

UNFF Ad-Hoc Expert Group Meeting on Forest Financing
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Towards Feasible and Realistic Financing Strategies for Sustainable Forest Management

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Level of consensus

Considerable progress has already been achieved:

Shared responsibility

Inadequate financial resources (availability, access, terms)

No single solution, all sources needed, all types of instrument

Effectiveness and efficiency of existing mechanisms

Necessity of enabling conditions (policy and legal framework, national prioritization)

Stakeholder capacity

Gaps to be addressed (geopgraphic, thematic, communities/ smallholders)

Full valuation of forest goods and services, new mechanisms

Information on financial flows

Coherence and coordination

But more is needed

Financing outlook for forests

Climate-based financing for forests still unclear but likely to become a major source for protection, conservation and restoration with various sources and mechanisms

Biodiversity-related financing will continue significant for protected areas and conservation, less support to sustainable utilization (GEF, bilateral, philanthropic)

Pending strategic issues

1. **How to mobilize** new and additional financing from all sources for SFM

 2. Through **which strategies and mechanisms** should such financing be arranged
 - a) Strengthening of the **existing and emerging mechanisms** on international, regional and national levels
 - b) Establishment of **new facilities** such as global or regional forest funds
- a) and b) are not mutually exclusive

There is a common understanding on a) but lack of clarity on how to do it. Views on b) are divergent.

Option 1. Strengthening of existing and emerging financing mechanisms

Mobilization of **new and additional resources** for forests

Enhancement of a **common vision** on SFM

Some observations on existing mechanisms

- The present financing mechanisms are **underutilized** (e.g. ITTO)
- Low-hanging fruits** exist (Global Climate Fund, GEF replenishment, support to governance, the private sector, REDD+ and other PES schemes, etc.)
- Emerging **new mechanisms** are completing the menu but increasing fragmentation
- Effectiveness and efficiency** are already under improvement
- Harmonisation** of project cycles is an elusive target; best achieved through co-financing of country level programmes
- Coordination** can be effective if done by host country government; donor coordination best through an in-country programmatic approach
- Sharing of improved **information** is crucial for effective coordination but further work is needed (by whom?)

Facilitative Process

Only a few of the ambitious objectives have been partially achieved

Significant expectations among some parties prevail

Possible need for mid-term evaluation, eventual revision of the objectives and approach linking it closely with country level efforts

Option 2.

Global forest fund: elements to be considered

Rationale

Objectives (incl. strategic direction, targeted funding volume)

Functions (financing, related support functions)

Eligibility of beneficiaries

Investment criteria

Modalities (funding delivery mechanisms, disbursement principles)

Governance (governance structure, stakeholder participation, management oversight, monitoring and evaluation, hosting organization, etc.)

Funding sources and fundraising

Cooperative arrangements and partnerships

Summary of Global fund proposal*

Objective: mobilize new and additional resources with better direct access to funds

Eligibility: open for all countries, geographic gaps taken into account

Funding criteria

(institutional strengthening, capacity building and EST transfer)

Modality: grant funding for projects submitted by countries

Procedures: simple and transparent, low transaction costs, quick disbursement

Governance: under UNFF, 3+x countries, hosted in existing institution

Additional aspects: no conditionalities, communication strategy

* Based on the submission of the Group of 77 and China

Global fund proposal preliminary views

Current ODA flows are already largely targeted at supporting governments in implementing NLBI national actions*; risk for **overlaps and duplication**

High probability for **carving out** possible funding from current sources

Based on experience, **structured procedures** are necessary for project financing (submissions, appraisal, monitoring and evaluation) for accountability

Uncertainty about **financing resources** due to priority given to climate and biodiversity

Fund size may not justify a new unit to be established

*See the 2008 AGF study Annex 2.1 for analysis of the action areas

It is obvious that the current financing mechanisms would
additional funding can be raised.

could be explored to

- - accessibility of beneficiaries
- avoid duplication
- achieve acceptable transaction costs

Possible *modus operandi*

Gff could be a fund of funds

Provide **complementary support to national forest funds** (or alike) based on their funding programmes

Actions supported could be derived from **national forest programmes** or similar policy frameworks

National funds could involve **multi-stakeholder participation**, transparent monitoring and national leadership

Priorities could be given e.g. for development of payment schemes for environmental services and other innovative approaches to complementary funding of SFM

Possible *modus operandi*

This approach could

be directly linked with the NLBI national actions
promote establishment and expansion of national forest funds on
which several positive country experiences
contribute to poverty reduction and strategies on low-carbon
sustainable development and green economy
ensure effective national leadership and coordination
accommodate diversity of country situations
enable low transaction costs, simplify procedures and avoid
bureaucracy of project funding
leverage other sources of financing

Possible *modus operandi*

Likely constraints

Final thoughts

Existing mechanisms are grossly underutilized and new major instruments are emerging; the way forward is through their governing bodies

Any new facility if established - should be based on confirmed **adequate funding** on a long term basis; there is no clarity about the feasibility of gff

Any future funding is likely to be increasingly **performance-based** and transparent

Enabling country conditions (incl. political priority for forests) are more important than availability or accessibility to international funding

Leveraging of **the private sector and other stakeholders** is essential as public funding is always slow, complex and insufficient

Competition is necessary in the fragmented financing architecture but **duplication** should be avoided

Thank You for the attention !

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