The Practical, Applicable and Sustainable Financial Mechanisms (PASFM) regional initiative, implemented jointly by the La Asociación Coordinadora Indígena y Campesina de Agroforestería Comunitaria Centroamericana (ACICAFOC) and the FAO/National Forest Programme (NFP) Facility, has the objective of learning from successful forest financing arrangements with the aim of replicating, developing and implementing PASFM. The target group of the initiative are the indigenous groups and small farmers who are working to strengthen community forestry and agroforestry models. The PASFM initiative seeks to support the economic and financial consolidation of the Central American community forestry and agroforestry models, in turn contributing to the Strategic Regional Forest Programme (PERFOR) and to the global forest agenda in the Central American region, including the following countries: Guatemala, Belize, El Salvador, Honduras, Nicaragua, Costa Rica and Panama. The successful financial management of community forestry is expected to contribute to poverty reduction and to increase the level of social and environmental well being in Central America. The Initiative will generate a new set of financial mechanisms, with the following characteristics:

- Practical: Useful, realistic and with immediate benefits and skill development opportunities for beneficiaries;
- Applicable: Relevant to community forestry as well as for the situations and conditions of community organizations; and
- Sustainable: Self-sustainable, without depending on external assistance and without detracting from existing resources.

**PHASES OF THE INITIATIVE**

1. Preparation of conditions and capacities
2. Development of economic mechanisms and financial instruments
3. Consolidation and institutionalization

During the first phase, experiences are systematized and analyzed at national as well as at regional levels, where it will produce as central product a management and implementation protocol of the various PASFM alternatives to serve as a basis for execution of the second phase.

**ELEMENTS OF FOCUS AND DESCRIPTION OF THE CASES TO BE ANALYZED**

- Start with the communities' own economic logic, in terms of their economies; include their livelihoods and focus on their financial capital.
- Forms of economic and financial linkages between communities, organizations and companies.
- Characterize the forms of financing that organizations are using or have used. How are the cash flows? Who pays to whom and when? What are the interest rates to be paid under which conditions? Conduct a SWOT analysis of the economic management and financial mechanisms.
- The interest in mechanisms that are functioning (in terms of accumulation processes) that indicate the ways in which to access investment resources, the generation of resources, and the definition of the use of generated resources, including reinvestment, and investment in development (human-environmental capital).
- Recognize the weight and meaning of the informal economy at distinct times.
- Visualize how generated resources or surplus is used.
- How are risk and vulnerability factors managed? How do guarantee mechanisms emerge?
- How are economic management capacities developed and sustained (i.e. capacity building, advise, coaching and research)?
- Review the role of cooperation in terms of financial leveraging potential and capacity building.
- The weight and role of social control and recognition of organizational entities.
- How are community plans and systems of community monitoring articulated.
- Timing and weighing of financial mechanisms and combinations of investment instruments within basic financing strategies.
- How does the internal financial administration of the community enterprise function, combining financial obligations in the short- and long-term.
CRITERIA FOR SELECTION OF EXPERIENCES, "LOOKING FOR EXAMPLES.....THE IDEAS WILL COME LATER"

1. Practical: Useful, realistic and with immediate benefits and skill development opportunities for beneficiaries;
2. Applicable Relevant to community forestry as well as for the situations and conditions of community organizations;
3. Sustainable: Self-sustaining, without depending on external assistance and without detracting from existing resources;
4. Representative of the real level of diversity of forest ecosystems and of communities.
5. Non-individual forms of financing are given priority, involving various forms of association, except when individual cases have the potential to associate.
6. Showcase the strengthening of economic management over time.
7. It is possible to get information on power dynamics in decision making and on how financing ‘plays’ in relations between financiers, or investors, and communities.

THE THREE PHASES OF PROJECT IMPLEMENTATION

STARTING SITUATION

- Recollection of lessons from other similar initiatives;
- Inventory of successful local experiences of agroforestry and community forestry;
- Collection of the evaluation results of the management of ACICAFOC; and
- Highlight thematic issues defined by the ACICAFOC Assembly.

FIRST PHASE

Development of economic mechanisms and financial instruments: 13 months – April 2011 – April 2012

- Selection and systematization of successful experiences and/or collection of systematization already completed in the region
- Workshop to exchange experiences, based on each systematization and on those of others from outside the region, to define the characteristics and rules of the PASFM. Includes a management and implementation protocol.

SECOND PHASE

Consolidation and institutionalization: 4 final months - May 2012 – August 2012

- Development of an economic and financial management module to ensure the successful implementation of the PASFM.
- Implementation of various experimental PASFM in the different active eco-regions of ACICAFOC, through an initiative competition.
- Systematization of each PASFM implementation.
- Establishment of a financing fund for the development of PASFM.

THIRD PHASE

Consolidation and institutionalization: 4 final months - May 2012 – August 2012

- Continuation of the ongoing experiences is strengthened.
- Seminar of presentation of results and next steps. Includes a round table, based on PASFM.
- Institutionalize appropriate PASFM mechanisms
- Integrate and articulate existing financing alternatives and move forward a follow-up proposal for consolidation.

CONCLUDING SITUATION

- Farmer’s organizations and communities in the region have appropriate financing mechanisms for forests and agroforestry, which economically consolidate their community forest management.

CONTACTS:

ACICAFOC
Arturo Ureña – Institutional Technical Manager
Carlos Brenes – Project Coordinator

FAO/nfp FACILITY
Kees van Dijk – Technical Manager
Marco Boscolo – FAO Forestry Officer