we look forward to further development by the FSF of guidance on deposit insurance schemes.

E. Regional Cooperation

43. As discussed above, IMF surveillance of, and appropriate financing support to, the member countries are important for the stability of the international financial system. In addition, member countries may strengthen, on a regional basis, their cooperation in these areas, in a way which is supportive of the IMF's objectives and responsibilities in the global economy, taking into account their common interests in international trade and investment and shared concerns about the risk of regional contagion. Such regional cooperation can improve regional stability and thus contribute to the stability of the global economy.
44. In this context, we welcome the recent developments in the area of regional cooperation at various levels. In the Asian region, frameworks for regional surveillance and for cooperation in finance including bilateral swap mechanisms have been expanded. In North America, a trilateral swap arrangement is maintained with a process for surveillance and regular consultation on economic matters.
45. Regional cooperation through more intensified surveillance can help contribute to financial stability by strengthening the policy framework at the national level. Cooperative financing arrangements at the regional level designed to supplement resources provided by the IFIs in support of IMF programs can be effective in crisis prevention and resolution.
46. In a different institutional context, economic and financial integration mechanisms, and monetary unification in Europe are also contributing to the economic and financial stability of the global economy.

IMPACT OF THE IT REVOLUTION ON THE ECONOMY AND FINANCE

[G7 FINANCE MINISTERS' REPORT TO THE HEADS]

Fukuoka, 8 July 2000

1. We, Finance Ministers of the G7 countries, note that the advance of the Information Technology (IT) revolution holds the promise of becoming a major force in the global economy in improving productivity, raising maximum potential output, and promoting higher living standards. In order to ensure that the benefits of IT are promptly reaped by our societies and do not lead to increasing inequalities, countries must put in place appropriate macroeconomic and structural policies.
2. In this report, we focus on the macroeconomic impact of the IT revolution, its policy implications, and issues relating to financial transactions and tax systems.

A. Macroeconomic Impact and Its Policy Implications

Acceleration of Productivity and Increase in Demand

3. We recognize that IT has the potential to increase growth in our economies although the impact of IT is still at an early stage and it is difficult to anticipate its exact timing, nature and strength. The increase in production potential due to IT will not be limited to IT-related industries, but will extend to the overall economy. First of all, the IT revolution can increase the rate of growth of the capital stock by

stimulating active IT-related investment. This kind of investment leads to increasingly sophisticated IT technology being built into capital and, accordingly, raises the quality of capital as well. More importantly, by increasing the speed with which information is disseminated and shared inside and outside corporations, the IT revolution can drastically alter the combination of capital and labour, bring about greater efficiency in conducting business, facilitate corporate restructuring, induce a synergistic effect, and thus lead to productivity increases that cannot be attributed to either capital or labour (total factor productivity). For instance, it can reduce the need for intermediary business, make inventory management more efficient, and enable businesses to procure inputs or conduct outsourcing in the business-to-business (B-to-B) market that is networked globally.

4. In addition to the supply side, the IT revolution will have effects on the demand side through increased IT-related investment, expansion of demand for IT-related services, and the development of new consumer-oriented services, including business-to-consumer (B-to-C) electronic commerce and electronic financial transactions. A two-way flow of information between businesses and consumers made possible through the Internet can generate new types of demand and new business opportunities. IT-related investment and services would involve "network externalities" in which benefits increase dramatically as the number of users increases, and "increasing returns to scale" in which costs are reduced and profits increase as the market grows in size. These are likely to contribute to the further expansion of demand.
5. As a result of this accelerated growth potential on the supply side in parallel with expansion on the demand side, IT can contribute to stronger growth. Like many other technological innovations, IT may bring job losses in certain areas, but create jobs in IT-related businesses. Overall, we can expect a positive impact on employment due to stronger economic growth.
6. Given that the IT revolution has just begun, over the course of time it can have wide-ranging and in-depth effects on our economies, in the same way that important general-purpose technologies had in the past. Already, significant effects on potential growth can be seen in some countries, but there are disparities in the pace at which countries are benefiting from the IT revolution. Indeed, there is nothing automatic about the productivity gains and higher standard of living that come with major innovations such as IT. Deriving the benefits of IT will require sound policies and a robust, but also flexible, open economy as an essential backdrop.

Macroeconomic Policy

7. We agree that the most important role to be played by government, in order to help our economies maximize the potential returns from IT, is to develop an environment that is conducive to private-sector creativity and entrepreneurship. We emphasize that, from this perspective, sound macroeconomic policy continues to be, or is becoming even more, essential. A growth- and stability-oriented macroeconomic environment will stimulate investment and help businesses and consumers to confidently plan for the future and exploit the advantages presented by IT.
8. The IT revolution can make the environment, in which macroeconomic policy is conducted, more complex and uncertain. In the initial stages of the IT revolution, estimating productivity gains and their impact on potential growth becomes more complex. Similarly, traditional yardsticks for gauging financial market performance may appear less applicable, and this has made it more difficult to appropriately assess risk and return on investment decisions. These increased uncertainties can complicate the choices policy-makers face in calibrating macroeconomic policy management and promoting sustained non-inflationary growth. We must remain mindful of these realities in framing our policies.
9. In addition, in an increasingly globalised economy in which capital can be easily and quickly transferred across borders, differences in the degree to which countries adapt to the IT revolution may lead to large capital flows, and widen the divergence in economic performance between countries even further. Such divergences and the ensuing flows may further create challenges for the promotion of stable and balanced macroeconomic conditions. Achieving greater equality in the pace with which countries benefit from the IT revolution will contribute to promoting a balanced pattern of growth among our economies.
10. In the longer term, the IT revolution may have implications for monetary aggregates and their role in the conduct of monetary policy and for the stability of financial system more generally as electronic financial transactions and digital money become major elements of our national economies.

Structural Policy

11. We agree on the importance of structural policy to develop an environment for vigorous private-sector activity for maximizing the results of IT, and to ensure that people can fairly and widely share benefits from IT opportunities. From this perspective, we emphasize the necessity of:
- Continuing to remove regulatory impediments in order to promote competition and new entry in key IT-related sectors.
 - Increasing the adaptability of labour markets. Retraining and learning opportunities can help workers successfully transition into new, better-paying jobs.
 - Putting in place appropriate competition and other policies to facilitate dissemination of new technologies and to ensure competition in the new environment.
 - Maintaining an open international trade system.

We note the importance of an efficient and high-quality allocation of our public resources, with the view to contribute to needed structural reforms.

12. It is also crucial that financial markets be designed in a strong, secure and flexible way to channel resources to their most productive uses. A financial system that can properly match the demand for and supply of capital, and diversify and reallocate risks, is essential in order to meet the funding needs for new businesses and investment opportunities. For start-up firms that lead in technological innovation and that seek to take the greatest possible advantage of their technology, a highly transparent and deep capital market will be of particular significance from the point of view of risk-taking and corporate governance.

B. Implications for the Financial Sector

13. We observe that the financial sector is undergoing many changes, including the emergence of financial transactions on the Internet. It is important that government provides an appropriate environment for maximizing the efficiency and convenience of this innovation.

Impacts of the IT Revolution on Financial Services

14. As the financial sector deals with information and data that are easily digitalized, this is one of the industries with the most advanced use of, as well as under the heaviest influence of, IT. Specifically, the IT revolution has enabled the following changes in the financial sector:

In electronic financial transactions, utilization of the Internet, with its characteristics of speedy, low-cost, and broad communication, can permit a drastic reduction in transaction costs and improvements in customer convenience.

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By eliminating the limitations of time and distance, electronic financial transactions can make cross-border transactions easier and, thus, make it possible to provide services to customers on a global scale.

Electronic financial transactions have enabled new financial services such as the "virtual financial site" that includes services crossing the traditional borders between financial services as well as "aggregation" that allows consumers to obtain consolidated information about their financial accounts in one place.

In addition, under the IT revolution, globalisation, and resulting competitive environment, we are seeing innovative developments in the unbundling of risks, the evolution of derivative transactions, and the entry of non-financial companies into the financial sector.

15. On the other hand, we note that, since electronic financial transactions, especially those of B-to-C, are being conducted on open networks centred on the Internet, many challenges will arise in terms of transaction security, consumer protection, and privacy.

Financial Regulation and Supervision

16. We recognize that, while financial regulation and supervision should be technology neutral, they should respond to the above-mentioned characteristics of electronic financial transactions. The objective should be to preserve market integrity without inhibiting the initiative of the private sector.
17. It is important that consumers have confidence in the security of electronic financial transactions. We should encourage the development of systems to combat computer hacking, and the use of encryption

and electronic signatures to ensure the security of data. In addition, we need to ensure the development of reliable settlement systems on the Internet; the security of existing settlement systems, such as credit cards, will remain important.

18. For consumer protection in electronic financial transactions, it is important to ensure there is no erosion in the level of protection currently enjoyed by customers of financial services. Rules in areas such as disclosure to investors, explanation and information provision at the time of solicitation and purchase, the provision of documents to customers, and dispute resolution, should also apply to business conducted on the Internet, while methods of applications of those rules may need to be adapted. Also, as the transfer of personal data has become extremely easy, we need to promote strengthening of policies for privacy protection.
19. We should promote international cooperation in establishing as well as implementing principles for financial regulation and supervision, paying due attention to the current rules in each country. From this viewpoint, we welcome the work being done by the Basel Committee on Banking Supervision (BCBS), the International Organization of Securities Commissions (IOSCO), and the International Association of Insurance Supervisors (IAIS) in establishing principles or guidance for the regulation and supervision of electronic financial transactions. We encourage further work by these institutions in line with the following focus:
 - a) Consistent regulation and supervision irrespective of the means of transactions, including electronic financial transactions.
 - b) Transparent regulation and supervision in a more complicated business environment, and flexibility to continuously review our supervisory activities to reflect new developments.
 - c) Fostering the potential of electronic financial transactions within prudent risk parameters without unduly constraining its innovation.
 - d) Security of transaction and customer protection pertinent to the characteristics of electronic financial transactions.
 - e) Enhanced cooperation among supervisory authorities in response to the increase in cross-border transactions.
20. We welcome the mapping exercise by the Financial Stability Forum (FSF) on electronic financial transactions, including their potential impact on financial safety, as a basis for possible future work.
21. Management and board members of financial institutions must understand the risks and challenges arising from the development of electronic financial transactions. Financial regulators and supervisors must also ensure that they have the necessary knowledge and skills to deal with the new development. From this viewpoint, we encourage our national authorities to promote methods and techniques for training supervisory staff in IT-related knowledge and skills, and ensure that adequate supervisory resources are devoted to this issue. We should also consider providing technical assistance to help developing countries in their efforts to train regulators and supervisors.

Financial Business Patents

22. With the revolutionary changes in technologies through computers and the Internet, patents have been granted to an increasing number of business method inventions, including in the area of financial services. We recognize that, with the development of IT in finance, our policies toward financial business method patents could have implications for innovation and competition in financial markets. This issue needs to be addressed in the context of international cooperation with the view to enhancing common understanding of treatment of business method patents.
23. In this respect, we welcome the joint work already underway among our patent authorities on business method patents, and look forward to further development. We have asked our financial experts to meet with our patent authorities and to discuss whether and how the issues of common interest are being dealt with at the international level and how international cooperation in this field is progressing.

C. Taxation and Customs Procedures

Electronic Commerce and Taxation

24. We recognize that the IT revolution, especially the development of electronic commerce, has important implications for tax systems and their administration, in particular, through the changes discussed below.
- a. Digitalisation: IT provides innovative ways of offering "digital" services such as on-line supply of music and images, and for providing information services. Moreover, while broader use of electronic means for recording information improves the efficiency of business activities, it may make it easier to falsify data.
 - b. Disintermediation: Electronic commerce often eliminates the need for intermediation and thus reduces the opportunities of monitoring and compliance for taxation purposes.
 - c. Further internationalisation: Cross-border transactions between parties in different tax jurisdictions can increase substantially through the Internet which is open and borderless.
25. We note the importance of the key elements for addressing issues on electronic commerce and taxation which were identified in the report of the Committee on Fiscal Affairs (CFA) of the OECD, entitled "Electronic Commerce: Taxation Framework Conditions" and welcomed by OECD Ministers in October 1998 in Ottawa.
- a. It is important to provide a fiscal climate within which electronic commerce can flourish, weighed against the obligation to operate a fair and predictable tax system that provides the revenue required to meet the legitimate expectations of citizens for publicly-provided services. In addition, efforts should also be made to improve taxpayer service by making utmost use of information technology.
 - b. Conventional taxation principles, such as neutrality, equity, and simplicity, should underlie the taxation of electronic commerce. At this stage, existing tax rules can implement these principles for electronic commerce. While there may be cases where some adaptation to the existing rules is required, such adaptation should not discriminate among forms of commerce, be they electronic or traditional.
26. We welcome the OECD's ongoing work on relevant taxation issues, focusing on the following points:
- a. How to ensure efficient and effective tax administration: Electronic commerce can be conducted in more invisible and anonymous ways. It is vital, therefore, to secure access for tax administrators to transaction information to the same extent as for traditional forms of commerce.
 - b. How to apply the existing international rules for direct taxation to electronic commerce: As electronic commerce further facilitates cross-border economic activities, there should be clarification of how the concepts in the OECD Model Tax Convention, such as "permanent establishment" and classification of income, apply to electronic commerce.
 - c. How to apply consumption taxes to cross-border, on-line transactions: Consumption taxes should be applied where consumption takes place. In order to explore the practical application of this principle, issues, such as the definition of the place of consumption and effective collection mechanisms, are being addressed.
27. We recognize that the CFA of the OECD is taking the lead in the examination of these tax issues related to electronic commerce with contributions from business and non-OECD economies. We support this work and encourage the CFA to make further progress.

Customs Procedures

28. Regarding customs procedures, we endorse our customs experts' report on their efforts to standardize and simplify electronic customs declarations. We urge them to set a timetable for implementation, in which other countries and organizations are invited to participate; take steps to develop "single window" systems to allow traders to report data required by customs and other agencies once when they release goods; and so adopt the principles for the use of IT set out in the revised Kyoto Customs Convention.