BACKGROUND

1. On 30 October 2009, a landmark resolution was adopted at the Special Session of the ninth session of the United Nations Forum on Forests (UNFF) on the means of implementation of sustainable forest management (SFM). Through this resolution, Member States established two processes, the Ad Hoc Expert Group on Forest Finance (AHEG) to devise approaches and propose policy options to mobilize financing for forests from all sources and at all levels, and the Facilitative Process (FP) to assist Member States, among others, in mobilizing funds for forests.

2. In 2011 and by funding from Germany, a project was launched under the UNFF Facilitative Process (FP) on identifying gaps, obstacles and opportunities in financing SFM in Africa and Least Developed Countries (LDCs). The project is structured in three components: (i) preliminary studies on forest financing in Africa and LDCs; (ii) data validation and transfer of ownership of the findings through two workshops with national forest financing stakeholders; and (iii) defining the way forward through a series of policy briefs and a global strategy for forest financing in Africa and LDCs, drawing on data obtained in the first two components.

3. This workshop was the second of two workshops that comprise the second component of the above mentioned project. The workshop was organized by the UNFF Secretariat with funding from the Governments of Germany and Sweden.

OBJECTIVE

4. The objective of the workshop was to (i) validate the findings of the preliminary studies (prepared as part of the first component), particularly to identify gaps, obstacles and opportunities in financing SFM in Africa and LDCs, and (ii) initiate a network of forest financing stakeholders in Africa and LDCs and at the international level. This second workshop focused on English-speaking countries.

PARTICIPANTS

5. The workshop had 25 national experts from 14 African countries and LDCs (Ethiopia, Ghana, Kenya, Liberia, Malawi, Mozambique, Nigeria, Sierra Leone, Swaziland, Togo, Seychelles, Sudan, Zambia and Zimbabwe), and representatives from donor countries and organizations participating, along with the Secretariat of the UNFF as the organizing entity (UNEP, Indufor Oy, GIZ and UNFFS).

STRUCTURE, VENUE AND DATES
6. The workshop was structured in two parts: (i) a plenary session which began on 8 January 2013 which went on for 1.5 days (8-9 January). The plenary session comprised a series of presentations on forest financing given by the UNFF Secretariat and Member States, and (ii) a working group session on the afternoon of 9 and the morning of 10 January when participants were split into two groups to discuss and answer a series of questions on forest financing in two sessions, and to report to the plenary after each session. On the afternoon of 10 January, an expert panel came together to summarize the main findings which were then discussed among participants before an agreed conclusion was reached.

OPENING

7. The Second Facilitative Process workshop on forest financing in Africa and Least Developed Countries was opened by Mr Benjamin Singer, Forest Affairs Officer. Ms Njeri Kariuki, Programme Officer gave the opening statement on behalf of Ms Jan McAlpine, UNFF Director. Noting the drastically low level of financial support to sustainable forest management in Africa and LDCs, Ms McAlpine stated that the workshop is aimed to carry out an initiative that targeted the critical financing needs of African countries and LDCs to sustainably manage their forests and trees outside forests. She urged participants to enhance their knowledge of financing sustainable forest management on the continent and in LDCs by sharing and exchanging information and knowledge on financing for SFM and further extending their professional networks.

8. Mr Patrick Kariuki welcomed the participants on behalf of the Government of Kenya. He noted that although sustainable forest management had not received adequate financial resources, the workshop provided participants with the opportunity to address the major challenges to forest financing in African countries and LDCs.

ELECTION OF CO-CHAIRS

9. Mr Oppon Sasu from the Republic of Ghana and Patrick Kariuki from the Republic of Kenya were elected by the participants as the co-chairs of the workshop.

ORGANIZATION OF WORK

10. Following the invitation by the co-chairs, the participants adopted the provisional agenda and organization of work of the workshop. It was agreed that there would be no negotiated outcome and that the co-chairs would present a summary of the discussions of the workshop.

DOCUMENTATION

11. Documentation relevant to the workshop includes:

   a. Africa and LDC case studies on Nepal, Tanzania, Tanzania and Tunisia that were prepared during the first component of the project on forest financing in Africa and LDCs (2012)
b. The report commissioned by the Advisory Group on Finance in 2012 entitled, “Financing flows and the need to implement the non-legally binding instrument on all types of forests”


d. The report of the first meeting of the Ad Hoc Expert Group on Forest Financing held in September 2010 in Nairobi

e. The Secretary General’s Report on the Means of Implementation of Sustainable Forest Management, prepared for the 9th Session of the UNFF (2011)

f. The Resolution of the 9th Session of the UNFF (2011)

g. The Report of the first and second workshops on forest financing in Low Forest Cover Countries (Tehran, Iran, 12-17 November 2011; and Niamey, Niger, 30 January – 3 February 2012)


12. It was announced that all these documents were either provided to the participants or were accessible on the UNFF website at: http://www.un.org/esa/forests/facilitative-process.html.

MATTERS FOR CONSIDERATION

13. The Co-Chairs’ summary of the discussions that were held at the second workshop on Facilitating Financing Sustainable Forest Management in African countries and LDCs is annexed to the present report.
ANNEX 1

CO-CHAIRS’ SUMMARY OF PRESENTATIONS AND DISCUSSIONS DURING THE SECOND WORKSHOP ON FOREST FINANCING IN AFRICA AND LEAST DEVELOPED COUNTRIES

TUESDAY 8 JANUARY: OPENING Session/PLENARY

UNFF Process on Forest Financing

14. Mr Benjamin Singer of the UNFF Secretariat opened the workshop and presented an overview of forest financing and the UNFF process. He emphasized the importance of establishing the AHEG and the FP as the two main component of the UNFF work plan on forest financing. The first activity under the FP is a project financed by the GEF and UK’s Department for International Development (DFID) on Supporting Financing of SFM in SIDS and LFCCs (SIDS/LFCCs Project), which was kick-started with a study aiming at identifying gaps, obstacles and opportunities in financing SFM in SIDS and LFCCs. Mr Singer then proceeded to make a presentation on the results of the first component of the project, namely the 11 studies on forest financing in SIDS and LFCCs. Mr Singer focused primarily on the results relevant to SIDS, and in particular on (i) the drop in forest financing in SIDS at the global level, and (ii) the skew of external funding towards a small number of countries.

The Africa-LDCs Project

15. Ms Njeri Kariuki of the UNFF Secretariat made a presentation on the Africa-LDCs project, which aims to strengthen stakeholder capacity to understand the main obstacles and challenges in financing SFM. The project’s main objective is to facilitate deliberations expert and inter-governmental deliberations on opportunities to increase financing for SFM in Africa and LDCs. Countries in Africa and LDCs are particularly constrained in terms of financial resources for SFM. These two sets of countries also represent significant opportunities for SFM due to their forest cover. Their absorptive capacities, however, are limited due to low political commitment and limited expertise. The UNFF Secretariat is cooperating with the Government of Germany in implementing the project. The outcomes of these workshops will complement the outcomes of the SIDS/LFCCs project, and will feed into AHEG2 and contribute to decision of UNFF10 on the issue of forest financing in Istanbul.

Forest Financing in Africa: An Overview

16. Ms Karoliina Lindros, Senior Consultant, Indufor Oy (Finland) provided a summary of two macro-level background studies on forest financing in Africa. The study covered 54 countries and included two case study countries (Tanzania and Tunisia). The immediate objective was to improve the understanding on financing and investments through assessing the present financing flows and channels; assessing the demand for financing; identifying gaps and challenges in mobilizing additional financing; seeking lessons and success stories; and focusing on an enabling environment that would be conducive for enhanced forest financing. Data mining was used, especially on grey and academic literature. The
first macro-level paper focused on general data on Africa and on forest financing specifically. Results showed that African countries raise the least funds for forests – US$ 0.67/ha compared to 5/ha for South America and Asia. The vast majority of funds went into overhead expenditures such as staff costs (over 90 per cent). Foreign financing constituted about 45 per cent of total forest financing (without North Africa, this figure would be much higher). Global forestry ODA declined from 2002 to 2006, but from 2006 to 2010 there is a significant increase which is partially due to REDD+. Seven out of 54 African countries received 50 per cent of forestry ODA. At the same time, cumulative REDD+ financing since 2006 shows that it is concentrated in 5 countries that received half the financing. In terms of gaps, West and Southern Africa have not benefitted as much. East Africa concentrated half the financing. Finally, the cross-sectoral linkages and contributions are poorly articulated. However, the private sector represents an important opportunity for forest financing.

Summary of Interactive Discussions

17. All three presentations led to a series of questions from the participants. Many felt that the Indufor presentation focused on ODA financing, there was a need to address domestic financing which was the basis for sustainability, availability of data on domestic financing for forests depended more on the sources of data. In particular, several participants emphasized the three types of financing and the accrued benefits to countries. Questions were also raised regarding the cross-sectoral nature of forest financing in Africa, the informality of markets and data gaps in forest financing across the continent. Ms Lindroos pointed out that in Latin America where the markets were more formal, the region had significant forest market and revenue reporting. The two country case studies on Tanzania and Tunisia took into consideration the full value of forests while the case study on Tunisia provided some lesson learned. UNEP suggested that the presentations during the rest of the workshop focus on making the case for forest financing and forest eco-systems. Many participants also stressed the need to have development partner participation in similar future workshops and meetings to secure donor involvement and engagement in addressing challenges, obstacles and opportunities to financing sustainable forest management.

Financing Sustainable Forest Management in Africa

18. Mr Joseph Osiakwan gave a presentation on financing the forestry sector in Ghana. Financing for forests comes from the central government, internally generated funds, development partners and other sources, including the private sector and civil society organizations. Within central government, funding comes from central government funds, personal emoluments, administrative and operational costs, and most recently from petroleum revenue. Development partners such as the World Bank, the African Development Bank, the European Union, DFID, ITTO, JICA, GIZ all contribute to forest financing by supporting polices, programmes and projects and providing loans, grant and credits. By 2012, the forest sector accounted for 2 per cent of GDP, a decline from 8 per cent a decade ago. The informal sector within the forests industry contributes significantly to the economy, 70 per cent of the country’s energy needs are met through the use of woodfuel and charcoal. Despite this, the size of the
Contribution of the informal sector is not recognized due to the lack of data. There is a need to collect data on forest financial flows, particularly from the informal sector. Despite the declining flow of revenues to the forest sector opportunities exist for a cross-sectoral approach to enhancing forest financing ODA is supportive but not a replacement for domestic mobilization of funds in support of SFM. Awareness creation on the contribution of forests to sustainable development is important and must be pursued. Revenues from other sectors with linkages to forestry should be drawn into the forestry sector. Emerging instruments such as REDD+ also offer financing opportunities.

19. Mr Thomas Folorunso Fameso presented on the case of financing sustainable forest management in Africa: the Nigerian experience. In Nigeria, although forests play an important role in the livelihoods of communities, financing for the forest sector comes from the national annual budget and is inadequate, insufficient and untimely. The current funding levels are too low to make any meaningful impact and there is a need to mobilize finances from all sources. Current sources of funding are state and federal government; public-private partnerships such as the BISROD, a furniture company and Obasanjo Farms; community based organizations that are mainly self-help such as the Akassa Community in Bayelsa State, an initiative in Cross River State; and international development partners that complement federal and state efforts. The current financing methods and practices of funds are not only uncoordinated but in some cases duplicative with no optimization of benefits. For instance, where forestry trust funds exist, at the State level, the funds are paid into government treasury and used for other purposes outside the forest sector. The low level of private sector investment is as a result of an unattractive investment climate caused by among other things, the lack of awareness among politicians and decision-makers of the importance of forests and their contributions to GDP. At the same time, non-wood timber products are mostly traded in the informal sector and their financial contribution is not reflected in the GDP.

20. Mr Patrick M. Kariuki, presented financing for sustainable forest management in Kenya. Forest ownership in Kenya falls under three main categories, public forests on public lands including state forest reserves, national reserves and game parks, and local authority forests; community forests on community lands; and private forests in private property holdings. The sustainable forest management presents different challenges and requires different financing arrangements. The national forestry programmes include drylands forestry which covers 80 per cent of the country, forest plantation development, forest conservation and management and private farm forests. Key sources of financing for sustainable management include the government’s annual budget, loans and grants from development partners, public-private partnerships focused on developing private forests, concessions, leases sawmilling ecotourism, wind farms, community farm management and policy and strategy development and carbon projects from the climate fund. Revenue building strategies include maximizing returns from the sale of goods and services (integrated harvesting), growth in forest-based ecotourism, access to climate financing, focus on mangrove forests, systematically capturing rents from forest usage, regulation of charcoal industry through the establishment of the Forest Charcoal Rules in 2009. Challenges to sustainable forest financing include inadequate frameworks that support access to funds, low
prioritization of the forest sector, and lack of accurate information and data on forests that leads to poor valuation, planning, development and implementation.

21. Mr Solomon Thandiqiniso Gamedze presented on Swaziland national experiences on forest financing for sustainable forest management. The sustainability of the forest sector and the commercialization of natural products in Swaziland is threatened by increasing deforestation and forest degradation; high levels of land degradation and soil erosion, erosion of plant genetic resources, high incidences of wild veld and forest fires, and emerging new pests and diseases infestation of both exotic and indigenous tree species. Government support for both recurrent and capital forest programmes and projects has been positive with increased budget allocations over the years. However, because forests are under agriculture, budgetary allocations to the forest sector are relatively small. Other challenges to the Swazi forest sector include: weak institutional capacity based on outdated legislation, inadequate professional and technical personnel and limited budgetary resources; an inability to attract donor funding due to new middle income country status; finally, as a low forest cover country, Swaziland finds itself unable to attract donor funds under the climate change REDD+ programme. Opportunities for forest financing through tapping into existing REDD+, FLEGT, Fire management and climate change programmes under Southern African Development Community (SADC).

Forest Financing in Least Developed Countries

22. Ms Karoliina Lindroos presented Indufor’s background studies on forest financing in LDCs. 48 countries were covered in this study and two case-studies were chosen (Uganda and Nepal). Like the Africa study, this one focused primarily on ODA figures which are the most readily available figures. Data on financing from the private sector, both domestic and foreign was unavailable. Also, cross-sectoral patterns of forest financing are not available and it is very difficult to access information on this issue. LDCs are home to 15 per cent of the world’s forests. 33 of 48 LDCs are located in Africa while the common denominator of LDCs is an unequal income distribution, low income and low development index. Most LDCs have national forest policies or programmes – those who lack national forest policies or programmes are usually also low forest cover countries. Where poverty reduction strategies are available, forests are mentioned, but in economic growth strategies, they are rarely included. Data showed a strong skew of forest financing in just a handful of countries. Key gaps in forest financing in LDCs included very few examples of payments for ecosystem services (PESs); a continued decrease in the share of LDCs in forestry ODA and limited private sector financing. Institutions in LDCs are weak with poor governance and limited policy and law enforcement. At the same time, many LDCs experience political strife and conflict. All these reasons may explain why private sector investment in LDCs remains limited. In addition, fiscal policies often make the timber sector unattractive. Opportunities are numerous and begin with PESs, although the cost of setting these up can be high. Communities can benefit substantially from such initiatives.
23. Ms Alima Issufo Taquidir presented on the case of financing sustainable forest management in LDCs: National experience in Mozambique. Agricultural transformation is the one of the government’s priorities aimed at enhancing employment and food security and is included in the country’s 10-year strategy plan (2011-2020). The sustainable use of land water, forests and wildlife is included in the country’s efforts to achieve the agricultural vision. Forests plantations have the potential to generate an annual revenue of USD10 billion and approximately 300,000 jobs. Legislation has been put in place focused on promoting sustainable forest management, including a statutory instrument that promotes value addition to commercial timber by banning the export of unprocessed timber; legislation that provides tax relief to exporters of processed timber for all species except those in the first class group that can be exported in log form. Despite these efforts, full implementation of legislations remains a challenge due to weak law enforcement and limited financial and human resources. Consequently the illegal export of unprocessed timber constitutes unabated and most local communities have yet to benefit from timber concession revenues. The government has entered into a number of agreements focused on forest financing. They include finance agreements with: the Government of Italy under the Integrated Program for Agricultural Development (PIDA) focused on national forest inventories of woody biomass and wildlife evaluation; and with the Nordic Development Fund (NDF) focused on promoting business and forest management, aimed at improving the lives of communities through support to local business based on sustainable use and management of forest resources.

24. Ms Hawa Annie Musa presented the case of financing sustainable forest management in LDCs and effects of conflict focused on Sierra Leone. In Sierra Leone, the conflict caused a general collapse in environmental management and institutions in the country weakening protected area governance with conservation organizations forced to withdraw from several protected areas. Humanitarian and development concerns and financial needs, understandably, took precedence over conservation during and immediately after the conflict while low levels of transparency and accountability, combined with weak governance and corruption provided an opportunity for illegal logging in the Kilimi and Kuru Hills protected areas. In the post-conflict phase, demobilized combatants often turned to the natural resources sector for income carrying out artisanal mining in protected areas. Sustainable forest management can contribute to addressing the root causes of conflict in Sierra Leone through creating employment in the forest sector. As part of the 2007 Poverty Reduction Strategy Paper (PRSPI), also known as the “Agenda for Change” Sierra Leone identified the management of environment and natural resources as a development priority. The overall strategy outlined in Agenda for Prosperity (PRPS III) includes the overhaul of the policy, legal and institutional frameworks that will enable the introduction of reforms and innovations in forest management aimed at sustainable forest management including mainstreaming the contributions of the forest sector and wildlife to sustainable agricultural practices and food security.

25. Mr Anthony Makuluni presented on financing sustainable forest management: the case for Malawi. Deforestation and forest degradation have led to dwindling forest resources caused by unsustainable forest management and inadequate financing. In 2012, The government adopted the Forestry Act (Cap.63:01) and Finance Audit
Act (Cap 37:01) and established the Forest Development and Management Fund intended to plough back revenues accrued from forests for sustainable forest management, reversing deforestation and forest degradation. At the same time development partners have provided voluntary contributions for instance under the climate change programmes on carbon trading. Financing sources include revenue from sales of forest products and services, from sale of confiscated forest products and from issuing forest documents – license fees, export permits, and Phytosanitary certificates. Priority areas that require development for financing sustainable forest management include awareness raising on investment opportunities in the forest sector; promoting donor coordination and financial efficiency through strengthened NFP process and development of a sector-wide approach to financing; creating and disseminating a database on donor flows, policies, procedures and trends; introducing forest products grading and certification; supporting small and medium-sized enterprises (SMEs) access to finance for sustainable forest management; and building financing partnerships between the government agencies, NGO and the private sector.

Summary of Interactive Discussions

26. Interactive discussions ensued with many participants raising questions on Ghana’s use of oil revenues to finance sustainable forest management. Was this a one-off decision, or was it part of the annual budgetary disbursements. In response, Ghana stressed that the Government had recently developed and adopted a new mechanism for allocating revenue for financing sustainable forest management through the Petroleum Act, a form of financing from extractive industries which was currently an ad hoc arrangement. Several participants suggested the need to develop a forest financing strategy for Low Forest Cover Countries.

WEDNESDAY, 8 JANUARY: PLENARY AND WORKING GROUPS

Ecotourism and Forest Financing

27. Mr Eric Sophola presented on forest financing in Africa: Eco-Tourism and the Seychelles national experience. Two of the world cultural sites designated by UNESCO are located in the Seychelles – the Morne Seychellois National Park and the Aldabra Special Reserve. Many eco-tourism operations in the country are externally owned by large foreign cooperation. Although eco-Tourism contributes to the preservation and conservation of forests, in the Seychelles’ case, local communities have not benefited from eco-tourism. In the countries experience, many eco-tourism activities if not managed well can also have negative environmental impacts such as destruction and depletion of natural resources and destruction of coastal vegetation.

Forest Financing in Least Developed Countries

28. Mr Martin Šishekanu presented on financing sustainable forest management programmes in LDCs: Zambia’s national experience. In Zambia, forest management is governed by the Forestry Policy of 1998 and the Forests Act No. 39 adopted in 1973. In 2013, a new Forests Bill aimed at promoting participatory and decentralized sustainable forestry management system is expected to be
adopted. The government is the major source of financing with supplementary support from bilateral and multilateral sources. Civil society organizations have undertaken initiatives to support government funding, but the private sector financing is very limited. Emerging climate change financing has also funded a combination of community-based initiatives. Finland through FAO has supported the integrated land use assessment which is aimed at conducting forest inventories. UN-REDD Programme supports the readiness process for REDD+ implementation, while USAID supports community-based forest resource management. The government has also identified adequate budgetary provision from Parliament for indigenous forest management, forest plantation establishment, extension and support for local level forest management units; a revolving fund will also be established from licensing of forest products and services.

29. Mr Zerihun Getu Mekuria presented on sustainable forest financing in Ethiopia. More than 80 per cent of deforestation and forest degradation in Ethiopia is caused by agricultural expansion. At the same time, over 80 per cent of the country’s total energy or household cooking come from biomass fuels. Lack of clear user rights or security of access for forest-dependent communities has also encouraged unsustainable short-term exploitation. External threats, such as, illegal logging, illegal settlement and unsustainable commercial exploitation of resources such as forest coffee exacerbate the problem. The government has been the sole legal revenue collector from forests through stumpage charges, fees and levies from taxes and duties, and is the salient source of investment on forest management and protection. Private-sector investments have been limited to conventional extractive industries and export products. The introduction of Participatory Forest Management (PFM), an approach that views local communities as the rational decision makers capable of bearing sustainable conservation and management responsibility with minimal external support, has led to investment in the form of time, energy, knowledge and money on forest management. The PFM approach legally transfers forest management responsibilities to forest management groups and organized local communities. Studies conducted in different parts of the county that focused on environmental and economic gains of PFM revealed that both forest conditions and community livelihoods significantly improved. Federal and regional governments revised and or promulgated new forest policies that acknowledge the participation of local communities in natural resource management. Ethiopia also embarked on a green growth trajectory called The Ethiopian Climate Resilient Green Economy (CRGE) Strategy and investment in Forestry. CRGE aims to achieve a middle income country status by 2025 and envisages limiting the national green gas emission level to 150 MtCO2e instead of 4000 Mt CO2e under (Business as Usual (BAU) Scenario. The forest and agriculture sectors account for over 70 per cent of the 2010 and 2030 level of emissions under the BUA Scenario.

**Forest Financing in Low Forest Cover Countries**

30. Mr Ismat Hassan Abdalla presented the case for financing sustainable forest management in Sudan. Sudan is characterized by diverse climatic conditions. The annual rainfall varies between less than 100mm in the northern desert region to more than 700 mm in the southern part of the country. The ecological zones are
desert, semi-desert, low rainfall woodland savannah and high rainfall woodland savannah. Almost all reserved forests are public with few institutional and community forest reserves. Forest financing is mainly from self-generating revenues with limited government support and by 2011, contributions from the General Treasury did not exceed 5 per cent. In the past decade, foreign financial support to the Sudan forest sector declined significantly and did not exceed 9 per cent in the past few years. Local communities continue to contribute to the forest sector and national GDP especially in the Gum Arabic belt. The role of the forest sector in the national economy is greatly underestimated and has created disputes among the concerned institutions and concerned experts. The disputes are attributed to the fact that the percentage of the sector’s contribution to the gross domestic product (GDP) is only reflected in the contributions of the exported forest products such as gum Arabic and does not take into account the forest sector’s direct and indirect contribution to livelihoods. Under estimation has also negatively impacted the sector and reduced its chances to attract funding from the government national development budget. The absence of reliable estimates of the environmental services provided by the forest sector in desertification control, climate change mitigation and to agricultural productivity means that the real value of forests remains unknown and contributes to the under estimation of the sector’s contribution to the national economy.

31. Mr Oyétoundé Djiva presented on financing sustainable forest management in LDC: Togo’s national experience. Although there are several policies and laws adopted on management forests in Togo, their implementation has been weak. Challenges include weak human resources for sustainable forest management, by 2010, only 20 graduates managed the forest sector. Priorities for financing sustainable forest management include institutional, legal and financial capacity building, support to the implementation and up scaling of ENRM good practices, mitigation of climate change effects, disaster management and risk preventions, REDD+, and communication and knowledge management. Opportunities for forest financing exist in the form of climate change and REDD+ financing, and creating an enabling environment for private sector investment.

Forest Financing from Donor Perspective
32. On behalf of Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, Mr Fabian Schmidt presented on forest financing from a donor’s perspective: GIZ’s work on forest financing. GIZ’s work on forest financing deals with all types of financing including national, international and innovative. There has been a strong focus on national forest financing and innovative forms of financing such as REDD+ (readiness activities) and private-public partnership with studies carried out on risks from forest destruction in the risk assessment and management of financial institutions; on financial instruments for the implementation of regional forestry strategies; and a discussion paper on national forest funds looking at solid architecture and good financial governance. GIZ is in the process of implementing bi-lateral and regional forestry programmes in a number of countries too.
33. On behalf of the United Nations Environment Programme (UNEP), Mr Niklas Hagelberg presented on advocating for investments in forests. There are many drivers of poor forest management that are external to the forest sector. The forest sector can play a positive role in the economic stabilization efforts, particularly through job creation and the rebuilding of the natural capital base. In Kenya’s case, the contribution of forests to the economy is under-reported because of omission of information on the value addition to forest products through manufacturing, the contribution of wood and non-wood forest products to the subsistence economy and the supply of ecosystem services. The Kenya Forest Resource Account captures the forest sector’s full value and provides indicators on whether the forest resources are utilized sustainably. To address this, in 2009 Kenya Forest Service formed a Forest Mainstreaming Initiative in partnership with the Kenya Forest Service, the Kenya Bureau of Statistics the ministries of water, energy, agriculture, livestock, Miti Mingi Maisha Bora (Finland), FAO and UNEP. The Initiative’s recommendations included looking at the full range of forest ecosystem services and how they link to key economic sectors, setting up PES schemes, agreeing on a national vision and on a cross-sectoral vision for forests and development with projections for job creation and macroeconomic impact, supporting knowledge generation in resource accounting, returns on investment, export/imports, forward linkages and multiplier effects; and advocating for the inclusion of forests in sectoral workplans/performance contracts; and finally identifying and using forest champions in the private sector and media.

Working Groups

35. During the afternoon session, workshop participants were split into two working groups which were suppose to discuss the following questions:

-What are the gaps to increasing forest financing? and
-What are obstacles to increasing forest financing: How may they be overcome?

Working Group 1

36. Participants in working group one identified the following gaps and obstacles to increasing forest financing:

- Inadequate funds from Treasury that compels poor allocations to less appreciated programmes such as forests;
- Low visibility of the forest sector due to inadequate information and data to justify its environmental, social and economic benefits accruing to the sector and forest products in most countries;
- Inadequate implementation including poor management systems and inability to utilize funds;
- International financial crises-economic crunch;
- Weaker inter-sectorlka linkages, such as, planning in silos, poor coordination and conflict between donor and country financial policies;
- Inadequate land-use policy;
- Because forest products require long-term investment, they also attract little or no investment;
• Poor alignment and harmonization of donor and government financing policies;
• Low agriculture productivity and support lead to encroachment of forest lands for survival;
• Lack of political will in some countries;
• Political interference and conflict in donor country governance systems;
• Limited livelihood alternatives and poverty;
• Lack of community forest resource management system and equity;
• Indiscriminate signing of international conventions and treaties;
• Decline of resources due to overexploitation of forest resources; and
• The forest sector’s inability to collect revenues.

37. Participants in working group one identified the following solutions to increasing forest financing:
• Increasing government investment into the forest sector, broaden revenue base by adopting multiple land-use, and introduce alternative funding sources such as carbon financing;
• Providing information and data on the real value of the forest sector and intensify outreach campaigns;
• Developing capacity through training;
• Diversifying financial sources and tap into the Carbon Trade Markets;
• Through a programmatic approach, change from business as usual by improving linkages with other sectors of the economy, such as agriculture, energy and water;
• Developing and implementing land-use policies;
• Governments should plan and invite the donor community to invest in the forest sector;
• Supporting investment in capacity building of extensions systems, farmers aimed at improving permanent farming systems;
• Sensitizing key decision-makers and policy makers on the forest sector’s full value;
• Enhancing joint forest resource management with equity; and
• Addressing the indiscriminate signing of conventions and treaties, appeal for tolerance from the international community.

Working Group 2
38. Participants in working group two identified the following gaps and obstacles to increasing forest financing included the following:
• Political willingness, commitment to support the forest sector;
• Lack of knowledge on the contributions of forests to national economy;
• Complicated procedures to access international donors;
• Political instability;
• Lack of communication from the forest sector- information gap;
• Lack of data – forest statistics (import, export, value addition);
• Weak institution to lobby for funds, in terms of human resource capacity;
• Weak governance: illegal harvesting, unable to collect revenue, leakages;
• Limited revenue sources;
• Accountability – misapplication/diversion of funds;
• Limited fiscal space: national priority;
• Lack of awareness between cross-sectoral linkages such as between the forest, environment and health sectors;
• Untimely release of budgets;
• Weakness in revenue collection infrastructure;
• Low or no revenue retention;
• Low pricing of forest products;
• Lack of market intelligence;
• High interest rate for private investments. Banks require short payback period yet the forest sector requires long period;
• Complex land tenure system, unclearly defined land tenure; and
• Change in donor financing policies.

39. Participants in working group two identified the following solutions for increasing forest financing:
• The need to address political will and commitment by raising awareness and packaging information and policy reform to reflect new thinking and lobby decision makers in government. In addition, involve politicians in the planning, budgeting and implementation processes;
• Conduct national studies on forests for instance national inventory (Kenyan example) in order to raise public awareness and stakeholder engagement (Ethiopia through PFMs);
• Raise the profile of forests and address lack of knowledge on the contributions of forests to the national economy,
• Suggested that development partners streamline procedures to accessing international financing;
• Developing conflict resolution mechanisms to address political instability;
• Developing comprehensive national forest statistics and separate forest statistics from statistics on agriculture;
• Developing the capacity to improve revenue collection and law enforcement
• Diversifying revenue sources and ensure that the forest sector has financial autonomy;
• Investing in capacity building and education to address accountability weaknesses and misapplication or diversion of funds and ICT;
• Initiating cross-sectoral dialogue to address the lack of awareness between and across sectors;
• Providing incentives in forest investment such as tax exemptions in forest equipment; and creating special forest funds, such as the Forest Plantation Development Fund in Ghana, Funds in Togo and the Forest Management and Conservation Fund in Kenya; and
• Streamlining land tenure arrangements and creating land banks for forest investments similar to the Ghana experience.

Summary of Interactive Discussions
40. On political interference and signing of indiscriminate international treaties and conventions, participants sought further clarification on the recommendation presented by working group two on sensitization of key decision makers and asked for examples of international conventions or treaties that restrict financial
flows. On inability to collect revenue, clarification was sought on the types of incentives recommended to address this gap. In response, to the query on international conventions some countries such as Zimbabwe and Zambia cited experiences with the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) and the Convention on Biological Diversity (CBD) with regards to ivory exploitation.

**THURSDAY 9 JANUARY: WORKING GROUPS AND PLENARY**

41. On Thursday, participants continued their discussion in two working groups. They were asked to discuss and answer the following questions:

- With a focus on the local, national and regional levels?
- What are the opportunities to harness forest financing?

**Working Group 1**

42. Participants in working group 1 decided to focus on the national level and identified the following opportunities:

- Growing interest at national level including Climate Change;
- Existing and emerging innovative financing mechanism; for example, Petroleum fund in Ghana, eco-tax for extracting industries in Togo, ecological fund in Nigeria;
- Ecotourism potential of countries;
- Improving economic growth in most African countries;
- Growing market for NTFPs;
- Possibility to increase revenue collection and retention;
- Harnessing the potential of community based forest management;
- Good national policies and programs focused forestry and environment; and
- Existing human resource capacity.

43. In order to harness opportunities at the national level the participants in working group one recommended that:

- Facilitative Process should help countries to develop national strategy and plans;
- UNFF and Collaborative Partnership on Forests should support countries in developing national capacities to implement national forest programs and strategies;
- There is a need to promote private and community partnership in the forest sector;
- Countries should improve their national revenue collection systems and facilitate to retain revenue for reinvestment in forestry; and
• Countries should promote cross-sectoral coordination and collaboration among different forest related organizations, ministries and institutions.

44. At the regional level, participants in working group one identified the following opportunities:

- Existence of regional bodies focusing to forestry; COMESA, COMIFAC, ECOWAS, EAC, SADC, IGAD, AFF, AU; and
- Existence of trans-boundary initiatives and partnerships; e.g. WAPO b/n Togo-Benin-B/Faso-Niger, Great Green Wall for Sahel Saharan Initiative (GGWSSI), Guinea Current Large Marine Ecosystem (West Africa), and the Lake Victoria Basin Initiative;
- Promotion of cross-sectoral and cross-institutional collaboration among countries and regional bodies; and facilitation of dialogue among countries through inter alia, the UNFF and the AFF.

45. At the international level, the participants in working group one identified the following opportunities:

- Emergence of climate financing mechanisms e.g. REDD+, Green Climate Fund, PES
- Potential of the existing platforms and forums at sub-regional, regional and international levels to promote collaboration on forest issues
- Growing interest of development partners on forests
- Growing interest of private sectors to invest in forestry at the national, regional and international levels; e.g. Raiply in Kenya and Malawi, Wild life Works, Global Environmental Fund invest in plantation (in Uganda, Tanzania, Mozambique), International Socio fund (Japan Socio fund in Kenya)
- International NGOs, for example, WWF, IUCN, FARM Africa/SOS Sahel (In Ethiopia and Tanzania), FFEM (in West and Central Africa)
- Growing demand for certified wood products, for example, forest certification system, Voluntary Partnership Agreement/FLEGT,

46. At the international level, participants in working group 1 recommended the following:

- To dedicate focal points for coordinating climate funds and other funding mechanisms
- To request UNFF to facilitate information sharing
- To make efforts to raise awareness on emerging forest related funding mechanisms at the national level
- To encourage national dialogue and cooperation with development partners, private sector, CSOs, NGOs (Support from both national and international organizations)
Working Group 2

47. Participants in working group 2 decided to identify opportunities at the national, regional and international levels. At the national level, the group identified the following opportunities:

- Creating a special fund from National Development Initiatives for landscape restoration (i.e. from oil, Gas mining, mineral mining, Airport Tax or Carbon Tax) directly finance Sustainable Forestry Management;
- Introducing a Carbon Tax from industries and importation of vehicles to directly finance Sustainable Forestry Management;
- Providing evidence of the true value of environmental services, forestry and forest products in the GDP, work with the NGOs, Private Sector and other stakeholders to lobby Government and politicians for more support to forestry investments;
- Channeling private sector funding through investment into Timber production -- this requires provision of land for the afforestation;
- Undertaking some REDD+ feasibility studies to develop a national forest reference emission level and/or forest reference level (interim measure, sub national) in order to establish the national level of emissions; and

48. At the regional level, the following opportunities were identified:

- Countries should tap into regional initiatives such as Trans-frontier, Eco-tourism, REDD+, fire and Law Enforcement, watershed management needs including greening corridors with support from bilateral and multilateral Institutions.

49. At the international level, the participants in working group 2 identified the following:

- Taping into the UNFCCC process and initiatives such as the CIF (FIP and Climate Green Fund) financing for forestry development;
- Inviting UNFF to complement the work of the UNFCCC and RECS to help in capacity building to enable Country parties tap into the initiatives including the implementation of NAPA;
- Seeking support from International organizations in capacity building in project proposal development to tap into the UNFCCC Green or Climate funds;
- Seeking financial support from UNFF to scale up the Zambian and other Countries’ national forestry policy and strategy or action plan initiatives aimed at reducing deforestation and forest degradation to other LDCs; and
- Integrating forest financing into NAPAs and other National Development Strategies.

Conclusions and Recommendations
In the afternoon, participants convened in plenary to be informed of the discussions in both working groups and come up with agreed conclusions and recommendations for the workshop. Accordingly, the participants agreed with the following conclusions and recommendations for the second workshop on forest financing in SIDS and LFCCs. The participants agreed to:

**Actions at the national level**

- Develop advocacy strategies on a full ecosystem valuation at the national level aimed at key decision-makers, the private sector and other stakeholders, building on UNEP’s experience in assessing the role and contribution of forests to the Kenyan economy, with the aim of addressing the low political visibility of forests and attracting private sector investment.

- Call for the creation of a landscape restoration fund at the national level based on an innovative mechanism that would use taxes on transport, tourism and extractive industries as a source of replenishment.

- To set up national cross-sectoral coordinating committees composed of the focal points of CPF members, including secretariats of the Rio Conventions, with the aims of enhancing coordination of donors and development partners at the national level; and overseeing the development and implementation of National Forest Financing Strategies.

**Actions at the regional level**

- Call upon CPF members to assist African countries and LDCs in building capacity among relevant national stakeholders, including the private sector, forest-related and budget allocation institutions for developing viable project proposals to be funded by national and international funding sources.

- Call upon regional organizations, including the African Development Bank, the New Partnership for African Development and the African Union to further collaborate with the UNFF and the African Forest Forum in the development of SFM portfolios, building on existing activities such as trans-border initiatives, with the aim of:
  - Facilitating the exchange of experiences in forest financing; and
  - Providing capacity building to improve and increase forest financing at the national level.

**International Level**

- Bearing in mind that ODA is supportive of, but not a replacement to, national forest financing sources, call upon the UNFF Facilitative Process to assist in developing National Forest Financing Strategies building on a diverse portfolio of financing sources. Such strategies will:
  - Ensure long-term sustainability of forest financing at the national level;
  - Be devised for integration and streamlining into national development plans and strategies; and
  - Promote the development of an enabling environment for the private sector investment.
• Call upon the UNFF and other CPF Members, including Secretariats of the Rio Conventions, to assist in carrying out studies to assess the feasibility of climate change financing, including from REDD+, at national and/or regional levels.

51. Mr Kariuki and Mr Sasu thanked the participants for a very fruitful meeting and the UNFF secretariat for organizing the workshop in Nairobi. Both wished participants a nice stay in Nairobi and safe return to their home countries. Mr Sasu then declared the second workshop on forest financing in Africa and LDCs closed.
## ANNEX 2

### List of Participants

<table>
<thead>
<tr>
<th>Country/Organization</th>
<th>Name</th>
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<tbody>
<tr>
<td>Ethiopia</td>
<td>Mr. Tefera Tadesse GENET</td>
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<tr>
<td>Ethiopia</td>
<td>Mr. Zerihun Getu MEKURIA</td>
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<td>Ghana</td>
<td>Mr Oppon SASU</td>
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<td>Ghana</td>
<td>Mr Joseph OSIYAKWAN</td>
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<td>Kenya</td>
<td>Mr Patrick M. KARIUKI</td>
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<td>Malawi</td>
<td>Mr Anthony MAKULUNI</td>
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<td>Mozambique</td>
<td>Ms Alima Issufa TAQUIDIR</td>
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<td>Mozambique</td>
<td>Ms Bendita Manuel TEODORO</td>
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<td>Nigeria</td>
<td>Mr Thomas Folorunso FAMESO</td>
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<td>Seychelles</td>
<td>Mr Eric SOPHOLA</td>
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<td>Sierra Leone</td>
<td>Ms Hawa Annie MUSA</td>
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<td>Sudan</td>
<td>Mr Ismat Hassan ABDALLA</td>
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<td>Sudan</td>
<td>Ms Faiza Awad MOHAMED</td>
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<td>Swaziland</td>
<td>Mr Solomon Thandiqueiniso GAMEDZE</td>
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<td>Swaziland</td>
<td>Mr Mphucuko Civil MAMBA</td>
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<td>Togo</td>
<td>Mr Oyétoundé DJIWA</td>
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<td>Zambia</td>
<td>Mr Martin N. SISHEKANU</td>
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<td>Zimbabwe</td>
<td>Mr. Darlington DUWA</td>
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<td>Zimbabwe</td>
<td>Mr Innocent MASIWA</td>
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<td>Indufor OY</td>
<td>Ms Anna Karoliina LINDROOS</td>
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<tr>
<td>UNEP</td>
<td>Mr Niklas HAGELBERG</td>
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<td>GIZ</td>
<td>Mr Fabian SCHMIDT</td>
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