



PROFOR IN 2014:

**TOOLS AND
KNOWLEDGE
FOR ACTION**



PREFACE



By 2050, 9 billion people will need to be fed, housed, and provided with energy in a world where temperatures are rising toward 2°C above pre-industrial times. To meet the needs of this growing global population, we must find a way to increase food production by 50–70 percent, double land-based feedstocks for energy, and triple the supply for wood products—all while building in resilience to climate change. Addressing these complex challenges requires better understanding of the constraints and of our options for scalable, practical solutions.

Within this context, the Program on Forests (PROFOR) is an inspiring catalyst for innovation. By bringing new thinking, evidence, tools, solutions, and partnerships to bear on the development and sustainability obstacles we face, PROFOR offers hope that we can solve these challenges today and tomorrow. The diversity and breadth of PROFOR's achievements in 2014, detailed in this report, offer examples of what is possible. For example, through its activities PROFOR is encouraging green growth in Africa, developing a toolkit to support biodiversity offsets, assessing the impact of forest governance interventions, and contributing to the global understanding of the impacts of climate change. In action, the knowledge and tools developed by PROFOR translate into improved forest sector governance, creation of jobs, conservation of biodiversity, and informed climate policy.

Looking forward, PROFOR is adeptly evolving to meet the challenges and opportunities of today. Through a stronger focus on the productive use of forests, PROFOR will help identify how forests can lift people out of extreme poverty and improve welfare in a sustainable and equitable manner. Through a new programming approach, PROFOR is seizing opportunities presented by the new World Bank Group organizational model to intensify cross-sectoral collaboration. To do this, PROFOR is actively engaging experts from other sectors such as agriculture, extractives, and energy to identify multidisciplinary solutions for their sectors and to mainstream forestry findings into their policy and investment decisions. PROFOR is also developing a more targeted outreach and dissemination approach that will put its knowledge and tools into the hands of practitioners and into action. With these changes, PROFOR will continue to provide the World Bank Group and the broader development community with the evidence, decision support, and know-how that is helping to shape our development investments.

In closing, I'd like to acknowledge the donors, partner organizations, Task Team Leaders, and forestry experts around the world who come together to support and implement PROFOR. Together we are making a difference—and together we will scale up to meet the challenges that lie ahead.

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HOW PROFOR TOOLS AND KNOWLEDGE ARE INFORMING ACTION IN THE FOREST SECTOR

The Program on Forests (PROFOR) multidonor partnership is committed to strengthening forests' contribution to poverty reduction, sustainable economic development, and protection of global and local environmental values through in-depth analysis, innovation, knowledge-sharing, and sound policies. To this end, PROFOR is equipping practitioners and policy makers with knowledge and tools that can help bring this about. In 2014, PROFOR supported 49 activities (25 new and 24 ongoing) that yielded new evidence, innovative thinking, and practical approaches. This report highlights this work and how it is being translated into action at national, regional, and global levels.

In 2014, PROFOR contributed to global policy dialogues related to forests and beyond. Through PROFOR support, the Turn Down the Heat III: Confronting the New Climate Normal report projected the impacts on forests of three warming scenarios—0.8°C (present-day), 2°C, and 4°C—with specific information on the implications by region and on the Amazon and Russian boreal forest. Launched just prior to the United Nations Climate Change Conference in Lima, the report findings reached millions of people across the globe, with media coverage by 240 outlets in 17 languages. These findings reinforced the scientific basis for immediate climate action. Targeted outreach at the regional and subregional levels brought these findings into the hands of policy makers able to shape climate responses. Other PROFOR engagement in the global policy dialogue included events at the XXIV IUFRO World Congress and the Global Landscapes Forum alongside the U.N. climate negotiations.

PROFOR continued to develop tools and knowledge to empower forest stakeholders to work together to solve complex issues. Through use of an options assessment framework, PROFOR is bringing stakeholders in Mexico together to chart out a road map for benefit sharing from REDD+ activities. In Honduras and El Salvador, PROFOR is building a knowledge base on how to encourage collective action at the landscape level to mitigate climate change vulnerability. The tools honed and knowledge generated through this work will be shared with other countries facing similar challenges and opportunities.

In the area of program management, PROFOR intensified its focus on strengthening the program's ability to monitor, assess, and report on the results of its work. One outcome is a new monitoring and evaluation (M&E) system based on an overarching theory of change. This system will create a systematic approach to how PROFOR tracks its impact and will in turn help PROFOR be agile in investing for development impact.

The year 2014 brought change to PROFOR's host organization, the World Bank Group, with the implementation of a new organizational structure on July 1. The reorganization of the Bank into Global Practices and Cross Cutting Solution Areas, with strengthened incentives for collaboration, presents new opportunities for PROFOR to work across sectors such as agriculture, extractives, and energy. The PROFOR team, in collaboration with senior leadership at the World Bank Group, has developed a programming approach for 2015 that will leverage the new structure for greater impact.



ACHIEVEMENTS IN 2014

Figure 1: 2014 Commitments by Theme

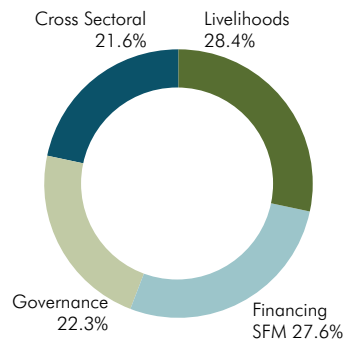
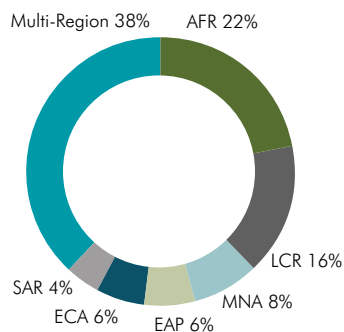


Figure 2: 2014 Commitments by Region



PROFOR IN 2014 BY THE NUMBERS

In 2014, PROFOR's portfolio consisted of 49 activities, 25 of which were new. This was a 67 percent increase, up from 30 activities in 2013. Fourteen activities were closed during the year. Disbursements and outstanding commitments in 2014 totaled \$8.9 million, a 22 percent increase from 2013 and a record level for the program. Administration, communications, and program management expenses remained constant compared with those in previous years, totaling \$0.51 million.

The portfolio was well balanced across the four PROFOR themes: governance, finance, livelihoods, and cross-sectoral coordination (see Figure 1). This reflected an increase in activities related to cross-sectoral cooperation from previous years. Activities grouped by primary theme were as follows: 13 related to livelihoods, 10 in the area of financing Sustainable Forest Management (SFM), 14 under governance, and 12 related to cross-sectoral coordination.¹

Thirty of the activities were implemented through the Programmatic Window (in coordination with the Bank's Operational Regions), and 19 were under the Strategic Window (multiregional activities implemented by the Secretariat and other units).

Geographically, activities implemented in the Africa Region (AFR) accounted for 22 percent of disbursements and commitments. Those carried out in Latin America and the Caribbean (LCR) accounted for 16 percent, with the remaining spread nearly equally across the Middle East and North Africa (MNA), East Asia and Pacific (EAP), Europe and Central Asia (ECA), and South Asia (SAR) (see Figure 2). Multiregional or Global activities implemented by the Secretariat and a number of global units accounted for 38 percent of disbursements and commitments, a decrease from 51 percent the previous year, indicating a greater emphasis on activities focused on a specific region.

HIGHLIGHTS FROM 2014

A set of activities that exemplifies the PROFOR portfolio is highlighted in this section. For full descriptions of the 49 activities, see the 2014 PROFOR Progress and Completion Report compendium.

TOOLS AND KNOWLEDGE FOR ACTION AT THE NATIONAL LEVEL

The following tools and knowledge are tackling both challenges and opportunities for forests at the national level.

1. The activities are classified according to a primary affiliation with one of PROFOR's four thematic areas. However, activities frequently have elements that extend beyond the primary theme into one or more of the other themes.

HOW INDIA'S FORESTS CONTRIBUTE TO COMBATING EXTREME POVERTY AND PROMOTING SHARED PROSPERITY

In India, some 100 million people live in and around forests and depend heavily on the collection and marketing of non-timber forest products. However, a lack of information on the links between poverty and forest dependence impedes meaningful interventions to reduce poverty and improve the overall well-being of this significant population. PROFOR is supporting work to build a knowledge base that will allow for better-informed sustainable forest management investments. Spatial mapping of current forest cover, recent deforestation, and areas of poverty—along with a new 10,000-household survey across six states in India—will provide new insights into the link between poverty and forest dependence, with such information as the impacts of proximity to forests and forest cover densities.

This work will contribute both new insights into these relationships and a rich dataset for future use and analysis. Ultimately, this will identify policy recommendations for reducing poverty in India and offer guidance on entry points for the World Bank Group and development partners in this sector. The team presented preliminary findings as



well as key tools and methodologies to the World Bank India Poverty Cluster in late 2014, which brought together representatives from all key World Bank program areas, including Agriculture, Urban Development, Poverty, and Environment.

BENEFIT SHARING USING THE OPTIONS ASSESSMENT FRAMEWORK

Countries working to develop national REDD+ programs must tackle complex topics such as how to share potential benefits from such activities across stakeholder groups. Using an options assessment framework, PROFOR is helping stakeholders in Mexico tackle this complex activity and work together to chart a road map for benefit sharing from REDD+ activities. These road maps will help bridge the gap between existing global forest knowledge and practical, implementable country-level solutions.

PROFOR is working in Mexico in collaboration with CONAFOR (the National Forestry Commission), and initial findings have been reviewed with stakeholders through a webinar and a two-day workshop in the REDD+ Early Action Area of the Yucatan Peninsula. A national workshop is planned for early 2015 to discuss the regional findings and decide on feasible next steps for the implementation of the selected benefit sharing mechanism(s).

Soon the work will be expanded to Uganda. Once the road maps for both countries have been finalized, the team will facilitate connections with other countries looking to develop their own benefit-sharing mechanisms for REDD+ or other forest resources initiatives. These guidelines and examples are likely to be of particular relevance to participants in REDD+, the Forest Investment Program, and Voluntary Partnership Agreements.

ADAPTATION-BASED MITIGATION IN DEGRADED LANDSCAPES

Honduras and El Salvador are highly vulnerable to climate change, with high population densities in areas with extreme climatic variation. The governments of these countries are eager to identify effective policies and programs that will encourage collective action at the landscape level, to better manage landscapes in order to build resilience to climate change, mitigate greenhouse gas emissions, and restore degraded land. But the institutional efforts, social capital, and financial resources that are needed to address these challenges are enormous.

Through analysis of three case studies—one in Honduras and two in El Salvador—PROFOR helped to identify policies and institutional arrangements that can make a difference. The key factors looked at were the heterogeneity of interests and rights of the actors who influence the landscape, social capital in the territory, knowledge and innovation management systems, and the use of direct incentives and other forms of compensation.

In Honduras, the most successful case, stakeholders were able to rally around an urgent social and environmental situation of degraded land: without national government involvement, farmers agreed to stop traditional burning for cropland so that lands could be restored. This change in practice was enabled by local knowledge that documented and offered new options for landscape restoration. The no-burn restoration practice had transaction costs for farmers and required the use of incentives accompanied by regulations, with the territory's different municipalities applying fines to eradicate the use of burning in agriculture. In the two other

cases, different interests among stakeholders impeded collective action.

A set of recommendations regarding the policy and institutional arrangements required for successful landscape-level actions is now informing local, national, and regional dialogues on sustainable landscape planning and management regarding climate change adaptation and mitigation. Additionally, the activity developed guidelines for the contribution of REDD+ to the revitalization of the depressed rural economy, which provided a bridge for working with other government priorities such as education, public security, and productivity. This activity and its final strategic report will serve as a valuable input for the World Bank's Forest Carbon Partnership Facility's REDD+ Readiness Preparation activity in El Salvador. More specifically, the strategic report will aid that country's REDD+ Readiness in terms of organization among government ministries, consultation with relevant actors, and overall national REDD+ strategy.

CONGO BASIN TIMBER

Demand for wood and wood products is growing dramatically in Africa, offering new opportunities for local producers to tap domestic markets. The Congo Basin Timber activity is facilitating this by improving knowledge about the current and projected supply and demand for wood-based materials in Cameroon, the Republic of Congo, and the Democratic Republic of Congo. Through data collection and analysis, new knowledge will be developed regarding the current and future capacities of timber companies to provide wood for public buildings, housing and furniture for the domestic market. In addition, the analysis will look at how wood is currently sourced, and,



if not sourced domestically, why. This will help gauge the potential to grow the productive use of wood in these countries. To this end, options for policies and targeted investments to increase the proportion of domestic locally-sourced wood will be identified.

TOOLS AND KNOWLEDGE FOR ACTION AT THE REGIONAL AND GLOBAL LEVELS

The tools and knowledge highlighted in this section are for the regional and global levels. They are largely based on cross-sectoral collaboration, and they take a landscape approach.

BIODIVERSITY OFFSETS TOOLKIT AND SOURCEBOOK

Although offsets are often considered a last resort, many large-scale infrastructure or extractive projects have impacts that cannot be completely mitigated. PROFOR is working to strengthen the effectiveness and appropriate use of biodiversity offsets in Sub-Saharan Africa through the development and piloting of a partnership model for national-level offset schemes. The *Biodiversity Offsets Toolkit and Sourcebook* seeks to find common ground through systematizing and up-scaling an offset scheme in a manner that maximizes conservation outcomes, encourages ownership by local governments, and reduces transaction costs for investors.

Work is currently under way to document good practice and establish the essential building blocks for the effective development of national-level or aggregate offset systems. Pilots for the development of biodiversity offset road maps are under way in Liberia and Mozambique. PROFOR's work in this area consciously takes advantage of the unique intersection of World Bank and IFC clients, namely governments and extractive industries or other large private firms. With interest in the use of offsets growing within the World Bank Group, both from regional programs and from the IFC, as well as from the external private sector, governments, and NGO actors, the time is right to examine the effective use of this tool more closely.

The *Biodiversity Offsets Toolkit and Sourcebook* will be completed in the first half of 2015 and will provide an overview of biodiversity offsets and when and how to best use them. The project also hopes to create regional collaboration in an attempt to offset biodiversity and environmental damages in the pilot countries.

TIMBER VERIFICATION, FOREST AUDITS, AND LOGGING CONTRACTS

PROFOR, working with CATIE in Costa Rica, supported the development and implementation of a *Toolkit for Forest Control and Supervision*. The project developed guidance and tools to improve timber tracking, inspect wood flows at sawmills and other processing facilities, and help indigenous peoples negotiate fair and honest contracts with timber buyers. The tools are based on practical experiences in Bolivia, Guatemala, Honduras, Nicaragua, and Peru. These inputs have helped maintain a needed balance between having all the relevant elements in each tool and keeping the tools simple, practical, and user-friendly.

The toolkit is expected to have dual benefits. The public sector can use it to ensure that private stakeholders comply with legislation and improve their performance. Private stakeholders will benefit from having good guidance on how the inspections—often plagued by demands for bribes—should be organized honestly and transparently, and from having clear processes for legality verification and honest negotiations with timber buyers. The toolkit, by scaling up the use of forest legality tools, will also help address corrupt networks and shady supply chains. CATIE is now disseminating the toolkit to targeted audiences.

TURN DOWN THE HEAT III—FOREST FINDINGS AND RECOMMENDATIONS ACROSS REGIONS

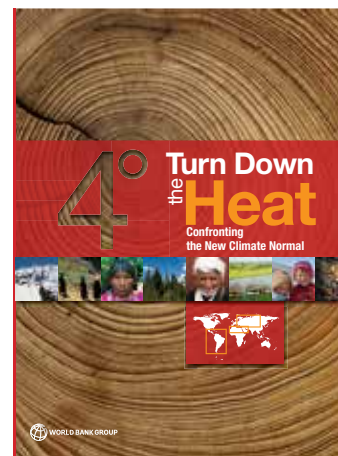
Building on the findings of early *Turn Down the Heat (TDTH)* reports, the objective of the *TDTH III* report was to analyze climate vulnerabilities and related development impacts under three warming scenarios—0.8°C (present-day), 2°C, and 4°C—and to share the findings with relevant

stakeholders in order to initiate and/or strengthen an evidence-based dialogue on climate action. Three regions are covered: Europe and Central Asia, Middle East and North Africa, and Latin America and the Caribbean. The PROFOR-funded activities related to *TDTH III* focused on engaging with policy makers and experts in client countries and the development community, as well as with World Bank Group staff and senior management, on the importance of forest ecosystems in shaping national and regional responses to climate change.

The final report includes narratives on forest ecosystems, which will inform regional and country dialogues at the policy and governance levels, and will support the development of adaptation responses needed in the short and the long term for the health and well-being of forest ecosystems and the people who depend on them. In preparing the report, several capacity-building workshops facilitated an exchange on the science, datasets, and modeling between the report authors and regional scientists in order to ensure a better ownership and regional uptake of results. The global launch of the report took place on November 24, 2014, followed by regional-level releases that continue in 2015.

UNDERSTANDING THE ECONOMICS OF DRYLAND RESILIENCE IN SUB-SAHARAN AFRICA

Improved understanding of the value of a landscape approach and of tree-based systems (TBS) could help encourage policy makers to create enabling environments for seizing the tremendous opportunities for landscape restoration in dryland regions of Sub-Saharan Africa. To this end, PROFOR supported two economic assessments of the landscape approach and tree-based systems in Africa.



The Landscapes Report, released in December 2014, identified advantages to promoting integrated landscape management in sub-Saharan African drylands, such as increased action and investment from stakeholders, reduced conflict over resources and land uses, establishment of economies of scope and scale, and increased resilience at the household and landscape level. The report also offered a set of policy options in six broad intervention areas to advance integrated landscape management.

The TBS Report, due in March 2015, finds that a growing body of evidence suggests that successfully integrating trees into farming and livestock-keeping activities can be extremely profitable, provided the appropriate species and management practices are used. However, work remains to be done to change the mindsets of policy makers, development professionals, and even technical specialists such as researchers and extension agents about the potential of TBS.

The knowledge generated by this work is influencing the design of new projects with landscape and tree-based components. In addition, *the Landscape Report* provided the theoretical foundation for the Africa Landscape Action Plan that was launched by the New Partnership for Africa's Development in December 2014. It also underpins the idea of creating a Resilient Landscape Alliance, to be launched alongside the UNFCCC negotiations in Paris in December 2015. The report is becoming a pillar in the preparation of World Bank projects and programs that are increasingly using the landscape approach. *The TBS Report* will help influence the design of World Bank projects that now often need to include agroforestry as a source of income, resilience, and ecosystems services in Africa.

AFRICAN WOOD PRODUCTS PRICE INDEX

In Africa, the lack of information about domestic wood markets is a key barrier to greater international investment in the forestry sector. A recently launched PROFOR activity is creating an African Wood Price Index (AWPI) to help overcome this uncertainty, and thereby help encourage private investment in the productive use of wood across the region. The AWPI will provide consistent, structured, data, including domestic prices, for a representative collection of products and countries. Ultimately, improved information and investments will help grow formal, safe and permanent employment in both forestry and forest product manufacturing. Over the long run, expanded domestic markets will increase Africa's self-sufficiency in meeting the wood fiber needs of its growing population and economies, and reduce dependence on imported wood.

STIMULATING PRIVATE SECTOR ENGAGEMENT IN REDD+, SFM AND LANDSCAPE RESTORATION

Investing in productive functions and use of forests through SFM, forest and landscape restoration, and afforestation and reforestation could yield significant multiple wins for climate change mitigation, increased climate change resilience and adaptation, and green growth. Through the Stimulating Private Sector Engagement in REDD+, SFM and Landscape Restoration Activity, PROFOR is building evidence to support a broader approach to REDD+ that would incorporate the potential of productive functions of forests to mitigate climate change.

Current REDD+ approaches do not take account of the climate benefits that sustainable forests could provide outside of the forest sector, notably through three key areas: the substitution of fossil fuels for energy with renewable, forest-based

energy sources; the substitution of fossil-fuel intensive construction materials; and a virtuous cycle of building the forest products carbon pool through durable, long-lived wood products combined with forest regrowth. Together, these areas could amount to as much as 20 percent of the global mitigation potential.

Such a radical expansion of the REDD+ approach would also address the unsatisfied need for timber, fiber and wood-based energy, which is a key driver of forest degradation and deforestation. Projections suggest that demand for fuelwood and charcoal will increase up to 2050 and beyond in order to meet the needs of around 2.5 billion people, and total demand for wood will grow faster than population growth

over the same period, rising from a current 3.5 billion m³ to over 15 billion m³ per year. However, significantly increased private sector engagement will be essential if this opportunity is to be seized.

Working in partnership with the Climate Investment Funds' Forest Investment Program (FIP), this PROFOR activity will further build knowledge of how productive uses of forests and forest products could significantly contribute to increased climate change mitigation outcomes, and identify options for enhanced private sector REDD+ sustainable forest value chain and landscape restoration investment efforts.

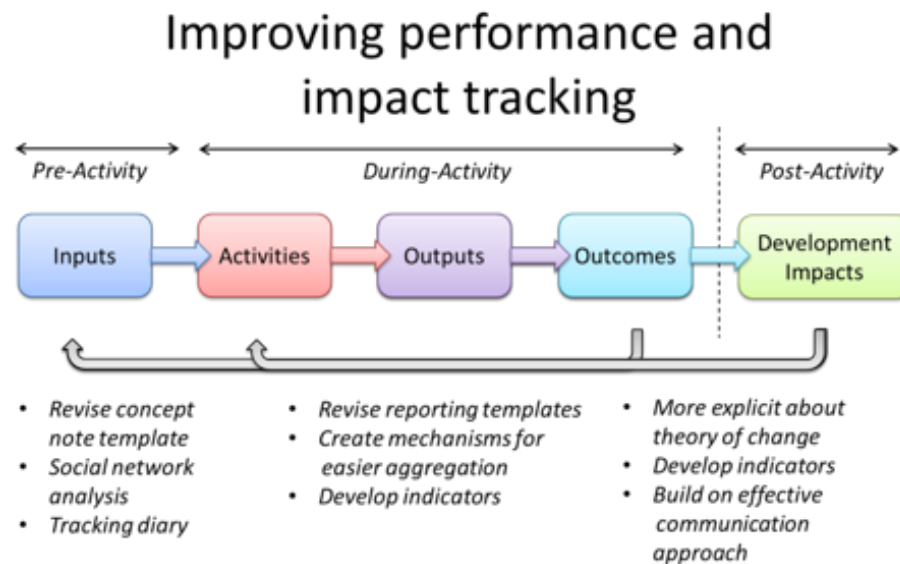


STRENGTHENING PROFOR'S MONITORING AND EVALUATION SYSTEM

In 2014, PROFOR intensified efforts to strengthen its ability to monitor, assess, and report on the results of its work by developing an overarching theory of change, and establishing an M&E system for PROFOR's work. The result is internal cohesion between existing M&E elements and a new theory of change that will help ensure alignment across activity design, reporting processes, and performance measures, as well as a firm foundation for continued improvements in tracking and communicating PROFOR's impact.

PROFOR now has an explicit unifying theory of change that provides a common framework for short-, medium-, and long-term outcomes across all activities (see Figure 3). Acknowledging that PROFOR's primary role relates to the production and translation of knowledge, the theory of change focuses on unpacking how PROFOR expects to achieve influence through its work (see Figure 4). Following best practices in knowledge uptake programs, the theory of change focuses on understanding the networks through which

Figure 3: M&E System by Activity Cycle



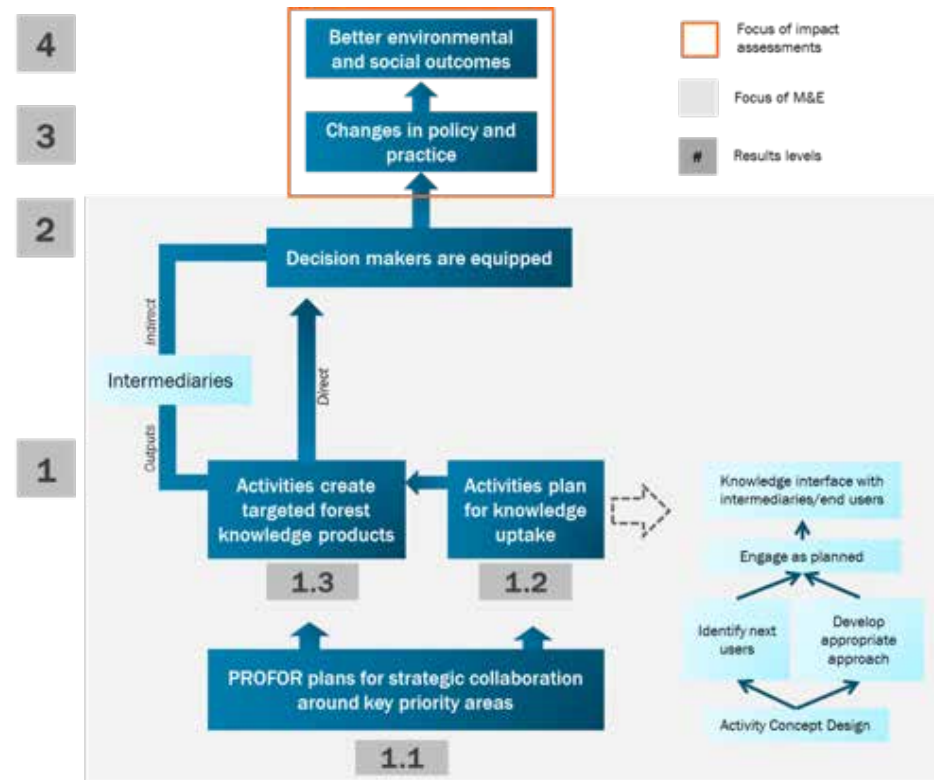
knowledge and information travel to reach their intended audiences. The theory of change also makes the distinction between the ultimate desired impact of PROFOR's work and what can be attributed to PROFOR's direct efforts. From a programming standpoint, this implies that M&E efforts should emphasize engagement and knowledge dissemination while continuing to examine PROFOR's contribution to broader development outcomes in the longer term.

The new theory of change is informing the PROFOR activity design and reporting processes to more clearly link knowledge production and use. A new design assessment process will begin in 2015 and is expected to drive quality improvements at the foundation level of the theory of change, and ultimately to enhance the ability to tell a program-wide story of PROFOR's results.

To complement these design process changes, improvements were also made in the systems that PROFOR uses to measure and track program effectiveness. First, using the program theory of change, PROFOR has instituted a few common measures at the output and intermediate outcome level. These will aid aggregation and enhance the ability to report at the program-wide level.

Task Team Leaders (TTLs) will continue to manage information related to their activities and report on this annually. However, a more explicit articulation of uptake pathways will be included in concept notes and in progress and completion reports, including additional information on primary and secondary audiences and their engagement in the activity design and delivery.

Figure 4: Simplified PROFOR knowledge uptake theory of change



In addition, performance standards have been clearly articulated with criteria describing what "quality" looks like in relation to activity design and knowledge uptake.

As a complement to this renewed focus on effectively reaching intended target audiences, PROFOR plans to continue to invest in examining its impact through ex-post evaluations that seek to attribute higher-order social and environmental outcomes to PROFOR's activities.

COMMUNICATIONS AND KNOWLEDGE MANAGEMENT HIGHLIGHTS

PROFOR outreach and engagement consists of both targeted engagement with key audiences and broader awareness raising through social media, newsletters and the PROFOR website (www.profor.info). In 2014, PROFOR convened discussions on key topics at global events for forests, organized targeted knowledge and learning events for partners and World Bank Group staff, increased PROFOR's presence on social media, and equipped development practitioners with information and knowledge to effectively design projects and engage with client countries. The following are highlights of this work.

At the XXIV IUFRO World Congress in October, PROFOR convened a side event on "Enabling Productive Uses of Forests That Reduce Poverty, Create Jobs, and Build Resilience." At the event, a diverse panel of representatives from governments and from research and conservation organizations shared their views on how to respond to the growing demand for wood and wood products in a manner that helps to reduce poverty, diversify rural economies, improve forest governance, support employment creation, and protect ecosystem services. Discussion centered on how productive uses of forests can grow local, national, and regional economies, as well as the role of both natural and planted forests in meeting the growing demand.

Also in October, PROFOR convened a learning event on "Knowledge Frontiers on Poverty-Forest Linkages," bringing together experts from CIFOR, the International Forestry Resources and Institutions

network, and the World Bank Group. Presentations showcased the latest research on this topic and introduced new work under way, including efforts to address data gaps and advance understanding of how forests can contribute to sustainable reduction of poverty and inequality in the developing world.

In November, PROFOR held a launch event for two publications related to private investments in forests: (i) *Business Climate for Forest Investments: A Survey* - an overview of tools to assess investment climate - including their applicability in the forest sector, and their main gaps - that also offers a menu of options for improving methodologies and investment climate for sustainable forest management and wood processing; and (ii) *Private Forest Financing for Sustainable Forest Management and Forest Products in Developing Countries: Trends and Drivers* - a review of available private forest sector financing data that provides a snapshot of different financing flows, improves our understanding of challenges related to forest financing, and presents a road map for better information and access to finance to promote sustainable forest management. The launch event brought together forest practitioners, conservation and advocacy organizations, private sector representatives and the report authors for a dialogue on how to advance sustainable private forest investments and financing.

In December, PROFOR helped convene the 2014 Global Landscapes Forum as an implementing partner for the event led by CIFOR. PROFOR also

co-hosted (with IUCN and CIFOR) a discussion session on the role of knowledge products and tools in achieving sustainable management of landscapes, and convened a high-level session on adaptation-based mitigation. Key points that emerged from the high-level session were that adaptation-based mitigation is an imperative for developing countries; landscape restoration is a bridge for adaptation and mitigation; and securitization of private financing is essential to make financing accessible to smallholders.

In addition, PROFOR issued several knowledge products in 2014 (see list at left) that were disseminated via the website, social media and various events.

PROFOR Knowledge Products in 2014

Advancing Ecosystem Market Intelligence

- Gaining Depth State of Watershed Investment
- Sharing the Stage State of the Voluntary Carbon Markets

Assessing Impacts of Forest Governance Interventions: Learning from World Bank Experience

Business Climate for Forest Investments: A Survey

Community Forestry and REDD+

Faire Fonctionner les Dispositifs de Partage des Avantages au Profit des Communautés Dépendant des Forêts (Making Benefit Sharing Arrangements Work for Forest-Dependent Communities, in French)

Forest Governance Monitoring and Assessment: A Program of Dissemination and Implementation

Improving the Forests Database to Support Sustainable Forest Management

Private Financing for Sustainable Forest Management and Forest Products in Developing Countries – Trends and Drivers

EUROPE and CENTRAL ASIA:

Innovative Financing for Sustainable Forest Management in the Southwest Balkans (multiple publications)

LATIN AMERICA and the CARIBBEAN:

Toolkit for Timber Verification, Forest Audits, and Logging Contracts (in English and Spanish)

Impactos das Mudanças Climáticas na Produção Agrícola Brasileira (Impact of Climate Change on Agricultural Production in Brazil, in Portuguese)

SOUTH ASIA:

Nepal Forest Sector Survey: Policy Priorities and Recommendations



FINANCIAL OVERVIEW AND ADMINISTRATION IN 2014

In 2014, PROFOR's disbursements and outstanding commitments reached \$8.9 million, a 22 percent increase from 2013 and a record. This increase reflects the Secretariat's efforts to increase programming in keeping with the decision to extend the PROFOR partnership to at least 2020. Actual disbursements totaled \$3.3 million and commitments reached \$5.6 million. These figures were consistent with projections for the 2014 Work Program, demonstrating that new programming activities were implemented systematically.

PROFOR maintained an active portfolio of 49 projects (up from 30 in 2013) and launched 25 new activities (up from 19 in 2013). Fourteen activities were brought to closure during 2014, compared with seven that closed the previous year. (See Table 1 for actual 2014 expenditures and commitments.) Disbursements and commitments in the Programmatic Window under region-specific activities totaled \$5.0 million, a 56 percent increase from the previous year, and the Strategic Window focused on multiregional activities totaled \$3.6 million, at similar levels to the previous year. (See Tables 3 and 4 for expenditures by thematic areas and by window).

Donor commitments agreed prior to 2014 were paid in during the year from Switzerland (\$0.4 million), the Netherlands (\$1.7 million), and the United Kingdom (\$3.4 million). Thus paid-in contributions totaled \$5.5 million. Unpaid contributions totaled \$3.8 million, from the European Union (\$0.3 million), Switzerland (\$0.2 million), the Netherlands (\$1.8 million), and the United Kingdom (\$1.5 million) (See Table 2). In addition to donor fund-raising, PROFOR activities continue to generate significant co-financing through partnerships. For every dollar committed to a PROFOR activity implemented during 2014, an additional 74 cents or more is generated in co-financing. In reality, the level of co-financing is higher, but it has been difficult to estimate this because cash and in-kind costs that are covered through partnerships and by other funders were not fully reported to PROFOR for several activities.

Administration, communications, and program management expenses held relatively constant with previous years, at \$0.51 million. Program management includes portfolio development and monitoring, communications activities, M&E (including the Impact Evaluation), financial management, and other costs incurred by the Secretariat (See Table 5 for actual costs by expense items).

LOOKING FORWARD

In 2015, PROFOR is adopting a new approach to developing its portfolio that builds on PROFOR's appreciation for the impact made possible by linking forestry issues with food security, energy security, and other priority development objectives. The new approach will identify activities grounded in other sectors to help build understanding of the potential contribution of the productive uses of forests for sustainable development. For example, by working with energy sector experts to assess options for increasing access to renewable energy, the potential for wood-based biomass energy in a given country could be made clear to decision makers in that sector. The energy experts and policy makers would then be confident in investing in the forest sector as a renewable energy source.

By creating solutions together with specialists from other sectors, PROFOR will help transform the approach to mainstreaming forest considerations, and continue to contribute sound, timely, and innovative knowledge and tools to help lift people out of poverty and improve welfare in a sustainable manner.

Table 1: PROFOR Financial Report As of December 31, 2014

	Actual				Plan	
	CY2002-2012	CY2013	CY2014		CY2014	
Trust Fund Income					Trust Fund Income:	
PROFOR Paid-in Contribution	26,067,631	7,597,005	5,446,041	2/	6,782,395	2/
PROFOR Investment Income	732,868	40,289	41,507	3/	101,736	3/
FLEG TF Balance	1,696,975			4/	-	4/
FLEG Investment Income	26,650				-	
Other Receipts/Income	36,745	8	(8)		-	
Total Income	<u>28,560,869</u>	<u>7,637,302</u>	<u>5,487,540</u>		<u>6,884,131</u>	
Disbursements					Disbursements and Commitments:	
PROFOR Programmatic Window	5,087,425	1,115,276	1,486,583	5/	5,039,231	5/
PROFOR Strategic Window	13,625,368	1,971,516	1,541,640	6/	4,077,226	6/
FLEG Strategic Window	692,823			7/	-	
Administrative Fees (Non-Project)	1,276,863	406,367	272,302	8/	339,120	8/
Total Disbursements	<u>20,682,479</u>	<u>3,493,159</u>	<u>3,300,525</u>			
Commitments				9/		
PROFOR Programmatic Window	967,974	2,131,231	3,560,694			
PROFOR Strategic Window	819,247	1,708,216	2,052,004			
Net Commitments		(1,787,221)	(3,839,447)		(3,839,447)	9/
Total Commitments	<u>1,787,221</u>	<u>2,052,226</u>	<u>1,773,250</u>			
	22,469,701	5,545,385	5,073,775		5,616,130	
Fund Balance Retained	-	<u>6,091,168</u>	<u>8,183,085</u>	10/	Retained balance:	<u>8,183,085</u> 10/
Total Actual Cash Fund Balance	<u>6,091,168</u>	<u>8,183,085</u>	<u>8,596,850</u>		Actual Balance:	<u>9,451,086</u>

Notes:

1/ CY14 Plans shows Original Work Plan for CY2014.

2/ Donor contribution is presented in detail on the Funding Sources table.

3/ Projected investment income for CY2014 is a share of PROFOR paid-in donor contribution of the year.

4/ FLEG TF is aggregated fund balance of FLEG parent TF053912 and two HQ managed Child TFs, TF055097 and TF055098, by end of CY2008. All donor contribution has been received and administrative fees paid. FLEG TF closed on 12/31/2010.

5/ Programmatic Window refers to Child Trust Funds and other activities established for regional task team leaders to execute projects based on the approved concepts notes.

6/ PROFOR Strategic Window disbursements include expenditures of HQ managed activities under Child TF051840, TF051864, and Child TFs, including Secretariat staff costs, consultant fees, contractual services, travel, communications, and other miscellaneous expenses for PROFOR related programs.

7/ FLEG Strategic Window disbursements are for expenditures of HQ managed activities under Child TF055097 & TF055098. The disbursements in CY2010 are included in the PROFOR Strategic Window as part of the alignment process.

8/ The 5% administrative fees are a standard cost recovery fee applied by the Bank for TF administration.

9/ Outstanding and Net Commitments in Programmatic & Strategic Windows refer to cash balance left in the child TFs out of total grants transferred from parent TFs after deduction of actual expense disbursements as of Dec 31, 2014, that are carried over to next CY. Activities have an average duration of 28 months.

10/ Fund balance retained from the previous calendar year.

Table 2: PROFOR Donor Contribution As of February 13, 2014

Donor Name	Donor Country	Currency	Amount in Country Currency	Amount in USD	Paid in Country Currency	Paid in USD	Unpaid in Country Currency	Unpaid in USD	1/
EU-Commission of the European Communities	European Commission	EUR	4,800,600	6,588,845	4,560,561	6,314,804	240,039	274,041	
Finland - Ministry for Foreign Affairs	Finland	EUR	2,834,200	3,847,859	2,834,200	3,847,859	-	-	
Germany-Deutsche Gesellschaft Fur Internationale Zusammenarbeit (GIZ) / BMZ	Germany	EUR	1,180,000	1,601,408	1,180,000	1,601,408	-	-	
Italy - Ministry of Foreign Affairs	Italy	EUR	460,000	648,166	460,000	648,166	-	-	
Japan - Ministry of Agriculture, Forestry and Fisheries	Japan	USD	900,000	900,000	900,000	900,000	-	-	
Netherlands - Minister for Foreign Trade and Development Cooperation	Netherlands	USD	6,806,567	6,806,567	5,001,865	5,001,865	1,804,702	1,804,702	
Swiss Agency for Development and Cooperation (SDC)	Switzerland	CHF	3,265,607	3,480,852	3,067,900	3,265,424	200,122	215,428	
United Kingdom - Department for International Development (DFID)	United Kingdom	GBP	11,835,400	19,069,651	10,835,400	17,531,151	1,000,000	1,538,500	
				42,943,347	39,110,677		3,832,670		

1/ Pending Contributions from all donors will be paid in 2015.

ANNEX I: OVERVIEW OF CY2014 ACTIVITIES, BY THEMATIC AREA

CROSS SECTORAL

Window	Activity	Region
Programmatic	Balancing Mining Development and Forest Conservation in the Congo Basin	AFR
Strategic	Developing Proxy Indicators to Assess Forests Sector Impacts	Global
Programmatic	Forest Resilience Scenarios for the Southern Amazon: Managing the Agricultural Frontier	LCR
Programmatic	Institutional Analysis and Landscape Level Planning Guidelines for Watershed Development in India	SAR
Strategic	Linking evidence and policy discussions and contributing to measures for achieving national and post 2015 global development agenda (Global Landscape Forum and IUFRO World Congress)	Global
Programmatic	Regional Practitioners Workshop on Green Growth in Africa	AFR
Strategic	Scaling up tree-based ecosystem approaches that strengthen food security, improve resilience to climate change, and sequester carbon	Global
Programmatic	Turn Down the Heat III: Regional Analysis (ECA) – The Case for Climate Resilience	ECA
Programmatic	Turn Down the Heat III: Regional Analysis (LAC) – The Case for Climate Resilience	LCR
Programmatic	Turn Down the Heat III: Regional Analysis (MNA) – The Case for Climate Resilience	MNA
Strategic	Using Forests to Enhance Resilience to Climate Change	Global
Programmatic	Workshop on Sustainable Productive Forest Landscapes in Mexico	LCR

FINANCING SFM

Window	Activity	Region
Programmatic	Adaptation-Based Mitigation in Degraded Landscapes Vulnerable to High Climatic Variation	LCR
Strategic	Advancing Ecosystem Market Intelligence	Global
Programmatic	African Wood Products Price Index	AFR
Programmatic	Biodiversity Offsets Toolkit and Sourcebook	AFR
Programmatic	Brazil Sao Paulo Mechanisms to Incentivize the Re-establishment and Scaling-up of Native Species Forest Plantations	LCR
Programmatic	Commercial Reforestation Potential in Colombia	LCR
Programmatic	Examining the potential to boost the volume of legal wood used in construction and furniture making in the Congo Basin	AFR
Programmatic	Innovative Financing for Sustainable Forest Management in the Southwest Balkans	ECA
Programmatic	Mozambique Business Climate for Planted Forests	AFR
Strategic	Stimulating private sector engagement in REDD+ sustainable forest management and landscape restoration efforts	Global

GOVERNANCE

Window	Activity	Region
Programmatic	Benefits Sharing and Customary Land Rights in Forest Areas Schemes for Indonesian Indigenous People	EAP
Programmatic	Collaborative Stakeholder Mapping to Promote Legal Timber Trade	ECA
Strategic	Forest Governance Data Collection for Assessment and Monitoring	Global
Strategic	Forest Governance Monitoring and Assessment: A Program of Dissemination and Implementation	Global
Programmatic	Forest Tenure Rights: How Critical are they for a Green Rural Development?	LCR
Strategic	ICT In Forest Governance Application - Phase II	Global
Strategic	Impact Analysis of Forest Governance Interventions	Global
Strategic	Improving the Forests Database to Support Sustainable Forest Management	Global
Programmatic	Methodology for Calculating Budget Losses and Local Revenue Impacts of Illegal Logging	ECA
Strategic	Moving toward Free, Prior and Informed Consent: a dialogue	Global
Strategic	Participatory Benefit Sharing for Forest-Dependent Communities	Global
Strategic	Political Economy Analysis for Decision Making in Forestry	Global
Programmatic	State Forest Administration (SFA) Reform in Vietnam	EAP
Programmatic	Toolkit for Timber Verification, Forest Audits, and Logging Contracts	LCR

LIVELIHOODS

Window	Activity	Region
Programmatic	Adaptation of Strategic Community Engagement and Forest Production Monitoring Systems to Forestry Value Chains in the Peruvian Amazon	LCR
Strategic	Building National-Scale Evidence on the Contribution of Forests to Household Welfare: A Forestry Module for Living Standards Measurement Surveys	Global
Strategic	Community Forestry and REDD+	Global
Programmatic	Contributions to Understanding the Economics of Drylands Resilience in Sub-Saharan Africa	AFR
Strategic	Forest and Farm Facility	Global
Programmatic	Lebanon: Best fit practices for reforestation to enhance climate resilience in remote hilly areas	MNA
Strategic	Supporting Small Forest Enterprises to Grow	Global
Programmatic	Supporting the Elaboration of a National Silvo-pastoral Strategy for Tunisia	MNA
Strategic	The Forest Dialogue -- dialogues on REDD+ Benefit Sharing	Global
Programmatic	The role of forests in achieving the twin goals - a case study for the Philippines	EAP
Programmatic	Trees and smallholder agriculture - a household perspective from Subsaharan Africa	AFR
Programmatic	Tunisia: Sustainable management of oasis ecosystems	MNA
Programmatic	Understanding the Role of India's Forests in Contributing to Combating Extreme Poverty and in Promoting Shared Prosperity	SAR



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