



Program of Work and Financing

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PROFOR Program of Work and Financing

Objectives and Principles of Operation for PROFOR

The overall objective of PROFOR, as stated in the program document, is:

To strengthen the capacity of national forest programs and other forest-related processes to better address poverty alleviation, sustainable development and forest conservation needs. This will be achieved through a strategic partnership between the World Bank, the FAO, contributing donors, client countries, NGOs with special expertise in sustainable forest conservation and development and innovators in sustainable development in the private sector. PROFOR will generate and disseminate cutting-edge knowledge on critical sectoral and cross-sectoral issues related to the management, conservation and sustainable development of forest resources.

Donors and the World Bank have agreed that the four key themes of PROFOR's activity will be as follows:

- support for thematic work on **livelihoods** ? forest links, building more people-centered and poverty focused approaches;
- focus on **governance issues** ? realignment of government, private sector and other civil society roles and responsibilities; creation of incentives to encourage partnerships; and enhancement of accountability by major actors in the sector;
- promotion of **enhanced financing options** ? development of innovative financing strategies and marketing systems to support sustainable forest management, and protection; and
- analysis of impacts of **cross sectoral and macroeconomic measures on forests**, and exploration of means to utilize forests more effectively to achieve larger cross-sectoral objectives.

The means by which PROFOR will pursue these themes are:

- 1) Support for analytical research that will help to improve understanding of strategies that will enhance the role of forest resources in contributing to poverty alleviation, economic growth and preservation of environmental values.
- 2) Generation and distribution of knowledge and information on concepts, approaches, strategies, tools, and best practices related to defined thematic areas to developing countries and to international organizations.
- 3) Generation and distribution of lessons learned on the management of nfp processes. This knowledge will be gathered from PROFOR's own work to support national processes, and from a process to compare and contrast this information with that of other nfps.

The World Bank has agreed to host the PROFOR program on the basis of an understanding with donors that PROFOR will run for an initial period of five years, after which partners will consider whether to extend the program or not. There is also an understanding that funding for the program will need to be maintained at a level of at least \$1.5 million per annum, to be viable – and it is also agreed among the World Bank and donors that funding beyond this level would certainly be preferable and should be actively sought. These agreements were both specified in the proposal for hosting PROFOR in the World Bank that was reviewed and approved by the World Bank's Partnership Council, which operates under the chairmanship of the Managing Director for Operations and Policy.

Current Portfolio and Pipeline of PROFOR Activities

Under the general guidance of the objectives and principles for PROFOR as laid out above, a portfolio and pipeline of projects has been developed, based on assumed maintenance of funding support from the present group of donors – with some upward flexibility to allow for inclusion of more activities if further funding becomes available. The portfolio and pipeline activities composition is balanced among major target regions of the globe, and similarly between activities focused at the global, regional and country levels. The current or projected activities are discussed briefly below, under the four key themes for PROFOR outlined above. More detail is given in the project summaries included in this report.

1. Livelihoods. Meeting subsistence needs, reducing vulnerability, overall poverty reduction, and increased participation in market activities are all important in the approach taken in this area. A livelihoods approach seeks to identify the main contributions that forests can make to the livelihoods of the poor, including subsistence products from forests that complement what can be produced from the household farm, income from employment in public or industrial forestry or forest product processing, and household or small-scale activities in the informal sector. Through data collection and the development of analytical tools, PROFOR aims to contribute to a better understanding of forests as a source of livelihoods and to develop awareness of potential adverse impacts some policies or initiatives may have on forest livelihoods.

At the global level: The purpose of the global PROFOR activity in this area will be to collate a toolbox of materials supporting pro-poor nfps using existing materials and new knowledge generated through lessons learnt, workshops, synthesis and action research. Additional work will investigate the impacts of forest law enforcement on livelihoods.

At the regional level: The regional activity responds to priority actions established by representatives from developing countries at the Tuusula meeting (Oksanen, Pajari & Tuomasjukka, 2003) to support this process and to promote regional learning. Experiences from previous forest sector interventions will be synthesized with PRSPs in East Africa to generate evidence that meets needs as identified by stakeholders in ministries of finance and planning. The synthesis activities will aim to link indicators of progress developed for nfps to poverty indicators in PRSPs and the Global Millennium Development Goals.

At the country level: In India, a study will assess the poverty aspects of Joint Forest Management (JFM) by documenting the decade-long experience through interviewing the intended project beneficiaries in several project sites, using a citizens (or users) report card approach. Building up an information baseline on the impacts, achievements, and shortcomings of JFM will be a special focus of this study.

2. Governance Issues. Forest governance encompasses topics relating to how forest resources are managed, ranging from how decisions about forest use are made and who is involved in the decision-making process, to the enforcement of forest laws and policy on the ground. PROFOR aims to enhance accountability in the forest sector and to align government, private sector and civil society interests and responsibilities to establish more equitable forest use decision-making practices. It seeks to facilitate improved forest sector governance and reform through analysis and sharing experiences to inform such processes and by providing opportunities for dialogue among stakeholders. Through data collection and analytical research on governance and forest law enforcement challenges, PROFOR aims to improve understanding of this complex and highly political issue, and to identify tactics and tools to address corruption and forest crimes. In overall terms, note that PROFOR funded activities complement other multi-donor governance initiatives underway.

At the global level: Efforts include assessing the suitability of CITES in controlling illegal timber trade, identifying the potential application to forestry of “crime fighters tool-kits” which have been applied in other sectors, and documenting and sharing experiences with decentralization of forest governance and forest institution reform.

At the regional level: It is envisaged that PROFOR funding may be used in the future to enhance the synergies between global, regional and country level forest governance efforts (including the FLEG Processes and ongoing reform/decentralization processes), especially through dissemination and knowledge management.

At the country level: Analytic work to improve understanding of illegal activities and policy options including sector diagnostic surveys, evaluation of “best practices,” and lessons learned from initiatives to improve governance and their potential for improvement and scale-up. Projects are designed to provide input into forest sector reform processes in countries that are considering new approaches to forest management, such as Honduras, Kenya, and Russia.

3. Enhanced Financing Options. Creating a sustainable forest sector requires innovation in both the practice and financing of forest management. A particular area of interest is reform of market structures to make sustainable forestry more profitable than unsustainable forest exploitation. This will involve assessment of potential forest revenue generation from both traditional and innovative financing options, including the restructuring of existing economic and fiscal instruments, and the development of markets and mechanisms to capture the environmental services provided by forests, such as carbon sequestration, biodiversity conservation and watershed protection. It will require investigation of what is needed to encourage governments to adopt policies that create enabling conditions for investment in SFM, and for the private sector to engage such investments. Through stakeholder consultations, PROFOR supports dialogue to resolve conflicting interests in forest markets and to create opportunities for private sector-community partnerships that encourage equitable distribution of benefits.

At the global level: A background paper on the status of forest fiscal systems and innovative sources of financing for SFM has been completed. Follow-up consists of a more detailed assessment of financing for SFM and socially responsible private sector investments. Investigation of what is needed to encourage governments to adopt policies that create enabling conditions for investment in SFM, and for the private sector to engage in such investments will be a key focus. The project on Reforms of Forest Fiscal Systems and the Investment Forum will provide useful insights for this phase.

At the regional level: Looking at the underlying factors explaining the differential financial flows (both private and official development assistance) across regions, and how risks to investment in the forest sector may be mitigated (e.g., the preparedness to implement SFM for Sub-Saharan Africa).

At the country level: Assessing the design and implementation of appropriate revenue systems (including mechanisms for payments for environmental services of forests) and developing a pragmatic balance between good economics and political feasibility.

4. Cross-Sectoral and Macroeconomic Impacts on Forests. Activities under this thematic window will focus on development of a best practice methodology for identification of potentially adverse impacts on forests from macroeconomic adjustment programs. Poverty reduction support credits (PRSC) as well as programmatic economic reform programs have become matters of considerable concern in the international community. This area of inquiry also allows for the identification of policy and institutional reform measures suitable for incorporation into macro-level adjustment programs which can have significantly *beneficial* impacts upon forests.

At the global level: The purpose of the global PROFOR activity in this area will be to collate experiences with adjustment impact analysis from various sources, including the process for screening and closer analysis of identified adjustment operations being developed for the Latin America region under the regional and country level activities outlined below. The results of the adjustment impact analysis on forests will be published and disseminated in a format that will allow potential users of the best practice approach to evaluate the potential implications of applying it.

At the regional level: The basic task of the regional PROFOR activity in this thematic area is to refine a basic listing of adjustment operation themes to focus in on cases where specific activities or reforms show *prima facie* potential for having some significant impact on forests. This will be done for the pilot region of Latin America.

At the country level: Two country-level, adjustment-type operations are being selected via the screening process outlined under the regional level task above. For these two operations, PROFOR will analyze the potential significant impacts of reforms supported by the operation on forests; explore ways that these significant impacts – if adverse – might be anticipated so that they can be ameliorated or offset; and examine ways in which positive impacts of the operations on forests might be improved or enhanced.

Budget and Funding Projections for PROFOR

The budget projections for PROFOR for fiscal years (FY) 2004 and 2005 are detailed in the table below according to thematic area and level of activity. The activity levels reflected in the table are indicative and remain open. The portfolio for FY 2005 will continue to be developed. Based on current commitments from donors, including the Bank, the funding projection for fiscal year 2004 is US\$2.1 million.

BUDGET PROJECTIONS FOR PROFOR, FYs 2004 - 2005

Thematic Area	Level	Jul-Dec 03	Jan-Jun 04	Jul-Dec 04	Jan-Jun 05
1. Livelihoods	Global	82,000	20,000	50,000	
	Regional	80,000		20,000	
	Country	55,000	80,000	75,000	75,000
2. Governance	Global	75,000	52,000	50,000	
	Regional				
	Country	90,000	135,000	85,000	60,000
3. Financing SFM	Global	150,000	150,000	50,000	50,000
	Regional	90,000	50,000		
	Country				
4. Cross-sectoral & Macro-economic Impacts on Forests	Global			20,000	20,000
	Regional	40,000	40,000	20,000	
	Country	100,000	50,000	70,000	70,000
5. Knowledge mngt.		150,000	60,000	45,000	45,000
6. Admin/staffing		410,000	410,000	410,000	410,000
Totals		1,322,000	1,047,000	895,000	730,000

Overview of Project Proposals According to Thematic Area

LIVELIHOODS					
Project	Level	Outputs	Partners	Budget FY04	Budget FY 05
Forest Law Enforcement and Rural Livelihoods	Global	Case studies; Workshop	CIFOR, DFID	\$42,000	
Empowering nfps to Deliver Poverty Reduction: Partnership to Embed National Forest Programs within National Poverty Reduction Strategy Processes	Global	nfp poverty reduction toolbox; synthesis of existing experience; new approaches for participatory monitoring	ECTF, IUCN, GTZ, IIED, NFP Facility, ODI, UNDP, Winrock (additional potential partners include DFID and the Finnish Government)	\$60,000	\$50,000
Empowering NFPs to Deliver Poverty Reduction: Partnership to Embed National Forest Programs within National Poverty Reduction Strategy Processes	Regional (East Africa)	Lessons learnt for supporting pro-poor nfp; regional workshop	(same as above)	\$80,000	\$20,000
Measuring forest programs poverty impacts in India	India	Pilot framework approach for measuring impacts	CIFOR, DFID, Forestry Departments	\$110,000	\$100,000
Evaluating the efficiency of public service delivery (including forestry) on the forest fringe	India	'Citizens' report card' survey	Public affairs center, Bangalore, Ministry of Environment and Forestry,	\$25,000	\$50,000

GOVERNANCE					
Project	Level	Outputs	Partners	Budget FY04	Budget FY 05
Reducing Corruption and improving governance in forestry: lessons from Transparency International (TI)	Global	Forest crime-fighters toolkit	Forest Integrity Network, TI	\$60,000	\$25,000
CITES Instrument	Global	Assessment of CITES as tool to combat illegal timber trade	TRAFFIC	\$37,000	\$25,000
NFPs and Decentralization	Global	Workshop; Recommendations for UNFF	CIFOR, FAO, ITTO, NFP Facility, UNFF Sec., WRI, WWF, Swiss, Indonesian govts	\$30,000	
Russian Forest Sector Reform	Russia	Consultations; workshops	Forest Trends, GEF, SIDA, IFC, WBCSD, WWF	\$70,000	\$55,000
Forest sector transition in Honduras	Honduras	Case studies, workshop	CIDA, FINNIDA, GTZ, NFP Facility, SIDA	\$75,000	\$50,000
Cross-sectoral analysis of forest and natural resource management in Kenya	Kenya	Analysis of macro context and policy/institutions; Stakeholder consultations	GEF, IUCN, NFP Facility, WWF	\$80,000	\$40,000

FINANCING SFM					
Project	Level	Outputs	Partners	Budget FY04	Budget FY 05
Implementing the IPF/IFF proposals for action	Global	Evaluation of global flows of financing for SFM	CPF, UNFF	\$25,000	
Review of Ecosystem approach and Sustainable Forest Management	Global	Discussion paper on ecosystem approach and SFM	IUCN, ITTO, FAO, CBD, UNFF Secretariat	\$150,000	
Enabling environment for private sector investment in SFM	Global	Forest Investment Forum; Pilot new approaches to investment	IFC, WBCSD, WWF	\$75,000	\$50,000
Forest Fiscal System Reforms	Global	Case studies; Workshop	DFID, Ministries of Forestry and Finance	\$50,000	\$50,000
Improving Participation in and Coordination of PROFOR and NFP Related Activities in the Africa Region	Regional	Analytical reports on policies and action to support SFM in Africa; identification of opportunities for knowledge capture and sharing;		\$40,000	
Economic incentives for land restoration and SFM	Regional	Review experience with payments for forests environmental services in LA; Workshop	CI, CIFOR, Colombian Ministry of Environment, Forest Trends, ITTO, IUCN-SUR, NFP Facility	\$100,000	

CROSS-SECTORAL COOPERATION					
Project	Level	Outputs	Partners	Budget FY04	Budget FY 05
Scaling up Adjustment Screening Approach	Global	Screening methodology; mitigating measures; best practices	CIFOR, bilateral donors, NFP Facility, client		\$40,000
Adjustment Operations Impact Screening Approach	Regional (LAC)	Identification of Bank activity “themes” likely to impact forests; analysis of impacts on forests		\$80,000	\$20,000
Screening Brazil Competitiveness Programmatic Operation	Brazil	Identification of potential impacts on forests		\$50,000	\$90,000
Screening the PRSC for Guyana	Guyana	Identification of elements with potential adverse impacts ; forest legislation; assessment of mining sector impacts on forests	WB Country office, bilaterals, international environmental NGOs	\$100,000	\$50,000

KNOWLEDGE MANAGEMENT					
Project	Level	Outputs	Partners	Budget FY04	Budget FY 05
International Partnership for Forestry Extension	Global	Organizational arrangements among IPFE university members; and pilot activities in key areas of likely activity, to test IPFE concepts	CIFOR, FAO, ICRAF, SILVA Network, World Bank Institute, universities (including Australian National University, Canterbury, Oregon State University, University of British Columbia, Universities of Andes, Freiburg, Melbourne, Oxford, Southern Cross, Stellenbosch, and Yale).	\$150,000 (DGF Funding)	
Communications infrastructure and activities	Global	Website; publication series; awareness raising events; set of style standards and templates		\$60,000	\$90,000

PROFOR Project Proposal Summaries

Livelihoods

Forest Law Enforcement and Rural Livelihoods

Level: Global

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 will have to 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 will require a more in-depth understanding of:

- How rural households currently use forest resources.
- The relative contribution to legal and illegal timber production of large and small-scale producers and combinations of the two groups.
- 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 change that.
- Existing opportunities for community participation in forest law enforcement.
- The practical advantages and disadvantages of different policy options for addressing rural livelihood issues in forest law enforcement contexts.

Each of these things 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 will provide initial insights and policy guidance on these issues as they apply to five selected case studies in Asia, Africa, Latin America, and North America. It will then disseminate these insights and policy guidance to key government officials, policy analysts, and NGO and grassroots activists concerned with forest law enforcement.

Outputs: A preliminary report of approximately 20 single-space pages will address 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 will use mainly literature reviews and secondary data, interviews with key informants, and the experience of the individual authors to address in a common format how the issues discussed above are likely to play out in five case studies: Bolivia, Cameroon, Canada, Honduras or Nicaragua, and Indonesia. These case studies will be used as inputs into the synthesis report, and as inputs to the workshop and subsequent project development.

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.

The synthesis report of 30-40 pages will draw from the preliminary report, the case studies and a broader literature review and key informant interviews to present a well-written and compelling analysis of the potential risks and opportunities that forest law enforcement efforts in different contexts present for rural livelihoods. (Prepared by November 15)

A two-day workshop will be held (by CIFOR) after the completion of the synthesis report to:

- reflect on the case studies and the synthesis report;
- assess further research needs;
- develop a concept note for a research project and consider partnership options.

Status: The project will run from February 2003 (date of commencement with DFID support) through February 2004 and have a total budget of 50,000 British Pounds Sterling from DFID, and 42,000 US Dollars from PROFOR. A preliminary report will be ready in time for the African Ministerial on Forest Law Enforcement and Governance, and will be used mostly for that meeting and for limited electronic distribution. The workshop to discuss the case studies (Cameroon, Indonesia, Canada, Nicaragua/Honduras and Bolivia) and the synthesis document took place in Bogor from 17-18 November 2003. A final review of papers to be undertaken by PROFOR team members will be submitted by 15 December 2003. A concept note has been drafted for BMZ's call for proposals for the next phase. The synthesis report and case studies will be published in February 2004. A new learning group (on forest law enforcement and livelihoods) has been established and will link to the IIED supported Forest Governance Learning Group.

Budget:

Preparation of case studies	\$26,610
Workshop	\$13,399
Overheads	<u>\$1,991</u>
Total for FY04	\$42,000

Empowering NFPs to Deliver Poverty Reduction: Partnership to Integrate National Forest Programs with National Poverty Reduction Strategies

Thematic area: Livelihoods

Level: Global

Partners: ECTF, IUCN, GTZ, IIED, NFP Facility, ODI, UNDP, Winrock (additional potential partners include DFID and the Finnish Government)

Background and purpose: The importance of the environment, biodiversity and natural resource management are increasingly being recognized as vital components of national economic and development planning, as well as for poverty reduction strategies (Bojö *et al.*, 2001; DFID *et al.*, 2002). In practice this potential is not yet being realized in a manner commensurate with that importance.

At the international level, the forest sector has been active in discussing approaches, strategies and tactics to increase the sector's potential impact on poverty. A series of three meetings supported by FAO, DFID and the Finnish Ministry of Foreign Affairs (MFA, DIDC) have led to a much better understanding of how environment and natural resources can be integrated with the participative process of building and implementing Poverty Reduction Strategy Papers (PRSPs). The recommendations from the international meetings considering pro-poor forestry include the need to:

- Strengthen the poverty focus of national forests programs (nfps) and National Strategies for Sustainable Development (NSSD)
- Link nfps to PRSPs and their associated budget process (Mid-term Expenditure Frameworks)
- Generate better evidence of forestry-poverty linkages through case studies
- Develop systems to monitor and evaluate outcomes and impact of forestry-related interventions on poverty reduction
- Promote lesson learning between sectors, between countries (South-South) and between partner countries and the wider international community

This summary proposes a series of actions that will use forests as an entry point to enhance the representation of natural resources in poverty reduction strategies for developing countries. The proposal emphasizes the need to develop quantitative evidence (case studies) demonstrating the linkage between trees and forests and poverty reduction.

Approach: Knowledge and skills required to mainstream environment and natural resources into PRSPs is widely distributed between sectors, organizations and countries. Cross-sectoral and regional learning events to promote existing best practices would have a rapid impact. This approach, combined with local capacity building would strengthen environment and natural resources sectors ability to articulate their impact on poverty to ministries of finance and planning.

Breakdown of potential contributions to this approach by each partner:

ECTF (UoE, LTSI)	Supporting understanding of contribution of forests to poverty reduction Lesson learning to support local pro-poor actions Monitoring and Evaluation of impact on Poverty
IUCN	International, national and local understanding of pro-poor management of the environment and natural resources Extensive networks supporting dialogue and learning Entry point to all international forestry processes and dialogue.

GTZ	Country level experience in implementation of nfps
IIED	Analysis of forestry policy and implementation of nfps Supporting understanding of contribution of forests to poverty reduction
NFP Facility	Support of national nfp initiatives
ODI	Analysis of poverty and policy issues
UNDP	Equator Initiative and Poverty Environment Initiative in East Africa Contribution of Environment and Natural Resources to Sustainable Development
Winrock	Global practical experience of community scale benefits derived from trees and forests.
PROFOR	Lessons learned and promotion of poverty reduction toolbox

Outputs: NFP Poverty Reduction Toolbox: A toolbox of materials supporting pro-poor nfps will be collated utilizing existing materials and new knowledge generated through this initiative (lessons learnt, workshops, synthesis and action research). This work will build on experience developed by CIFOR, IIED and ODI to synthesize and present lessons at the global level. Practical tips, approaches and strategies will be combined with the collation of known relevant background material. Material will be presented to clients as a living document, including CD, pamphlets, and a web site. New technology such as CIFOR's Co-Learn will be considered as options to provide clients with easy access to knowledge.

Synthesis of existing evidence, knowledge and country and community level experience in pro-poor forestry: The lack of evidence that demonstrates the impact of good management of natural resources on poverty reduction has been identified as a significant factor impeding budget allocation to pro-poor interventions (Oksanen, Pajari & Tuomasjukka, 2003; van Gardingen, 2003).

Experiences from previous interventions will be synthesized to generate evidence that meets needs as identified by stakeholders in ministries of finance and planning. The synthesis activities will aim to link indicators of progress developed for nfps to poverty indicators in PRSPs and the Global Millennium Development Goals.

Each country study will involve a partnership including local stakeholders and external supporters of poverty reduction.

Status: Co-financing is being sought and the partner's roles are being defined

Budget:

NFP: Poverty Reduction Toolbox

Synthesis	\$8,500
External inputs and review	\$5,000
Publication (Toolkit + CD)	\$5,000

Synthesis of existing evidence, knowledge and country and community level experience in pro-poor forestry

Brazil	\$5,000
Uganda	\$5,000
Cameroon	\$5,000

Generating new knowledge

eNew approaches for participatory Monitoring	<u>\$21,500</u>
Total for FY 04	\$60,000
Expected Commitment for FY 05	\$50,000

Empowering NFPs to Deliver Poverty Reduction: Partnership to Integrate National Forest Programs with Poverty Reduction Strategy Processes

Thematic area: Livelihoods

Level: Regional – East Africa

Partners: ECTF, IUCN, GTZ, IIED, NFP Facility, ODI, UNDP, Winrock (additional potential partners include DFID and the Finnish Government)

Background and purpose: This project is a regional component of the global project on this topic (See the global project above for background.) The East Africa region was selected to pursue this aim for reasons articulated in a recent study funded by DFID (van Gardingen, 2003) which identified opportunities to enhance the representation of natural resources (including forests) in poverty reduction strategies in Uganda and Kenya.

In Uganda, the environment and natural resources are beginning to be considered as being a sector so that they can become eligible for increased government funding. The same, it is hoped will apply to Kenya. The activities in Uganda are supported through funding from DFID and Royal Netherlands Embassy while in Kenya a project document has been developed and agreed upon by the main partners. These national activities build on the recommendations and outcomes from a regional East African meeting (February 2002), organized by IUCN-EARO, which brought together Directors of Conservation (Wildlife, Fisheries, Forestry, Environment) with their counterparts in Ministries of Economic Planning and National Development and, Ministries of Agriculture.

This concept note proposes using forests as an entry point to enhance the representation of natural resources in PRSPs for developing countries. The proposal emphasizes the need to develop quantitative evidence (case studies) demonstrating the linkage between trees and forests and poverty reduction.

Approach: Kenya and Uganda will serve as case studies within the global project approach. Breakdown of potential contribution by each partner:

ECTF (UoE, LTSI)	Supporting understanding of contribution of forests to poverty reduction Implementation of pro-poor nfps in Africa Lesson learning to support local pro-poor actions Monitoring and Evaluation of impact on Poverty
IUCN	International, national and local understanding of pro-poor management of the environment and natural resources Extensive networks supporting dialogue and learning Entry point to all international forestry processes and dialogue.
GTZ	Country level experience in implementation of nfps
IIED	Analysis of forestry policy and implementation of nfps Supporting understanding of contribution of forests to poverty reduction
NFP Facility	Support of national nfp initiatives
ODI	Analysis of poverty and policy issues
PROFOR	Lessons learned and promotion of poverty reduction toolbox

UNDP	Equator Initiative and Poverty Environment Initiative in East Africa Contribution of Environment and Natural Resources to Sustainable Development
Winrock	Global practical experience of community scale benefits derived from trees and forests.

Outputs: *Lessons learnt supporting pro-poor nfp*: A series of short (2-4 pages) notes that distil local, national and international experience to produce practical approaches, tips and strategies that can be used by stakeholders to ensure that trees and forests contribute to national level reduction of poverty. Themes for the series will be chosen from partners' practical experience.

The first summary paper will consider approaches supporting embedding nfps into PRSPs and describe how using nfps to support PRSP development ensures adequate government investment in pro-poor natural resource management. Subsequent papers could consider topics including "Forests as an entry into pro-poor management of environment and natural resources," and "The contribution of the private sector to pro-poor forestry." The series will be based on the approaches adopted by ECTF to influence national processes through distilling lessons learnt from forestry activities in Cameroon, Malawi and Uganda. This will be linked with experience from IIED and ODI in distilling lessons learnt for international audiences.

East Africa Regional Workshop: The workshop will explore the need to integrate nfps into national PRSPs through promoting better dialogue and co-ordination between natural resource line ministries and ministries of finance and planning in East Africa. It will provide the opportunity for staff from natural resource line ministries to undertake analytical work to inform and influence budget cycle decisions, while representatives from finance and planning will gain better knowledge of how to use the nfp poverty reduction toolbox to better articulate the contribution of natural resources to poverty reduction.

The workshop will be based on examples obtained from experience in East Africa, augmented where necessary by lessons learnt from outside the region. Outputs from the workshop will include a priority action plan for each participating country indicating a roadmap of activities and responsibilities to ensure that trees, forests and natural resources are better represented in PRSPs and Mid-Term Expenditure Frameworks. The roadmap for each country will consider links into existing processes and the needs for additional supporting actions. This action responds to priority actions established by developing countries representatives at the Tuusula meeting.

Status: Co-financing is being sought and the partner's roles are being defined

Budget:

Lessons learnt

Synthesis	\$8,500
External inputs and review	\$7,000
Publication	\$3,500
Coordination support	\$10,000

East Africa Regional workshop

Venue/accommodation	\$20,000
Facilitation	\$12,000
Travel	\$15,000
Synthesis	\$4,000
Total for FY 04	\$80,000

Expected Commitment for FY 05	\$20,000
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Improving the Enabling Environment and Institutional Capacity for Measuring Poverty Impacts of Forest Programs on Poor, Forest-Dependent People in India

Thematic area: Livelihoods

Level: Country (India)

Partners: State Forestry Departments, WB-Country Operations, DFID (New Delhi), CIFOR.

Background and purpose: In India, states have begun to share the rights and responsibilities with communities for managing these 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 proposed 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: Oxford Policy Management has recently completed a study (the OMP framework) to help the government of Madhya Pradesh (MP) develop a framework to measure community forestry program impacts on poverty reduction. Now a number of key steps need to be taken to move this work to an implementation, testing and dissemination phase. The project will begin with an expert review of the OMP framework study to ensure “quality control”. With suitable modifications it will be implemented across pilot sites in MP and will retrospectively test the ability of the model to capture the impacts of community forestry programs. On the basis of the emerging experiences and lessons learned in MP, *inter alia*, the next steps are to develop a framework model, implementation strategy and action plan to monitor the impact of forestry programs on poverty reduction in two other states--Jharkhand and Assam for example. These states have so far not received significant donor funding for community forestry but are likely to do so in the near future. Thus, rigorous testing of the approach to monitor the poverty impacts of forest investments will be possible through implementation of the pilot plan once community forest projects get underway. Finally, the methodology can be adapted and tested beyond pilot sites in the first three states, and to other states in India.

Outputs: The proposed project will lead to an improved understanding of the poverty-forestry nexus and develop a robust methodology which allows for an objective and systematic monitoring of the poverty impacts of forestry programs in the Indian context.

Status: The study will be initiated shortly. Meetings with CIFOR, University of Delhi and Indian state authorities underway, and preliminary public consultations are taking place.

Budget:

Committed to FY04 activity budget	\$110,000
Expected Commitment for FY05	\$100,000

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

Thematic area: Livelihoods

Level: Country (India)

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

Background and purpose: In India, forests account for the largest land use after agriculture. Approximately 275 million rural poor depend on forest lands to varying degrees. For approximately 100 million people, forests (fuelwood, NTFPs, construction materials, fodder, etc.) provide the main source of livelihoods and generate cash income. Half of India's 70 million tribals, arguably the poorest and most disadvantaged section of society, subsist on forests. Clearly, forests make a significant contribution to the economic livelihoods of the poor, and at the same time, also provide critical ecosystem services, including a refuge for biodiversity.

Over the last 25 years, Government of India, development banks, foundations and donor agencies invested several billion dollars in the sector, in a variety of lending and non-lending services. The last decade has seen a strong emphasis on poverty alleviation and on a (continuing) move towards control of resource planning and management by the community or the direct users. The latter approach is exemplified by the Joint Forest Management (JFM) initiative which has been implemented in earnest since the early 90s. Thus, we now have over 10 years worth of experience with JFM projects in a number of sites in India. How successful has JFM been in improving forest cover, alleviating poverty, improving economic returns to the rural poor, and building up rural institutions, and how effectively have forest departments provided technical and financial inputs in support of JFM (and related other forest management activities), are not well researched issues.

Approach: The present study attempts to assess these aspects objectively by documenting the decade-long experience through interviewing the intended project beneficiaries on the forest fringe, in several sites. This is popularly known as the citizens (or users) report card approach. A combination of individually administered questionnaires and focus group approaches are likely to be used. By including different public services such as forests, health, irrigation, water supplies and credit the approach will also allow a comparison of the relative efficiency of the most important service delivery sectors. Building up an information baseline on the impacts, achievements, and shortcomings of JFM will be a special focus of this study. Since the first generation of JFM projects have mostly come to a closure and there is a need to implement the next round of effective forest management projects, inputs from this project will be of crucial importance in investing resources efficiently, as well as in monitoring the progress and impacts of the project interventions.

Outputs: A report on the impacts of JFM, based on beneficiary perceptions and a comparison of JFM with other rural-focused public services.

Status: Selection of sites and development of survey instruments under discussion. On account of its focus on primary data collection via questionnaires, this is a relatively long duration project and is likely to be completed by December 31, 2004.

Budget:

Committed to FY04 activity budget	\$25,000
Expected Commitment for FY05	\$50,000

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

Thematic area: Governance

Level: Global

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: FIN to prepare paper and circulate for comments by mid December 2003.

Budget:

Committed to FY04 activity budget	\$60,000
Expected Commitment for FY05	\$25,000

The role of CITES in controlling illegal logging

Thematic area: Governance

Level: Global

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 these species: 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: The contract is under finalization. Study under preparation, TRAFFIC Malaysia coordinating the process of the regional inputs. Draft for comments by end-December. The study is expected to be completed by March 31, 2004.

Budget:

Committed to FY04 activity budget	\$37,000
Expected Commitment for FY05	\$25,000

Decentralization, Federal Systems of Forestry and National Forest Programs

Thematic area: Governance

Level: Global

Partners: CIFOR, Intercooperation, Swiss Development Cooperation, Indonesian Government, WRI, WWF, FAO, ITTO, NFP Facility, UNFF Secretariat

Background and purpose: Throughout the world, local and regional governments are becoming more involved in forest issues. They are promoting tree plantations, creating parks, putting out forest fires, managing forests, regulating forest use, collecting taxes from forestry activities, making land use plans, providing environmental education and extension services, and taking sides with regards to conflicts over forests.

In principle, decentralizing decision-making over forests could have many advantages. It could make it easier to adapt forest policies to local conditions and increase the participation of local people in decision-making. It could make it easier to enforce forestry regulations since local people have better knowledge of what happens on the ground. It could also help ensure that more of the benefits provided by commercial forestry activities remain in the traditionally marginalized regions where many of these activities take place.

However, simply increasing the participation of local and regional governments in forestry activities will not necessarily guarantee any of these things. Unless these governments themselves are accountable to the local population, giving them greater powers may not increase local participation. Decentralization might strengthen the power and influence of local elites at the expense of other local groups. Local governments may also lack sufficient technical and institutional capacity and financial resources to formulate appropriate forestry policies and implement them.

Approach: The purpose of these efforts is not to determine whether the growing role of local and regional governments in relation to forests is good or bad, but rather to find ways to improve the quality of whatever forest-related activities these governments do participate in. Among other things, that means suggesting ways that national governments can encourage these governments to take measures to promote a more sustainable, equitable, and democratic approach to managing forests. This will allow the sponsors and participants to prepare proposals and recommendations related to decentralisation, federal systems of forestry and their implications for national forest programs (nfps) for the United Nations Forum on Forests (UNFF).

This country-led initiative of the UNFF will promote the exchange of experiences related to the decentralization of forest governance and management. Countries that have longer experiences with these processes can share some of the things they have learned, while countries that have just recently embarked on such processes can present some of their initial results and some of their major concerns. The discussion can also benefit from contributions from international experts on the decentralization of natural resources, who can look at the issue from a more analytical and global perspective.

Outputs: PROFOR will prepare and submit a paper on Decentralization & National Forest Programs to the five day workshop on "Decentralization, Federal Systems of Forestry and National Forest Programs." The workshop will take place just prior to the next UNFF4 in May 2004.

This paper will build on an earlier paper by Pippa Bird on nfps in the context of the trends of globalization and decentralization. It will:

a) Review experiences with decentralization of forest management, the role of national and state governments in federal systems of forestry and how nfps might take those things into account,

b) Highlight some possible implications of decentralization of forest management for nfps, with a focus on aspects of decentralization related to local, state and provincial governments and how those processes interact with what goes on in communities, and

c) Address how to handle global environmental services such as certain aspects of biodiversity conservation and climate change within a decentralized context.

During the workshop, it is anticipated that there will be experience sharing by countries that decentralized their forestry systems with countries undergoing rapid processes of decentralization, including transitional issues. The workshop will result in recommendations related to decentralization, federal systems of forestry and their implications for nfps for the UNFF.

Status: A meeting was held in May 2003 with the partners during UNFF3 and workshop planning is underway. Abstract submitted.

Budget:

Consultancies to undertake analyze and prepare PROFOR paper	\$10,000
Support for developing country nationals to participate in workshop	<u>\$20,000</u>
Total for FY04	\$30,000

Support for Russian Forest Sector Reform

Thematic Area: Governance

Level: Country

Partners: FINNIDA, GEF, Government of Russia, SIDA, World Bank

Background and purpose: It has been recognized – in Russia, and elsewhere – that the forest sector in Russia is not contributing to local livelihoods and economic development to the extent possible, and that issues of sustainability and forest conservation are also vital, especially in regions where relatively few viable alternatives are available, at least in the medium term. The President of Russia has recognized the urgency of this matter, and has committed the Government to reform of the sector needed to achieve an improved investment and sustainable development climate in the sector. As a result, forests have now reached center-stage of Russia's reform agenda, and the Government is remodeling the institutional and economic framework of the sector. The new vision is reflected in the newly approved 2003-2010 Concepts for Forest Industry (December 2002) and for Forest Development (January 2003) as well as in a wave of new legal instruments under preparation (three draft Laws on Forests, Forest Charges, and Concessions).

In January 2003, the Russian Ministry of Natural Resources requested assistance from PROFOR, and a number of other donors to initiate a program of activities to assist in development of the reform process in the Russian forests sector. In response, PROFOR funds were mobilized to organize a workshop in Moscow in February to share countries in economic transition experiences with forest institution reform. A summary of the proceedings of the workshop, prepared and disseminated by PROFOR staff, is available on the PROFOR website (<http://www.profor.info>).

This proposal is for PROFOR to support analytical and consultative activities aimed at critical issues in governance, livelihoods and the sustainable management and conservation of Russia's forest resources. This will be achieved through a phased approach, with plenty of opportunity for expansion of consultative processes to a broadening group of stakeholders, as this becomes possible (and demanded), and with specific events embedded where critical decisions on progress must be made, and, if necessary, exit strategies invoked. It will thus require strong participation of a broad group of stakeholders from government, civil society, the private sector, and donors and other international interest groups.

Approach: The first phase of activity would focus on: (i) promoting further exchange on the objectives of reform, and the means for managing change; (ii) providing inputs for the new forest law; (iii) initiating analytical work on options for forest resource sale and management (since the concessions model approach is already well-advanced on the GOR agenda, but needs more substance before implementation is attempted); (iv) conducting analytical work on institutional options within the forests establishment; and (v) initiating a consultative program to extend the debate on law, policy and regulations to wider audiences in Russia, so that stakeholders outside the immediate reform circle are not excluded.

Status: Workshop on Institutional Change held February 03 (Proceedings completed); Concession Management Workshop held June 03; Russian delegation attended WFC and hosted a side session; Russian delegation attended Forest Investment Forum in mid-October.

Budget:

(Disbursed (initiating workshop and dissemination) :	\$150,000)
Expected commitment FY 04	\$70,000
Expected commitment FY05	\$55,000

Honduras: Forest Sector in Transition

Thematic area: Governance

Level: Country (Honduras)

Partners: Secretary of Agriculture and Livestock (SAG) and State Forest Agency (AFE-COHDEFOR), SIDA, NFP Facility, WB-LAC Country Operations.

Background and purpose: 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 significant percentages of the 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 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?

Specifically, these would be addressed by:

(i) generating practical syntheses and case studies of experiences and lessons-learned in managing tenure, institutional, industrial, market and policy transitions in key forest countries. These syntheses would be translated into Spanish published, posted on the Internet, and presented at in-country workshops,

(ii) organizing 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) disseminating information from the syntheses and workshops to key policy, academic, forest sector and civil society organizations and forums, and bi-lateral/multi-lateral agencies in Honduras.

Outputs: Country case studies and syntheses relevant to Honduras, and their dissemination via electronic and print media, and workshops.

Status: The project will be initiated shortly.

Budget:

Committed to FY04 activity budget	\$75,000
Expected Commitment for FY05	\$50,000

Cross-sectoral Analysis of Forest and Natural Resource Management in Kenya

Thematic Area: Governance

Level: Country

Partners: bilateral donors, GEF, IUCN, NFP Facility, WWF

Background and purpose: Recent rains in Kenya which followed severe droughts over the last year have caused devastating floods that have led to massive erosion and landslides, which in turn have destroyed infrastructure, killed livestock and wildlife, killed at least 40 people, and displaced over 1 million people. In addition, these events have left more than one half million Nairobi residents with no water following the destruction of Sasumua Dam.

Preliminary analysis blames the forest destruction in the Aberdare catchment area for the flash floods that caused the damage to the Nairobi water supply. This 'boom and bust' scenario presents the immediate and evident results of the poor stewardship of forest and natural resources in Kenya over the last two decades. This means that in order to achieve sustainable poverty reduction objectives in Kenya, there needs to be a radical re-alignment of the way forests and other natural resources are allocated, used and managed. In particular, solutions should be developed which cross the boundaries between forest, land and water resource issues and management options. To this end, critical upstream analytical work and visioning are necessary to inform the choices and options needed to reverse the negative impacts of forest and natural resource degradation and improve livelihoods for the poor.

The objective of this project is to improve the understanding of the causes and cross-sectoral impacts of degradation in critical ecosystems in Kenya, and to develop the lessons learned in this process into a broader conceptual framework for a genuinely cross-sectoral approach to natural resources management, in Africa and elsewhere.

Approach: The approach will be to promote integrated forest and natural resource management using landscape approaches in a way that enhances sustainable livelihood and ecosystem benefits for the rural and urban poor. This work is intended to: 1) review and consolidate lessons learned from recent natural resource sector investments and would include other stakeholders' experiences, 2) identify and fill gaps in knowledge and best practice, 3) review investment effectiveness and suggest areas of improvement.

The work will be aligned with key natural resources strategies developed or under development by the World Bank and other agencies and will use various methods, including diagnostic and planning tool for forest governance, and public environmental expenditure reviews (PEERs). Provisional themes of analysis include: economic, financial, and political macro-contexts; incentive structures and framework issues; stakeholder analysis; community forest resources; demand/supply for timber and NTFPs; watersheds; water sources, agriculture and land management; restoration of degraded lands; and biodiversity, protected areas, wildlife management.

This work is proposed for FY04-05. The principle aims and outputs of this activity are to (i) develop a set of relevant and applicable lessons on integrated natural resource management for environmental and social conditions prevailing in this region of the world, (ii) to utilize this information, and where necessary additional analyses, to develop effective approaches to investment in and governance of natural resource management in the situation prevailing in the country, and (iii) to disseminate the lessons and approaches learned to a wider audience of practitioners involved in this subject in the broader region. Along with government agencies and local stakeholders in Kenya, partners will also include some bilateral donors, and international environmental groups (possibly IUCN and WWF). The NFP Facility will be approached to join activities. No estimate of commitments from partners is

yet available, but it is expected that the full range of activities required under this general activity will cost in the order of \$500,000.

Budget:

The PROFOR contribution will be as follows:

Activity	International Partners	PROFOR Resources
1. Development of macro context and policy/institutional analyses	bilaterals, government agencies; WB research group	- consultants = \$30,000
2. Stakeholder consultations; contribution to resource analyses	As above	- consultants = \$30,000 - travel, workshops = \$40,000
3. Compilation of findings and conclusions	As above, and NFP Facility	- consultants = \$10,000
4. Dissemination/publication		- publication = \$10,000
TOTAL		\$120,000

Commitment to FY 04 activity budget \$80,000

Expected commitment for FY 05 \$40,000

Implementation of IPF/IFF Proposals for Action to Foster Sustainable Forest Management: A Retrospect and Prospects

Thematic area: Enhanced Financing for SFM

Level: Global

Partners: CPF and UNFF

Background and purpose: The United Nations Forum on Forest's work in support of sustainable forest management (SFM) is guided by its Multi-Year Program of Work comprised of sixteen elements based on the proposals for action of the Intergovernmental Panel on Forests (IPF) and the Intergovernmental Forum on Forests (IFF). At the recently concluded third session of the UNFF (UNFF3) "Economic aspects of forests" was one of the major elements for discussion. The above paper outlines the status of efforts to implement proposals for action related to this element and provided the basis for the Secretary General's report for UNFF3.

Approach: Using illustrative and promising examples of policy reforms, projects and programs at the national and international levels, this report describes the emerging global trends in implementation of the IPF/IFF proposals for action related to the economic aspects of forests. It also highlights the future challenges and key areas where international agencies, especially the UNFF, can best assist countries to accelerate progress in achieving SFM.

Output: Background paper, posted on the PROFOR website to invite comments and finalize for publication. Report of the Secretary General on the Economic Aspects of Forests for UNFF3 (completed).

Status: First stage completed. Follow-up work on identifying the global sources of finance for SFM initiated. Providing support to ad-hoc expert group on tech transfer and finance (UNFF meeting) in mid-December 15-19.

Budget:

Committed to FY04 activity budget \$ 25,000

Review of the conceptual understanding and practical experience of the relationship between the ecosystem approach and SFM

Thematic area: Enhanced Financing for Sustainable Forest Management

Level: Global

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

Background and purpose: While many international agreements, governments, private sector companies and civil society organizations ascribed to, and 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. As a result, delegates to international fora on forest and forest-related issues have many different interpretations as to whether and how an ecosystem approach and SFM relate to each other. Three broad sets of opinions are common:

- i) A hierarchal relationship – that one approach is really just a subset of the other.
- ii) An alternative relationship – that they are either different expressions of the same idea or that they are, more fundamentally, different ideas about how to approach the same challenge.
- iii) A complementary relationship – that each approach possesses its own unique set of principles and characteristics but that these are complementary, or even that there is a mutual dependence.

Such confusion results in more than just esoteric definitional problems: national agencies charged with implementing international commitments from different processes risk overlooking potential synergies that may exist. This could result in programs of work that duplicate efforts or even compete with or negate each other. More fundamentally, narrow interpretations of the ecosystem approach applied to protected area design and management and of SFM applied to industrial forest management can result in reinforcing the compartmentalized approach to land use that both concepts seek to overcome.

In order to help address some of these challenges the sixth Conference of the Parties (COP-6) to the Convention on Biological Diversity (CBD) adopted Decision 6/22, calling upon the CBD Secretariat in collaboration with the UNFF Secretariat to:

- Carry out a comparative study to clarify the conceptual basis of the ecosystem approach in relation to the concept of sustainable forest management with adequate consideration for regional conditions;
- Undertake a synthesis of case-studies on the ecosystem approach provided to the Convention on Biological Diversity by Parties;
- Invite the Collaborative Partnership on Forests members to provide a discussion paper, drawing on concrete national or regional experiences and inter-sessional meetings for consideration by the Convention on Biological Diversity.

Similarly, Resolution 3/4 of the United Nations Forum on Forests reinforces the need for greater clarity on the Ecosystem Approach/SFM relationship, requesting the UNFF Secretariat to compile the views of Member States and CPF members on the issue and to present their findings to the 4th session of the Forum in May 2004, specifically to clarify:

- the concept of the ecosystem approach and the concept of sustainable forest management;

- the management, sustainable use and benefit-sharing of forest biological diversity; and
- the relationship between IPF/IFF proposals for action and the activities of the expanded program of work on forest biological diversity.

Finally, a recent initiative aimed at clarifying the SFM/EA relationship included a PROFOR project in collaboration with the Australian government, PROFOR produced a summary of the IPF/IFF proposals for action that maps out the proposals relationship with the CBD's forest biodiversity work program and relevant COP-6 Decisions.

Given this background, the purpose of the current assessment is to help promote sustainable forest management, conservation and development more effectively to meet the objectives of the CBD and UNFF through more integrated and complementary national forest programs and national biodiversity strategies and action plans. The assessment will consider, *inter alia*, existing national forest programs and national biodiversity strategies and action plans, and the way countries promote their implementation in an integrated manner. This should lead to more effective and cost-efficient implementation, with better synergies (reduce potential for unintended cross-sectoral impacts) between sectors concerned with the conservation and sustainable use of forests and their attendant biological diversity. It is believed that such an approach will provide upstream assessment that will help clarify the value of forests and provide a basis for incorporating forest concerns in national macro-economic planning and adjustment.

Approach: This project is designed to contribute to the request by the CBD and UNFF. This study will evaluate the link between the concepts of an ecosystem approach and SFM and, using case studies, review the differences and similarities in the application of these approaches with a view to improve the conservation of biological diversity and sustainable use, specifically:

- Outline the historical evolution and key operational features of the ecosystem approach and of contemporary SFM concepts.
- Review practical experiences in the application of SFM and the Ecosystem Approach, and in reconciling the relationship between the concepts, in the context of managing living landscapes that conserve biodiversity and meet human needs.
- Explore how spatial and temporal perspectives inherent in the ecosystem approach and SFM can contribute to how we understand and address the economic, environmental and social trade-offs involved in land-use policy and practice (e.g. through the application of a total savings framework).
- Suggest key policy and institutional interventions for operationalizing these concepts, and optimizing synergies between them, in contemporary resource management and planning.

Outputs: A discussion paper on the relationship between the ecosystem approach and SFM, with an analysis on how these concepts deal with the economic, environmental and social trade-offs in land use, made available to the UNFF, CBD and ITTO secretariats before 28 February 2004, and submitted on behalf of the World Bank and IUCN as members of the CPF. An expert workshop to test and explore the consultants findings, before 31 May 2004. A booklet, published under IUCN's "Livelihoods and Landscapes" series, to be launched at the 4th World Conservation Congress in Bangkok in October 2004.

Status: Consultants identified; draft study should be completed in February 2004. A peer review workshop will be held in conjunction with the upcoming SBSTTA.

Budget:

Lead Consultants (2 people at 12 weeks each)	\$60,000
Economic dimensions (8 weeks)	\$20,000
Social dimensions (8 weeks)	\$20,000
Peer review at CBD SBSTTA	\$30,000
Publication costs	<u>\$20,000</u>
Total	\$150,000

Enabling environment for private sector investment in SFM

Thematic area: Enhanced financing for SFM

Level: Global

Partners: World Bank, International Finance Corporation (IFC) World Business Council for Sustainable Development (WBCSD), WWF International and Forest Trends

Background and purpose: The project aims to explore how an enabling environment for responsible private sector investment in socially and environmentally sustainable forestry and forest industry projects can be created in developing countries and countries undergoing economic transition, and to identify approaches to improved forest management investments.

Approach:

Phase 1: An Investment Forum: October 22-23 2003, the World Bank IFC, WBCSD, WWF International, Forest Trends and PROFOR will host a Forest Investment Forum at World Bank Headquarters in Washington D.C. The Forum will bring together senior executives from leading national and multinational forest product companies and also from both private and public sector financial institutions to explore how an enabling environment for responsible private sector investment can be created.

At the Forum presentations and discussion will focus on safeguard and incentive policies; the commitment of participating companies and financial institutions to invest in and support sustainable forest management; and necessary steps that all parties – international donor agencies and multilateral organizations, large private sector entities, governments and other interest groups - need to agree upon and pursue to enhance prospects for improved forest management.

Phase 2: Testing Application of Approaches to Improved Forest Management Investment: Utilizing directions developed at the Forum, the objectives of Phase 2 will be:

1. To analyze the effectiveness of harmonized safeguard policies in selected regions and countries as a policy instrument for achieving SFM.
2. To provide analytical input relevant to seeking wider commitment to the adoption of harmonized safeguard policies by companies and financial institutions that are committed to achieving sustainable management of forest resources which balances social, environmental and economic goals.
3. To analyze strategies being adopted by national governments for using such safeguard policies as an incentive for accelerating foreign direct investment in socially and environmentally responsible SFM and for marginalizing the activities of companies that are engaged in unsustainable and frequently illegal logging practices.

Phase 2 will also be a collaborative undertaking between the sponsors of Phase 1 but with special focus on how to incorporate lessons emerging from Phase 1 into national government forest policies and investment programs.

Phase 2 will finance some field analysis, and a series of regional workshops in Russia and South East Asia (2004) and in Latin America and Africa (2005) plus a Concluding Workshop to synthesize and consolidate positive experiences that have potential for wider replication. Special emphasis will be given in Phase 2 to analytical studies that are most relevant to fostering business/community partnerships that benefit low income producers of forest products. Further, there will be an emphasis on analyzing the impact of the effectiveness of national institutional approaches to monitoring of safeguard policies and foreign direct investment strategies. During Phase 2 close liaison will be maintained with FAO's NFP Facility which will become a partner funding agency for this Phase. PROFOR funding will finance synthesis of analytical studies needed for the workshops and dissemination of project results and impact.

Partnerships

PROFOR will work with partners listed above on a wide-ranging series of activities related to: analyses of current trends in activities and intentions of investment banking and export-import agencies in this area; the development of partnerships between international investors and low-income producers in targeted countries; capacity development for monitoring progress with sustainable forest management, and the development of innovative mechanisms for the marketing of forest environmental services. In all, the total costs of all activities under this program to all partners is estimated to be in the order of \$700,000, over a two or three year period. The PROFOR share is indicated below:

Activity	International Partners	PROFOR Resources
1. Input for and organization of Forests Investment Forum	WB Forests team, private sector participants, other agencies as above	- consultancies = \$40,000 - travel, reports = \$10,000
2. Development of regional workshops, and field trials of innovative approaches	WB country offices; private and listed partners; governments other stakeholders	- consultancies = \$45,000 - travel, workshops = \$40,000
TOTAL		\$125,000

Status: Forest Investment Forum held October 22-23, well attended with good discussion. Follow-up to include proceedings publication and possibly national or regional level forums

Budget:

Committed to FY 04 activity budget \$75,000

(Co-financing from the World Business Council for Sustainable Development \$15,000)

Expected commitment FY 05 \$50,000

Forest Fiscal Systems Reform

Thematic Area: Enhanced financing options for SFM

Level: Global

Partners: DFID, Ministries of forestry and finance, WB-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 would focus on tropical natural forests in selected countries from Africa, Asia and Latin America, including Brazil, Cambodia, Cameroon, Ghana, Honduras, Indonesia and Nicaragua. The policy makers would include officials from the ministry of forestry, but also the ministry of finance, and other key stakeholders from civil society and the private sector. The first phase of the process would include the preparation of short presentations in country by policy makers themselves. The policy makers would then have the opportunity to share this experience with other countries through an international workshop co-hosted by DfID and the World Bank in Washington DC on 19-21 October 2003. Policy makers will also develop an action program for reform of forest fiscal systems. A compilation of workshop proceedings will be likely completed by December 2003. Follow-up work in key countries is also planned.

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: Workshop took place and was a success based on feedback from participants and quality of discussion. An Aide Memoire, briefing note and web page have been created as Workshop outputs; four country case studies received and will be printed in a publication; Learning group established and continuing dialogue; presentation of outcomes at UNFF-4.

Budget:

Committed to FY04 activity budget	\$50,000
Expected Commitment for FY05	\$50,000

Improving Participation in and Coordination of PROFOR and NFP-Related Activities in the Africa Region

Programmatic Area: Financing SFM

Level: Regional

Background and Purpose: The intellectual and strategic foundation of the Africa region forest work is in the Bank-wide forest policy and strategy, and the Regional forest sector strategy, approved respectively in November 2002 and March 2003. Forest sector policy dialogue and donor portfolios have evolved into a defining area for engagement by governments and other stakeholders in the Africa region, and a prototype sector for demonstrating progress in achieving regional priorities. As one set of examples, some of the World Bank's forest lending and adjustment operations and Economic and Sector work (Tanzania, Cameroon, Congo for example) are being regarded as promising models for other African and non-African countries to follow.

In line with the PROFOR aim of transferring knowledge and sharing experiences to strengthen the capacity of national forest programs (nfps) and other forest related processes, there is an opportunity to engage with governments in Africa to capture new knowledge on approaches for SFM that the region is currently unable to capture. PROFOR activity in the region should serve to help overcome structural limitations that implementation of effective forest strategies must deal with: lack of environmental sensitivity, financing and human resources limitations, uncertainties posed by continuously evolving emphases on instruments, resources and management approaches.

Approach: A consultant will be hired to:

- Contribute specifically towards preparation and dissemination of a series of analytical reports focused on policies and action in support of SFM in the Africa region;
- Identify opportunities for knowledge capture and sharing;
- Facilitate the integration of PROFOR objectives and principles in the World Bank's portfolio of forest-related interventions;
- Propose a simple system to monitor the implementation of the region's forest strategy;
- Help raise funds to supplement SFM-related work and nfps in the region; and
- Assist in applying broader lessons on adjustment lending impact analysis and related activities in the Bank to understanding constraints that prevent forests from featuring more prominently in broad development programs.

Status: Consultant identified.

Budget: \$40,000

Economic Incentives for Land Restoration and SFM

Thematic area: Enhanced Financing for SFM

Level: Regional

Partners: Colombian Ministry of Environment, CI-Colombia, IUCN, CIFOR, NFP Facility, ITTO, Forest Trends, World Bank RUTA project (Costa Rica)

Background and purpose: The value of ecosystem services provided by forests, including climate stabilization, carbon storage, potential protection of hydrological function and biodiversity conservation is becoming better recognized. Economic benefits from emerging markets for carbon, water and biodiversity conservation are catching the attention of forest policy makers and resource managers. Different types of mechanisms are emerging, from public payment systems to user rights, new trading schemes to numerous private deals.

In April 2000, with representatives of forestry and finance companies, environmental policy and research organizations, governmental agencies and influential private and nonprofit groups gathered in Katoomba, Australia to consider innovative new approaches to conserving the world's forests using market-based mechanisms. The Katoomba Group, which resulted from this initial conference, continues to bring together experts in ecology, finance (including green investments), markets and environmental business to launch new initiatives and learn from current experiences of implementation. Other organizations, such as CIFOR, IIED, Forest Trends and the World Bank have been working on analyzing, refining and applying market-based solutions and payments for environmental services. The World Bank is currently supporting the development or implementation of PES systems in Costa Rica, Guatemala, Venezuela, Mexico, Colombia, Nicaragua, Dominican Republic, Ecuador, El Salvador and South Africa.

Approach: Colombia is drafting a new forest law which may develop new economic and financial instruments for the implementation of the National Forestry Plan as well as aspects related to land restoration and rehabilitation of degraded ecosystems. There are four primary objectives behind holding a workshop at this time. The first is to use the regional workshop as a means to take stock of the experiences with payments for environmental services from forests and biodiversity throughout Latin America. The second is to bring together policy makers and conservation practitioners to discuss the role of forest restoration work in order to strengthen the relationship between rural development, forestry and other NRM and conservation approaches. The third objective is to advance the dialogue on forest policy reform in Colombia in order to enhance forest quality and benefits from payment schemes. The final objective is to further generate knowledge on these topics and disseminate it.

Outputs: A three day regional workshop to share relevant experiences on forest restoration efforts and payments for biodiversity and environmental services in the Latin America region; a workshop summary report (in Spanish and English); identification of experiences and best practices to be documented and shared; a synopsis of the type of forest restoration efforts throughout the region and draft policy recommendations for Colombian forests.

The objectives of the workshop are to:

1. Use the regional workshop as a means to take stock of existing experiences with payments for environmental services from forests and biodiversity throughout Latin America.
2. Bring together policy makers and conservation practitioners to discuss the role of forest restoration work in order to strengthen the relationship between rural development, forestry and other NRM and conservation approaches.
3. Advance the dialogue on forest policy reform in Colombia in order to enhance forest quality and benefits from payment schemes.

4. Make the synthesis of experiences and key considerations for the development of payment for environmental services systems or other incentives for sustainable forest restoration and management produced by the workshop available to policy makers in other countries as they develop and update their nfps.

Status: The workshop will take place in January 28-30, 2004 in Colombia.

Budget:

Workshop venue	\$40,000
Participant travel	\$20,000
Analysis papers	\$20,000
Report publication and dissemination	<u>\$20,000</u>
Total	\$100,000

Cross-sectoral Cooperation

Scaling up best practice for eliminating adverse forest outcomes and enhancing beneficial forest outcomes from adjustment lending

Thematic Area: Cross-sectoral Cooperation

Level: Global

Partners: CIFOR, bilateral donor agencies, NFP Facility, country governments.

Background and purpose: The purpose of this global PROFOR project will be to extend to all regions the process for screening and closer analysis of adjustment operations developed for the Latin America region.

Approach: A program has been initiated between PROFOR and the Latin America and Caribbean Region of the Bank (see project summary below) to explore methodologies for screening forthcoming adjustment-type operations for potential impacts upon forests (or potential opportunities to utilize the adjustment instrument for beneficial forest outcomes). Once such operations are identified, their design would be analyzed more deeply and, if appropriate, amendments would be proposed. The resulting methodology will provide a best practice that would form the basis for development of similar approaches for screening intervention with possible impacts upon natural resources. This project would summarize and disseminate the results of the best practice approach so as to allow all potential users to evaluate the potential implications and impacts of using it.

Budget:

Activity	International Partners	PROFOR Resources
1. Collation of regional adjustment impact results	CIFOR; bilaterals, selected client country agencies; WB DEC Group	- consultants = \$20,000
2. Comparison of results with prior adjustment impact studies	As above	
3. Development of findings and conclusions	As above, and NFP Facility	- consultants = \$10,000
4. Dissemination/publication		- publication = \$10,000
TOTAL		\$40,000

Expected commitment FY 05

\$40,000

Developing an Impact Screening Approach for Economic Adjustment and Programmatic Lending in the LAC Region

Thematic Area: Cross-sectoral cooperation

Level: Regional

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 LAC region's portfolio is serving as a pilot to test approaches to screening impacts on forests where forest outcomes are of significant interest at the macroeconomic level.

Approach: The basic approach is to identify the group of countries (in this case, at the regional level) which can be clearly identified as having forested areas which are highly significant in terms of total land area, economic importance, and social relevance, and then to examine whether a specific adjustment-type operation is likely to have major impacts on those forests.

A basic identification of policy actions that can potentially have such impacts is formed from a review of all specific policies supported by the operation. This will be done by identifying the basic themes of Bank activities which have the potential to impact forests in an adjustment framework. Below is an initial selection of themes which may have the potential to impact upon forests – or to enable development of forest-friendly policies or reforms:

Group Classification	Themes
Economic management	- Debt management and fiscal sustainability
Public sector governance	- Admin & civil service reform - Decentralization - Other public sector governance
Financial & private sector development	- Regulation and competition policy - State enterprise/bank restructuring & privatization - Other financial and private sector development
Trade and integration	- Export development and competitiveness
Social protection & risk management	- Other social protection and risk management
Social dev't, gender & inclusion	- Indigenous peoples
Rural development	- Rural non-farm income generation - Rural policies and institutions - Rural services and infrastructure - Other rural development

Environmental & natural resources management	<ul style="list-style-type: none"> - Biodiversity - Climate change - Environmental policies and institutions - Land management - Water management - Other natural resources
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The basic task of this PROFOR activity will be to refine the basic listing of themes, through further application to forthcoming adjustment type operations, and to utilize operational expertise and experience with adjustment activities and economic and technical expertise related to the interface between forests and broader economic activities. A particular focus of this work will be to identify what specific upstream analyses (for example, sector-wide environmental analyses) should be required as precursors for large programmatic and cross-sectoral operations listed in the Country Assistance program (CAS) as approved by the Board, to ensure that enough is known about the present situation and status of natural resources, so that impacts of specific macroeconomic or broad sectoral measures can better be anticipated. A second area of interest will be to explore what monitoring mechanisms should be incorporated into a programmatic operation, to ensure that adverse outcomes are identified and ameliorated early.

Activity	International Partners	PROFOR Resources
1. Application of activity themes to specific forthcoming adjustment activities	WB country offices & OPCS; bilateral agencies; CIFOR	- consultancies \$20,000
2. Analysis of specific impacts of reforms and policies on forests	“	- consultancies \$30,000
3. Compilation of operations and specific reforms requiring more detailed analysis	“	- consultancies \$20,000 - workshops \$30,000
TOTAL		\$100,000

Budget:

Committed to FY 04 activity budget	\$80,000
Expected further commitment FY 05	\$20,000

Forest Impacts and Opportunities in an Adjustment Operation in Brazil

Thematic Area: Cross-sectoral Cooperation

Level: Country

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 under way.

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.

The first task is a *prima facie* identification of elements of the reform package that might have indirect impacts upon forests. Aspects of the selected operation which bear further examination, in the context of potential forest impacts, would include things such as intentions to: improve basic infrastructure services (presumably including roads near forests), reform land markets, and decentralize various government powers to local level administrations and communities. These, and a number of similar reforms commonly proposed in programmatic operations have the potential to impact upon forests adversely, but also to actually produce improved forest outcomes, depending on how they are designed and applied.

The second task is to explore further some ideas on tradable development rights relating to forested areas which have been developed in Brazil. These ideas will assist in determining the extent to which reforms based on the outcome of this analysis are relevant to the competitiveness of the adjustment operation, and how they could be incorporated into this structure. Some pre-existing research suggests that trading could drastically lower compliance costs for retention of forests on agricultural or grazing land (increasing political acceptability) and yield a superior environmental outcome. It could establish a large scale market for environmental services, encouraging forest regeneration in key biodiversity corridor areas in the Atlantic Forest, and promoting intensification rather than extensification of agriculture in the Amazon.

This could be a powerful market mechanism to protect marginal Amazonian lands from deforestation, complementing ongoing Brazilian efforts to set up a comprehensive national forest and protected areas systems. Stronger enforcement of laws to deter deforestation may be a necessary counterpoint in the proposed project on competitiveness, since increased competitiveness of the soy and cattle sectors would tend to increase pressures for deforestation. Stronger enforcement of the legal reserve requirement would boost federal property tax (ITR) revenues, since many landholders currently make excessive claims of their tax-exempt legal reserve. However, at the same time, increased collection of ITR boosts the incentive to put land under legal reserve or private reserve

status. Furthermore, legal reserve trading could provide a means of implementing biodiversity corridor rehabilitation under the GEF Parana Biodiversity Project and the PPG-7 Ecological Corridors Project.

Activity	International Partners	PROFOR Resources
1. Analysis of specific impacts of reforms and policies on forests, especially infrastructure and decentralization	WB country offices & OPCS; bilateral agencies;	- consultancies = \$23,500 - travel, workshops = \$22,800
2. Analysis and policy recommendations on tradable development rights for forests	WB country offices; Brazilian research agencies; bilateral agencies	- consultancies = \$52,000 - travel, workshops = \$26,600
3. Report preparation		= \$15,000
TOTAL		\$140,000

Budget:

Committed to FY 04 activity budget	\$50,000
Expected further commitment FY 05	\$90,000

Best practice for eliminating adverse forest outcomes and enhancing beneficial forest outcomes from adjustment lending: Case of the Poverty Reduction Support Credit (PRSC) for the Cooperative Republic of Guyana

Thematic area: Cross-sectoral cooperation

Level: Country

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 summary above). The PRSC for Guyana is a case study in applying the approach.

The objectives of the PROFOR activities are:

- to analyze the potential significant impacts of reforms supported by the PRSC on 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 PRSC program on forests might be improved or enhanced.

Approach: The first task is identification of elements of the reform package that might have indirect impacts upon forests. Three elements in the policy matrix of the PRSC document which bear further examination in respect of potential impacts upon forests, are: (i) the measures envisaged for the possible follow-on PRSC III related to decentralization of functions and fiscal powers to local governments and communities; (ii) the macroeconomic objective in the program points to the possibility of an increased reliance on revenue contributions from forests and mining; and (iii) rationalization and expansion of the sugar sector is also contemplated in the overall PRSC supported program, which may have forest implications.

The second task relates to passage of appropriate forests legislation, which is envisaged as a key reform measure under PRSC II. In view of the projected macroeconomic and decentralization proposals noted above, and likely advocacy by the mining and sugar industries will be critical to ensure that the current draft of this legislation is adequate to protect the basic national sustainability and protection goals for forests. An expected timetable for development and passage of the legislation will be coordinated with PRSC II processing.

The third task relates to expansion of the mining sector, which in the past in Guyana has led to significant impacts on forest areas. Continued expansion, as projected in the Government's program supported by the PRSC and other donors can be expected to maintain pressures on forests. Environmental liabilities created in forests and elsewhere by poorly managed expansion will inhibit modernization and rationalization of the mining sector itself, in addition to whatever damage is done to forests' potential.

Activity	International Partners	PROFOR Resources
1. Analysis of specific impacts of reforms and policies on forests, esp decentralization, reliance on increased forest revenues, expansion of sugar sector	WB country offices & OPCS; bilateral agencies	- consultancies = \$17,000 - travel, wksps = \$17,000

2 Incorporation into developing forest legislation of adequate measures to protect forests in view of mining and sugar sectors	WB country offices; bilateral agencies; international environmental NGOs	- consultancies = \$15,000 - travel, wksp = \$21,000
3. Comprehensive environmental assessment of mining sector impact on forests.	international environmental NGOs	- consultancies = \$35,000 - travel, wksp = \$45,000
TOTAL		\$150,000

Budget:

Committed to FY 04 activity budget	\$100,000
Expected commitment FY 05	\$50,000

International Partnership for Forestry Education (IPFE)

Programmatic Area: Knowledge Management

Level: Global

Partners: CIFOR, FAO, ICRAF, SILVA Network, World Bank Institute, universities (including Australian National University, Canterbury, Oregon State University, University of British Columbia, Universities of Andes, Freiburg, Melbourne, Oxford, Southern Cross, Stellenbosch, and Yale).

Background and purpose: At the outset of the 21st Century, university forestry education is profoundly challenged by changes in national higher education systems which have diminished capacity to support specialist programs with the relatively modest student numbers that characterize forestry. As a result, many individual educational institutions can no longer sustain the desired breadth and depth of forestry education, with adverse implications for those societies' capacities to deliver forest products and services. At the same time, technological and educational changes are enabling new forms of learning resources and collaborative learning. The IPFE is a consortium of institutions committed to forestry education, working together to enhance and facilitate university-level forestry education. IPFE's purpose is to strengthen university-level forestry education worldwide by facilitating and supporting collaborations that capitalize on the comparative advantages of and synergies among diverse institutions committed to education about forests and forestry.

Approach: Through various forms of partnership and cooperation, IPFE seeks to enhance the individual and joint capacities of member institutions to deliver world-class forestry education, by: (a) identifying and sharing existing educational resources more effectively; (b) developing and sharing new resources to meet contemporary needs and to fill gaps; and (c) facilitating the efficient provision of these resources to members, and helping to close the knowledge and educational gaps among institutions and regions - including through the accession or creation of resources that would not be available to individual members acting unilaterally. IPFE aims to catalyze, facilitate and support collaboration between its members by:

- identifying existing learning resources which might be available within the partnership, new learning resources which members wish to access, and the forms of delivery which might be possible;
- establishing appropriate 'clearing house' and delivery mechanisms for sharing and using such learning resources;
- working with existing networks (eg World Bank Global Development Learning Network, FAO and its regional entities, relevant CGIAR Centers) to maximize synergies, efficiencies, scope, and reach;
- securing the funding and academic collaboration necessary to support the development and sharing of new educational resources, and the technologies for their delivery, according to agreed priorities and protocols;
- providing leadership, coordination, and support through an appropriate representative governance structure, including an IPFE Secretariat.

Outputs:

It needs to be emphasized that this is a developmental and catalytical activity: it presupposes that further investment and users of the product will develop from the initial outputs produced. As such, PROFOR's role is defined and limited to the production of (i) a codified "syllabus" and prepared course material based on learning resources identified in the process, and (ii) an institution-based business plan for resourcing and delivery of specific learning packages, to identified user groups.

It is expected that these outputs will provide impetus for further investment and development by other institutions and funding sources, along the following lines: More formalized organizational arrangements among IPFE university members and with partner organizations such as relevant CGIAR centres, FAO, and the World Bank; further development of a strategic plan for the next phase of development of IPFE.; further pilot activities in key areas of likely activity, to test IPFE concepts, such as:

- preliminary surveys of learning resource availability and delivery options, and of perceived needs;
- establishing protocols for sharing and delivering existing learning resources;
- testing delivery of shared resources under contrasting member circumstances;
- testing approaches to joint development and delivery of learning resources; and
- exploring options for integration with existing networks and technologies.

Ultimately, successful development of the course materials, financing sources, client base and delivery infrastructure is expected to lead to a fully operational series of “world” forests courses on the common elements in forest management, conservation, policy and institutions, law, economic and social issues, and so on.

Status: DGF funding of \$150,000 dispersed. Interim management committee and Secretariat for IPFE has been established. A call for proposals for pilot activities are being considered. The interim management committee will meet in April 2004 to develop the framework for longer-term governance and activities.

Communications infrastructure and activities

Programmatic Area: Knowledge Management

Level: Global

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. It is important to note that all communication aspects of each project are incorporated into the budget of each project, with support in facilitating the production and assuring the quality of such products coming from this global communications infrastructure and activities project.

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 (i.e. newspaper articles, radio shows, posters) 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 have been developed. Recent outputs include: aide memoire, briefing note and web page for the Forest Fiscal Systems Workshop; promotional article for the Forest Investment Forum and on FFS Workshop's carbon neutrality published through World Bank Development News; article for Arbore Vitae on outcomes of the FFS Workshop.

Budget:

Committed budget for FY04	\$60,000
Estimated FY05	\$90,000