



Program of Work and Financing Report for 2006

(Prepared January 2007)

TABLE OF CONTENTS

Table of Contents	3
I. Overview of the PROFOR Portfolio and key activities.....	5
Livelihoods	5
Governance	6
Enhanced Financing Options for SFM	7
Cross-Sectoral Cooperation.....	9
Communications and Knowledge Management	10
II. Key Outcomes for PROFOR in 2006.....	11
III. Response to MTR - Areas for Action and Action to Date.....	13
IV. Budget and Funding Projections for PROFOR.....	18
Leveraged Funds	19
Staffing	19
Annex I. Overview Chart of Activities According to Thematic Area	20
Annex II. Current PROFOR Activity Summaries	24
Livelihoods.....	24
Forest Resource Access and Livelihoods	24
Forest Law Enforcement and Rural Livelihoods.....	26
The Poverty-Forest Linkages Toolkit to inform Poverty Reduction Strategy Processes	28
Policies and Incentives for Miombo Management	30
Governance.....	32
Informal Institutions and Forest Governance	32
Institutional Choice and Recognition in Forestry: Effects on the Formation and Consolidation of Local Democracy.....	34
The Role of CITES in Controlling Illegal Logging	36
Reforms for China’s Collective Forests: Analytical Support on Tenure, Rural Institutions, Forest Policy and Regulation	37
Reforms for China’s Collective Forests: Analytical Support on Tenure, Rural Institutions, Forest Policy and Regulation	37
Linking Land Tenure Regulation and Forest Management in Honduras: A Practical Approach.....	39
Enhanced Financing Alternatives for SFM.....	41
Exploring the Potential for Avoided Deforestation.....	41
Paper on Means of Implementation for the United Nations Forum on Forests	43
Catalyzing Payments for Ecosystem Services and Connecting Communities	44

Forest Investment Forum for East and Southern Africa Regions	46
Indonesia Forest Development Forum	47
Building Forest Policy Analytic Capacity in China-- Building Basic Models of Forest Supply	48
Cross-sectoral Cooperation	49
Measuring Biodiversity and Forest Conservation, Production and Livelihood Outcomes in Multifunctional Agriculture – Forest Landscape Mosaics	49
Brazilian Amazon Land Administration Study.....	50
Government Policies, Natural Resources and the Environment: Analyzing Paths to Sustainability in Indonesia	51
Communications and Knowledge Management.....	52
Annex III: Completed Activities.....	55

I. Overview of the PROFOR Portfolio and key activities

At present, the PROFOR portfolio comprises 20 activities under implementation. Of these, eleven are active at the global level (including country-level components), two at the regional level and seven at the national level. Their distribution according to thematic area is as follows: livelihoods (4); governance (5); financing SFM (7); and cross-sectoral cooperation (3). Communications and knowledge management is also considered as an ongoing activity in addition to those under the four thematic areas. In this overview section, the strategic relevance of activities under each thematic area is briefly explained. Details on each activity are included in the project summaries in Annex II. All activities completed prior to FY06 are listed in Annex III.

Livelihoods

In 2006, PROFOR's livelihood activities expanded to include new analytical work on the relationship between forest resource access and livelihoods, while continuing to finalize the poverty-forests toolkit and the six country analyses that underpin the toolkit's methodology. The PROFOR-supported CIFOR study on forest law enforcement and livelihoods was published, broadly disseminated, and well received. At the sub-regional level, assessment on the linkages between Miombo woodlands and livelihoods in Southern Africa is underway to inform pro-poor policy formulation. Additionally, the Eastern and Southern Africa Forest Investment Forum, convened in June 2006, demonstrated promising new approaches to company-community partnerships (see summary under financing SFM).

At the global level

Forest resource access and livelihood: Access to forest resources by poor communities is subject to numerous factors, including but not limited to questions of land tenure. In partnership with CIFOR, PROFOR is examining key variables affecting access to forest resources and their benefits in Bolivia, Brazil, Guatemala and Nicaragua. The preliminary findings from the case studies will be presented for discussion in local workshops that will generate a set of recommendations or agreements, where possible, for future action to establish pro-poor terms of access. The final product of this research will be a comparative report that synthesizes the findings from the case studies. This activity will subsequently link to the activity on Informal Institutions and Forest Governance.

Poverty-Forests Linkages Toolkit: In 2006, PROFOR finalized the Poverty-Forests Toolkit, a participatory rural appraisal methodology intended to further understanding of the ways in which forests might contribute towards poverty reduction. The Toolkit includes a range of tools for better enumerating how forests contribute to poverty reduction and mainstreaming forest poverty linkages in national policy dialogue. The methodology underwent a peer review process and field testing in Tanzania and the Toolkit will be published and broadly disseminated in 2007. The Toolkit's underpinning case studies on how forests link to livelihoods and the role of forests in PRSPs were completed for Guinea, India, Indonesia, Laos, Mexico, Nepal, and Tanzania. For the next step, PROFOR has leveraged funding for training and dissemination of the toolkit in Uganda, Madagascar, Ghana and Cameroun through the World Bank-Netherlands Partnership Program (BNPP). This work has been contracted out to the International Institute for Economic Development (IIED) and will begin in early 2007.

Forest Law Enforcement and Rural Livelihoods study: The CIFOR publication *Justice in the Forest: Rural Livelihoods and Forest Law Enforcement* is the final product of the PROFOR-supported analysis on the impact of FLEG on rural livelihoods. Based on six case studies, the results of the review show how the extent of forest-based livelihoods is often under appreciated, with forest law enforcement sometimes focused narrowly on forestry laws to the neglect of laws that secure rural livelihoods. Crude enforcement measures have reinforced social exclusion and tended to target poor people while

avoiding those who are well connected. Trade-based FLEG measures may also ignore the social implications. The study recommends future FLEG initiatives be developed in transparent ways, with broad civil society engagement, and that they give special attention to the rural poor by addressing the full range of laws relating to forests, adopting rights-based approaches and promoting legal reform, rule of law and access to justice. The synthesis report was widely distributed, a two-page policy brief was prepared and a side event was held at UNFF6.

At the regional level: In Southern Africa, an assessment of policies and incentives for Miombo woodland management is helping to improve understanding of the linkage between rural livelihoods and Miombo woodlands, with a view to informing the development of social and economic policies which have poverty alleviation as their primary objective. Results from the first field activities will be reported at a regional workshop on the research findings to be held in 2007.

Governance

PROFOR activities initiated under this thematic area in 2006 are breaking new ground on the question of what makes for effective forest sector institutions by going beyond consideration of traditional institutions to evaluation of the influence of informal institutions as well as the impact of institutional choice on forest sector outcomes. Grounded in national level case studies, this work is intended to provide globally relevant findings on institutional effectiveness. At the national level, PROFOR activities continue to lay the foundation for forest sector reform, specifically with regard forest tenure and use rights, with ongoing analytical work and stakeholder dialogues at the national level in China and Honduras. Additionally, the PROFOR-supported analysis of the potential role of the Convention on International Trade in Endangered Species (CITES) in combating illegal logging came to fruition in 2006 with the publication finalized and disseminated by TRAFFIC.

At the global level

Informal Institutions and Forest Governance: It is increasingly agreed that informal institutions matter in forest resources governance, however the characteristics that distinguish the positive or negative influence of informal institutions are not yet well understood. With PROFOR support, CIFOR will analyze what informal arrangements or rules-in-use work as incentives for good governance of forest resources and which have negative effects on forests and human welfare. The analysis will be grounded in case studies in Bolivia, Brazil, Honduras and Nicaragua in locations where the local economies, and local people depend on forest resources for their livelihoods. The overarching goal is to contribute to improving decision making and incentives for forest resource use by providing inputs for improving institutions through enhancing transparency. This project links closely with the Forest Resource Access and Livelihoods activity

Institutional Choice and Recognition in Forestry: Effects on the Formation and Consolidation of Local Democracy: World Resources Institute (WRI), in partnership with PROFOR, is researching the effects of institutional choices by governments, international development agencies and other organizations on three dimensions of democracy: 1) representation, 2) citizenship, and 3) the public domain. The findings will be used to develop guidelines for institutional choice that will help guarantee establishing and scaling up of sustainable, representative local institutions in forestry. The guidelines are intended for use by bilateral and international development agencies and the project is designed to inform Community-Driven Development (CDD) projects within the World Bank.

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

At the country level

Linking land tenure regularization and forest management in Honduras: Building on outcomes from phase 1 (see January 2005 Management Board Report), the second phase of the project has developed criteria for determining appropriate land titling regimes based on the new legal framework and GIS information. The potential regimes were developed on the basis of different land use categories and criteria for prioritizing them at the field and represent an initial simulation of what might be the possible outcomes in terms of forest land tenure and forest management after the regularization process. This approach takes into account local livelihood systems with safeguards for the forest-dependent poor with weak derived rights. Next steps include: promotion or strengthening of appropriate local organizations (e.g., cooperatives, private owners associations, producer groups, etc.), regulatory reform to adapt legal regulations to small-scale management and reduce transaction costs, training and skill building activities, and promotion of links with industries and markets (vertical integration of small- and large-scale forest management).

Collective Forest Reform in China: China is committed to reforming its collective forest areas, with the State Forestry Administration (SFA) leading the process. The reform is in part spurred by China's new emphasis on delivering more assistance to rural areas and a more favorable policy environment for the rural poor. One of the main tasks of this reform process is the development of feasible guidelines for tenure and policy reform for China's vast collective forest areas. To this end, PROFOR is supporting close examination and analyses on identifying: (i) the best forest tenure system to achieve the objective of sustainable forest management and improved livelihoods, (ii) the supportive policies and regulations needed to implement the tenure reform, (iii) the support services are needed by forest farmers, and the kind of farmer organization(s) should be developed to manage and use the forests, and (iv) the most appropriate business models in a more decentralized forest management arrangement.

Enhanced Financing Options for SFM

Financing options for SFM is an active thematic area, with timely global activities related to the emerging opportunities on avoided deforestation and new approaches to means of implementation for sustainable forest management (SFM) in relation to the United Nations Forum on Forests (UNFF). PROFOR is also working with Forest Trends to identify the best approaches to mobilize the private sector for investments in payments for environmental services (PES). At the regional and country level, forest investment forums are bringing together key players to promote progressive private sector-community partnerships in East and Southern Africa as well as Indonesia. At the national level, support to build forest policy analysis capacity in China is leading to the development of models for assessing impacts of policy reform alternatives and increased interest in such tools among decision makers. Additionally, PROFOR supported knowledge generation on global lessons learned on PES that are relevant for China.

At the global level

Avoided deforestation: In Montreal in 2005, the Conference of the Parties (COP) to the UNFCCC agreed to consider including avoided deforestation in a new commitment period under the Kyoto Protocol. Parties were invited to submit proposals to the Subsidiary Body on Scientific and Technical Affairs (SBSTA) on how avoided deforestation might be included in the regime. In response, some developing countries agreed to coordinate a submission to SBSTA, and PROFOR sponsored a two-day workshop to help countries develop cross-regional consensus on a framework for avoided deforestation that will lead to meaningful solutions for deforestation in developing countries. On April 17, 2006, the UNFCCC secretariat received 18 submissions by Parties representing a total of 75 countries, and 17 submissions from Observers on behalf of more than one thousand intergovernmental and non-governmental organizations. Through the PROFOR provided support, there was strong coherence of the submissions provided by the developing countries, even if some of them put special emphasis on regional specificities.

Options for Means of Implementation for the United Nations Forum on Forests (UNFF): Central to the discussion on global commitments and a non-legally binding instrument (NLBI) within the UNFF is the issue of means of implementation, particularly financial mechanisms and resources for sustainable forest management and conservation of all types of forests. At its sixth session in May 2006, the UNFF identified potential mechanisms to support action toward the four global objectives and sustainable forest management (SFM) more broadly. In response, PROFOR is developing a background paper to assess the various means of implementation to contribute to the ongoing dialogue on means of implementation during the current negotiation of an NLBI, especially at the UNFF's seventh session in April 2007.

Mobilizing Private Sector Buyers: In partnership with Forest Trends, PROFOR is working to build private sector interest in payments for ecosystem services (PES), with the ultimate goal of increasing private sector investment in ecosystem services. The private sector benefits significantly from use of "free" ecosystem services and is also a major contributor to degradation of ecosystems and/or declining availability of key resources such as water. This activity is developing background materials and approaches to persuade businesses that ecosystem conservation is an emerging issue for business and working on tools to help NGOs sell ecosystem services to the private sector.

At the regional level:

Eastern and Southern Africa Regional Investment Forum: Government management and development of new plantation resources in this region has fallen short in recent decades due to a combination of several factors, including the failure to mobilize the potential of local communities and small holders to manage such resources. The Southern and East Africa Region Forum identified opportunities for investments that would support expansion, modernization, improved efficiency and profitability of both large and small scale forest based industries (SME's). It gave special emphasis to the potential of such wood based SME's to create off-farm employment opportunities and to contribute to poverty alleviation and sustainable livelihoods. It highlighted the potential of existing larger scale forest product manufacturing industries to provide a guaranteed market outlet for local community and small holder managed forest resources and the possibilities for developing mutually beneficial company /community partnerships. It identified opportunities for private sector and community investment in all countries of the region in management of existing and establishment of new plantation resources. The Forum also identified the major constraints to responsible private sector investment and potential solution to overcoming such constraints. As a result of this Forum, several potential investment deals are under active development. Opportunities are being explored for the World Bank, its NGO partners, IFC and other donors to support these initiatives.

At the country level:

Building Forest Policy Analytic Capacity in China: Through support to capacity building for forest policy analysis in China, PROFOR is helping to equip policymakers with analytical tools to help guide reform processes, plan investments and generally support sound sector management. More specifically, through a learning by doing approach, this work is helping to develop a basic capacity within the State Forest Administrations (SFA) Forest Economics Development Research Center (FEDRC) to predict the impacts on forest product supply, land allocation and other related resources of developments and changes in forest management institutions (tenure, forest farm organization), timber taxation and forest products marketing, international trade and other policies being targeted for reform. The project has made FEDRC researchers aware of the value and power of available quantitative tools and the need for greater capacity in China. As a consequence, FEDRC has established a Study Office on China's Timber Supply with the long-term purpose of constructing China timber supply models to forecast China's timber supply and trends, furthermore, analyzing the influence of China's timber production on world timber supply and supplying macro-policy

recommendations and suggestions for China's timber production. The FEDRC research team is now preparing a regional supply model addressing China's northeast forest region.

China PES: In China, PROFOR has supported a Forest Trends initiative to help the Chinese government identify future opportunities for national payment for environmental services schemes. Drawing on lessons from successful PES experiences throughout the world, aspects which would best suit China's needs were identified and shared at Conference on Eco-Compensation organized by the Chinese International Council on Environment and Development (CCICED) Taskforce in August 2006. Subsequently, CCICED drafted policy recommendations for possible future course of action for China on PES.

Indonesia Forest Development Forum: Building on the model of previous investment Fora, this Forum aims to bring together the main conclusions emerging from a series of workshops focused on improving sustainable and responsible investment in the forest sector, with a view to endorsing strategies and policies for creating an enabling investment climate for restructuring of forest industry and for local community involvement in establishment of community-based plantation and improve natural forest management. The Forum is timely because Indonesia's forest sector is facing a crisis, due to rapid forest resource loss and degradation that threaten the livelihoods of rural people and the sector's continued contribution to export earnings and economic development. Industrial restructuring and development of alternative timber resources are needed to bridge the growing gap between demand for forest products and sustainable supply.

Cross-Sectoral Cooperation

PROFOR's activities under this theme are largely focused on the interface between forests and other competing land uses. They look at the trade-offs and potential complimentary between different uses and the influence that related macro-economic policy decisions has on the forest sector. At the global level, PROFOR is collaborating with Ecoagriculture Partners to develop a methodology for measuring the performance of landscape mosaics in delivering biodiversity and forest conservation to enable clear assessment of environmental and livelihood benefits delivered by different uses. At the country level, PROFOR is active in Indonesia in assessing impact of growing demand for biofuels, and thus palm oil plantations, on forests, and in Brazil on how best to improve land use and ownership.

At the global level:

Measuring Biodiversity and Forest Conservation in Landscape Mosaics: PROFOR is collaborating with Ecoagriculture Partners, IUCN and WWF to develop approaches to measuring the performance of mosaic landscapes in delivering flows of environmental and livelihood benefits. Ultimately, a *Landscape Measures Sourcebook* will be produced to assist stakeholders and managers develop locally and globally relevant indicators for landscape performance criteria, and means of measuring them. The approach will enable local communities to self-monitor progress as well as to participate meaningfully in multi-sector monitoring activities. Capacity for integrated monitoring of indicators important to different groups within a landscape is a critical input for landscape-scale governance.

At the country level:

Brazilian Amazon Land Administration Study: The ways which land is acquired, owned and used in the Brazilian Amazon have generated a pattern of undesirable outcomes that are to a large degree wasteful, inefficient, unsustainable and fail to achieve a balance between development and conservation. The objectives of this study are to deepen the debate about how to improve land management in the Amazon, and position the Bank within this dialogue in order to support the land policies and interventions which best support the higher level development objectives of ecologically sustainable, socially inclusive growth. By examining how the complex interactions of different formal and informal stakeholders influence these functions of land rights in a set of twelve case studies, the

research will provide sound analytical basis for making recommendations for improving land allocation and governance.

Government Policies, Natural Resources and the Environment: Analyzing Paths to Sustainability in Indonesia: In partnership with AusAID and CSIRO, PROFOR is contributing to the development of analytical models and studies in Kalimantan for examining the impact of energy and macro changes on the forestry sector. This study is timely in Indonesia because land conversion to plantations has long been a key threat to the sector and growing demand for palm oil is increasing pressure to convert natural forests to plantations. The study is expected to help get forestry issues more firmly onto the policy making agenda of other sectors at the highest levels of government.

Communications and Knowledge Management

In 2006, PROFOR continued to contribute to knowledge sharing events, including at the UNFF, the World Bank Sustainable Development Network Week, and the Global Issues Seminar Series. The website design and content was overhauled and updated to be more user friendly and provide an updated look. The current average for unique visitors per day to the site is 77, following a steady upward trend. Publication highlights from 2006 included the PROFOR *Report of the Southern and Eastern Africa Investment Forum* and the finalization of partnership publications with CIFOR (*Forest Law Enforcement and Rural Livelihoods*), TRAFFIC (*Role of CITES in combating illegal logging: Present and potential*) and Forest Trends (*Finding and Approaching Prospective Buyers for Ecosystem Service Payments*). A European Tropical Forest Research Network (ETFRN) Special Report on Forests and the MDG, carried out in partnership with the NFP Facility, is forthcoming in early 2007. Now that the Poverty-Forests Toolkit is finalized it will begin the print production process and is expected to be available in April 2007 and launched at the UNFF's seventh session. Additional communications and knowledge management components are integrated within individual PROFOR activities and include partner relationship development, support for activity implementation, events, reports, and press relations.

II. Key Outcomes for PROFOR in 2006

In 2006, PROFOR initiated timely activities on crucial issues facing the forest sector today. It also undertook a mid-term review that affirmed and validated PROFOR's role. The following are this year's most significant outcomes.

1. PROFOR Mid-Term Review

As agreed to at the last PROFOR Management Board Meeting in Rome, PROFOR underwent a Mid-Term review in 2006 as initially proposed by the Swiss Government. The overall assessment of the program is very positive. It endorses PROFOR's objectives, commends its efficient management, highlights its increasing relevance and underlines the growing demand for the program's services. The report contained many valuable recommendations for action. These recommendations and the PROFOR Team's response to date are summarized in Section III of this report.

2. World Bank Decision to Streamline Forest Partnerships

The conclusion of the MTR and presentation of its recommendations coincided with a moment where the World Bank, on its part, had decided to review its various Forest Sector partnership programs and associated thematic Trust Funds. The review process about the World Bank's future forest partnership architecture and programmatic approach is still ongoing. The preliminary result of this discussion places PROFOR in a prominent and pivotal position to create knowledge and develop innovative approaches to sustainable forest management. In this context, PROFOR is being reconfirmed as one of the Bank's most prominent multi-stakeholder partnerships with the potential of bringing key players together and providing priority knowledge products to a wide range of clients.

In the event PROFOR donors agree, the GFA partnership model would seek a more prominent insertion of PROFOR and proactive alignment of its themes with the Bank's Forest Sector Strategy and Bank operational priorities, so as to catalyze increased World Bank Group financing for forest sector investments. There would also be a stronger results focus where PROFOR would be linked to the other World Bank Forests core programs and be part of a unified M&E. Last but not least, PROFOR would become part of the Bank's long-term vision and strategy that includes the explicit treatment of interactions with other programs that are managed by the World Bank's Forests Team.

3. Facilitation of Debate on Avoided Deforestation for Developing Countries. Avoided deforestation emerged as a hot topic in 2006, with many players with diverse interests eager to set the agenda for their benefit. PROFOR agreed to support dialogue amongst developing countries with a view to building consensus on scenarios for using avoided deforestation to comply with future international climate regimes that are beneficial to diverse types of developing countries and underpinned by principles of social equity. As a result, when the UNFCCC secretariat received 18 submissions on avoided deforestation by Parties representing a total of 75 countries, and 17 submissions from Observers, the strong coherence among the submissions provided by developing countries was notable.

4. Engagement in Forest Sector Policy Dialogue in China. In 2006, PROFOR had substantial engagement with China on forest policy discussions through World Bank regional staff and also Forest Trends. These activities are helping to frame discussions on forest sector reform with a view to delivering more assistance to rural areas and a more favorable policy environment for the rural poor. PROFOR's support is providing Chinese decision makers with: new analysis and information on forest tenure systems, tenure reform processes, and decentralized forest management arrangements; lessons learned from global experience with ecosystem service payments that are relevant to China; and capacity building for timber supply models to forecast China's timber supply and trends and, importantly, analyze the influence of China's timber production on world timber supply.

5. Private sector engagement and fostering of company-community partnerships:

The Eastern and Southern Africa Forest Investment Forum resulted in identification of several emerging investment opportunities in the region. One of the main themes of the Forum, opportunities for establishing mutually beneficial partnerships between forest industrial companies, local communities and small holder outgrowers, is being given special emphasis in the development of a future portfolio of projects appropriate for World Bank and IFC support. Building on PROFOR's ability to convene representatives of financial institutions, industry, government and conservation agencies at earlier Forums (including in Washington DC and Kenya) the Indonesian government has requested support for a similar Forum to identify solutions to bridge the growing gap between demand for forest products and sustainable supply and address the issues of industrial over capacity and the obstacles to revitalization posed by continued illegal logging.

6. Governance analytical work influential for FLEG initiatives. PROFOR analytical work and publications related to forest law enforcement and governance (FLEG) continue to be relevant to FLEG initiatives in terms of sustaining the dialogue in East Asia and generating interest in Latin America. They have also served to clarify issues within FLEG on what international instruments may be applied for combating illegal logging (i.e. CITES) and on the impacts of FLEG initiatives on the livelihoods of the forest-dependent poor. Specifically, these publications are: *Tools for Civil Society Action to Reduce Forest Corruption - Drawing Lessons from Transparency International*; *Justice in the Forests: Rural Livelihoods and Forest Law Enforcement and Rural Livelihoods*; and *the Role of CITES in Combating Illegal Logging ~ Current and Potential*. The role of PROFOR intervention in Russia in creating the early interest and possibility for the ENA FLEG process continues to be acknowledged.

7. Redesigned of PROFOR website and steady growth in product demand. In May 2006, a redesign of the PROFOR website and overhaul of the content was initiated with a view to making the website more user friendly and update the look of the site. The new website was completed in November 2006. The website use and publication download statistics demonstrate a steadily growing audience for PROFOR's work.. Please see the summary of communication and knowledge management activities under Annex II for further details.

III. Response to MTR - Areas for Action and Action to Date

The MTR most important suggestions on the program substance and management procedure are summarized below and blended, where appropriate, with the actions that were agreed on at the 2006 Advisory Board Meeting in Rome. In each case, the PROFOR Team's actions to date to address the recommendations follow in italics.

Action 1: Identify and contract a consultant to carry out a PROFOR Mid Term Review.

Action to date:

Consultant (Jyrki Salmi) was contracted; MTR final report was received in September 2006.

Action 2: Invite all core financiers to become members of PROFOR's Management Board.

Action to date:

This MTR recommendation is in line with the practice and procedures as described in the Background Note. The recently revised Administrative Agreements provides for the legal ratification of this agreement. After consultation with donors, a related MTR recommendation, i.e. that of excluding partners which contribute only in kind but have shown a strong interest in PROFOR's activities (e.g. GTZ) was rejected.

Action 3: Empower the PROFOR manager to make a broader range of decisions. This would include that donors delegate the taking of decisions on what proposals to approve and fund.

Action to date:

Feedback from donors has been positive on this recommendation. Formal endorsement of this arrangement would occur through the vote of the Advisory Board in February 2007 and the signing of the revised Administrative Agreements.

Action 4: Create two funding windows: one for strategic topics, the second and smaller one to permit quick-responses to opportunities that emerge in the World Bank's client countries. Establish a limit that determines how many of PROFOR's resources go to each of the aforementioned categories.

Action to date: The recommendation was adopted, using an indicative ratio of 75 and 25% respectively for allocating funds to the aforementioned windows.. Further to this, the PROFOR team recently refined its set of selection criteria (attached), which, further to the already existing thematic criteria, is designed to facilitate the operational review of proposals that are submitted to the Secretariat. The revised criteria have been posted on the PROFOR website to further increase the transparency of the selection process.

Action 5: Although the MTR considered the composition and working modalities of the Advisory Board to be operational and efficient, it suggests that broader buy-in by clients might be enhanced if the Advisory Board were amplified to include all of the member categories that were suggested in the PROFOR Background Note.

Action to date:

The team considers this recommendation to be one that needs to be discussed at the Advisory Board's upcoming meeting. There is no doubt that all core-donor countries / agencies should be represented. Yet, while the argument of reaching out to broaden the group further to include other stakeholders resonates in some aspects, it is pointed out that enlarging the board may translate into a loss of the board's agility and efficiency. Also, including a single client country, NGO and private sector representative on a rotating basis will be delicate with regard to where to choose these individuals from. There would have to be some kind of a rotating system implying high transaction costs due to the need to familiarize the incoming members with PROFOR's past and present challenges.

The team feels that placing emphasis through the guidelines for proposal preparation (and/or selection criteria) on government endorsement of the activity or client engagement in an early phase of the activity would be an alternative way of addressing the recommendation.

Action 6: Maintain the present thematic areas of Livelihoods, Governance, Innovative SFM Financing and Cross-Sectoral Cooperation. However, develop the portfolio through a more proactive and strategic approach. Proposal selection should be guided by the introduction of high-priority topics that are grouped under PROFOR's key thematic areas; i.e. where the proposed activities would contribute in a structured and systematic way of expanding knowledge on such topics.

Action to date:

Consultations have been held (process is still on-going) to validate the list below and determine further priority topics. The consultations occur(ed) on two levels: internal with World Bank regional expert teams and externally, with different stakeholders. The external consultation process has thus far been informal and yet needs to be systematized to be representative. The long list of PROFOR strategic themes that has emerged from the ongoing consultation process highlights the following topics (not ranked for importance):

- *measuring forest related contributions to poverty alleviation;*
- *fostering the transition towards community ownership and resource rights*
- *fiscal policy reform processes;*
- *land administration;*
- *trends in land conversion for agroindustrial purposes;*
- *role of more responsible private sector companies in helping to combat illegal logging and non sustainable forest management practices;*
- *sources of private sector capital linked to adoption of certification and principles of corporate social responsibility;*
- *international trade dynamics and forest loss;*
- *tracking tools for certified timber;*
- *impact of the growing demand for biofuels, specifically with a view to competition between food security and energy interests;*
- *technical and economic potential of utilizing logging residues and wood processing waste for energy generation;*
- *fostering of partnership based approaches between governments, companies, local communities, smallholders, NGO's and private sector financing institutions*
- *mechanisms to pay for forest environmental services*
- *analytical approaches for assessing the impact of development policy lending;*
- *reduced and avoided degradation and deforestation;*
- *landscape approaches.*

Action 7: In order to secure follow-up financing for PROFOR-initiated activities / processes, a more proactive and systematic dialogue between the PROFOR team, Bank regional staff and the recipient countries is recommended. Integrate PROFOR work and objectives into Country Assistance Strategies or other development programming processes (bilaterals etc.). Rekindle the Bank's PROFOR Working Group and use it as a dialogue platform for the identification and decision-making on opportunity-related activities.

Action to date:

The Forests Team, and by extension the PROFOR team has the role of reviewing / commenting CAS and DPLs, which is an opportunity to introduce findings of PROFOR supported work. Also, PRSPs tend to reflect forestry sector concerns in countries where strong NFPs are present. As already practiced in the past, this is here where the team sees some of the greatest synergies from working with the NFP, where NFP would be the transmission and dissemination mechanism of PROFOR-financed work. The same is true for the Bank's regional departments. Eventually, there also needs to be a sharing of responsibilities with activity proponents, i.e. where it would be up to the proponent of a PROFOR-financed activity to ensure integration and follow-up in the local context

Action 8: Monitor the adequacy of the staffing levels. Recruit a new PROFOR Program Manager. While PROFOR's present staffing level is considered to be "lean and efficient", there

remains concern that if the volume of operations increases, the adequacy of the current management arrangement may have to be revisited.

Action to date:

A new PROFOR Manager has been recruited (Gregor Wolf). Furthermore, Ms Diji Chandrasekharan Behr is joining the PROFOR team as a technical specialist. Staffing levels are being monitored; adjustments will be implemented in light of the developments as regards the realization of the Bank's Global Forest Partnership as well as new donor contributions.

Action 9: Strengthen the dialogue between the Bank (particularly the PROFOR Team) and other partners at global and local levels and intensify the dialogue between the PROFOR Team and the Bank's Regional staff by, for example, reviving the Bank's PROFOR Working Group and by getting involved at an early stage of the preparation of country assistance strategies.

Action to date:

The World Bank's Regional Working group has been reconstituted. Considering the currently emerging GFA Partnership Structure, such meetings will be held in the context of the periodic events that are designed to discuss developments in the Bank's Forests agenda, identify priority topics, monitor progress of the broader partnership program and to exchange knowledge. Involvement in the CAS process (and DPLs) will occur principally through established review channels (Bank-internal review processes).

Action 10: Strengthen the linkages between the generation of knowledge and tools with regional or country processes and existing institutions, e.g. through linking PROFOR activities with the ongoing NFP process at country level, including the national NFP coordination offices that would facilitate the flow of information between PROFOR operators and country processes.

Action to date:

PROFOR is keen to expand and build on synergies with the NFP process. Examples where this partnership can be implemented in NFP client countries in concrete terms would be, for example, the FLEG process (e.g. National Action Plans against illegal logging), the application of the Forest Poverty Toolkit, Strategic Environmental Assessments for the Forest Sector, the applications of best practice models from the Forest Sourcebook and support for the setting of standards and certification schemes through the Forest Certification Assessment Guide - FCAG. The PROFOR team is keen to explore these and other opportunities further with the NFP-Facility.

Action 11: Maintain more regular and systematic linkages with the NFP Facility that is housed at FAO. Identify opportunities for dissemination of analytical work at the national level; implementation of regional or sub-regional lessons learned/exchange of experience workshops on selected strategic topics. Such events should be organized and co-financed jointly with the NFP Facility and might be also linked with the strategic and forward looking brainstorming sessions.

At the occasion of the 2007 Advisory Board Meeting, the team will discuss with the NFP as regards the best modalities for such knowledge management and strategic planning. The PROFOR secretariat expects to intensify coordination and cooperation with the NFP Facility by (a) going through the NFP Facility in order learn from its country partnerships about any proposed topics for consideration through PROFOR; (b) use of the "NFPs for all" initiative as a means for delivering knowledge on key issues relevant both to PROFOR and the NFP Facility; (c) intensifying the PROFOR - NFP Facility communications efforts; and (d) the identification of joint activities in selected countries, where and when found feasible.

Action 12: Request that each PROFOR-supported initiative present its own dissemination strategy, especially with a view to proactively identifying complementary follow-up activities, financing and the path to mainstreaming.

Action to date:

This recommendation, closely linked to the aspect of sustainability, has been integrated in the guidelines for proposal preparation and the presentation of results.

Action 13: Revise and update the PROFOR web page and strengthen donor communication. This would include the posting of the program's annual reports, budgets and selection criteria and process.

Action to date:

The update and expansion of the PROFOR web page was successfully completed. An interim donor's meeting was held past June. Dissemination of analytical work of regional or global relevance will continue to be a task of PROFOR's knowledge management and communications unit and will be intensified in the future.

Action 14: Inform Bank Executive Directors of PROFOR achievements.

Action to date:

PROFOR has been prominently highlighted in recent discussions with the Bank's Senior Management. Yet, a presentation at the level of the ED's (i.e. World Bank Board Meeting) is likely to occur only in the context with presenting a more matured version of the WB 2015 Global Forest Alliance initiative.

Action 15: The MTR acknowledges the popularity and wide outreach of PROFOR's publications. The report suggests that the team conduct a workshop to prepare a strategy for building PROFOR's image with the aim of wider "brand recognition".

Activity to date:

The team will act on this recommendation based on guidance from the Advisory Board. It is felt that the purpose and target groups of such "brand recognition" initiative need to be defined first in order to decide on the extent of manpower and resources that should be dedicated to implementing this proposition. The Secretariat requests the guidance of the Advisory Board on this.

Action 16: Strengthen PROFOR's impact monitoring system and propose a model that might be used to that effect.

Action to date:

The team concurs that PROFOR should strengthen the process and impact monitoring of PROFOR funded activities. As noted by the MTR monitoring impacts of PROFOR activities is challenging as PROFOR "operates often through policy processes that are impacted by a multitude of processes, not just PROFOR, and the isolation of PROFOR's impact from other drivers will be practically impossible. Similarly, many of the processes that PROFOR is working with are truly long-term, and the impacts do not materialize in a few years' time." In this context, the team is considering the approach proposed by the MTR and discussing how to strengthen the selection and process monitoring of PROFOR activities to ensure innovative, useful and high quality products continue to be generated. The team aims to develop a selection and monitoring system that will be enhanced by a more proactive knowledge management approach. The system and approach will be implemented in a phased and complementary manner.

Action 17: Present a follow-up strategy in every PROFOR activity concept note, and include progress on the leveraging of sustainable financing as a regular reporting item.

Action to date:

The recently revised guidelines for project preparation now reflect this recommendation. However, it has to be recognized that many analytical products are freestanding studies that contain policy recommendations, and suggest new approaches to address specific problems etc. In such cases, a discussion of future financing would be substituted by a description of how the product would be integrated in sector-relevant projects or processes.

Action 18: The MTR points to UNFF6's resolutions that call for an enhanced mandate of PROFOR, the NFP Facility and the Bali Partnership Fund (BPF). It suggests that PROFOR significantly enhance its funding base and that it develop with the NFP Facility and the BPF a joint

proposal for fund raising. At the same time, the MTR stresses that the program should maintain its original focus and modus operandi and not get diverted in too many activities. Specifically, the report argues that the “current” PROFOR is likely to better serve the objectives of strengthening “global sustainable forest management” than a redesigned program which might possibly be overtaxed, i.e. it recommends against PROFOR taking roles that it was originally not designed to take

Comment:

With a view to PROFOR’s enhanced role in the new Global Partnership Program, there is little doubt that the demand for PROFOR’s services will greatly increase over the near term. The increased demand for PROFOR-supported analytical work and knowledge products will require increased funding, calling for a more aggressive fund raising strategy. Considering the different clientele and operating modality of PROFOR, the NFP and the BPF, the advisability of a joint funding proposal and fundraising strategy appears doubtful. Instead, the PROFOR team proposes the development of a fundraising strategy that reflects PROFOR’s enhanced role within the Bank’s new Global Forest Alliance.

Action 19: For the coming years, the MTR suggests a target level for operations-related disbursements in the range of USD 2–5 million annually. The donor base needs to be broadened. Fundraising efforts should be correspondingly geared up.

Action to date and comment

A new donor, the European Commission, has been brought into the donor group. With the current level of contributions to PROFOR, averaging approximately \$1.63 million p.a., the suggested new funding target represents a welcome challenge, especially as the better part of available funds has by now been subscribed. Should, the corresponding increase in PROFOR’s operating mode and disbursements materialize, adjustments in how PROFOR is currently managed and how the program operates within the Bank would likely have to be made (e.g. staffing levels, call for proposal process, etc.).

Action 20: PROFOR should operate at least until 2010, and preferably longer.

Considering PROFOR’s thematic breadth and stakeholders, it is felt that an instrument like this ought to be kept alive as long as there are unresolved issues regarding forests, the environment in a broader sense, and poverty. It is likely that such challenges will continue to exist for generations to come, i.e. where a program that facilitates the search for solutions to these issues will always be in demand. As such, there appears to be no need to search for an exit strategy at present or in the near future.

IV. Budget and Funding Projections for PROFOR

The actual budget for fiscal year (FY) 2006 and the first half of FY 2007 (along with current commitments for the remaining approved projects in FY2007) are summarized in Table 1 below according to thematic area and level of activity. Known sources of funding are summarized in Table 2. Based on current commitments from donors, including the Bank, the funding for fiscal year 2006 was just under US\$2.3 million. Table 3 contains allocations and indicative commitments to World Bank regions to date. The portfolio for FY 2007 will continue to be developed.

Table 1: Budget for fiscal years (FY) 2006 and the first half of FY 2007

Thematic Area	Level	FY06	FY07 (July-Dec06)	Committed FY07
Livelihoods	Global	\$49,050	\$12,948	\$113,700
	Regional			
	Country	\$304,815	\$7,538	
Governance	Global	\$15,000	\$30,148	
	Regional		\$13,142	
	Country	\$139,000	\$18,000	\$68,940
Financing SFM	Global	\$71,100	\$114,783	\$71,700
	Regional	\$90,854	\$13,909	\$18,496
	Country	\$223,943	\$26,574	\$19,356
Cross Sectoral Cooperatio	Global	\$4,125	\$112,000	
	Regional			
	Country	\$130,000		
Knowledge Management		\$42,088	\$5,276	\$25,654
Admin/Staffing	Global	\$336,483	\$156,445	
	Regional	\$72,214	\$25,000	
Trustfund Overhead (5%)		\$77,335.59	\$21,465	
Midterm Review		\$20,719		
Total		\$1,576,727	\$557,228	\$317,846

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

Table 2: Sources of funding

Sources of Funding	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007
Finland	\$566,769.00		\$126,175	\$239,920	-	\$380,040
United Kingdom		\$802,450	\$844,650	\$1,380,297	\$883,700	
SDC		-	\$375,000	\$125,000	\$375,000	\$249,256
Japan		\$300,000	\$300,000	\$300,000		
World Bank			\$260,000	\$260,000	\$280,000	
EC						\$541,422*
Other Governments (AusAid, NL) in form of leveraged funds				\$501,000	\$760,000	
In kind support from Germany				6 month staff secondment		
Total	\$566,769.00	\$1,102,450	\$1,905,825.00	\$2,806,217.00	2,298,700	\$629,296

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

* Agreement with EC recently finalized for a total of €1.2 million (approx. US\$1,55 million). The amount in the table reflects the estimated first payment.

Table 3: Allocation and Commitments to World Bank Regions

Support to World Bank regions	FY2006 Global Programs	FY2007 (first half) Global Programs
1) Africa	115,000	--
2) South Asia	90,000	--
3) East Asia	105,000	165,000
4) Latin America	207,000	--
5) Eastern Europe and Central Asia	20,000	--
6) MENA	--	--
<i>Regions Subtotal</i>	537,000	165,000

Leveraged Funds

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

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

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

Development Policy Lending (DPL) Monitoring Tool: In follow up to PROFOR supported work for a DPL monitoring tool, US\$800,000 was leveraged from BNPP to finance Strategic Environmental Assessments for the forest sector with a focus on cross-sectoral issues.

Brazilian Amazon Land Administration Study: The World Bank share \$140,000.

Staffing

In 2006, the PROFOR Secretariat was comprised of two PROFOR-financed full-time staff members (a Natural Resource Management Specialist and Communications Officer), and a half time staff member (Program Assistant). A new World Bank financed Program Manager joined the program in July 2006. Members of the Sustainable Development Network Forests Team contribute to PROFOR work as well. Last, but not least, World Bank regional staff as well as staff from the Carbon Finance Unit provides support in implementing PROFOR activities.

Annex I. Overview Chart of Activities According to Thematic Area

This chart includes all activities that were in some way active through calendar year 2006. Additional information on the background and status of each activity is provided in Annex II according to the same order as the chart. Completed activities are listed in Annex III.

Livelihoods						
Project	Level	Outputs	Partners	Budget up to FY05	Budget FY06	Budget FY07
Forest Resource Access and Livelihoods	Global and country	4 case studies (Bolivia, Brazil, Guatemala and Nicaragua) and synthesis report	CIFOR	--	--	\$100,000
Forest Law Enforcement and Rural Livelihoods	Global	Case studies; Workshop; Side event at UNFF-6.	CIFOR, DFID	\$42,000	Funding completed	Funding completed
Development of Poverty-Forest Linkages Methodology to inform National Poverty Reduction Strategy Processes	Global And Country	Poverty forest Toolkit methodology, training, publication forthcoming.	CIFOR, IUCN, ODI, Winrock	Global \$194,238 Country \$175,060	Global \$27,750 Country \$138,618	TBC
Policies and incentives for Miombo management	Southern Africa – Mozambique, Zambia and Tanzania	Case studies and synthesis report	CIFOR	--	--	\$15,000

TBC=To be confirmed; -- = no funding that year.

Governance						
Project	Level	Outputs	Partners	Budget FY 05	Budget FY 06	Budget FY07
Institutional Choice and Recognition in Forestry	Global	Meeting on findings and policy recs. 10+ working papers. Peer reviewed international journal. Policy brief.	WRI	--	--	\$134,000
Informal Institutions and forest Governance	Global	4 case studies (Bolivia, Brazil, Guatemala and Nicaragua) and synthesis report	CIFOR	--	--	\$100,000
CITES Instrument	Global	Assessment of CITES as tool to combat illegal timber. Publication forthcoming.	TRAFFIC	\$37,000	\$33,500	Funding completed.
Reforms for China's Collective Forests: Analytical Support on Tenure, Rural Institutions, Forest Policy and Regulation	China	Field data collection, National and international workshops, Background/technical documents	Rights and Resources Group, Ford Foundation	--	--	\$125,000 (\$125,000 committed for FY08)
Linking Land Tenure Regularization and forest management in Honduras: A Practical Approach	Honduras	Phase I Case studies, workshop Phase II Community Tenure Pilots	SAG, CODEFOR, NFP Facility, World Bank,	--	\$77,000	TBC

Financing SFM						
Project	Level	Outputs	Partners	Budget FY05	Budget FY06	Budget FY07
Exploring the potential for avoided deforestation	Global	Workshop, report, submissions to SBSTA	Coalition of Rainforest Nations, Earth Institute at Columbia University, Carbon Finance Unit	--	\$79,000	Funding completed
Means of Implementation for the UNFF	Global	Options paper on means of implementation	CPF, Forest Trends, UNFF Secretariat, Dutch Government	--	--	\$71,000
Catalyzing Payments for Ecosystem Services: Mobilizing Private Sector and Supporting Ecosystem Services in China	Global China	Paper on private sector engagement	Forest Trends	--	\$45,000 \$75,000	Funding completed
Forest Investment Forum for East and Southern Africa Regions	Regional	Input study, Workshop and Report of the Workshop	ICF, WWF, ITTO, Forestry South Africa, DWAF	--	132,000	Funding completed
Indonesia Forest Development Forum	Indonesia	Background papers, Forum and policy recommendations	Indonesian Ministry of Forestry, WWF	--	--	\$135,000
Building Forest Policy Analytic Capacity in China-- Building Basic Models of Forest Supply	China	Economic supply models and analysis of tax policies and other policy variables	SFA Forest Economics Development Research Center.	\$75,000	\$75,000	Funding completed

Cross-Sectoral Cooperation						
Project	Level	Outputs	Partners	Budget FY05	Budget FY06	Budget FY07
Measuring Multifunctional Landscape Mosaics	Global	Framework for methodology application; i learning networks; six pilot landscapes	IUCN/FLR, WWF and Ecoagriculture Partners.	--	--	\$160,000
Amazon Land Administration Study	Brazil	Synthesis report. Policy recommendations. Recommendations for WB lending.	Environment Ministry, Ministry of Land Development, TNC, etc.	--	--	130,000
Government Policies, Natural Resources and the Environment: Analyzing Paths to Sustainability in Indonesia	Indonesia	Assess potential economic, ecological and social impacts of macro policy reform in Indonesia.	WB Country office, AusAID,	--	\$150,000	--
Knowledge Management						
Project	Level	Outputs	Partners	Budget FY 05	Budget FY 06	Budget FY07
Communications, knowledge management and information sharing;	Global	Website; publication series; awareness raising events; set of style standards and templates	ETFRN, WWF, IUCN, World Bank	\$32,082	\$42,088	TBD

Annex II. Current PROFOR Activity Summaries

Livelihoods

Forest Resource Access and Livelihoods

Thematic area: Livelihoods **Level:** Latin America **Completion Date:** October 2008

Partners: Bolivia, CEDLA, La Paz (Bolivian NGO), Bolivian Forest Service, Indigenous/agro-extractive and peasant organizations in Riberalta, Guarayos and Pando regions. Brazil – State of Para. Puerto de Moz community organizations, FASE (NGO), rest to be determined. Guatemala: FLACSO-Guate, Univ. of San Carlos, ACOFOP-Peten (community organization), more tbd. Nicaragua: URACCAN (Univ. of Atlantic Coast), Regional Autonomous Government, North (RAAN).

Background and purpose: The objective of this project is to analyze the relationship between tenure, governance and livelihoods through forest use and helping poor sectors formulate resource-related development demands for authorities. Access to forest resources by poor communities is subject to numerous factors, including but not limited to questions of land tenure. Access mechanisms understood as “bundles of rights” and “bundles of powers,” includes not only tenure associated rights but also structural and relational mechanisms, such as markets, capital, technology, labor and access to authority, that permit or obstruct resource access in practice.

Though local actors may have legal rights to access, even holding individual or collective property rights to forests, other institutions mediate the ability to act on that right. Research on forms of access to markets and capital, behavior of formal institutions, and socio-political relations affecting access to decision-making authorities is needed. In particular, authority itself is a mediating factor in access to markets and capital, and in the structuring of tenure regimes and local institutions. Current processes of transfer of forest tenure to local communities, national and local institutional change, such as decentralization and community forestry organization for forest management may have direct effects in such cases. Access for local resource users needs to be understood along the lines of class, identity, gender, local vs. outsider, etc, as the degree and type will vary according to the particular resource in question. This research aims to understand the interactions among these access-determining variables and their effects on livelihoods.

Approach: This research project will cover the countries of Bolivia, Brazil, Nicaragua and Guatemala. An elaborated Conceptual Framework and cross-cutting operational questions will guide the research. The project(s) has incorporated the framework in the concept note(s) into the larger project and have promoted the adoption of similar approaches by the teams in these regions. The project will: define operational research questions to be shared across the 4 countries; outline overarching literature references to guide the project; integrate the informal institution questions at the relevant levels and scales; conduct a literature review to design a simple tool capture and assess transaction costs for communities to gain access to secure tenure, use, markets and benefits of forest resources; adapt the time frame and refine the budget; and begin identification and negotiations with national and local partners. This last step is at different stages in each country. Outputs have been mapped to fulfill an expanded set of expectations by integrating funds from different donor sources.

Outputs: The project will increase partners and governments understanding of the effects of tenure regimes on local livelihoods, equity and an indication of the impact on forest condition. to aid both the reform rights of access of local communities. A greater understanding of the implications of over-lapping tenure ‘regimes’ will aid governments and local actors in the decision making process of reforming/navigating access rights of local communities. It will also identify the most significant transaction costs that local communities face in attempting to guarantee forest resource access, use,

management, transformation and marketing to calibrate and correct policies that inhibit greater realization of benefits.

The preliminary findings from the case studies will be presented for discussion in local workshops that will generate a set of recommendations or agreements, where possible, for future action to establish pro-poor terms of access. The final product of this research will be a comparative report that synthesizes the findings from the case studies.

Status: Finish partner identification and contracting; finish development of methodological tools; begin field training and field work.

Budget

FY07	\$100,000.00
Total	\$100,000.00

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

Partners: CIFOR, DFID

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

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

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

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

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

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

Case studies from Bolivia, Cameroon, Canada, Honduras or Nicaragua, and Indonesia were developed based mainly on literature reviews and secondary data, interviews with key informants, and the experience of the individual authors. The case studies address the issues discussed above in a

common format and provided input to the synthesis report, the workshop and subsequent project development.

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

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

Status: FY04: The project was initiated in February 2003 (with 50,000 British Pounds Sterling from DFID). A preliminary report was presented at the African Ministerial on Forest Law Enforcement and Governance. **FY05:** The synthesis report and case studies were pending resolution of issues surrounding the Canadian case study. **FY06:** The synthesis report (1,500 copies) was distributed to key individuals in the international forestry community; a short summary (500 words) was disseminated via the Poles electronic listserve; a four-page policy brief based on the synthesis report was published (2000 copies) and disseminated broadly; and a side event to present the findings was held at UNFF-6. The case studies from Africa (Cameroon), Asia (Indonesia), and Latin America (Honduras and Nicaragua, Bolivia) will be included as chapters in a book on illegal logging to be published by Earthscan.

Budget

FY04	\$42,000.00
Total	\$42,000.00

Thematic area: Livelihoods **Level:** Global **Completion Date:** March 2007

Partners: CIFOR, IUCN, ODI, PROFOR, Pronatura-Chiapas, Winrock-International

Background and purpose: Over the past few years, there has been a slowly growing interest in the role that forests play in supporting the poor, in reducing their vulnerability to economic and environmental shocks, and in reducing poverty itself. International workshops in Italy, Scotland, Finland and Germany have focused on the contribution of forests to livelihoods and the policies needed to strengthen that contribution. In 2006, FAO and ITTO co-hosted a major conference on the subject in Vietnam.¹

However, this debate has remained largely among forestry professionals, and the case for the contribution that forests make toward poverty reduction is yet to be determinedly made to policy makers concerned with poverty in key non-natural resources Ministries such as Ministries of Finance, Planning or Local Government, or in the supra-ministerial bodies where Poverty Reduction Strategy (PRS) processes are often located. The role of forests in poverty reduction has not so far been reflected in any significant way in national level strategy.

At the same time, Forestry Ministries, though they are now beginning to feel challenged to demonstrate the ways in which forest contribute to poverty reduction, are for the most part moving only slowly to collect new kinds of data to meet this challenge. Their previous experience of data collection has not prepared them for this. There are two main reasons why the role of forests in poverty reduction has not so far been reflected in any significant way in either national level poverty reduction strategy (PRS) processes or in national forest programs (nfps).

Firstly, most countries have little data available to illustrate how forests contribute to the livelihoods of poor households. Second, the data that does exist rarely gets presented in ways that are meaningful to those designing PRSPs and nfps. On the poverty side, there is a tendency to underestimate the contribution of forests, and off-farm natural resources in general, to livelihoods. On the forestry side, reporting is typically in terms of the physical resource (trees planted, forest cover improved, timber sold) rather than livelihoods, with the sole exception of the recording the number of people formally employed in the forest sector. Such reporting sheds no light on the contributions made by forests to the lives of the poor.

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

¹ "The Role of Forestry in Poverty Alleviation" Cortevicchia, Italy, September 2001; "Forests and Poverty Reduction: How can development, research and training agencies help" Edinburgh, U.K., June 2002; "Forests in Poverty Reduction Strategies: Capturing the Potential" Tuusula, Finland, October 2002; "Rural Livelihoods, Forests and Biodiversity" Bonn, Germany, May 2003. International Conference on 'Managing Forests for Poverty Reduction' Ho Chi Minh City, Vietnam October 2006. FAO, ITTO, TFT, RECOFTC, WWF, SNV, Asia-Pacific Forestry Commission.

Approach: In mid- 2004, IUCN, ODI, CIFOR, PROFOR and Winrock International formed a working group partnership with the intent of consolidating and building upon the growing knowledge base from field work and research efforts on the different ways in which forests benefit the poor. The objective of the partnership is four-fold. The first objective is to devise a rapid methodology for appraising forest-livelihood linkages from field exercises; and second to undertake more extended research for a series of case studies. Third, and most importantly, the intention was to devise ways by which locally gathered data might influence the national level, in order to enrich national level instruments such as PRSPs and nfps. Finally, the availability of such data would enable countries to be better equipped for participation in international dialogue on forests.

Outputs: Case study results and a synthesis report on the findings; Development of a toolkit (based on the rapid methodology) for use by forest agency staff and decision-makers and training purposes in Africa. Supplemental funding (581,000 USD) from the Dutch Government BNPP Trust Fund was secured to implement and monitor progress in training forest officers using the toolkit in 4 African countries (Cameroon, Ghana, Madagascar, and Uganda), while implementation in other countries in Africa and Asia is under discussion with partner agencies (IUCN, RECOFTC and FAO).

Status: FY06: Case studies completed for Guinea, Indonesia, Laos, Mexico, Nepal, and Tanzania on how forests link to livelihoods and the role of forests in the PRSP. A draft toolkit to facilitate appropriate inclusion of poverty-forest linkages into the PRSP (and similar planning strategies and programs) was peer reviewed in January 2006; field tested in Tanzania in February-March 2006 and peer reviewed again between June-August 2006. A seminar on the results of field testing the toolkit was presented at ESSD Week in February 2006. **FY07:** Results were shared at the International Conference on Managing Forests for Poverty Reduction in October 2006. Revisions reflecting final comments from peer reviewers were incorporated in November-December 2006. Final draft of the toolkit is under review; Toolkit to be published and launched in March 2007.

Budget

FY04	\$135,000.00
FY05	\$234,298.00
FY06	\$166,368.00
Total	\$535,666.00

Thematic area: Livelihoods **Level:** Regional - Southern Africa **Completion Date:** November 2007

Partners: Center for International Forestry Research - CIFOR

Background and purpose: The Miombo woodlands stretch in a band across the highveld in Southern Africa from Tanzania and Mozambique in the east to Angola and Namibia in the west. In regions where population pressures are high and arable land resources are limited, they are an important element in complex systems of rural land use which integrate woodland management with crop and livestock production and contributing significantly to mitigating impacts of rural poverty. Most Miombo is heavily disturbed and under great pressure because of its local value: providing dry-season fodder for livestock; providing fuel wood for domestic and rural industry; offers construction material; provides wild foods and fruits, reduces the poor rural household's vulnerability from risks of crop failure. In addition, the woodlands provide ecosystem services by conserving water and soil resources. At a time when alternative economic opportunities remain under-developed, some studies have shown that up to a third of incomes amongst poor rural households can come from dry woodlands in parts of southern Africa. Despite these varied and significant roles, policy interventions focusing on the linkages between woodland management, the environment, and poverty alleviation are seldom clearly articulated.

The objective of this project is to develop a framework for an improved understanding of the linkage between rural livelihoods and Miombo woodlands, better to inform the development of social and economic policies which have poverty alleviation as their primary objective.

Approach: This analysis will depend on a combination of primary and secondary sources. The development of a clear picture of the role of Miombo woodlands in household consumption will require intensive, structured household studies, which form the core of the original work which will be supported by this proposal. The methodology for doing this is well established, and a number of initiatives are already underway with this objective. Two household studies will be conducted following the methodology by Cavendish (1999 and 2002), and Campbell et al (2002) carrying out intensive, quarterly, household income and consumption surveys.

Outputs: The construction of panel data showing household dependencies on dry woodland resources will be an important outcome of these surveys. Sites for carrying out these studies are likely to be in Zambia and Mozambique, subject to agreement with CIFOR. The findings from these household studies would be used to contribute to the development of various policy options.

The preparation of a national report (likely for Zambia or Tanzania) on the contribution of dry forests to economic development will be established. In addition and country case study reviewing community-based woodland management opportunities will be carried out by synthesizing the results of other primary studies, likely for Mozambique or Tanzania.

Status: Field and analytic studies are currently underway. The activity is expected to generate new information about how the policy framework addresses the management of the woodlands, and how these policies can be addressed in PRSPs and CASS. It will also focus on policy initiatives impacting dry woodland management. In terms of knowledge generation, this activity will contribute better to describing the linkages between household poverty and a dependence on woodland assets to meet subsistence and income needs. There have been limited impacts, so far as the activity is in mid-implementation. The field and analytic studies have contributed to developing and strengthening networks of researchers and policy analysts in the southern Africa region, and has brought about extensive exchanges of knowledge and experience.

Next steps: Results from the first field activities are to be reported within the next 2 quarters. A regional workshop on the research findings is to be held in 2007.

Budget	
PROFOR (FY06)	\$15,000.00
TFESSD	\$250,000.00
Bank Budget	\$30,000.00
Total	\$295,000.00

Governance

Informal Institutions and Forest Governance

Thematic area: Governance **Level:** Latin America **Completion Date:** October 2008

Partners: Bolivia, CEDLA, La Paz (Bolivian NGO), Bolivian Forest Service, Indigenous/agro-extractive and peasant organizations in Riberalta, Guarayos and Pando regions. Brazil – State of Para. Puerto de Moz community organizations, FASE (NGO), rest to be determined. Guatemala: FLACSO-Guate, Univ. of San Carlos, ACOFOP-Peten (community organization), more tbd. Nicaragua: URACCAN (Univ. of Atlantic Coast), Regional Autonomous Government, North (RAAN).

Background and Purpose: This research projects objective is to analyze how and to what extent informal institutions, in relationship to formal institutions, influence forest resources governance to help communities access to tenure rights, forest-based livelihoods, capital/labor and markets for their products. The project focuses on the *customary and de facto* institutions or practice close to local communities as the relevant informal institutions. Customary practice, which can include clientilism and corruption, can impact the development of rules shaping individual and institutional behavior. Such behavior, once institutionalized can enhance or inhibit communities' access to livelihoods. To date, limited research and theoretical work exists that bridge the two approaches, leading to fragmented perceptions on the influence of these institutions on forest governance.

Approach: Informal institutions tend to prevail in situations in which the “rule of law” fails to effectively regulate forest resource use, and there are a wide array of norms, informal rules and agreements—within communities, among stakeholders, and between these and state agencies—that are crucial in shaping access to forest resources. Informal institutions prevail because formal institutions have not acknowledged the rules governing forest resources use (e.g. customary practices of indigenous groups defining access and benefit distribution) and because institutional failures that implement formal rules are unrealistic (e.g. forestry agencies lack financial resources to implement functions). It is the interaction between formal and informal rules that defines the set of incentives for forest resource use, and plays role in the outcomes.

This project will cover the countries of Bolivia, Brazil, Nicaragua and Guatemala. A Conceptual Framework and cross-cutting operational questions will guide the research and the application will allow for the synthesis of common lessons across the countries. The potential for application in other regions will be analyzed. The project has incorporated the questions and concern for analyzing informal institutions into the overarching framework of a larger project and are has promoted the adoption of similar approaches by the teams in these regions.

The project will: define operational research questions to be shared across the 4 countries; outline overarching literature references to guide the project; integrate the informal institution questions at the relevant levels and scales; conduct a literature review to design a simple tool capture and assess transaction costs for communities to gain access to secure tenure, use, markets and benefits of forest resources; adapted the time frame and refined the budget; and begin identification and negotiations with national and local partners. This last step is at different stages in each country. Outputs have been mapped to fulfill an expanded set of expectations by integrating funds from different donor sources.

Outputs: These include an increase in local level learning through meetings at the country/regional levels, the expectation that partners and governments will better understand the effects of tenure regimes on local livelihoods, equity and impact on forest condition to facilitate governments and local actors in the decision making process of reform of rights to access by local communities. Key variables from the informal-formal institutional interface will be incorporated into the analyses of the transaction costs that local communities face to guarantee forest resource access, use, management,

transformation and marketing. Results will provide new information and recommendations on when and how such institutions can be recognized, adapted, incorporated into the formal institutional realms of policy making.

Status: Finish partner identification and contracting; finish development of specific methodological tools with local organizations that will allow research access to the informal spheres of inquiry; begin field training and field work..

Budget

FY06	\$100,000.00
Total	\$100,000.00

Institutional Choice and Recognition in Forestry: Effects on the Formation and Consolidation of Local Democracy

Thematic area: Governance **Level:** Global **Completion Date:** 31 December 2007

Partners: CIFOR, Harvard University, Institute of Social Sciences (Mali), Universidade Federal do Rio Grande do Norte (Brazil), Vrije Universiteit (Netherlands), University of Western Cape (South Africa), CODESRIA (Senegal), University of Massachusetts, IRD, Chang Mai University (Thailand), University of California at Berkeley, Universite d'Abomey-Calavi (Benin), Clark University, WRI, & Chinese Academy of Social Sciences.

Background and purpose: A number of developing countries have launched decentralization reforms to establish and democratize local government for the purpose of improving service delivery, resource management and local development. Rather than empowering local government in the name of democracy itself, however, governments, international development agencies and other organizations are transferring power to a wide range of local institutions including private bodies, customary authorities and NGOs. Recognition of these other local institutions means that fledgling local governments are receiving few public powers and face competition for legitimacy. This project in partnership with other organizations is exploring the democratizing effects of 'decentralization' reforms and projects in forestry.

Approach: The overarching purpose of this work is to help avoid fragmentation and conflict, and to assure establishment of representative and inclusive institutions, by identifying sustainable institutional arrangements for resource management and use under democratic decentralization reforms. To this end, the project will develop 'institutional choice' guidelines for decentralized forestry on the basis of findings from research on the effects of institutional choices by governments, international development agencies and other organizations on three dimensions of democracy: 1) representation, 2) citizenship/belonging, and 3) the public domain. The research will be carried out through a global comparative research program with cases throughout the world in:

- **Africa:** Benin, Botswana, Kenya, Malawi, Mali, Mozambique, Senegal, Uganda, Zambia and Zimbabwe;
- **Asia:** India, Thailand, China
- **Latin America:** Brazil, Guatemala
- **Europe:** Russia

Output: As the project is still in the early stage it has yet to report on policy impacts of the findings. Nonetheless, the findings promise to be useful in developing guidelines for institutional choice that will help guarantee establishing and scaling up sustainable representative local institutions in forestry. In regards to the capacity building impacts, it is clear that through the writing and review process and during the results meeting and IASCP presentations, the group of researchers have made great strides in the analysis, writing and presentation of this material.

Status: In decentralizations and other local interventions, outside authorities are often choosing local authorities that are not always representative of, and accountable to, the local populations—such as local line ministry offices, NGOs, customary chiefs, and private corporations. Recognition these authorities over elected representatives are producing new forms of belonging, exclusion, and conflict. But, the researchers found that links between belonging, exclusion and conflict, are very difficult to measure without in-depth and broad public opinion surveys or other systematic longer-term research. The case studies more conclusively support that state recognition of interest groups is privileging these groups in public natural resource decision making, giving them power to include or exclude actors following their own narrow (private) definition of interest or criteria for belonging.

In some settings, donors and governments *are* working effectively with elected authorities. Cases also show that the local arena is not simply a passive recipient of externally imposed institutional choices and recognition, but one with active citizen agency and engagement. The degree of citizen mobilization against superimposed institutional choices which are not in their interests may in turn depend on prior experience of democracy, political institutional setting, structure of party systems, federal versus unitary system, and other factors. Thus, while the case studies to a large extent support the original hypotheses of this project, others only partially validate them. The findings will be detailed in the *Development and Change* special issue.

Next Steps:

- Complete external peer reviews (January), Team leaders synthesizes of peer reviews with recommendations for revisions and draft introduction to special issue (March), Articles revision by team members (May), Articles reviewed and edited by team leaders and submitted as special issue to *Development and Change* (June), Team leaders will hold synthesis workshop during the month of May or June. A policy brief will be developed from the ensemble of findings from this workshop

Budget

PROFOR (FY06)	\$134,000.00
USAID	\$188,855.00
Total	\$322,855.00

The Role of CITES in Controlling Illegal Logging

Thematic area: Governance

Level: Global

Completion Date: March 2006

Partners: TRAFFIC--East Asia

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

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

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

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

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

Status: This study found that the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) offered only a limited scope as an instrument to monitor illegal logging and trade. The report was recently finalized and published and is available from www.traffic.org

Budget

FY04	\$37,000.00
FY06	\$33,500.00
Total	\$62,000.00

Reforms for China's Collective Forests: Analytical Support on Tenure, Rural Institutions, Forest Policy and Regulation

Thematic area: Governance **Level:** China **Completion Date:** March 2008

Partners: Rights and Resources Group, Washington, DC & Ford Foundation, Beijing, China

Background and Purpose: The reform of China's collective forest areas is a top priority for the State Forestry Administration (SFA) for 2006 and the foreseeable future. The commitment of central forest authority on such reform was largely the results of (a) the national leaders' initiatives in developing a "New Countryside Strategy" which calls for more assistance delivered to rural areas and a more favorable policy environment for the rural poor; and (b) the stagnation of forest economy in the major forest areas under collective management. To accomplish these will require systematic reform of the existing institutional setting and policy framework.

The objective of this project is to influence the collective forestland reform process by providing a sound analytical framework and analyses for preparing guidelines for tenure and regulatory reform in China's collective forest areas

Approach: One of the main tasks of this reform process is the development of feasible guidelines for tenure and policy reform for China's vast collective forest areas. To do so will require close examination and analyses of the following four questions:

1. What would be the ideal forest tenure system to achieve the objective of sustainable forest management and improved livelihoods?
2. What are the supportive policies and regulations needed to implement the tenure reform?
3. What kind of support services are needed by forest farmers, and what kind of farmer organization(s) should be developed to manage and use the forests?
4. What would be the most appropriate business models in a more decentralized forest management arrangement;

After approval team carried out the following:

(a) ensure that this task was agreed with and included in the China country program. This required a letter from PROFOR secretariat supporting the task, a letter from the State Forestry Administration (SFA) to the Chinese Ministry of Finance who coordinates Bank's AAA work, endorsement by MoF that this AAA is of priority, followed by agreement of the Country Director and Lead Economist. This task is now officially in the country AAA program.

(b) worked closely with SFA to develop detailed terms of reference, work plan, and budget to carry-out the study, and advertised in UNDB (per Bank's procurement guidelines) on November 14, 2006.

(c) evaluation of short-list is underway. Selection and contracting expected by early January 2007.

Outputs: Analytical framework and analysis for preparing guidelines for tenure and regulatory reform in the country's collective forest areas. Field data collection, National and international workshops, Background/technical documents.

Status: To date the project has ensured that this task was agreed with and included in the China country program, worked closely with SFA to develop detailed terms of reference, work plan, and budget to carry-out the study, and have initiated the selection process for the consultancy. Next steps include carrying out the field surveys at the household and village levels in 10 provinces to collect data regarding existing forestland tenure situation, identify existing forest management practices, and areas requiring change in order to promote better forest management linked to rural livelihoods.

Budget

PROFOR (FY07)	\$125,000.00
PROFOR (FY08)	\$125,000.00
RRI	\$80,000.00
Ford Foundation	\$50,000.00
Total	\$380,000.00

Linking Land Tenure Regulation and Forest Management in Honduras: A Practical Approach

Thematic area: Governance **Level:** Honduras **Completion Date:** June 2007

Partners: Tropical Agricultural Research and Higher Education Center (CATIE) & National School of Forest Science (ESNACIFOR)

Background and purpose: Forest land tenure is undergoing a profound change in Honduras. The GoH plans to move ahead in the near future with the regularization of public forest lands. Without regularization, the risk is that growing conflict between different interests will lead to further degradation of the resource, and increasing inequality as the powerful appropriate land and resources for their own benefit. However, the regularization process is itself laden with dangers, if the necessary criteria and institutional mechanisms are not in place to determine rights in ways that ensure equity, transparency and manage conflict.

To support the GoH's efforts to regularize forest land tenure in the country by examining different arrangements of forest ownership and access/control rights and their implications for responsible use and equity. The work involves a step-by-step approach, allowing the opportunities and challenges presented by the regularization process can be brought gradually and manageably into focus. The current project consists of a preparatory Phase 1 (6-8 months).

Approach & Outputs

Outputs include:

- Identification of different land use categories, and criteria for prioritizing them at the field, taking into account local livelihood systems.
- Stakeholder analysis and criteria for determining appropriate titling regimes; with safeguards for the poor dependent on weak derived rights.
- A review of forest management systems and criteria for their determination, reconciling alternative tenurial regimes with forest potential.

Step 1 of the project is currently being developed. Based on the new legal framework and GIS information, this step develops an initial simulation of what might be the possible outcomes in terms of forest land tenure and forest management after the regularization process in the Forest Administration Unit of Morazán in the Department of Yoro, Honduras. This involves overlaying existing cadastral data with available data on land cover.

The change of the Honduran government in January 2006 implied several months of delay in the start of the project, due to the changeover of the government officials in charge of the PBPR and PATH projects. During the first months of 2006 several meetings and exchange of ideas were carried out with the new officials, in order to ensure their interest and political buy-in, and agree the geographical area of the investigation. There have been some delays in obtaining from PATH necessary cadastral information for the development of Step 1, but this has been solved.

Status: Work under Step 1 shows how the ongoing regularization process appears to be complicated by the plurality of institutions and normative frameworks involved. In particular, different norms establish different ceilings (from 5 to 200 hectares) for the amount of national land that can be titled to a *de facto* occupant in a rural area. This complicates the prediction of the possible outcomes. At the government level there is an agreement on a ceiling of 25 hectares (established by Art. 73 of the new Property Law), but the legal differences may be exploited at field level by powerful individuals with access to the judicial system, as has happened in previous land titling efforts in Honduras.

Impacts: The project aims to reduce the risks associated with ongoing titling processes and to enhance safeguards for poor and vulnerable groups. This includes influencing the criteria applied to titling processes and to regulating forest management on different categories of land.

Next steps: Under a future Phase 2:

- Promotion or strengthening of appropriate local organizations (e.g., cooperatives, private owners associations, producer groups, etc.).
- Regulatory reform to adapt legal regulations to small-scale management and reduce transaction costs.
- Training and skill building activities.
- Promotion of links with industries and markets (vertical integration of small- and large-scale forest management).

Budget

FY04	\$75,000.00
FY06	\$77,000.00
FY07	\$76,600.00
Total	\$152,000.00

Enhanced Financing Alternatives for SFM

Exploring the Potential for Avoided Deforestation

Thematic area: Financing SFM **Level:** Global **Completion Date:** April 15, 2006

Partners: Coalition of Rainforest Nations, Earth Institute at Columbia University, Carbon Finance Unit

Background and Purpose: Continued tropical deforestation of 25-30 million acres per year is the second leading cause of global greenhouse gas emissions, behind fossil fuel combustion. The UNFCCC Parties at COP-11 referred the issue of tropical deforestation to the Subsidiary Body for Scientific and Technical Advice (SBSTA) as part of a two-year process. This process is a broad dialogue on procedural, technical and policy issues pertaining to tropical deforestation in developing countries and will result in recommendations to the UNFCCC's COP-13 in December 2007. In partnership with the Rainforest Coalition, PROFOR and the World Bank sponsored a two-day workshop at Columbia University from March 13-14, 2006, on reducing emissions from deforestation in developing countries. The event's purpose was to facilitate the development of a quality portfolio for the "Submission of Views" to the UNFCCC Secretariat (due March 31st 2006) and to develop a strategy that will lead to meaningful solutions for deforestation in developing countries. At the same time, with this approach, CfRN hopes to win support from additional tropical forest countries such as Indonesia, Cameroon, Ghana, Brazil and others.

Approach: There are still many policy and technical issues to be resolved. These include under which part of the UNFCCC process such an approach might be accommodated, the nature of the positive incentives and technical issues relating to the rules for monitoring and compliance. It is likely that any such approach will fall outside of the CDM and thus all Parties will need to carefully consider the implications of a new mechanism within the UNFCCC. It is important that developing countries have the best opportunities to continue to have a strong voice in this G77 led initiative. The purpose of this project was to facilitate discussions and coordination between rainforest countries with an interest in the UNFCCC call for submissions.

Considering the objectives of the policy dialogue, cross-regional and multi-stakeholder participation was encouraged, with national participants from Africa, Asia, Latin America and the Pacific, including: Bolivia, CAR, Chile, Colombia, Costa Rica, Ecuador, Gabon, Guatemala, Indonesia, Nicaragua, Panama, Peru, Papua New Guinea, etc. Likewise, various experts from the World Bank, the Union of Concerned Scientists, the Smithsonian Institution, the Nature Conservancy, Environmental Defense, Conservation International, Columbia University were present.

Outputs: Discussions and debate were around science, profitability (of credits for "reducing emission from deforestation and degradation"), political environment, type of mechanisms to be promoted (project/national), leakage, monitoring, forest definitions, upfront financing, etc. This was the opportunity to take stock of the available tools and background knowledge, while discovering the extent of the needs for the next couple of months.

Participants also noted that the necessity to remind high-level governmental officials of the importance of the issue, as the only way to succeed, is a coordinated policy within the developing countries. Common principles/approaches for the UNFCCC submissions were identified, while suggesting common objectives in terms of market and/or incentives.

Status: Impacts: The UNFCCC secretariat received 18 submissions by Parties representing a total of 75 countries, and 17 submissions from Observers on behalf of intergovernmental and non-governmental organizations throughout the world. The strong coherence of the submissions provided by developing countries was notable.

Next steps: The CfRN triggered broad participation of countries and organizations in the debate on avoided deforestation. This entails new needs, and larger, to keep the rainforest nations coherent in the various up-coming international events.

Budget

PROFOR	\$79,000.00
Earth Institute	\$10,000.00
World Bank Group	\$10,000.00
Total	\$89,000.00

Thematic Area: Financing SFM

Level: Global

Completion Date: May 2007

Partners: Collaborative Partnership on Forests, Forest Trends, United Nations Forum on Forests Secretariat.

Background and purpose: At the sixth session of the United Nations Forum on Forests (UNFF-6), delegates agreed to strengthen the UNFF and reached agreement on four global objectives on forests to be achieved by 2015. Succinctly put, these objectives are: 1) reverse global forest cover loss; 2) enhance economic, social and environmental benefits from forests; 3) increase protected areas; and 4) reverse the decline in forest sector ODA. Delegates also committed to negotiating a non-legally binding instrument (non-LBI) on forests at UNFF-7.

Central to the discussion on global commitments is the issue of means of implementation, including financial resources, and UNFF-6 identified potential mechanisms to support action toward the four global objectives and sustainable forest management (SFM) more broadly. The purpose of this activity is to develop a background paper that assesses the alternative means of implementation specified in the Report of UNFF-6 in order to inform discussions and action on this topic prior to and at UNFF-7.

Approach: The paper will be prepared by independent consultants with financial support from the Program on Forests (PROFOR) housed at the World Bank and in consultation with the UNFF Secretariat. The first draft of paper will be available for circulation in late January or early February 2007 for review by World Bank and PROFOR staff, CPF members and members of the UNFF bureau. Subsequently, the paper will be finalized, translated and disseminated six weeks in advance of UNFF-7 (April 16-28). The elements of the paper are broadly the following:

- 1) The potential for new and additional resources for SFM from public, domestic and international sources. In this context, the feasibility and potential forms of a new global forest fund would be considered.
- 2) Mechanisms to facilitate developing countries' access to finance for forest-related activities, including the development of markets for payments for forest global goods and environmental services. In this regard, special consideration would be given to trends and factors influencing private sector investments and related emerging opportunities. Measures to foster investments in sustainable forest management, including in the development of small- and medium-scale and community-based forest enterprises would also be considered.
- 3) Financial resources for sustainable forest management potentially available from the Global Environment Facility.
- 4) The potential for strengthening the existing forest-related funds - the National Forest Program Facility, the Program on Forests (PROFOR) and the Bali Partnership Fund. The paper would clarify the area of specialization for each fund, and how the funds could best coordinate or expand their work to meet the objectives of the UNFF.

Outputs: A background paper on options for means of implementation to inform discussions and action on this topic prior to and at UNFF-7.

Status: The team of consultants to carry out the work has been identified and contracted. Informal discussions on the background paper could be held in December at the UNFF Ad Hoc Expert Group on options for a non-LBI. The Terms of Reference for the paper were endorsed by the CPF and also the UNFF Secretariat.

Budget

FY07	\$71,000.00
Total	\$71,000.00

Thematic Area: Financing SFM **Level:** Global and China **Completion Date:** October 2006

Partners: Forest Trends

Background and purpose: *Mobilizing Private Sector Buyers:* The ultimate objective of this activity was to build private sector interest in payments for ecosystem services, leading to more private sector investment in ecosystem services. The private sector benefits significantly from use of “free” ecosystem services and is also a major contributor to degradation of ecosystems and/or declining availability of key resources such as water. Our work on engaging buyers focuses on (1) persuading businesses that ecosystem issues are an emerging issue for business, (2) working on tools to help NGOs sell ecosystem services to the private sector, and (3) ultimately seeing an increase in private sector investment in ecosystem services.

China PES: The overarching objective of this activity was to support to the Chinese International Council on Environment and Development (CCICED) Taskforce on Eco-Compensation by assessing the current status of international payment schemes and recommending a future course of action for China itself. The Chinese government has faced many barriers to expanding the depth and scope of payment schemes for ecosystem services. Over fifteen years ago, initial attempts at mobilizing private buyers were debilitated by the threat of high transaction costs and the seemingly overwhelming scale of many of the potential projects. However, by drawing on lessons from different PES schemes around the world that have successfully been instituted over the last decade, and implementing those aspects which would best suit China, this activity hopes to fuel renewed efforts at engaging the private sector in biodiversity conservation. On another level, it seeks to address and help alleviate the difficulties inherent to public PES payment schemes through research and recommendations to the CCICED Taskforce.

Approach: *Mobilizing Private Sector Buyers:* Forest Trends will bring together experienced business analysts to consult with a large range of buyers and develop an analytical framework for mobilizing new buyers. This will be focused by sector looking at oil/gas, agriculture, transportation, mining, telecommunications, and tourism as pilot sectors. The analysis will include “sensitive points” and issues, by industry, that connect with ecosystem services, such as existing and looming regulation that could influence participation, as well as other voluntary drivers/incentives, such as reputation. Forest Trends will inventory different innovative models of project aggregation, drawing ideas from experience not only with PES, but also in micro-finance, technical assistance, and business development models. To test promising models, Forest Trends will focus on two pilot projects in Tropical America and/or East and South Africa, collaborating with the regional Katoomba Group networks to support the development of new specific buyers in these regions. The final product will be guides on how to approach private sector buyers and assessments of case experience. These materials will be disseminated widely through Forest Trend’s partners, including through the Ecosystem Marketplace and the regional/global Katoomba networks.

Promoting PES in China: Forest Trends will develop an overview of global experiences with setting up the markets for ecosystem services and create a set of analytical tools that will include reports assessing the current status and constraints of PES, how China can target payment systems effectively and equitably so as to ensure ecological and livelihood benefits, and an analysis of the impacts of a new zoning law associated with the Forest Ecosystem Compensation Program (FECF). This work will support and feed into the China Council on International Cooperation and Development (CCICED) Task Force on EcoCompensation (PES). Forest Trends will organize a training workshop on PES in China in June 2006 with 10-15 international experts. The final outputs will be the afore mentioned reports and the workshop.

Outputs: *Mobilizing Private Sector Buyers:* A report including the guides on how to approach private sector buyers and an assessment of experience to date.

China PES: Reports assessing: the current status and constraints of PES in China; how China can target payment systems effectively and equitably so as to ensure ecological and livelihood benefits; and the impacts of a new zoning law associated with the Forest Ecosystem Compensation Program (FECP). A workshop on PES in China.

Status: *Mobilizing Private Sector Buyers:* Outputs will include a series of written materials – white papers, training guides, powerpoint presentations and 2-page issue summaries – oriented to NGO and local resource managers as one audience and individuals in companies as a separate audience. *China PES:* The report “Developing Future Ecosystem Service Payments in China: Lessons Learned from International Experience” was printed in English and Chinese and disseminated at the CCICED Task Force Conference on EcoCompensation on August 24. In July 2006, it was also presented and discussed at a State Forest Authority workshop. The CCICED Conference on Eco-Compensation was run by the CCICED Task Force and coordinated by SEPA itself in August 2006. Forest Trends support to this conference was to provide international experts to share their experience & lessons learned at both the public conference, and to advise on the policy recommendations discussed by the CCICED Task Force itself on a third day (August 26, 2006). Presentations of the international experts can available in the conference package (in English and Chinese) as well as on the Forest Trends website www.forest-trends.org Forest Trends also provided technical support and advice in the drafting of the final reports and final recommendations in September / October 2006.

Budget

FY06/07	Mobilizing PES	\$45,000.00
	China PES	\$75,000.00
	Total	\$120,000.00

Forest Investment Forum for East and Southern Africa Regions

Thematic Area: Financing SFM **Level:** Regional **Completion Date:** 31 July 2006

Partners: World Bank, IFC and ITTO in partnership with PROFOR South Africa's Ministry of Water Affairs and Forests (DWAF), Forestry South Africa, and WWF

Background and Purpose: Effective government management and development of new plantation resources in the region has been less than satisfactory for about two decades because of a combination of inadequate government funding support, failure to take advantage of expanding both domestic and export markets and investment opportunities for processing of forest industrial products and failure to mobilize the potential of local communities and small holders to manage such resources.

The objective of the Forum was to promote socially, environmentally and economically sustainable development of forest resources in the region in ways that will create opportunities for development of mutually beneficial partnerships between forest industrial companies, local community forest associations and small holder outgrowers.

Approach: The Investment Forum was intended to create opportunities for representatives of governments, local communities, forest industrial companies, conservation agencies financial institutions and private investors to identify emerging forest and forest industry investment opportunities, constraints to such investment and ways to overcome those constraints.

The Forum was hosted jointly by the World Bank, IFC and ITTO in partnership with PROFOR South Africa's Ministry of Water Affairs and Forests (DWAF), Forestry South Africa, and WWF. The participating countries included South Africa, Kenya, Tanzania, Uganda, Zambia, Zimbabwe, Madagascar, Malawi, Mozambique and Swaziland. The Forum was attended by 120 delegates from all countries of the region and represented a reasonably balanced spectrum of government, local community, private sector forest industry, conservation agency and financial institution interests.

Outputs: The Forum identified opportunities for investments that would support expansion, modernization, improved efficiency and profitability of both large and small scale forest based industries (SME's). It gave special emphasis to the potential of such wood based SME's to create off farm employment opportunities and to contribute to poverty alleviation and sustainable livelihoods. It identified opportunities for private sector and community investment in all countries of the region in management of existing and establishment of new plantation resources. The Forum identified the major constraints to responsible private sector investment and potential solution to overcoming such constraints.

Status: The most important outcome of this Forum will be the extent to which concrete deals are concluded between some of the private sector financial institutions who participated and the many forest and forest industrial companies that are proactively seeking financial support. At the time of drafting this PROFOR Activity report several such investment deals are under active development. Opportunities are being explored for the World Bank, its NGO partners, IFC and other donors to support these initiatives,

Next steps: Possibilities are being explored to broaden the World Bank's forest lending portfolio in the region to embrace support for some of these emerging projects. A World Bank/IFC workshop is scheduled to take place in March to follow up on the Forum, and country briefing notes are under preparation for Mozambique, Malawi and Zambia.

Budget

FY06	\$132,000.00
Total	\$132,000.00

Thematic area: Financing SFM **Level:** Country (Indonesia) **Completion Date:** July 2007

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

Background: Indonesia's forest sector is facing crisis, due to rapid forest resource loss and degradation that threaten the livelihoods of rural people and the sector's continued contribution to export earnings and economic development. Industrial restructuring and development of alternative timber resources are needed to bridge the growing gap between demand for forest products and sustainable supply. The Ministry of Forestry (MOF) and most stakeholders recognize the problem of industrial over capacity and the obstacles to revitalization posed by continued illegal logging. There is also recognition that the future of the wood processing industry will depend on an expanded plantation program. In many areas, there is considerable potential to involve the rural poor in plantation production on both community and individually owned land. Expanding plantations will be challenged by conflict over land resources and the need to address issues of due process related to gazettelement to help ensure legality of products in international markets. Industry revitalization will also require restructuring of the wood processing industry, the main source of demand for Indonesian timber resources.

Approach: This PROFOR financed input to the Forum will support preparation of a series of background papers and power point presentations that will summarize the investment related conclusions of the MOF's ongoing Workshops and background papers. It will provide funding to the MOF to cover part of the costs of a two day Forum, PROFOR will also finance input on relevant findings from similar Forums organized jointly by the World Bank, PROFOR the WB/WWF Alliance and ITTO in other regions of the world during the last three years. PROFOR's input to the Indonesia Development Forum will give special reference to :

- Identifying priority areas of investment that will be needed for industrial restructuring, and for community based plantation establishment.
- Summarizing Working Group recommendations relating to the legislative fiscal policy and institutional reforms that will be needed to create a favorable enabling environment for socially, economically and environmentally sustainable investment in both forest based industries and in community based plantation establishment.
- Identification of potential sources of both public and private sector finance with special reference to strategies for assisting both local communities and small scale forest based enterprises to access investment capital.

PROFOR will provide finance to cover part of the costs of input to the ongoing dialogue on investment strategies Indonesia's recently created public/private sector National Forest Council (DKN). The objective will be to take advantage of the potential of the National Forest Council to contribute to harmonization of the differing investment perspectives of various stakeholder groups and to mobilize high level government and private sector industry support for implementation of Forum recommendations. DKN will be particularly concerned to encourage early adoption of key legislative fiscal policy and institutional reforms that are needed to underpin development of mutually beneficial partnership arrangements between forest industrial companies and local communities.

Outputs: Background papers, Forum and policy recommendations

Status: Preparation for this Forum is ongoing. Background briefing material to be developed on Wood Supply and Demand, Industrial restructuring, and Incentives for community-based forestry.

Budget

PROFOR	\$135,000.00
WWF	\$30,000.00
Total	\$135,000.00

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

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

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

Background and purpose: As China's forestry sector becomes increasingly market-oriented, deregulated and decentralized, policymakers will need new and better analytic tools to help guide reform processes, plan investments and generally support sound sector management. Mastery of the basic quantitative tools of contemporary economic and policy analysis, however, in China, and in Chinese forestry institutions in particular, is severely limited. Discussions during planning of this project identified forest supply analysis as a special priority, in view of the need to develop better understanding and a basic capacity to predict the impacts on forest product supply, land allocation and other related resources of developments and changes in forest management institutions (tenure, forest farm organization), timber taxation and forest products marketing, international trade and other policies being targeted for reform.

Approach: The proposed project aims to build on current skills and interests of FEDRC to provide forest policy decision-makers with well justified advice and perspective on the impacts of alternative policy reforms and initiatives on the supply of forest goods and services and to institutionalize a stronger, collaborative and modern policy analysis capacity within the sector and the SFA. The first phase of the project was preparation of literature reviews on forest supply analysis methodologies and data sources and needs for supply analysis, followed by development of a simple model of forest supply based on available data from World Bank-supported plantation projects in China.

Outputs: Outputs include reports and workshops exploring timber and forest supply from major components of the Chinese forestry sector (e.g. geographic regions and management arrangements, such as small farmer, communes and state forest farms) in relation to alternative policy and institutional options. Particularly important policy questions to be examined will include timber and enterprise taxation, land tenure and regulatory and transport policies. The study will be part of the ongoing work program of FEDRC and will feed into development of the Bank's investment and policy dialogues with the Chinese Government. A series of reports, studies and workshops for national and international audiences will result, with recommendations for Chinese forest policy reforms on topics such as timber taxation, licensing, regulation and land tenure.

Status: FY05-06: Research work by FEDRC staff produced reviews of data sources and analysis of economic forest supply modeling literature. The team also developed economic supply models of plantation forestry using data extracted from feasibility and appraisal studies of World Bank-assisted High-Yielding Fast Growing plantation projects. Technical working papers have been produced and are available from this work and presentations by FEDRC researchers have been made to policy seminars organized by SFA, Beijing University and Forest Trends. **FY07:** A new research phase will build regional forest supply models covering China's northeast forest region (Heilongjiang, Jilin and Inner Mongolia) with a view to forecasting regional timber supply capacity and trends. This research not only serves decision-makers recommendations and consultations on macro-policies of China timber production, but supply strong basis for analyzing the production of China's timber on world timber supply.

Budget	
FY05	\$75,000.00
FY06	\$75,000.00
Total	\$150,000.00

Cross-sectoral Cooperation

Measuring Biodiversity and Forest Conservation, Production and Livelihood Outcomes in Multifunctional Agriculture – Forest Landscape Mosaics

Thematic area: Livelihoods

Level: Africa **Completion Date:** December 2007

Partners: IUCN, Ecoagriculture Partners, WWF, University of Zurich, University of Utrecht, Samdhana Institute (University of Paris VI)

Background and purpose: This project through its partners is collaborating on the development of approaches to measuring the performance of mosaic landscapes in delivering flows of environmental and livelihood benefits.

Approach: The study is based on an analytic framework or principles of conduct. These 13 debated principles are based on existing best practices in participatory rural development negotiations, which stem from field testing of stakeholder-based landscape visioning and indicator development that IUCN-WWF have been conducting with CIFOR in Asia and Africa. These principles are to be used to guide the work in this study. Most landscape scale initiatives attempt to achieve both conservation objectives and improved local livelihoods within a single intervention framework. These principles are addressed principally to these integrated approaches, such as in agricultural or pastoral landscapes that have important biodiversity values or that function as biological corridors or buffers for fragmented natural habitats. Protection or restoration of ecosystem services may link benefits to local people (through positive effects on agricultural production, water supplies, etc.) and biodiversity. These principles used for this study cover a wide range of subjects including how to enter into a project, the process, ownership of the process, how to focus on landscape functions and dynamics, how to select indicators, how to include tradeoffs and embed tracking measures.

A list of twenty questions was also used for understanding ecoagriculture serving as a checklist of goals and criteria for landscape performance to be used by stakeholders and managers to determine if the landscape is moving in the right direction. This checklist consisted of questions pertaining to conservation, agricultural production, livelihoods and institutional goals. Field testing and adaptive management will take place in the Mount Elgon landscape of Uganda and Kenya to promote ecoagriculture landscapes in the region. Collaboration will take place with a number of organizations in the region.

Output: *Landscape Measures Sourcebook* that it being prepared, to assist stakeholders and managers develop locally and globally relevant indicators of the 20 landscape performance criteria, and means of measuring them. The team drew upon these inputs, as well as those of another dozen institutional members of the International Steering Committee (ISC) of Ecoagriculture Partners' Landscape Measures Project, to develop an annotated outline and development plan for the *Landscape Measures Sourcebook*. This will be ready for field evaluation in January 2007

Status: The next steps planned include for the EP-Cornell-IUCN-WWF team to begin field testing the landscape measures framework in the Mt. Elgon area in February 2007. This will establish relationships for on-going activity in this 'focal landscape' for the development of the *Sourcebook*. The African Highland Initiative (AHI) will co-host the team in Mt Elgon, with IUCN, within the MERECP (project) structure. AHI will co-host a Cornell-EP student intern at Mt. Elgon for seven months, beginning January, who will support the methodology development efforts there. Following the project team's field activity in Mt Elgon, the drafting the *Sourcebook* will begin. Based on lessons learned from the field testing and adaptive management activity in Mt. Elgon, plans will be developed for subsequent field testing with partners in locations around the world. Meetings are planned in early 2007 with the International Steering Committee to review the draft *Sourcebook* and to select and characterize field-testing sites in Mesoamerica, East Africa, and Asia.

Budget: \$160,000

Brazilian Amazon Land Administration Study

Thematic area: Cross-Sectoral **Level:** Brazil **Completion Date:** June 30, 2007

Partners: Environment Ministry, IBAMA, Ministry of Land Development, FUNAI, Ministry of Agriculture, Public Ministry, IMAZON, IPAM, University of Brasilia, ITERPA (Pará), INCRA, The Nature Conservancy, IEB, Comissao Pastoral de Terra (Prelazia do Xingu)

Background and purpose: Current land acquisition, ownership and use patterns in the Brazilian Amazon has generated less than optimal results that fail to achieve a balance between development and conservation. A better understanding of the dynamics of land grabbing and land speculation as well as of the impact of current policies and of the institutions mandated to implement them is needed to help influence and design new policies to better manage the race for property rights in the Amazon. To date, the debate has focused primarily on land reform with little consideration of how land is assigned and the efficiency of different uses. The project supports a study that aims to reduce land conflict and lead to more efficient and sustainable outcomes.

The objectives of this study are 1) to deepen the debate about how to improve land management in the Amazon; and 2) position the Bank within this dialogue in order to support the land policies and interventions which best support the higher level development objectives of ecologically sustainable, socially inclusive growth.

Approach: The study will address how land rights are signaled, adjudicated, documented and enforced in different settings in front of and along the agricultural frontier under very different institutional contexts. It will examine the complex interactions of different formal and informal stakeholders influencing these functions of land rights in a set of twelve case studies, the research will put the research team in a position to make recommendations for improving land allocation and governance. Workshops and consultations will be held to discuss and build consensus about the study's recommendations. The study will focus on the Brazilian Amazon, with case studies in the states of Amazonas, Acre, Mato Grosso and Pará. It is expected that key findings will be of relevance for land management issues in neighboring Amazon Basin countries.

Outputs:

A synthesis report of the study led by IMAZON will be produced.

It is too early to measure impacts from the work in progress before the dissemination/policy dialogue phase is fully engaged. Team member Jose Benatti has been appointed as the new head of ITERPA the land agency for the State of Pará.

Status: The core research team at IMAZON with other collaborators has completed the component pieces of the basic research as of December 2006 and is involved in drafting the synthesis report.

Next steps: The next steps involve finalizing the synthesis report and moving into a stage of diffusion and dialogue of the research findings and policy recommendations with a wide variety of stakeholders in Federal government, state governments, NGOs, private sector and the donor community. This phase is expected to begin in late January, 2007 and run through June, 2007.

Budget

PROFOR (FY06)	\$130,000.00
World Bank	\$140,000.00
Total	\$270,000.00

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

Thematic Area: Cross-sectoral cooperation **Level:** Country (Indonesia)
Completion Date: December 2007 (duration 18-24 months)

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

Approach: AusAID funded the first phase of initial scoping work for this activity, which was carried out by CSIRO, the main implementing organization. CSIRO completed this first phase of In July 2006, which initiated a consultative process that helped identify the focus of the work for the second phase and formulate a proposal. PROFOR will support part of the activities associated with Phase II, specifically, analytical modeling and studies in Kalimantan for examining the impact of energy and macro changes on the forestry sector. This study is timely in Indonesia because land conversion to plantations has long been a key threat to the sector. The increasing demand for palm oil places pressure on converting natural forest to plantations. Within the last year, there has been an even greater political and economic pressure for increasing palm oil production for biodiesel fuel. More recently, the President of Indonesia and the Ministry of Energy have adopted a medium term national energy strategy that calls for quadrupling the use of biofuels from 1.3 to 5.2% of total energy use. The study is therefore, timely and forward looking, a provides the opportunity to get ahead of the trend.

Outcome: Given the consultative process initiated in Phase I and government (BAPPENAS) interest in this activity, it is expected that the CSIRO study will help get forestry issues more firmly onto the policy making agenda of other sectors at the highest levels of government.

Status: Work on phase 2 is expected to begin in early 2007.

Budget

FY06	\$150,000.00
Total	\$150,000.00

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

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

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

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

Status: In 2006, PROFOR continued to contribute to knowledge sharing events, including at the UNFF, the World Bank Sustainable Development Network Week, and the Global Issues Seminar Series. The website design and content was overhauled and updated to be more user friendly and provide an updated look. The current average for unique visitors per day to the site is 77, following a steady upward trend (see table below). Publication highlights from 2006 included the PROFOR Report of the Southern and Eastern Africa Investment Forum and the finalization of partnership publications with CIFOR (*Forest Law Enforcement and Rural Livelihoods*), TRAFFIC (*Role of CITES in combating illegal logging: Present and potential*) and Forest Trends (*Finding and Approaching Prospective Buyers for Ecosystem Service Payments*). A European Tropical Forest Research Network (ETFRN) Special Report on Forests and the MDG, carried out in partnership with the NFP Facility, is forthcoming in early 2007. Now that the Poverty-Forests Toolkit is finalized it will begin the print production process and is expected to be available in April 2007. Additional communications and knowledge management components are integrated within individual PROFOR activities and include partner relationship development, support for activity implementation, events, reports, and press relations.

Summary Website Usage			
Year	Total Visitors	Monthly Average	Daily Average
2006 (as of November 15)	21,713	2,067	77
2005	22,535	1,877	63
2004	16,710	1,392	46
2003	9,690	807	32
2002	6,504	542	22

Completed products:

Report of the Southern and Eastern Africa Investment Forum. November 2006. PROFOR. Proceedings and Analysis of the Forum.

Benchmarking Public Service Delivery at the Forest Fringes in Jharkhand, India – the report of the citizens report card study – published electronically September 2006.

Role of CITES in Combating Illegal Logging ~ Current and Potential. Chen, H.K. (2006). TRAFFIC International, Cambridge, UK. On-Line Publication Series No.13.

Justice in the Forests: Rural Livelihoods and Forest Law Enforcement and Rural Livelihoods. Marcus Colchester with Marco Boscolo, Arnaldo Contreras-Hermosilla, Filippo Del Gatto, Jessica Dempsey, Guillaume Lescuyer, Krystof Obidzinski, Denis Pommier, Michael Richards, Sulaiman N. Sembiring, Luca Tacconi, Maria Teresa Vargas Rios and Adrian Wells. Bogor, Indonesia: Center for International Forestry Research (CIFOR), 2006. ISBN 979-24-4618-4.

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

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

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

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

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

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

The Forest Investment Forum: Investment Opportunities and Constraints (October 2003) – Book with proceedings and analysis of outcomes. This is available at:

<http://www.profor.info/financingSFM/forestinvestmentforum.htm>

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

<http://www.profor.info/colombia.htm>

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

Publication series in Russian covering following topics: Problems and Opportunities in Forest Concession Development; New Approaches to Fire Management at an Eco-regional Level; and Training Needs in the Forest Sector Reforms. These are available at:

<http://www.profor.info/governance/transitioneconomies.htm>

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

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

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

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

Articles in periodicals:

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

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

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

Publications currently under production:

European Tropical Forest Research Network (ETFRN) Special Report on Forests and the MDGs - a second joint ETFRN edition by the NFP Facility and PROFOR cosponsored special edition of ETFRN. *Poverty-Forests Toolkit Linkages Synthesis Report and Case Studies*. Materials received from authors in January 2007. Process of editing, desktoping, design and printing initiated subsequently.

Budget	
FY04	\$37,623.00
Fy05	\$32,082.00
FY06	\$42,088.00
Total	\$111,793.00

Annex III: Completed Activities

The following activities are closed and were not active during calendar year 2005. Please see the PROFOR Progress Reports completed in January 2006 and January 2005 for further details.

Project	Level	Outputs	Partners	Total Budget
Livelihoods				
Measuring poverty impacts of forest programs in India	India	Pilot framework approach for measuring impacts	CIFOR, Jharkhand Forestry Department, communities and other local stakeholders	\$235,000
Forest Policy Dialogue with Government of India	India	Global findings on tenure, deregulation, and markets; share community forestry experiences from China, Mexico and Vietnam.	MoEF, NFC, World Bank South Asia Rural Development and Country Operations, Forest Trends	\$46,000
Governance				
NFPs and Decentralization	Global	Community Roundtable at Interlaken Workshop on Decentralization April 2004; follow-on work in Indonesia	CIFOR, FAO, ITTO, NFP Facility, UNFF Sec., WRI, WWF, Swiss, Indonesian Govs.	\$30,000
Russian Forest Sector Reform	Russia	Consultations; workshops	FINNIDA, GEF, Russia, SIDA, World Bank	\$140,000
Reducing Corruption and improving governance in forestry: lessons from TI	Global	Forest crime-fighters toolkit	Forest Integrity Network, TI	\$11,500
Review of Ecosystem approach and Sustainable Forest Management	Global	Earthscan publication forthcoming.	IUCN, ITTO, FAO, CBD, UNFF Secretariat	\$150,000
Evaluating the efficiency of public service delivery (including forestry) on the forest fringe	India	'Citizens' report card' survey	Public Affairs Center, Bangalore, MOEF	\$21,000
Financing SFM				
Catalyzing Payments for Ecosystem Services and Connecting Communities	Global	Supporting establishment of the Ecosystem Marketplace website,	Forest Trends Katoomba Group, DFID, SURDNA, Packard	\$85,000

		development of monitoring tools, workshop	Foundation, Citigroup, UNEP, TerrAfrica, IUCN, U.S. Forest Service	
Forest Fiscal System Reforms	Global	Case studies; Workshop	DFID, Ministries of Forestry and Finance	\$50,000
Evaluation of global flows of financing for SFM for UNFF	Global	Study of global flows of financing for SFM	CPF, UNFF	\$25,000
Innovative financial mechanisms: searching for viable alternatives to secure basis for the financial sustainability of forests	Global	CLI in support of the UNFF	Costa Rica, US, Canada, Colombia, Switzerland, Finland, Mexico, Indonesia, IUCN, etc.	\$71,800
Enabling environment for private sector investment in SFM	Global	Forest Investment Forum	IFC, WBCSD, WWF	\$75,000
Improving Participation in and Coordination of PROFOR and NFP Related Activities in the Africa Region	Regional	Analytical reports and action to support SFM; knowledge capture and sharing;	World Bank; bilateral partners	\$40,000
Economic incentives for land restoration and SFM	Regional	Review experience with PES in LA; Workshop and proceedings.	CI Colombia, CIFOR, Colombian MoE, Forest Trends, ITTO, IUCN-SUR,	\$95,000
<i>Knowledge Management</i>				
International Partnership for Forestry Extension	Global	Pilot activities in key areas of likely activity, to test IPFE concepts	CIFOR, FAO, ICRAF, SILVA Network, WBI, Yale, UBC	\$150,000 (DGF Funding)