

# FAO-Facility Work on Forest Finance

## Supporting the development of National Forest Financing Strategies

Nairobi, 13 September 2010

## Outline

- Background
- Building capacity at the national level
- Experiences
- Lessons learned

### NFPs & National forest financing strategies (NFFS)

- Collaborative knowledge sharing initiative in Latin America on financing mechanisms
- Objectives:
  - (a) produce a broad assessment of the status, perspectives, and experiences with financing mechanisms
  - (b) increase the capacity of National Forest Programs (NFPs) in the development of national strategies and instruments for forest financing

- **Wide range of financing mechanisms exists**, but ad-hoc approaches predominate (subsidies, credit, ODA)
- **Variability** in forest functions, values and actors requires a diversified set of financing sources and mechanisms
- **The biggest problem with financing SFM is often not the lack of money** (but problems of availability and access exists for some activities and actors)

## The capacity development process

## Experiences

- Namibia (October 2007)
- Guatemala (November 2007)
- Suriname (June 2008)\*
- El Salvador (September 2008)
- Peru (December 2008)\*
- Paraguay (February 2009)
- Costa Rica (May 2009)
- Philippines (August 2009)
- Ecuador (September 2009)

\* Module implemented by partners

**National forest financing strategies** publicly endorsed  
**Financing instruments** selected for development (financial and legal assessments, involvement of rating agencies, others)

Trust funds attractive to private and institutional investors (GT, PY, ES, CR)

Capital market instruments (with Stock and Commodity Exchange: Forwards, Repurchase agreements, Securitization)

Incentives programs (CR, ES)

**Forest Finance Intelligence Unit** (or equivalent) created

**Sector governance** improved

**Trust fund** created

## Key lessons

**Adopt a strategy with a comprehensive approach to finance that is country specific**

**Much interest in forestry by banks, social security schemes, commodity exchange (not only for productive purposes) – Have a communication strategy**

**Significant funding is available at the national level - Engage more actively other sectors, in particular the financing sector**

**Playing a catalytic role can be very effective**

## Opportunities for Support

### **Support partnership building and communication (address “isolation”)**

- Strengthen linkages with other sectors and key stakeholders (nfps, networks, units, dialogues)
- Forming of associations among small forest SH

### **Build capacity (address “weak capacity”)**

- Financing language, instruments, processes (South-South learning)
- Enterprise development

## Opportunities for Support

### **Promote financial innovation (address excessive “dependence” on ODA and gov’t budget)**

- Reinvest forest revenues into sector
- Promote access to capital markets
- Enable payments for environmental services
- Operationalize risk mitigation and credit guarantee instruments

### **Encourage a strategic approach to finance through National Forest Financing Strategies**

**Thank you!**

For more information

<http://www.fao.org/forestry/finance/en/>