



# **Program of Work and Financing Report for 2005**

*(Prepared January 2006)*



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## **I. Overview of the PROFOR Portfolio and key activities**

In 2005, there were 22 activities in the portfolio. Of these, twelve are active at the global level (including country-level components), two at the regional level and eight at the national level. Their distribution according to thematic area is as follows: livelihoods (4); governance (7); financing SFM (9); cross-sectoral cooperation (2). Communications and knowledge management is also considered as an ongoing activity in addition to those under the four thematic areas. PROFOR completed eight projects in CY05 and will soon complete another five projects and begin five new projects. In this overview section, the strategic relevance of activities under each thematic area is briefly explored. Details on each activity are included in the project summaries in Annex II.

### **Livelihoods**

PROFOR activities have contributed to the development of analytical methods and a toolkit to address poverty-forests linkages; conducted six country analyses on this topic; produced a poverty impact tool to monitor poverty progress on JFM in India; discussed community forest tenure and deregulation in India and contributed to a study on forest law enforcement and livelihoods.

#### ***At the global level***

*Poverty-Forests Linkages Methodology:* PROFOR, in partnership with CIFOR, IUCN, ODI and Winrock International, developed a participatory rural appraisal methodology to further understanding of the ways in which forests might contribute towards poverty reduction.

Case studies are underway for Guinea, India, Indonesia, Laos, Mexico, Nepal, and Tanzania on how forests link to livelihoods and the role of forests in the PRSP. The methodology is captured in a toolkit to facilitate appropriate inclusion of poverty-forest linkages into the PRSP and similar planning strategies and programs, such as nfps. The toolkit will be peer reviewed in January 2006 and field tested in Tanzania in March 2006. The Poverty-Forest Linkages Toolkit is designed for use by forestry departments, local government and NGO facilitators to:

- Identify issues that need to be resolved if poverty alleviation is to be effectively addressed by forestry officials;
- Document the contribution of forests to livelihoods and poverty reduction;
- Strengthen agency and institutional capacity to identify opportunities and constraints for the contribution of forestry to poverty reduction in policy, legal and regulatory frameworks;
- Identify how forestry regulations promote or hinder the livelihoods of the rural poor;
- Identify the impacts of extra-sectoral policies on the poor and forests; and
- Monitor the impacts of policy and regulations on poverty objectives.

#### ***At the country level***

*Measuring poverty impacts of forest programs in India:* A livelihoods monitoring tool was developed, to enable household and village level surveys to collect and analyze baseline data on livelihood status in forest fringe villages. Trainings for applying the tool have taken place and surveys have been initiated. Additional outputs include use of remote sensing and GIS tools to analyze relationships between poverty/livelihoods and key spatial variables, training exercises with Forest Department staff, several journal articles and papers on poverty impacts of JFM and a comprehensive literature review on poverty and forests.

*Forest Policy Dialogue with Government of India:* Forest Trends assisted the South Asia Rural Development staff of the World Bank in preparing and presenting objective qualitative and quantitative information on community forestry across all regions of the globe to the National Forest Commission in December 2004, in Delhi. Forest Trends also worked closely with the Bank to

identify suitable focal areas and material for a series of meetings with the Ministry of Environment and Forests, National Forest Commission research staff, and central rural development ministries. Two formal workshops were held, one with the National Forest Commission and another with state forest agencies and civil society.

## **Governance**

PROFOR activities are contributing to increased transparency and accountability in the governments delivery of forest management through activity such as the Citizen's Report Card work in India on the forest sector in India and through work supporting forest law enforcement and governance initiatives, including the forest corruption fighters toolkit. Governance activities are also laying the foundation for reforming forest tenure and use rights, and supporting stakeholder dialogues at the national level in Honduras and China.

### ***At the global level***

*Reducing corruption and improving governance in forestry:* This study resulted in *Tools for Civil Society Action to Reduce Forest Corruption* - a practical forest crime-fighter's toolkit based on lessons from Transparency International in fighting corruption in other sectors. Examples from different countries show that a robust strategy and persistent efforts have the potential to instigate change. To date, the toolkit booklet has been disseminated via PROFOR and World Bank distribution lists, international events including COFO, UNFF, and the CCD COP and has been well received. The next step is to continue to field-test the approaches and compile a practical toolkit to fight illegal logging, corruption and forest crimes.

*Review of Ecosystem Approach and Sustainable Forest Management: Forests in Landscapes,* published in July 2005 by Earthscan, is the culmination of two years of dialogue and research on the relationship between the Ecosystem Approach and Sustainable Forest Management. Drawing on case studies from Europe, Canada, the United States, Russia, Australia, the Congo and Central America, a general conclusion was drawn that many of the issues that the EsA principles highlight are already being addressed on the ground, and that the real value of EsA is not as a competing concept to SFM, but as a set of general guidelines that help enrich the debate and provide a broad conceptual framework for resource management.

*The role of CITES in controlling illegal logging:* The review of how the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) might contribute to controlling illegal logging confirmed that the potential is limited as the instrument would only apply to monitor trade in illegal logging of species listed as endangered in one of the CITES Annexes. However, the report will contribute to ongoing FLEG processes by clarifying the limits of the role of CITES.

### ***At the country level***

*Evaluating the efficiency of public service delivery (including forestry) on the forest fringe:* Through a Citizen's Report Card (CRC), to gauge the quality of public service delivery in remote rural settings. The final products is a report highlighting the governance and institutional weaknesses related to five public service delivery sectors (forests, water, primary education, credit, health) and suggestions for reforms. The report is currently under finalization and will be available for dissemination as a PROFOR publication in early 2006. As a result of this pilot study, the Government of Jharkhand has agreed to support a full-scale CRC study for the state. The activity concept is being developed and competent local partners being identified.

## **Enhanced Financing Options for SFM**

PROFOR activities are enabling better information exchange on payment for environmental services initiatives at all levels, advancing the debate on the use of new tools to produce more equitable outcomes for local groups and reviewing experiences on fiscal reform and pioneering new

approaches to private sector-community partnerships in Kenya and Eastern and Southern Africa more broadly.

### ***At the global level:***

*Innovative financial mechanisms: searching for viable alternatives to secure basis for the financial sustainability of forests:* PROFOR supported a country-led initiative in support of the UNFF organized by the Government of Costa Rica in San José in March 2005. The objective of the meeting was to contribute to the international forest dialogue and in particular to the long term processes or mechanisms to secure the basis for the financial sustainability of sustainable forest management. The meeting forwarded to the UNFF its recommendations on financial mechanisms that could be further developed, including funding from the international development banking system, debt for nature swaps, payments for environmental services, and mechanisms from different international conventions and organizations on forest sector finance.

*The Ecosystem Marketplace:* Through its support to Forest Trends, PROFOR is helping to improve information on markets for environmental services through the establishment of the Ecosystems Marketplace and related work to share experience with payments for environmental services, which have largely been in the Americas, with countries in Africa and Asia. This work will help to assess the potential for developing markets in those countries. With some 18,000 users, the Ecosystem Marketplace reaches a broad audience.

### ***At the regional level:***

*Developing PES in Africa:* With PROFOR support, a series of Katoomba Group workshops were held in Uganda in September 2005. The workshops illustrated the current initiatives and strategic gaps in developing payments for ecosystem services in Eastern and Southern Africa, and also established strategic national priorities for capacity building, policy engagement, and links to potential market actors. The Workshop resulted in: capacity building for country leadership on PES in Malawi, Tanzania, Kenya, Uganda, and South Africa; follow-up plans developed for Pro-Poor Ecosystem Service Payments on a large scale in Eastern and Southern Africa; and the initiation of a regional Katoomba Group which will continue to support this work.

### ***At the country level:***

*Kenya:* In Kenya, follow-on work from the Forest Investment Forum is underway to identify best practices for public-private partnerships (more specifically private sector-community partnerships), that will help to better coordinate investments in the forest sector and encourage pro-poor economic development. Building on this work, a regional investment forum will take place in South Africa in 2006.

## **Cross-Sectoral Cooperation**

PROFOR supported the development of a policy study (an Economic and Sector Work or ESW) on Development Policy Lending (DPL) and Forest Outcomes, which analyzes impacts of cross-sectoral and macroeconomic measures on forests. The ESW provided a framework for identifying countries where these impacts are a priority concern and recommendations regarding the type of analysis required. Additional activities are contributing to the development and dissemination of tools to analyze the impacts of cross-sectoral and macroeconomic measures on forests through the ongoing work in Indonesia and upcoming work in Brazil. The prospect of these activities stimulated a proposal for developing a Rapid Assessment Toolkit for due diligence with regards to Environment, Natural Resources and Forests (as per the requirements of OP 8.60).

*ESW on DPL and Forest Outcomes and related work:* Ongoing. The ESW has raised awareness regarding the need for due diligence with regards to forests among task team leaders of DPLs. It has also stimulated discussions on how to systematically identify potential cross-sectoral impacts and ensure that necessary measures to mitigate any negative impacts are included in policy reforms. Additional

outcomes of the ESW are the hiring of an additional staff member and the inclusion of a Forest Team member in the Bank-wide process of reviewing DPLs. In addition, the Forest Team is included in the review of Country Assistance Strategies (CAS) for priority countries.

*Government Policies, Natural Resources and the Environment: Analyzing Paths to Sustainability in Indonesia:* In late 2005, AusAID agreed to fund the first phase of this activity. CSIRO, the main implementing organization will initiate the scoping work in Indonesia in early 2006. A second phase will be initiated in May 2006, to: outline/assess the process of formation of policy reform proposals and lending; develop early screening tools by surveying literature on past policy reforms and identifying steps to rank potential areas of impact and threshold levels or triggers; identify critical impacts of existing policy framework and recommend a consistent set of tools for monitoring this by drawing on existing research and conducting detailed studies; formulate policy reform options, scenarios and likely environmental consequences; and develop a strategy for enhancing adaptive decision-making.

### **Communications and Knowledge Management**

Communications and knowledge management components are integrated within most PROFOR activities. This work is supported by an infrastructure of outreach tools comprised of: a website, program brochure, publication series, briefing notes, distribution networks, periodic electronic updates, representation at events, and PROFOR organized workshops and smaller-scale information sharing events. In 2005, PROFOR contributed to a number of high-level events through presentations, side events or in-kind support, including the COFO, World Bank ESSD Week, UNFF5, the Global Partnership on Forest Landscape Restoration and the Ministerial on Forest Law Enforcement and Governance. Publication highlights from 2005 included a joint book with IUCN, *Forests in Landscapes*, as well as *Tools for Civil Society Action to Reduce Forest Corruption* and *Forest Institutions in Transition: Experiences and Lessons from Eastern Europe*. Four more publications, on the Citizens Report Card, CITES, Forest Law Enforcement and the Rural Poor and Forests and the MDGs are in the pipeline. Individual daily visitors to the website average around 55, with spikes clearly linked to events or release of new materials. PROFOR has worked in close partnership with the World Bank, NFP Facility, IUCN, ETRN and CIFOR on communication outputs. Future challenges in this area include broadening audiences and monitoring the impact our products.

## II. Key Outcomes from 2005

The following are highlights of key outcomes from PROFOR's work in 2005 that have the potential to deliver

**1. Poverty-Forests Linkages Toolkit.** The Poverty-Forests Linkages toolkit provides a methodology to further understanding of the ways in which forests might contribute towards poverty reduction. The Toolkit seeks to: identify issues that need to be resolved if poverty alleviation is to be effectively addressed by forestry officials; strengthen agency and institutional capacity to identify opportunities and constraints for the contribution of forestry to poverty alleviation in relevant policy, legal and regulatory frameworks; identify how forestry regulations promote or hinder the livelihoods of the rural poor; identify the impacts of extra-sectoral policies on the poor and forests; and monitor the impacts of policy and regulations on poverty objectives.

**2. DPL Monitoring Tool.** The DPL monitoring framework aids in the selection and prioritization of countries involving three steps: (i) characterizing forest significance in the countries (this involved using data on governance, contribution of forests to the economy, forest-conservation linkages, and forest-poverty linkages), (ii) evaluating DPL operations for potential impact on forests (the study proposed a preliminary approach using information on the sector and thematic focus of the operation), and (iii) overlaying information on forest significance and on DPL operations of concern.

**3. Innovative private sector-community partnerships.** The PROFOR financed Forest Investment Forum in Kenya in April 2005 contributed to the government's decision to launch a number of pilot schemes for testing various public-private partnership based approaches. This work has sparked discussions on the design of equitable contractual arrangements, engaging private sector partners, environmental considerations and monitoring local community and industry performance.

**4. PES in China.** The China Forest Policy Dialogue opened the door to discussions on forest governance, trade in forest products, potential use of Payments for Environmental Services (including carbon financing), forest administrative reform and policy capacity building. The Chinese Government is now requesting support for development of innovative approaches on key policy issues.

**6. PES Tools and Resource Materials for Africa.** Partnership with Forest Trends provided a significant step forward in bring PES to Africa through the delivery of field-tested tools and resource materials on PES project planning, design and implementation and a regional Katoomba Group launched at the meeting in Uganda.

**7. Citizens Report Card Approach.** The Citizens Report Card project pilot in Jharkand proved to be a best practice that created a demand for a full-scale survey among policymakers. Introduction of this tool will help to increase transparency and accountability in the delivery of forest management as public service.

**8. Catalytic input to the Europe and North Asia Forest Law Enforcement and Governance process.** Timely input to the Russian dialogue on forest sector reform contributed to the decision to initiate the FLEG process for Europe and North Asia. The Ministerial Conference for ENA FLEG was held in St. Petersburg in November 2005 and resulted in a declaration committing to action on this issue.

### III. Areas for Action – Action to Date

At the 2005 PROFOR Management Board meeting, areas for action were identified based on an assessment of what was working well and what could be improved (For the lessons learned presented in January 2005, see Annex IV). Action taken in response is summarized below:

**Action 1:** Develop a more strategic and systematized approach to expanding the PROFOR portfolio, while maintaining sufficient flexibility to take advantage of emerging opportunities for timely and targeted input to policy dialogues and decision making processes.

**Action to date:**

- Guidelines for Application for PROFOR Funding were finalized in January 2005 and have since been provided to applicants to help create a more systematic approach to activity approval. These guidelines contain information about PROFOR's thematic focal areas, criteria for PROFOR engagement, and the activity cycle from application to reporting requirements.

**Action 2:** Proactively foster synergies between PROFOR, bilateral and multilateral donor agencies, and World Bank initiatives so as to enhance cooperation for improved development outcomes in key countries. Initial steps have been taken (in Kenya, Honduras, Ukraine and India) and greater emphasis will be made in future to integrate PROFOR activities with national initiatives undertaken by bilateral donors in key countries and Bank country programs.

**Action to date:**

- Donor coordination on the forest sector is underway in India between DFID, JBIC, the World Bank and IFAD. Similarly, in the Ukraine, consultations between the Swiss and Swedish governments and the World Bank are ongoing. In Kenya PROFOR support has leveraged additional funding from IFC, FAO and the Finnish government. In Honduras, the messages from the Forest Sector Reform workshop will be shared with the new government and a community forestry pilot is being developed jointly with NGOs, local and national government agencies.
- Building on exploratory work on community-corporate partnership schemes in Southern Africa, PROFOR is developing a key partnership with the IFC. A set of comparative studies on small and medium enterprise development is underway in Kenya, China and India, which will contribute to better corporate social responsibility in the forestry sector.

**Action 3:** Enhance cooperation with the NFP Facility to improve the impacts of both programs and to avoid duplication of efforts.

**Action to date:**

- The NFP Facility and PROFOR have cooperated in the production of joint publications, shared side events at the UNFF, and consideration of communication strategies. In May 2005, The NFP Facility and PROFOR produced a two-page briefing note on the role and characteristics of each program as well as partnership between the programs in order to improve stakeholders' understanding of the two programs and how they relate. Two joint publications have been produced to date, the *European Tropical Forest Research Network (ETFRN) Special Report on National Forest Programs* and *Implementing the IPF/IFF Proposals for Action*. An ETFRN Special Report on Forests and the MDGs is scheduled for production in Spring 2006.

**Action 4:** Strengthen the strategic nature of PROFOR by giving greater consideration to PROFOR's activities in relation to long-term trends and issues in the forest sector.

***Action to date:***

- Strategic themes were identified and discussed at the donors meeting in January 2005. A greater effort has been made to assess future projects against the PROFOR funding criteria and the strategic themes.

**Action 5:** Expand donor support for PROFOR – including identification of new funding partners. This could be particularly important in light of the potential outcomes of discussions on the future international arrangement on forests (UNFF and CPF).

***Action to date:***

- A new fund raising strategy is under development. The EU was approached as a potential donor in September 2005 with the outcome pending. The partnership with CSIRO is leveraging resources for the DPL related study in Indonesia and financing from the Netherlands BNPP Fund has been secured to further the poverty- forests linkages activity as well as the testing of SEA pilots. Other donors have expressed interest in PROFOR and are being pursued.

**Action 6:** Identify opportunities for increased knowledge sharing at the regional level based on activities from global and country level activities.

***Action to date:***

- Through the partnership with Forest Trends, PROFOR helped to disseminate experiences, tools and other resource tools for payments for environmental services in the Africa region through the meetings in Uganda. The establishment of a regional Africa Katoomba Group will ensure that this knowledge sharing continues.

**Action 7:** Take stock on progress towards achievement of PROFOR goals and assess measures to monitor PROFOR impacts. As a first step, the current logical framework should be reviewed.

***Action to date:***

- A more concrete set of program objectives were spelled out in the revised PROFOR logframe. Reporting to DfID on this basis was completed in December 2005.
- The PROFOR website and publication tracking systems have been enhanced via a publication order form that enables us to see what type of clients we have for the information and knowledge we provide. Over time, this will be useful for follow up surveys on the impact of this knowledge.

**Action 8:** Increase World Bank regions' involvement and "ownership" in PROFOR. The World Bank Working Group on PROFOR is likely to facilitate this.

***Action to date:***

- A World Bank Working Group on PROFOR was established in February 2005 to further engage Bank regional staff in PROFOR implementation. Two meetings with regional World Bank staff were held to coordinate activities and bring PROFOR proposals to donors. PROFOR also hosts lunch time seminars to raise the profile of its work within the Bank.

#### IV. Budget and Funding Projections for PROFOR

The actual budget for fiscal year (FY) 2005 and the first half of FY 2006 (along with current commitments for the remaining approved projects in FY2006) are summarized in Table 1 below according to thematic area and level of activity. Known sources of funding are summarized in Table 2. Based on current commitments from donors, including the Bank, the funding for fiscal year 2005 was just over US\$2.8 million. Table 3 contains allocations and indicative commitments to World Bank regions to date. The portfolio for FY 2006 will continue to be developed.

**Table 1: Budget for fiscal years (FY) 2005 and the first half of FY 2006**

Thematic Area	Level	FY05	FY06 (July-Dec05)	Committed FY06
Livelihoods	Global	\$59,238	\$27,750	\$39,450.00
	Regional		-	\$100,000.00
	Country	\$175,060	\$138,618	\$141,545.00
Governance	Global	\$154,892	\$15,000	\$50,000.00
	Regional		-	
	Country	\$20,000	\$117,000	
Financing SFM	Global		\$42,500	
	Regional	\$42,500	-	
	Country	\$314,962	\$212,900	\$73,000.00
Cross Sectoral Cooperati	Global		\$4,125	\$50,000.00
	Regional		-	\$180,000.00
	Country		-	\$200,000.00
Knowledge Management		\$32,082	\$5,674	\$18,000.00
Admin/Staffing	Global	\$259,610	\$104,351	\$155,000.00
	Regional	\$60,795	\$27,000	TBD
Trustfund Overhead (5%)		\$58,705	\$33,246	TBD
<b>Total</b>		<b>\$1,177,844</b>	<b>\$728,164</b>	<b>\$1,006,995.00</b>

Note: the amounts indicated under administration, communications, WB Trust Fund Overhead are actual amounts spent as of January 10, 2006; Administration includes: Staff costs, Consultants; Travel and Travel expenses; WB Trust Fund Overheads are a flat rate of 5% calculated on the basis of the total funding pledges made in a given fiscal year.

**Table 2: Sources of funding**

Sources of Funding	FY2002	FY2003	FY2004	FY2005	FY2006
Finland	\$566,769.00		\$126,175	\$239,920	TBC
United Kingdom		\$802,450.00	\$844,650	\$1,380,297	\$883,700
SDC		-	\$375,000	\$125,000	\$375,000
Japan		\$300,000.00	\$300,000	\$300,000	
World Bank			\$260,000	\$260,000	TBC
Support from other governments (AusAid, NL)				\$501,000	\$760,000
In kind support from Germany				6 month staff secondment	
<b>Total</b>	<b>\$566,769.00</b>	<b>\$1,102,450.00</b>	<b>\$1,905,825.00</b>	<b>\$2,806,217.00</b>	

Note: Finnish funding for FY2006 and World Bank contribution towards staff time TBC= to be confirmed.

**Table 3: Allocation and Commitments to World Bank Regions**

Support to World Bank regions	FY2005 Global Programs	FY2006 Global Programs
1) Africa	50,000	115,000
2) South Asia	146,000	90,000
3) East Asia	75,000	105,000
4) Latin America	50,000	77,000
5) Eastern Europe and Central Asia	50,000	20,000
6) MENA	--	--
<i>Regions Subtotal</i>	371,000	407,000

**Leveraged Funds**

PROFOR has been successful in leveraging additional funds with the following activities:

*Anti-Corruption Business Principles for Forest Sector Enterprise:* In 1999, to strengthen integrity within the business sector, TI and Social Accountability International (SAI) convened a group of transnational corporations, trade unions, and other interested groups to develop a set of Business Principles for Countering Bribery (BPCB). The group published the resulting principles in 2002. TI and SAI conceived these principles as a starting point for individual businesses, regions, or sectors to develop their own anti-corruption principles.

Taking the BPCB as a starting point, working with forest sector businesses and associations, the Forest Integrity Network (FIN) will develop Anti-Corruption Business Principles for the Forest Sector. Once the principles are developed, FIN will work with forest sector businesses and TI national chapters in promoting adoption of the principles. This initiative emerged from the PROFOR study *Tools for Civil Society Action to Reduce Forest Corruption: Drawing Lessons from Transparency International*. "Relevance of TI Tools to address Corruption in the Forest Sector" is envisaged to be executed over a period of 12-18 months, by TI/FIN. Core funding for 85,000 euros has been secured from BMZ for this project.

*Development of Poverty-Forest Linkages Methodology to inform National Poverty Reduction Strategy Processes:* Follow-on funding of US\$581,000 from the Dutch Government BNPP Trust Fund has been secured to implement and monitor progress in training forest officers using the toolkit in six African countries (Cameroon, Ghana, Kenya, Madagascar, Uganda, and Tanzania).

*Government Policies, Natural Resources and the Environment: Analyzing Paths to Sustainability in Indonesia:* AusAID on December 5, 2005 agreed to provide US\$50,000 for the scoping work for this activity, and has committed an additional US\$500,000 for the second phase.

*Forest Sector SEA Kenya:* Dutch Government BNPP funds of US\$120,000 were transferred to the Forest Team for piloting a Strategic Environmental Assessment (SEA) to inform policy. The SEA will be an institutions-centered SEA on the Forest Sector of Kenya and will examine cross-sectoral linkages through the lens of the recently approved Forest Bill 2005. The objective is to ensure that the implementation of the new Forest Bill unleashes potential opportunities in the forest sector and enhances collaboration among sectors to minimize any negative cross-sectoral impacts and promotes possible synergies.

**Staffing**

The PROFOR Secretariat is comprised of two full time staff members (a Natural Resource Management Specialist and Communications Officer), a half time staff member (Program Assistant) and a Program Manager comprised of World Bank staff time. The ESSD Forests Team Leader allocates 30% to the role of Program Manager. As the result of turnover in the Forests Team, the rest of this position is currently in transition. A new staff member who will fill this role of Program Manager is currently being recruited. All members of the ESSD Forests Team as well as Bank Regional staff contribute to implementing the PROFOR program.

## Annex I. Overview Chart of Activities According to Thematic Area

This chart includes all activities that were in some way active through 2005. Additional information on the background and status of each activity is provided in Annex II (pg. 19-39) according to the same order as the chart. Completed activities are listed in Annex III.

<b>Livelihoods</b>						
<b>Project</b>	<b>Level</b>	<b>Outputs</b>	<b>Partners</b>	<b>Budget FY04</b>	<b>Budget FY05</b>	<b>Budget FY06</b>
<b>Forest Law Enforcement and Rural Livelihoods</b>	Global	Case studies; Workshop	CIFOR, DFID	\$42,000	Funding completed	Funding completed
<b>Development of Poverty-Forest Linkages Methodology to inform National Poverty Reduction Strategy Processes</b>	Global And Country	Poverty forest Toolkit methodology, training, publication	CIFOR, IUCN, ODI, Winrock	\$135,000	Global \$59,238  Country \$175,060	Global \$27,750  Country \$138,618
<b>Measuring poverty impacts of forest programs in India</b>	India	Pilot framework for measuring impacts	CIFOR, Jharkhand Forestry Department, communities and other local stakeholders	\$100,000	\$100,000	\$35,000

<b>Governance</b>						
<b>Project</b>	<b>Level</b>	<b>Outputs</b>	<b>Partners</b>	<b>Budget FY04</b>	<b>Budget FY 05</b>	<b>Budget FY 06</b>
<b>Reducing Corruption and improving governance in forestry: lessons from TI</b>	Global	Forest crime-fighters toolkit	Forest Integrity Network, TI	\$11,500	Funding completed	Funding completed
<b>CITES Instrument</b>	Global	Assessment of CITES as tool to combat illegal timber	TRAFFIC	\$3700	--	\$33,500
<b>Review of Ecosystem approach and Sustainable Forest Management</b>	Global	Earthscan publication forthcoming.	IUCN, ITTO, FAO, CBD, UNFF Secretariat	\$120,000	\$15,000	\$15,000
<b>Forest sector transition in Honduras</b>	Honduras	Phase I Case studies, workshop  Phase II Community Tenure Pilots	SAG, CODEFOR, NFP Facility, World Bank,	\$75,000	--	\$77,000
<b>Evaluating the efficiency of public service delivery (including forestry) on the forest fringe</b>	India	'Citizens' report card' survey	Public Affairs Center, Bangalore, MOEF		\$18,000	\$3,000

<b>Financing SFM</b>						
<b>Project</b>	<b>Level</b>	<b>Outputs</b>	<b>Partners</b>	<b>Budget FY04</b>	<b>Budget FY 05</b>	<b>Budget FY 06</b>
<b>Catalyzing Payments for Ecosystem Services and Connecting Communities</b>	Global	Supporting establishment of the Ecosystem Marketplace website, development of monitoring tools, workshop	Forest Trends Katoomba Group, DFID, SURDNA, Packard Foundation, Citigroup, UNEP, TerrAfrica, IUCN, U.S. Forest Service		\$42,500	\$42,500
<b>Forest Fiscal System Reforms</b>	Global	Case studies; Workshop	DFID, Ministries of Forestry and Finance	\$50,000	--	TBD
<b>Innovative financial mechanisms: searching for viable alternatives to secure basis for the financial sustainability of forests</b>	Global	CLI in support of the UNFF	Costa Rica, US, Canada, Colombia, Switzerland, Finland, Mexico, Indonesia, IUCN, etc.	--	\$71,800	Funding Completed
<b>Developing Partnership Based and Private Sector Financed Approaches to Management of Forest Resources in East and Southern Africa Regions</b>	Kenya	Analysis of macro context and policy & institutions; Stakeholder consultations	GEF, IUCN, NFP Facility, WWF	--	\$105,000	--
<b>Building Forest Policy Analytic Capacity in China-- Building Basic Models of Forest Supply</b>	Country (China)	Economic supply models and analysis of tax policies and other policy variables	SFA Forest Economics Development Research Center.	--	\$75,000	\$75,000

<b>Cross-Sectoral Cooperation</b>						
<b>Project</b>	<b>Level</b>	<b>Outputs</b>	<b>Partners</b>	<b>Budget FY04</b>	<b>Budget FY 05</b>	<b>Budget FY 06</b>
<b>Government Policies, Natural Resources and the Environment: Analyzing Paths to Sustainability in Indonesia</b>	Indonesia	Assess potential economic, ecological and social impacts of macro policy reform in Indonesia.	WB Country office, AusAID,	--	--	\$150,000
<b>Screening Brazil Competitiveness Programmatic Operation</b>	Brazil	Identification of potential impacts on forests from DPL	WB Country office, bilaterals, international environmental NGOs	--	--	TBD
<b>Knowledge Management</b>						
<b>Project</b>	<b>Level</b>	<b>Outputs</b>	<b>Partners</b>	<b>Budget FY04</b>	<b>Budget FY 05</b>	<b>Budget FY 06</b>
<b>Communications, knowledge management and information sharing;</b>	Global	Website; publication series; awareness raising events; set of style standards and templates	ETFRN, WWF, IUCN, World Bank	\$20,000	\$32,000	TBD

## Annex II. PROFOR Project Proposal Summaries

### *Livelihoods*

#### **Forest Law Enforcement and Rural Livelihoods**

**Thematic area:** Livelihoods      **Level:** Global      **Completion Date:** July 2006

**Partners:** CIFOR, DFID

**Background and purpose:** International concern about illegal forestry activities has grown markedly over the last two years, with numerous initiatives to support forest law enforcement. However, governments must take measures to ensure that efforts to enforce forestry laws do not negatively affect rural livelihoods. There are several reasons why such efforts might have such an effect:

- Existing legislation often prohibits forestry and agroforestry activities that poor rural households depend on for their livelihoods, including some that are relatively sustainable (and others that are not);
- Millions of rural households live in areas that governments have classified as “forestlands” and claim to own. Existing laws considers these households encroachers even though in some cases their families have lived on the land for generations;
- Most forestry laws make it difficult for small farmers, indigenous people, and local communities to engage in commercial logging and timber processing legally since they require large amounts of paperwork and input from professionals that these groups have no access to;
- Forestry and wildlife departments often enforce forestry and protected area legislation more vigorously and with less respect for due process in the case of poor rural households, since these households are not as well connected and lack money for large bribes.

In some countries, forestry and wildlife officials regularly engage in illegal forestry activities – often to the detriment of poor rural households. Measures that give these officials more power and resources could increase their ability to act with impunity.

**Approach:** To turn these general ideas into concrete practical policies and strategies, a more in-depth understanding is required of: how rural households currently use forest resources; the relative contribution to legal and illegal timber production of large and small-scale producers; the provisions of forestry and conservation laws that discriminate against poor rural households and to what extent they can be justified on economic or environmental grounds; how these laws are currently enforced and how new law enforcement efforts might differ; existing opportunities for community participation in forest law enforcement; and the practical advantages and disadvantages of different policy options for addressing rural livelihood issues in forest law enforcement contexts.

Each of these factors is likely to vary significantly depending on the dominant type of forest exploitation and forest tenure, the accountability and capacity of government forestry departments, and the level of international attention and independent public scrutiny. This project provided initial insights and policy guidance on these issues in five selected case studies in Bolivia, Cameroon, Canada, Honduras or Nicaragua, and Indonesia. The countries for the case studies were chosen on the basis of their representativeness of livelihoods and forest law enforcement issues as well as on the basis of the availability of knowledge and previous studies relevant to the subject.

**Outputs:** A preliminary report of approximately 20 pages addressing the issues at a general conceptual level, illustrating the main points with examples, based on a brief literature review and the experience of the authors.

Case studies from Bolivia, Cameroon, Canada, Honduras or Nicaragua, and Indonesia were developed based mainly on literature reviews and secondary data, interviews with key informants, and the experience of the individual authors. The case studies address the issues discussed above in a common format and provided input to the synthesis report, the workshop and subsequent project development.

The synthesis report based on the preliminary report, the case studies and a broader literature review and key informant interviews presents a well-written and compelling analysis of the potential risks and opportunities that forest law enforcement efforts in different contexts present for rural livelihoods.

A two-day workshop held November 2003 reflected on the case studies and the synthesis report; assessed further research needs; and developed a concept note for a research project and partnership options.

**Status: FY04:** The project was initiated in February 2003 (with 50,000 British Pounds Sterling from DFID). A preliminary report was presented at the African Ministerial on Forest Law Enforcement and Governance. **FY05:** The synthesis report and case studies were pending resolution of issues surrounding the Canadian case study. **FY06:** The synthesis report (1,500 copies) to be distributed to key individuals in the international forestry community; A short summary (500 words) to be sent through the Poles electronic listserve; a four-page policy brief, based on the synthesis report, to be published (2000 copies) and the case studies from Africa (Cameroon), Asia (Indonesia), and Latin America (Honduras and Nicaragua, Bolivia) will be included as chapters in a book on illegal logging to be published by Earthscan. Estimated completion date is May 2006. Findings from the study have influenced FLEG dialogues to give greater consideration to the impact of FLEG on the poor.

**Budget**

FY04        \$42,000.00

## **Development of Poverty-Forest Linkages Methodology to inform National Poverty Reduction Strategy Processes**

**Thematic area:** Livelihoods      **Level:** Global      **Completion Date:** July 2006

**Partners:** CIFOR, IUCN, ODI, Winrock-International

**Background and purpose:** There is growing interest in the role that forests can play in alleviating poverty and reducing vulnerability of the poor to household, economic and environmental shocks. As of 2001, a series of international workshops in Italy, Scotland, Finland and Germany focused on the contribution of forests to livelihoods and the policies needed to strengthen their contribution.

Despite this interest, poverty advocates and forest department staff have failed to make a compelling case to policy makers in government finance ministries and development agencies on the contribution that forests make towards poverty reduction. As a consequence, forests' role in poverty reduction is not reflected in a significant and meaningful way in two major policy instruments (Poverty Reduction Strategy Papers (PRSPs) and national forest programs (NFPs)). The implication of this is that national policies which guide efforts to reduce poverty are missing critical information about the current or potential role that forests play in rural livelihoods, thereby neglecting the forest-dependent poor in poverty assessments.

Most countries have little data on how forests contribute to the livelihoods of poor households. Furthermore, the data that does exist rarely gets presented in ways that are meaningful to those designing PRSPs and NFPs. Most forestry experts understand very little about PRSPs and how they might influence them, and poverty specialists rarely are involved in NFPs. Often the specialists involved lack the necessary skills and abilities to effectively design and advocate well conceived and articulated policies, programs, and projects. Prior to addressing the policy makers, more ground work needs to be undertaken.

To the extent PRSPs fail to incorporate forest-related issues, the latter are unlikely to get the attention the series of international workshops have suggested they deserve in national efforts to reduce poverty and vulnerability. Several reviews of PRSPs and interim-PRSPs to date have found that although an increasing number of PRSPs and interim-PRSPs make reference to forests and forestry, these references tend to be rather superficial. There is little analysis of the role forests currently play in rural livelihoods or their potential role, nor of the measures required to capture that potential. Efforts to monitor the implementation of the PRSPs have not reflected the full potential that forests may contribute.

**Approach:** A working group partnership was formed in late 2003 among staff from IUCN, ODI, CIFOR, PROFOR and Winrock-International. This partnership seeks to build on the knowledge base from field work and research efforts in identifying the different ways forests can (and cannot) benefit the poor. The aim is devise a rapid appraisal methodology to appraise forest-livelihood linkages from field research and case study examples to explore how locally and sustainably managed forests can help to enhance rural livelihoods, conserve biodiversity and achieve Millennium Development Goals (MDGs).

The focus of case studies will be to assess the potential contribution of forests in reducing poverty and vulnerability. Case studies will document the important role of forests and natural resources in poverty reduction and livelihood security. While the primary focus will be on the household or community level, the methodology will provide links to national level indicators of welfare such as MDGs. While the case studies are being prepared, the methodology will be revised and refined and the lessons learned shared between the case study teams. Where case studies occur in countries with a PRSP, interviews and discussions will occur at the national level on whether the links between forests and poverty are adequately addressed.

**Outputs:** Common methodological framework to enable a more systematic integration of forests in future poverty reduction efforts; Presentations at the 17th Commonwealth Forestry Conference on “Forestry’s Contribution to Poverty Reduction”; Case study results and a synthesis report on the findings; Development of a resource kit for use by forest agency staff and decision-makers and training for use of the resource kit in key countries.

**Status: FY04:** Workshop held in Tanzania in June 2004 to discuss methodology and test methods with all research groups in Shinyanga field site; Working group began testing the methodology in six case study sites (located in Guinea, Nepal, Tanzania, Indonesia, Honduras and India). **FY05:** A second meeting (with Tapani Oksanen and Bob Fisher as peer reviewers) in Bangkok in November 2004 reviewed progress thus far on using the methodological framework in the six case study countries (Mexico and Laos cases may be added) and plan for completion of the case studies. The methodological approach was presented at the RECOFTC workshop at World Conservation Congress in Bangkok in November 2004. **FY06:** Case studies are underway for Guinea, India, Indonesia, Laos, Mexico, Nepal, and Tanzania on how forests link to livelihoods and the role of forests in the PRSP. The methodology is captured in a toolkit to facilitate appropriate inclusion of poverty-forest linkages into the PRSP and similar planning strategies and programs, such as nfps. The toolkit will be peer reviewed in January 2006 and field tested in Tanzania in March 2006. Follow-on funding (581,000 USD) from the Dutch Government BNPP Trust Fund has been secured to implement and monitor progress in training forest officers using the toolkit in 6 African countries (Cameroon, Ghana, Kenya, Madagascar, Uganda, and Tanzania). Presentations of initial findings from case studies were made at the Commonwealth Forestry Congress (March 2005), ESSD Week at the World Bank (March 2005), and UNFF5 (May 2005). The methodology and application is tentatively scheduled to be presented at UNFF6 in mid-February 2006 and ESSD week at the World Bank (late February 2006).

**Budget**

FY04	\$135,000.00
FY05	\$234,298.00
FY06	\$166,368.00
<b>Total</b>	<b>\$535,666.00</b>

## Impacts of Forest Programs on Poor, Forest-Dependent People in India

**Thematic area:** Livelihoods      **Level:** Country (India)      **Completion Date:** July 2006

**Partners:** State Forestry Departments (currently Jharkhand), CIFOR, World Bank South Asia Rural Development and Country Operations teams

**Background and purpose:** In India, states have begun to share the rights and responsibilities with communities for managing forests through joint forest management arrangements. Preliminary indications are that this process, together with associated project investments has a significant impact on poverty. However, there is no systematic and rigorous assessment to date. Concurrently, while community forestry can bring a number of benefits, there have been some instances of loss of livelihoods for some households, especially those who depend on forests but who are not part of the communities involved in participatory forest management. Thus, more rigorous and systematic measurement of all poverty impacts is needed. The strategic objective of this project is to improve the capacity of state governments to measure forestry program impacts on poverty reduction in a systematic (as distinct from an *ad hoc*) way, and thereby provide a tool for increased accountability, learning, and program adaptation. In turn, this will enable public expenditure on forestry and other aspects of forestry programs to address poverty reduction objectives more effectively.

**Approach:** In 2003, Oxford Policy Management, support by DFID, completed a background study with the government of Madhya Pradesh on options for measuring community forestry program impacts on poverty reduction. Building on this work, PROFOR funded a study in the State of Jharkhand to review the options and move towards an implementation, testing and dissemination phase. Jharkhand was a logical choice because the state is presently preparing a Bank-funded project to improve forest livelihoods. Further, this work was viewed as a strong complement to the comprehensive forest sector study recently completed by the Bank to support the lending project design and guide longer-term forest sector development in the state. The tools and methods developed through this study will be implemented on a pilot basis once the World Bank funded forest project gets underway. The work is being led by CIFOR, with assistance from national experts, and Jharkhand-based NGOs and research institutions.

**Outputs:** The proposed project is leading to an improved understanding of the poverty-forestry nexus and how forests can be managed with communities to improve local livelihoods. The state government is fully supporting this initiative. The work is developing a robust methodology for low-cost, yet objective and systematic monitoring of poverty impacts from community forestry programs in the Indian context. The methodology will be adapted and tested beyond pilot sites in the first three states, and used as a practical model for replication in other states in India.

**Status: FY04:** The study was initiated in December 2003 with input from Indian state authorities and other stakeholders through a stakeholder workshop in February 2003. **FY05:** A comprehensive literature review was completed and simple yet rigorous monitoring tools were designed for use by communities. The tools were field tested to assess their effectiveness and gather baseline information for longer-term monitoring. **FY06:** Trainings for applying the tool were held and surveys have been initiated. Additional outputs include use of remote sensing and GIS tools to analyze relationships between poverty/livelihoods and key spatial variables, training exercises with Forest Department staff, several journal articles and papers on poverty impacts of JFM and a comprehensive literature review on poverty and forests.

### Budget

FY04	\$100,000.00
FY05	\$100,000.00
FY06	\$35,000.00
<b>Total</b>	<b>\$135,000.00</b>

*Governance*

**Reducing corruption and improving governance in forestry: lessons from the Transparency International approaches**

**Thematic area:** Governance                      **Level:** Global                      **Completion Date:** March 2005

**Partner:** Forestry Integrity Network (FIN) of Transparency International

**Background and purpose:** This analytical study by FIN will begin to lay the foundation for producing a practical and operational forest crime-fighter’s toolkit (which will be produced separately through subsequent work). Transparency International (TI) has had significant success in fighting corruption and initiating strategies aimed at improving governance in a host of countries the world over, and thereby accumulated a wealth of experience in this area.

**Approach:** This study will examine TI’s experience in developing or relying on Integrity Pacts, the TI Corruption Perception Index, Bribe Payers Index, the Business and Wolfesburg Principles, Citizen Watch Initiatives, Public Hearings, Competitive Prices, TI Whistle Blower protection mechanisms, practical application of TI’s Corruption Fighters Toolkit and/or other possible TI supported anti-corruption strategies and activities. It will highlight how they can be adapted and usefully applied to addressing illegal logging and forest related corruption. In addition to TI’s work in addressing corruption and improving overall governance, it is expected that the study will also draw upon past and ongoing efforts at controlling corruption and criminal acts specifically in the forest sector. This will help ensure that the analysis (and an eventual toolkit based upon it) will have general applicability across a range of countries with their own special characteristics, and at the same time, have enough practical examples for potential replication and scale-up.

**Output:** Analytical assessment of applicability of TI strategies for fighting corruption to the forest sector.

**Status:** This study resulted in the PROFOR publication “Tools for Civil Society Action to Reduce Forestry Corruption”. To date, the toolkit booklet has been disseminated via PROFOR and World Bank distribution lists, international events including COFO, UNFF, and the CCD COP and has been well received. The next step is to continue to field-test the approaches and compile a practical toolkit to fight illegal logging, corruption and forest crimes.

<b>Budget</b>		
FY05	\$38,500.00	
FY04	\$11,500.00	
<b>Total</b>	<b>\$50,000.00</b>	

## The Role of CITES in Controlling Illegal Logging

**Thematic area:** Governance

**Level:** Global

**Completion Date:** March 2006

**Partners:** TRAFFIC--East Asia

**Background and purpose:** This project seeks to better document the role that the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) could play in assisting range states (countries where species occur) to tackle illegal trade. This will be attempted through a review of the relevant provisions of the Convention and an examination of how CITES has been used to address the problem of illegal logging for several CITES-listed tree species.

**Approach:** The core of this project will be a desk-based review of CITES processes and procedures related to reducing illegal wildlife harvests, and their application thus far to controlling the illegal harvest and trade in CITES-listed timber species. The study will include brief case studies of CITES species from each of the Convention's three appendices: Alerce *Fitzroya cupressoides* (Appendix I—species imminently threatened with biological extinction), Agarwood *Aquilaria malaccensis* (Appendix II—species not currently threatened but may become so if trade is not regulated), Big-leaf Mahogany *Swietenia macrophylla* (listed in Appendix III from November 1995; included in Appendix II effective 15 November 2003), and Ramin *Gonystylus* spp. (Appendix III—species listed by an individual State in an effort to enlist international cooperation to control trade from their country).

Information from published sources and correspondence will be augmented by selected interviews or questionnaires with personnel in key range and consumer States for the species mentioned above. The relevant States include: Peru, Bolivia, Brazil, Chile, Indonesia and Malaysia, USA and United Kingdom.

The following will be covered within this study: (a) CITES requirements relevant to ensuring that specimens in trade are not acquired illegally (including within the Convention and associated Resolutions and Decisions); (b) Review of CITES data to document timber seizures reported; (c) Operational definitions of illegal logging and illegal timber, and existing prohibitions and penalties associated with these practices in the target countries (these aspects of the task will draw upon the broad and growing literature and data available from all sources on these subjects); and, (d) CITES specific policy statements, legislation, implementation and enforcement actions related to reducing illegal logging for CITES-listed tree species in the target countries.

**Outputs:** A report (in English and Spanish) on the findings of the reviews and interviews.

**Status:** This study found that the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) offered only a limited scope as an instrument to monitor illegal logging and trade. A draft report is available and being finalized. Impacts of the study will be assessed after the report is widely disseminated and reactions from policymakers are collected. Next steps include completing the report, translation, and dissemination. The report will contribute to ongoing FLEG processes by clarifying the limits of the role of CITES.

### Budget

FY04 (disbursed)	\$37,000.00
FY06	\$33,500.00
<b>Total</b>	<b>\$62,000.00</b>

## Review of the Conceptual Understanding and Practical Experience of the Relationship between the Ecosystem Approach and SFM

**Thematic area:** Governance      **Level:** Global      **Completion Date:** August 2005

**Partners:** IUCN, ITTO, FAO, CBD, UNFF Secretariat

**Background and purpose:** While many international agreements, governments, private sector companies and civil society organizations have committed to implement both an ecosystem approach and sustainable forest management (SFM), there is a general lack of clarity on how these two concepts relate to each other. In response to challenges arising from this definitional problem, recommendations were made to clarify the conceptual basis of the ecosystem approach in relation to SFM at both the sixth Conference of the Parties (COP-6) to the Convention on Biological Diversity (CBD), and Resolution 3/4 of the United Nations Forum on Forests (UNFF).

**Approach:** Based on the request made by the CBD and UNFF, the objective of this study was to evaluate the link between the concepts of an ecosystem approach and SFM and, using case studies, to review the differences and similarities in the application of these approaches with a view to improve the conservation of biological diversity and sustainable use, and specifically: outline the evolution and key operational features of the two concepts; review practical experiences in the application of SFM and the Ecosystem Approach; explore how spatial and temporal perspectives inherent in the ecosystem approach and SFM can help address the economic, environmental and social trade-offs inherent to land-use policy; and suggest key policy and institutional interventions for operationalizing these concepts, and optimizing synergies between them, in contemporary resource management and planning.

**Outputs: Discussion paper for UNFF-4:** A discussion paper, Ecosystem Approaches and Sustainable Forest Management, was jointly prepared and submitted by IUCN, PROFOR and the World Bank for the 4<sup>th</sup> session of the UNFF. A copy of this paper can be downloaded from: [http://www.iucn.org/themes/fcp/publications/files/esa\\_sfm/unff\\_final\\_sfm\\_esa.pdf](http://www.iucn.org/themes/fcp/publications/files/esa_sfm/unff_final_sfm_esa.pdf)

**Expert Workshop on Sustainable Forest Management and the Ecosystem Approach:** In May 2004, a workshop on the relationship between the EsA and SFM concepts was held to assess how the two concepts can help operationalize the growing consensus that 21st century forest management should address broader, multi-stakeholder, multi-scale and multiple function objectives. The workshop informed selection of regional and thematic case studies.

**Publication of initial findings:** The key findings from draft papers were distilled into a special issue of the joint IUCN/WWF *Arborvitae* newsletter, entitled Changing Realities: Ecosystem Approaches and Sustainable Forest Management. Downloadable PDF copies of Changing Realities: Ecosystem Approaches and Sustainable Forest Management are available at: <http://www.iucn.org/themes/fcp/publications/arborvitae/avspecials/avspecials.htm>

**Workshop at the WCC:** A sponsored workshop on Ecosystem Approaches and SFM was held at the 3<sup>rd</sup> IUCN World Conservation Congress in Bangkok in November 2004. Approximately eighty participants attended this workshop. More information on the sponsored workshop is available at: [http://www.iucn.org/themes/fcp/experience\\_lessons/governance\\_esa\\_sfm.htm](http://www.iucn.org/themes/fcp/experience_lessons/governance_esa_sfm.htm)

**Status:** *Forests in Landscapes* - the culmination of the work outlined above – was published in July 2005 by Earthscan. To date, 1000 copies have been distributed key constituencies and an additional 500 copies have been purchased from Earthscan. The publication has received very positive reviews.

### **Budget**

FY04	\$120,000.00
FY05	\$15,000.00
FY06	\$15,000.00
<b>Total</b>	<b>\$120,000.00</b>

## Honduras: Forest Sector in Transition

**Thematic area:** Governance    **Level:** Country (Honduras)    **Completion Date:** January 2007

**Partners:** Secretary of Agriculture and Livestock (SAG) and State Forest Agency (AFE-COHDEFOR), SIDA, NFP Facility, World Bank Latin America and Caribbean Country Operations, and Forest Trends.

**Background:** The forest sector in Honduras is in transition. Major changes include: modernization of the role of the state; decentralization and devolution of decision-making powers; and the increasing acknowledgment of the need to recognize forest land rights of forest populations and indigenous peoples and create incentives for local government actors to take lead roles in the conservation and management of public forest lands. These shifts in forest ownership and tenure imply redefinition of government policy and institutional frameworks with dramatic implications for forest conservation and livelihoods of rural poor and forest-dependent households.

The objective of the proposal is to assist key Honduran forest sector leaders (Congressmen, Ministers, private sector, academic, NGO, organized community forestry groups) to make informed choices on strategic forest land and institutional issues being raised by the new Government's forest sector reform process and to involve in the process the next generation of leaders that will set the agenda for tomorrow.

**Approach:** The first phase of the project will explore two fundamental questions: What is the appropriate role for the State in relation to the current public forest lands? How can the current situation -- with national public forest lands constituting more than 70% of the country's land area managed solely by central government -- be transformed to a more rationale situation, taking into account equity considerations? The second phase aims to support the government efforts to regularize forest land tenure in the country by examining different arrangements of forest ownership and access/control rights and their implications for responsible use and equity.

### Outputs:

Phase I: (i) Practical syntheses and case studies of experiences and lessons-learned in managing tenure, institutional, industrial, market and policy transitions in key forest countries.

(ii) A workshop with the current and 'next generation' of policy, stakeholder and market leaders from the Honduran forest sector, including Congressman, Ministers and representatives of municipal government, organized forestry groups and associations, NGOs, industry, academia and forest land owners, and

(iii) Dissemination of information from the syntheses and workshops to key policy, academic, forest sector and civil society organizations, and bi-lateral/multi-lateral agencies.

Phase II: (i) cadastral and land-cover overlays; forest land tenure simulations and land-use analysis.

(ii) stakeholder analysis, identification of alternative forest management regimes and simulation of possible outcomes in the selected sites.

**Status: FY04:** The workshop took place in May 2004. Presentations and case studies from the workshop are available from the Forest Trends website. **FY05:** Materials and proceedings used for ongoing capacity building and training. **FY06:** Phase II outputs under development.

### Budget

FY04	\$75,000.00
FY06	\$77,000.00
<b>Total</b>	<b>\$152,000.00</b>

## Evaluating the Efficiency of Public Service Delivery on the Forest Fringe in India: A User Report Card Approach

**Thematic area:** Governance    **Level:** Country (India)    **Completion Date:** February 2006

**Partners:** Public Affairs Center (PAC), Bangalore, India, Ministry of Environment and Forestry (Govt. of Jharkhand), WB-Country Operations

**Background:** Recent assessment of rural poverty in India identifies the state of Jharkhand to be of particular concern because the absolute numbers of poor are high and increasing. Jharkhand's forest dependant poor are especially vulnerable in this context. Forest fringe communities represent about 60% of the total state population and over 90% of the state's tribal people. Tribal groups strongly identify with forests for subsistence and cultural/spiritual reasons, as a safety net, and as a primary source of income. The World Bank is involved in developing a participatory forest management project in the State with a total project cost of US\$65 million.

Combating rural poverty and improving livelihoods in the forest fringe areas depends in an important way on increasing access to and the productivity of forest resources on which the rural population is highly dependent. It depends equally importantly on ensuring improvements in delivery of services such as roads, credit, drinking water, health, education, sanitation, electricity and energy, all of which contribute to welfare in direct and complementary ways. In Jharkhand (as in most developing countries) these services are typically provided by the public sector and with questionable efficiency. Public service delivery agencies are seen as overstuffed, under-resourced, corrupt and indifferent to the needs of their clients. Thus, there is a need for reforms to improve governance, promote transparency and accountability, reduce corruption, and align staff skills and incentives with agency objectives. Reforms are clearly called for, but need to be backed by diagnostic tools to pinpoint the nature of the problems and potential solutions.

**Approach:** A Citizens Report Card (CRC) is a powerful diagnostic tool in this context. It consists of gathering information on several aspects of these services via an objective and structured survey of the users and intended beneficiaries. In addition, it can benchmark the quality of public services and help monitor changes over time. Through inquiring about the delivery of different public services such as forests, health, irrigation, water supplies and credit, in several project sites, the approach will allow a comparison of the relative efficiency of the most important service delivery sectors and help identify the problems in service delivery as well as approaches to addressing these problems. Building up an information baseline will be a special focus of this study. The survey findings will help monitoring the progress and impacts of project interventions.

**Outputs:** Improved awareness about poor quality service delivery, helping to hold public service agencies accountable for a higher standard of service delivery in forest fringe regions. Communities empowered to demand and monitor better performance. Enhanced delivery on development programs then positively impact livelihoods, providing a good test case for exploring further this direct linkage between governance and livelihoods. The final products is a report highlighting the governance and institutional weaknesses related to five public service delivery sectors (forests, water, primary education, credit, health) and suggestions for reforms.

**Status:** Public Affairs Foundation contracted to undertake survey; focus districts identified; pilot sites survey carried out March - June 04. **FY05:** 400 rural families were asked to respond to the survey. The survey found overall low levels of satisfaction with these services, but a large variation in satisfaction across services. **FY06:** Report will be available for dissemination as a PROFOR publication. The Government of Jharkhand will support a full-scale CRC study for the state.

### Budget

FY04	\$18,000.00
FY05	TBD
<b>Total</b>	<b>\$18,000.00</b>

## **Catalyzing Payments for Ecosystem Services and Connecting Communities**

**Thematic Area:** Financing SFM

**Level:** Global

**Completion Date:**

**Partners:** Forest Trends cooperating with the Katoomba Group, DFID, SURDNA, Packard Foundation, Citigroup, UNDP, UNEP, TerrAfrica, IUCN, US Forest Service

**Background and purpose:** Worldwide, there is growing interest in market-based approaches to conservation. Public regulation and protected area systems, while critical, are insufficient to stop widespread resource degradation. For natural resources to be conserved they must be more valuable than the alternative uses of land and in order for them to be well-managed, good stewardship must be rewarded over bad stewardship. Markets and payments for ecosystem services, such as carbon sequestration, watershed protection, and biodiversity conservation are emerging as a viable alternative to protect and restore ecosystems while rewarding landowners for good land management practices. However, these approaches currently exist as pilots and certain barriers obstruct their development to an ecologically significant scale and among communities in developing countries.

Lack of information - about buyers and sellers, about how these markets work, about how to design and monitor payment systems - is the most fundamental barrier obstructing market development around the world. This lack of information leads to high transaction costs, confusion on how to value ecosystem services, high uncertainties and risk, and general suspicion of market mechanisms. This project is designed to overcome this barrier of information in order to motivate market activity among policy makers, private companies, and NGOs. In addition, it seeks to democratize information and understanding on these markets among landowners and communities that have traditionally been excluded from the benefits of market mechanisms.

**Approach:** A three-pronged approach will be used:

(1) **The Ecosystem Marketplace**, an internet-based clearinghouse and companion bulletin update, will serve as a 'one-stop-shop' of information on ecosystem service markets worldwide. By overcoming the informational and cost barriers that hinder low-income producers from accessing these markets, the Ecosystem Marketplace will democratize knowledge of and participation in these markets and generate action in a way that is significant for low-income rural communities. Additionally, the Marketplace will help to improve livelihoods of local communities by increasing incomes for low-income rural populations and communities who can deliver ecosystem services and biodiversity protection via improved forest stewardship.

(2) **Field-Tested Tools and Resource Materials for PES Project Planning, Design and Implementation** will be developed as resources for communities, NGOs, and policymakers whose content on how to plan, design, and implement payments for ecosystem services. The tools will provide practical guidance on establishing markets and payment schemes for ecosystem services and will be designed through guidance from community groups and others. They range from informational guides for project developers to pilot biodiversity offset projects around the world.

(3) In 2005, the **Katoomba Group activities will focus specifically on China**, a critical hot spot for the future of the global forest, and in Africa, most likely Tanzania, where ecosystem service markets have been particularly slow to develop.

**Outputs:** (1) The Ecosystem Marketplace will consolidate information on ecosystem markets into a single platform. It will enable policy development based on experience, market facilitation based on increased transparency and predictable information flow, and the ability to leverage innovation internationally. A timely bulletin update and an accompanying website for a broad audience of market participants, regulators, policy makers, NGOs, community groups and academic institutions will be developed. The Ecosystem Marketplace will cover a range of transaction types including: CO2

emission reduction trades; water quantity and quality trades; wetlands and stream restoration trade; endangered species and biodiversity trades; and innovative policy developments, key announcements and investor moves.

(2) Field-tested tools and resource materials for PES project planning, design and implementation that consolidate and develop training and support materials.

(3) Katoomba Group Activities in China and Africa:

- National Katoomba Group Meeting; Beijing/ Shanghai, China, June, 2005: A diverse group of experts will work with Chinese policymakers in the State Environment Protection Agency and others to develop the state and local ecosystem service payments in China. Dialogue will draw from the experience of pilot field projects, from the experiences of Katoomba Group members working on projects around the world, and from global analyses.
- Regional Katoomba Group Meeting; Uganda or Tanzania, October, 2005: A diverse group of experts to work with East African policymakers, NGOs and other practitioners will meet to explore the potential role of ecosystem service markets in East African conservation and poverty reduction efforts and to begin to develop projects in this region.

**Status:** (1) Ecosystem Marketplace successfully launched and maintained, including Marketwatch, a price-tracking feature that includes comprehensive statistics and transaction information for discrete ecosystem markets. The Marketplace has some 18,000 users.

(2) The field tested resource materials component has yielded resources on how to plan, design, and implement PES projects. Outputs include: (i) “A Guide to Conducting Country-Level Inventories of Current Ecosystem Service Payments, Markets, and Capacity Building.” (ii) An Interview Guide for Capacity Building Needs on PES, and (iii) the establishment of three pilot biodiversity offset projects. Next steps include the development of resource materials, based on feedback from the capacity building interviews, including a “Getting started” manual from groups considering PES comprehensive community cases studies (with information on organizing deals, participating institutions, and transactions). Guidelines on developing payments in agricultural settings are being developed into a toolkit. All of these resource materials are available on the Ecosystem Marketplace website: [http://ecosystemmarketplace.com/pages/section\\_landing.tools.php](http://ecosystemmarketplace.com/pages/section_landing.tools.php)

(3) A series of Katoomba Group workshops were held in Uganda, September 17-22, 2005. The workshops illustrated the current initiatives and strategic gaps in developing payments for ecosystem services in Eastern and Southern Africa, and also established strategic national priorities for capacity building, policy engagement, and links to potential market actors. Workshop results include: (i) capacity building for country leadership on PES in Malawi, Tanzania, Kenya, Uganda, and South Africa, (ii) follow-up plans developed for Pro-Poor Ecosystem Service Payments on a large scale in Eastern and Southern Africa, and (iii) the initiation of a regional Katoomba Group. Next steps include developing proposals for country teams, a set of country inventories, identifying existing investment-grade projects to bring to buyers and broader consultation with countries about priorities for the regional network.

**Budget**

FY04	\$42,500.00
FY05	\$42,500.00
<b>Total</b>	<b>\$85,000.00</b>

## Forest Fiscal Systems Reform

**Thematic Area:** Financing SFM

**Level:** Global

**Completion Date:** June 2007

**Partners:** DFID, Ministries of Forestry and Finance, World Bank Country Operations

**Background and purpose:** The importance of well-designed and effectively implemented forest fiscal systems – specifically concession and revenue systems - has long been appreciated. Issues of resource tenure and security, royalties and benefit distribution, set the fundamental parameters for the private sector's utilization of an often publicly owned asset. Experience has shown that a well-designed and effectively implemented concession and revenue system can be a far more effective instrument in maximizing the forest sector's contribution to growth and development than a narrow, regulatory based approach.

An active debate on concession policies and forest fiscal systems has taken place for a number of years. Several countries, encompassing a diverse range of forest types and associated industries, are implementing or considering reforming forest fiscal systems. While their situations are different, in all cases the objective is to identify the practical ways to ensure that forests can be utilized sustainably and make a more positive contribution to national poverty reduction objectives (as defined in PRSPs or similar statements of policy) through stimulating growth and providing regular and enhanced revenue flows to governments.

**Approach:** This project initiates a process to engage key policy makers in selected countries to review experience of fiscal reforms for forests and share lessons on emerging best practices and strategies to move from current policies to best practices. The first phase provides for policy makers from selected countries with tropical natural forests - Brazil, Cambodia, Cameroon, Ghana, Honduras, Indonesia and Nicaragua - to share this experiences through an international workshop co-hosted by DfID and the World Bank in Washington D.C. on 19-21 October 2003. The second phase will include evaluation studies on the experiences of concession management in Ghana and Peru. Future activities may include a workshop in Ghana, a field visits to Timber Utilization Contract sites and a best practice approach paper.

**Outputs:** Case studies on forest fiscal system reform, lesson sharing on best practices, international workshop and proceedings, and an action program for forest fiscal systems reform.

**Status: FY04:** Workshop took place and was a success based on feedback from participants collected via a structured questionnaire and quality of discussion. An Aide Memoire, briefing note and web page have been created as Workshop outputs; a workshop publication (based on 5 country papers) has been completed as a PROFOR publication in English, French and Spanish. Nalin Kishor attended follow-up meeting on Env. Fiscal Reforms (EFR). Aide Memoire included in OECD publication, "Environmental Fiscal Reform for Sustainable Development and Poverty Reduction".

**FY05:** Outcomes of workshop presented at UNFF-4 along with an update on progress.

### Budget

FY04	\$50,000.00
<b>Total</b>	<b>\$50,000.00</b>

## **Innovative financial mechanisms: searching for viable alternatives to secure basis for the financial sustainability of forests**

**Thematic Area:** Financing SFM      **Level:** Global      **Completion Date:** August 2005

**Partners:** Governments of Costa Rica, US, Canada, Colombia, Switzerland, Finland, Mexico, Indonesia, IUCN and others.

**Background and purpose:** In support of the UNFF, the Government of Costa Rica organized a country-led initiative on innovative financial mechanisms for SFM. The meeting, held in San José, Costa Rica, March 29 – April 1, 2005, brought together some 100 experts both national and international. The general objective of the meeting was to contribute to the international forest dialogue and in particular to the long term processes or mechanisms to secure the basis for the financial sustainability of sustainable forest management.

### **Expected outcomes:**

- Increased awareness and improve understanding of financial and economic instruments and mechanisms available for enhanced financing options for sustainable forest management.
- Provide input to the UNFF deliberations on the future international arrangement on forests.
- Disseminated experiences and lessons learned regarding knowledge of what financial and economic instruments have been successfully applied at the local or national level to leverage funding for sustainable forest management.
- Increased awareness of benefits to local communities, benefits to ecosystems, and opportunities for economic development that can be derived from innovative approaches to forest sector finance.

**Status:** The Workshop took place in 2005. During the meeting presentations were made on existing different financial mechanisms that may be used in the mobilization of resources to sustainable forest management, including funding from the international development banking system, debt for nature swaps, payments for environmental services, and mechanisms from different international conventions and organizations. A field trip to visit three examples of payments for environmental services mechanisms being implemented in Costa Rica. Proceedings from the Workshop were completed and distributed in English, French and Spanish. The meeting report was forwarded to the fifth session of the UNFF its recommendations on financial mechanisms that could be further developed, including funding from the international development banking system, debt for nature swaps, payments for environmental services, and mechanisms from different international conventions and organizations on forest sector finance.

### **Budget**

FY04	\$71,800.00
<b>Total</b>	<b>\$71,800.00</b>

## **Building Forest Policy Analytic Capacity in China-- Building Basic Models of Forest Supply**

**Thematic area:** Financing SFM **Level:** Country (China) **Completion Date:** December 2006

**Partners:** State Forestry Administration—Forest Economics Development Research Center.

**Background and purpose:** China's forestry sector continues a radical transformation. A pattern of forest depletion has been reversed in China and replaced by the world's largest afforestation process. Centralized command and control of the sector is being replaced with various forms of private, localized and frequently highly autonomous management arrangements. China is increasingly integrated into and significant in the world wood economy, becoming in a period of less than ten years one of the world's largest importers of wood and wood products and an increasingly important exporter (and re-exporter) of wood products including pulp, paper and furniture.

Managing forest policy for this increasingly complex, sophisticated and market-driven sector, is placing new and largely unexpected challenges on Government authorities, which, having initiated change, are increasingly hard pressed to ensure that reforms continue and succeed in environmental, economic and social terms. In particular, capacity to conduct modern economic analysis of possible policy reforms and initiatives with China, and within the State Forestry Administration (SFA) is seriously limited. The sector has been judged to be seriously lagging behind other sectors in such critical economic reform areas as taxation, regulation, land tenure and enterprise reform. As a result, there is a risk that future reforms will not be based on well-reasoned analysis. The SFA is committed to establishing the necessary capacity both within China generally and, especially, within the Forest Economics Development Research Center (FEDRC). FEDRC recognizes that it is stretched beyond its ability to provide the SFA quality economic analysis and identified supply analysis as an area of particular capacity building need.

**Approach:** The proposed project aims to build on current skills and interests of FEDRC to provide forest policy decision-makers with well justified advice and perspective on the impacts of alternative policy reforms and initiatives on the supply of forest goods and services and to institutionalize a stronger, collaborative and modern policy analysis capacity within the sector and the SFA.

**Outputs:** Outputs include reports and workshops exploring timber and forest supply from major components of the Chinese forestry sector (e.g. geographic regions and management arrangements, such as small farmer, communes and state forest farms) in relation to alternative policy and institutional options. Particularly important policy questions to be examined will include timber and enterprise taxation, land tenure and regulatory and transport policies.

The study will be part of the ongoing work program of FEDRC and will feed into development of the Bank's investment and policy dialogues with the Chinese Government. A series of reports, studies and workshops for national and international audiences will result, with recommendations for Chinese forest policy reforms on topics such as timber taxation, licensing, regulation and land tenure.

**Status: FY05:** Research work by FEDRC staff has produced reviews of data sources and analysis of economic forest supply modeling literature. The study team has also developed economic supply models of plantation forestry using data extracted from feasibility and appraisal studies of World Bank-assisted High-Yielding Fast Growing plantation projects. These analyses are being used to explore the ramifications of tax and other policy variables on plantation efforts and will be further refined to support design of case studies in future phases of the project.

<b>Budget</b>	
FY05	\$75,000.00
FY06	\$75,000.00
<b>Total</b>	<b>\$150,000.00</b>

## **Developing Partnership Based and Private Sector Financed Approaches to Management of Forest Resources in East and Southern Africa Regions**

**Thematic Area:** Enhanced Financing for SFM

**Level:** Country (Kenya - with implications for other countries in the region)

**Partners:** FINNIDA, JICA, DFID, USAID and other bilateral donors, IFC, WWF, Kenya Timber Industries Employers Association, Forest Action Network, Kenya Forest Working Group, and Kenya Forest Research Institute.

**Background purpose:** A combination of corruption and illegal excisions in the latter half of the 1990s reduced the area of industrial plantations in Kenya government forest reserves from 160,000 hectares to about 120,000 hectares (of which something between 20,000 and possibly as high as 40,000 hectares of logged-over forest lands have not yet been replanted). These forest excisions have created major environmental, economic and social problems. Illegal logging in indigenous forests has mushroomed and is negatively impacting on the biodiversity and the vital water catchment protection functions of Kenya's remaining upland forests. Further, uncertainties about the possibility to sustain the industrial round wood (IRW) requirements for Kenya's sawmilling, wood based panel and pulp and paper industries led to a government decision in the late 1990s to ban logging and to close down most sawmilling enterprises. As a result, many displaced forest workers are living in shanty townships, wood costs have soared, and the future survival of Kenya's pulp, paper and wood-based panel industries is under serious threat. This activity aims to foster emerging partnership arrangements for engaging forest industries, local communities, small holders and private sector investors in pilot schemes for management of government owned forest plantations and for establishment of new forest resources to promote pro-poor growth.

**Approach:** This project has focused on research into the financial viability of private sector investment in forestry, on developing guidelines for various partnership and concession based arrangements for socially environmentally and economically sustainable management of forest resources and on identification of a number of potential pilot schemes that the Kenya Government has in mind for testing alternative approaches to participatory management and commercialisation of existing forest plantations. A recently ratified Forest Bill aims to shift the main responsibility for plantation management to local forest associations and private forest companies.

The project financed four studies of the key issues:

- Kenya Forestry: Economics and Financial Viability: Roger A. Sedjo (Resources for the Future)
- Forestry Partnerships in Kenya a Review of Issues for business- farmer, and government community – business arrangements for wood production: James Mayers (International Institute for Environment and Development)
- Kenya: Interim Industrial Wood Supply Strategy: John Spears (Consultant on Forest Policy to the World Bank and PROFOR)
- Three pilot schemes for engaging sawmilling companies in management of government plantation resources. Charles Enough and David Kuwait (April 2005)

These studies provided input to a multi stakeholder Forest Investment Forum including representatives of various government ministries, private sector industry, financial, conservation and policy research institutions was held in Nairobi in April of 2005 ( see :Report on Outcome of a World Bank/ PROFOR Forest Investment Forum 27 April 2005 )

That Forum discussed alternative approaches to development of such partnerships. Proceedings of the Forum have contributed to government proposals to launch a number of pilot schemes for testing various partnership based approaches. The findings of the project are being taken into account in the course of designing a forthcoming World Bank financed Natural Resources Management project.

The most tangible way to assess the impact of this Project will be to follow progress that GOK is able to make in practical implementation of the pilot schemes mentioned above. This will be done through independent monitoring of progress and generation of verifiable evidence of the impact of these pilot schemes on local communities and on quality of plantation management. Monitoring will also attempt to assess the effectiveness of these partnership based approaches to plantation management in helping reduce the current pressures for illegal logging of Kenya's remaining indigenous forests which play a vital role in protecting biodiversity, carbon sequestration, and water resources.

This Bank/PROFOR catalytic activity has been carried out in close collaboration with IFC other donors and technical assistance agencies such as Finland, Belgium, USAID, JICA, DFID, the EU, the Netherlands FAO, UNDP and IUCN. It is likely that some elements of this proposed work program could be folded into ongoing activities being supported by such donors. It is relevant to note that in addition to the Bank, three of PROFOR's current donors have ongoing forest related bilateral aid programs in Kenya that are financing activities of direct relevance to this ongoing PROFOR initiative. They are FINNIDA, DFID and JICA. Discussions are ongoing about possibilities to engage more directly with FAO's nfp Facility.

**Status:** A PROFOR financed Forest Investment Forum was held in Kenya in April 2005. Background studies (see above) were completed. Forum discussions centered on alternative approaches to development of public-private partnerships, and contributed to government proposals to launch a number of pilot schemes for testing various partnership-based approaches. The findings of the project are being taken into account in the course of designing a forthcoming World Bank financed Natural Resources Management project. The project has generated considerable interest in other countries of the East and southern Africa regions including South Africa, Mozambique, Madagascar, Malawi, Zambia, Zimbabwe, Tanzania and Uganda, all of which have been testing ways of engaging local communities and private companies in management of government forest resources. A follow up PROFOR project has been approved for financing a Regional Forest Investment Forum in 2006 that will build on these Kenya experiences and provide an opportunity for countries to share experiences and lessons learned with potential for wider replication.

**Budget**

FY05	\$105,000.00
<b>Total</b>	<b>\$105,000.00</b>

**Government Policies, Natural Resources and the Environment: Analyzing Paths to Sustainability in Indonesia**

**Thematic Area:** Cross-sectoral cooperation **Level:** Country (Indonesia)

**Completion Date:** December 2007 (duration 18-24 months)

**Background and purpose:** Large-scale economic change in any country—whether induced in specific reform programs or inflicted through exogenous forces beyond the control of that country—has the potential to bring about major changes in the condition of natural resources and the environment. Especially in the case of developing countries, natural capital plays a significant role in economic growth and development, and is crucial to the sustainability of these processes; it is therefore of central interest when considering large-scale economic structural adjustment.

The focus of this work will be on the impacts of macroeconomic and key sectoral policies on natural resource management and poverty. The objective is to assess potential economic, ecological and social impacts of macro policy reform in Indonesia. This analytical work will be done in Indonesia because there are a series of development policy loans planned, starting in FY06, the country has one of the highest deforestation rates worldwide, and the forest sector plays an important role in national economic development.

**Approach:** The approach comprises two phases. First, CSIRO, the main implementing organization, will initiate the scoping work in Indonesia in January 2006. This first phase is anticipated to take 2-3 months. We anticipate initiating the second phase in May 2006. This will involve the outlined activities:

1. Outline/assess the process of formation of policy reform proposals and lending by (i) identifying potential entry points for analysis and considerations of options, impacts and implications, and (ii) applying initial criteria in conjunction with the GoI to identify key regions to focus the effort
2. Develop early screening tools by surveying literature on past policy reforms, identifying steps to rank potential areas of impact and threshold levels or triggers (part of this activity will involve using the rapid assessment toolkit for due diligence being developed at the Bank to identify key areas of concern and refining the toolkit for application to forest issues)
3. Identify critical impacts of existing policy framework and recommend a consistent set of tools for monitoring this by drawing on existing research and conduct detailed studies
4. Formulate policy reform options, scenarios and likely environmental consequences by examining alternate policy specifications, models for projecting these scenarios, identifying a consistent set of indicators that capture the impact of policy reforms on forests
5. Develop strategy for enhancing adaptive decision-making. This will involve working in collaboration with stakeholders to identify mechanisms for continued “no fault” monitoring and criteria for determining when the indicators trigger a change in policy formulation. Mechanisms for integrating these indicators into policy-making processes will also be considered
6. Synthesis of lessons learned and recommendations for further action.

Outputs will include:

- A framework (processes and tools) for understanding the complex interrelationships between the national economy, the environment and society in a developing nation context.
- A refined rapid assessment toolkit for assessing cross-sector linkages that extends the toolkit being developed by the Bank to focus particularly on forests. This toolkit will be translated into Bahasa, French and Chinese
- Workshops for using the toolkit

- Proposals for consideration by Bank management to mainstream the approach developed to address due diligence requirements for other policy reform efforts, e.g. an environmental component for a future DPL; and
- Participatory review of project, methods and approaches developed, lessons learned, and results and implications for policy reform in Indonesia. Efforts will be made to inform a wide set of stakeholders, disseminate lessons and results from the project, and develop recommendations for next steps.

**Status:** AusAID on December 5, 2005 agreed to fund the first phase of this activity. CISERO to begin scoping work in January 2006. Second phase to begin May 2006.

**Budget**

FY06	\$150,000.00
<b>Total</b>	<b>\$150,000.00</b>

## **Forest Impacts and Opportunities in a Development Policy Lending (Adjustment Lending) in Brazil**

**Thematic Area:** Cross-sectoral Cooperation **Level:** Country (Brazil)

**Background and purpose:** At the PROFOR donors meeting in October 2002, it was agreed that PROFOR should seek to extend the analysis of the potential impacts on forests that can result from large economic adjustment-type operations. The Latin America and Caribbean Region's portfolio is serving as a pilot to test approaches to screening impacts on forests (see project description above), and the Brazil Competitiveness Programmatic Operation (CPO) was initially identified as a case study within the region. However, recent developments have indicated that this operation may soon be altered significantly from its original design, and may in the process become less interesting as a case study for the purposes set out for this PROFOR activity. Accordingly, reconsideration of which of the several forthcoming programmatic operations in Brazil might be best for this purpose is currently underway.

When a decision on this is made, the objectives of the PROFOR activities will be:

- to analyze the potential significant impacts of reforms proposed in the selected programmatic operation on forests, and people dependent on those forests;
- to explore ways that these significant impacts – if adverse – might be anticipated so that they can be ameliorated or offset;
- to examine ways in which positive impacts of the selected operation on forests might be improved or enhanced; and
- to draw out the broader lessons for adjustment-type activities (from any source) to incorporate in a best practice guide for global discussion and dissemination.

**Status of activities:** Since the conception of this activity, there have been interesting global and national developments that have implications for the use of PROFOR funds for cross-sectoral work in Brazil. Firstly, the Congress is debating a new Public Forest Land Bill which would change how forest lands are allotted for private use and strengthen sustainable forest management; Brazil has received three development policy loans in FY05 (for housing, fiscal reform, and environmental sustainability); and the World Bank is launching the Forest Law Enforcement and Governance initiative in the Amazonian region.

In December 2005 we consulted with a government representative of the Ministry of Environment and with World Bank colleagues in Brazil and DEC to identify a suitable way of positioning this work so that it is useful for the government and can catalyze addressing key cross-sectoral and governance issues. Building on these consultations, we are proposing to pilot a no-fault monitoring system in specific states of Brazil (this was a recommendation of the Economic Sector Work done by the Bank on DPLs and forest outcomes). This monitoring system will use the Forest Monitoring model development by Global Forest Watch (WRI) in partnership with UNEP and South Dakota State University. This monitoring system uses spatial data on tree cover, information on activities ongoing in forest areas (such as logging, protection, road building, etc.) and information on concessions, and boundaries to monitor change in forests. The strength of this approach is that it provides a no-fault monitoring tool of cross-sectoral impacts that can inform policy and efforts to mitigate negative impacts. We hope to initiate this activity in Spring 2006.

## *Communications and Knowledge Management*

**Background and purpose:** Communications are central to PROFOR's operational approach, specifically with regard to the generation and dissemination of information and experiences on concepts, approaches, strategies, tools, and best practices related to PROFOR's thematic areas of work. PROFOR's communications infrastructure and activities at the global level aim to put in place the materials, tools and networks necessary to support the communication outputs specific to each PROFOR project and ensure that they reach the appropriate target audiences in an effective manner.

**Approach:** PROFOR's communications approach is based on the following:

- Communication of lessons learned, best practices, case studies and analytical tools relating to PROFOR's thematic work through publications, website, briefing notes, newsletters, workshops, and other appropriate modes;
- Tailoring these communication products to meet the specific needs of PROFOR's varying target audiences (client countries, donor agencies, NGOs, international organizations, international forest policy community) and outreach to target audiences for awareness raising through website, brochure, publications, briefing notes, workshops, etc;
- Networking with partners (international organizations, NGOs, governments, etc.) undertaking complementary work, so as to have access to the best available information and knowledge and access to communication channels, networks, and means for PROFOR to disseminate communication products;
- Supporting project-specific outputs such as workshops, publications, briefing notes, stakeholder dialogues and public awareness-raising products to ensure consistency in products and to maximize their dissemination and uptake by various target audiences; and
- A feedback system for partners and clients to evaluate what communication services are most effective and to identify additional materials/resources needed.

**Outputs:** PROFOR branding including set of style standards and templates (presentations, publications, briefing notes, newsletters, etc.); PROFOR global website; PROFOR publication series (style and distribution management); awareness raising events (i.e. book launches, presentations, side events and material tabling at international conferences, brown bag lunches at Bank); and mainstreaming of PROFOR concepts within the Bank.

**Status:** A logo, program brochure, publication template (exterior and interior), briefing note template, and revised website were developed in FY03/04 and continue to provide the basis for PROFOR branding and outputs. PROFOR organizes brown bag lunch events at the World Bank on an average of every other month. Recent PROFOR communication activity highlights:

***Dissemination and outreach:*** PROFOR materials are disseminated to a PROFOR contact database and to relevant workshop participant lists in both electronic and hard copy format. Outputs are posted on the website in electronic format and are available by request through the website. Materials are also distributed to World Bank Public Information Centers (PICs) throughout the world, distributed at World Bank internal events such as ESSD week, and tabled at all PROFOR workshops and events as well as at international events such as the IUCN World Conservation Congress, the World Forestry Congress, the UNFF and UNFF intersessional and country-led initiatives, CBD meetings, and World Bank annual meetings. PROFOR makes use of the Forests-I distribution list managed by IISD and the UNFF Secretariat as well as of partner publication and networks – such as IUCN's Abore Vitae and ETFRN News.

***PROFOR website:*** the website (at: <http://www.profor.info>) provides summaries of PROFOR activities and outputs. A new feature to the website is a publication order form which enables more targeted dissemination of materials. Electronic PROFOR periodic updates inform target audiences of

new material and significantly increase visits to the website. Monthly visitors (not hits) to the site are on average 1650.

### **Completed products:**

*Forests in Landscapes*, edited by Jeff Sayers and Stewart Maginnis. This joint publication with IUCN was published in July 2005 by Earthscan, is the culmination of this work. 1000 copies have been distributed - 500 via PROFOR and IUCN to key constituencies and the other 500 have been purchased through Earthscan. The publication has received very positive reviews. More information: <http://www.profor.info/pubs/sfm.html> Hard copy distribution: 1000 copies have been distributed - 500 via PROFOR and IUCN to key constituencies and the other 500 have been purchased through Earthscan

*Forest Institutions in Transition: Experiences and Lessons from Eastern Europe*. Published June 2005. It is the result of a review of 17 forest organizations in both transition economies, as well as in several forest-rich OECD economies: <http://www.profor.info/governance/ForestInstitutionsinTransitiontm.htm> Hard copy distribution: 300 copies – distribution ongoing for additional 600 copies.

*Tools for Civil Society Action to Reduce Forest Corruption - Drawing Lessons from Transparency International (TI)*- This report examines Transparency International's approach to fighting corruption and whether this approach might be applicable to the forest sector. Hard copy distribution: 1000 copies printed and disseminated.

"Forest Fiscal Systems – A Workshop Summary" (*available in English, French and Spanish*) – three page briefing note summarizing outcomes of October 2003 Forest Fiscal Systems Workshop. Hard copy distribution English (800) French (400) and Spanish (400).

*Reforming Forest Fiscal Systems: An Overview of Country Approaches and Experiences (available in English, French and Spanish)* - book including country background papers, introduction by workshop moderator, and workshop proceedings. These are available at: <http://www.profor.info/forestfiscalsystems.htm>.

*Environmental Fiscal Reform for Sustainable Development and Poverty Reduction – An OECD Environment and Infrastructure Division publication* - includes proceedings as a chapter.

*The Forest Investment Forum: Investment Opportunities and Constraints* (October 2003) – Book with proceedings and analysis of outcomes. This is available at: <http://www.profor.info/financingSFM/forestinvestmentforum.htm>

"Economic Incentives for SFM and Land Restoration" (*available in English and Spanish*) – eight page briefing note summarizing outcomes of the February 2004 workshop. These are available at: <http://www.profor.info/colombia.htm>

*Institutional Change in Forest Management: Experiences of Countries with Transition Economies: Problems and Solutions* – (*available in English and Russian*) Book including case studies and presentations delivered at February 2003 Workshop. Hard copy distribution: 1200 (three print runs).

Publication series in Russian covering following topics: Problems and Opportunities in Forest Concession Development; New Approaches to Fire Management at an Eco-regional Level; and Training Needs in the Forest Sector Reforms. These are available at: <http://www.profor.info/governance/transitioneconomies.htm>

*Implementing the Proposals for Action of the Intergovernmental Panel on Forests and the Intergovernmental Forum on Forests* – (*available in English, French and Spanish*) - Summary of the IPF/IFF Proposals for Action intended to facilitate national-level implementation of the proposals for action. English version produced June 2002, French and Spanish versions produced in 2004. These are available at: <http://www.profor.info/pubs/austproforsum.htm> Hard copy distribution: English (1200) French (400) and Spanish (500). FAO and GTZ have contributed greatly to distribution through workshops.

*European Tropical Forest Research Network (ETFRN) Special Report on National Forest Programs (no 41-42 Autumn 2004)* - The NFP Facility and PROFOR cosponsored special edition of ETFRN This is available at: <http://www.etfrn.org/etfrn/resource/news.html> Hard copy distribution: 4,000.

“Economic Incentives for SFM and Land Restoration” (English and Spanish) – eight page briefing note summarizing outcomes of the February 2004 workshop.

“Forest Fiscal Systems – A Workshop Summary” (English, French and Spanish) – three page briefing note summarizing outcomes of October 2003 Workshop.

**Articles in periodicals:**

“The Reward of a Small Purchase of CO2 Emissions” *Above Vitae*, May 2004.

“Practicing What We Preach: The Reward of a Small Purchase of CO2 Emissions” World Bank Today (an internal communications publication), December 23, 2004.

“Responsible Forest Investment” World Bank Development News, October 17, 2003.

**Publications currently under production:**

*Benchmarking Public Service Delivery at the Forest Fringes in Jharkhand, India* – the report of the citizens report card study, expected February 2006.

*Role of CITES in combating illegal logging: Present and potential* – Study on relevance of CITES as a tool to combat illegal logging. To be finalized Winter 2006.

*European Tropical Forest Research Network (ETFRN) Special Report on Forests and the MDGs* - a second joint ETFRN edition by the NFP Facility and PROFOR cosponsored special edition of ETFRN. The publication will be completed in Spring 2006

*Forest Law Enforcement and Rural Livelihoods* – publication of the partnership activity with CIFOR on this topic. The synthesis report is expected to be available Winter 2006. Some of the case studies will also be included in a book on illegal logging to be published by Earthscan.

**Budget**

FY04	\$40,000.00
Fy05	\$32,000.00
<b>Total</b>	<b>\$72,000.00</b>

### Annex III: Completed Activities

The following activities are closed and were not active during calendar year 2005. Please see the PROFOR Progress Report completed in January 2005 for further details.

Project	Level	Outputs	Partners	Total Budget
<b>Livelihoods</b>				
<b>Forest Policy Dialogue with Government of India</b>	India	Global findings on tenure, deregulation, and markets; share community forestry experiences from China, Mexico and Vietnam.	MoEF, NFC, World Bank South Asia Rural Development and Country Operations, Forest Trends	\$46,000
<b>Governance</b>				
<b>NFPs and Decentralization</b>	Global	Community Roundtable at Interlaken Workshop on Decentralization April 2004; follow-on work in Indonesia	CIFOR, FAO, ITTO, NFP Facility, UNFF Sec., WRI, WWF, Swiss, Indonesian Govs.	\$30,000
<b>Russian Forest Sector Reform</b>	Russia	Consultations; workshops	FINNIDA, GEF, Russia, SIDA, World Bank	\$140,000
<b>Financing SFM</b>				
<b>Evaluation of global flows of financing for SFM for UNFF</b>	Global	Study of global flows of financing for SFM	CPF, UNFF	\$25,000
<b>Enabling environment for private sector investment in SFM</b>	Global	Forest Investment Forum	IFC, WBCSD, WWF	\$75,000
<b>Improving Participation in and Coordination of PROFOR and NFP Related Activities in the Africa Region</b>	Regional	Analytical reports and action to support SFM; knowledge capture and sharing;	World Bank; bilateral partners	\$40,000
<b>Economic incentives for land restoration and SFM</b>	Regional	Review experience with PES in LA; Workshop and proceedings.	CI Colombia, CIFOR, Colombian MoE, Forest Trends, ITTO, IUCN-SUR,	\$95,000
<b>Knowledge Management</b>				
<b>International Partnership for Forestry Extension</b>	Global	Pilot activities in key areas of likely activity, to test IPFE concepts	CIFOR, FAO, ICRAF, SILVA Network, WBI, Yale, UBC	\$150,000 (DGF Funding)

## **Annex IV: Initial Lessons Learned (Presented at Donors Meeting January 2005)**

PROFOR has been operational at the World Bank since the adoption of the Bank's new Forests Strategy in November 2002. Two years into the program, some initial lessons learned have emerged. However, for several of the activities it is premature to draw conclusions and lessons are expected to emerge as implementation progresses.

### **Working in partnership has provided expertise and contributed to PROFOR's outreach**

PROFOR has benefited from partnership with international organizations and research groups with highly qualified staff, well established programs and targeted networks for dissemination. Examples of partners include CIFOR, IUCN, ODI, Forest Trends and Winrock-International. To date, these relationships have amplified PROFOR's capacity and outreach networks.

PROFOR and the NFP Facility at FAO host back-to-back steering committee meetings, and, in conjunction, a half-day joint meeting on partnership between the two programs. However, this partnership has fallen short of its potential to date and efforts to undertake more joint activities are underway. Areas for collaboration have been identified and dialogue on how to proceed is ongoing.

### **Demand for real world experience sharing between countries and practitioners is very high**

Within the forest sector, the demand for experience sharing between countries is very high. In particular, there is interest in topics such as institutional reform, forest fiscal systems, concession systems, innovative financing, decentralization, etc. PROFOR has supported activities related to this, but there remains much that can be done in this area. To yield the most results from events centered on experience sharing, adequate preparation is needed to ensure participation of key individuals that will be able to follow through on knowledge gained and recommendations that emerge from such events. Further thought could also be given to how best to capture and further share knowledge from PROFOR activities.

### **Responsiveness to country requests yields positive inputs to national level policy dialogue**

In several cases, PROFOR has responded to direct requests from countries (including Russia, Honduras, Colombia, India and Costa Rica) to undertake analytical work and/or prepare workshops on key thematic topics. Such country-driven partnerships have proven to enable effective input to policy dialogues at the national level.

*Russia:* PROFOR funding resulted in three workshops on institutional changes, concession policies/forest leasing arrangements and federalism and decentralization. This advanced the policy dialogue and served as a catalyst in forest sector reform. In turn, this has helped unblock lending in a World Bank forest sector project, as various regions in Russia have sought to implement best practice reforms.

*Kenya:* Work is underway to advance farm forestry through establishing public-private partnerships, better coordinate investments in the forest sector and provide input to the draft Forest Bill. PROFOR support has leveraged additional funding from IFC, FAO and the Finnish government.

*India:* PROFOR, World Bank and Forest Trends presentations on forest tenure, forest sector regulation policies and community forestry made to the National Forest Commission, state governments and NGOs advanced the debate on forest sector reform.

*Colombia:* A seminar on payments for environmental services provided key policy advice to the Colombian government on revising the forest law.

### **PROFOR has a unique role as an "independent" and flexible program**

PROFOR's ability to be responsive to requests such as those by Russia, Honduras, and Kenya has helped to move national policy dialogue forward, and in some cases shifted the national policy

landscape toward a more proactive forest sector. This responsive approach to emerging opportunities has proven to be highly effective and should continue to be a part of PROFOR operations. Inputs from PROFOR have catalyzed changes that advance the World Bank's analytical and operational work, for example in Russia where the PROFOR sponsored workshops contributed to moving reforms along and to raising the profile of forests as a national priority.

Additionally, PROFOR may have an advantage as an "independent" source of funding that may appeal to client country governments as having less political overtones than funding coming from the World Bank or even a specific donor agency. In this sense, PROFOR funded activities may serve a special role in terms of convening a range of stakeholders including government, private sector, and NGOs.

### **PROFOR has enabled the provision of timely and targeted knowledge for decision makers**

In the case of Honduras, identifying specific policy issues and questions that were bogging down the reform process and providing dialogue with policy makers from countries in the region with experience in tackling the specific issues and questions helped to move the reform process along by enabling Honduran policy makers to better evaluate their policy options and likely impacts.

The knowledge capture from PROFOR activities has varied. An area needing further consideration is how to ensure better capture of knowledge generated and quality synthesis of knowledge shared through PROFOR activities.

### **PROFOR is an effective vehicle for developing institutional relationships and leveraging financing for activities**

PROFOR has served in many cases (Forest Investment Forum, Forest Fiscal Systems, activities in Kenya, etc.) as leverage for additional funding support from partner institutions. This has helped to build PROFOR's relationships and networks. For example, through the outcomes of the Forest Investment Forum, and specific joint work in Kenya, a solid working relationship has developed with the International Finance Corporation (IFC). This relationship includes work on advancing public-private sector partnerships and increasing investments under the corporate social responsibility initiative. The Forum also prompted follow-up work by the ITTO.

### **PROFOR is viewed as a model for trust fund establishment and management**

PROFOR has been well received as an institutional model for trust funds within the World Bank. It was considered to be a best practice example and therefore showcased at the donors meeting in Paris in March 2004. Since this meeting, a newly created trust fund (PROFISH) was modeled on PROFOR. This was due to two major strengths attributed to PROFOR activities: effective working partnerships with multiple stakeholders and a funding source available to external organizations, as well as to World Bank regional activities.