

United Nations Forum on Forests
Ad Hoc Expert Group Meeting
10-14 November 2008, Vienna

Financing for sustainable forest management



Note by the Secretariat
E/CN.18/2008/2

Mandate

- **ECOSOC Resolution 2007/40**
 - UNFF8 to develop and consider, with a view to adopting a voluntary global financial mechanism/portfolio approach/forest financing framework for all types of forests
 - AHEG to develop proposals for the development of a voluntary global financial mechanism/portfolio approach/forest financing framework
 - CPF to assist in the development of proposals

Structure of the Note

- **Introduction**
- **Background**
- **International private sector investment**
- **International financial cooperation**
- **Emerging opportunities and programmes**
- **global financial mechanism/portfolio approach/forest financing framework**
- **Conclusion and issues for consideration**

Key messages



- NLBI and 4 GOFs: Strong political commitments to SFM
- > 50% forests in developing countries
- 13 million ha/yr deforestation
- <5% forests in developing world are sustainably managed (ITTO 2005 study)
- Livelihoods of poor (1.6 billions) from forests
- Several unvalued and non-marketed benefits

Key messages (contd.)

- SFM needs more upfront and long-term financing while unsustainable practices are more profitable in short-term
- Free play of market alone does not produce SFM; compensation for all benefits at different levels and by different sources is necessary
- All sources need to be mobilized – public, private, domestic and international.

Key messages (contd.)

- International financial cooperation – AGF study for details.
 - ODA shows some increase but uncertain trend and is away from targeted level
 - Relevant funds and programmes
 - Philanthropy

Key messages (contd.)

- Several emerging opportunities and programmes
- Climate change and forests
 - About 8 billion metric tons of CO₂ from forests per year
 - REDD
 - World Bank's Forest Carbon Facility and Forest Investment Program
 - Detailed discussion in the Background Paper



Global financial mechanism, portfolio approach, forest financing framework

- No explicit guidance has been given by UNFF
- Global Financial Mechanism = a dedicated global forest fund
- Portfolio Approach = tapping a combination of sources for funding SFM
- Forest Financing Framework = effort for a coordinated, coherent and synergetic forest financing approach

Strategic components



- *respond to national needs and support nfp*
- *allocate funds on a results-driven and performance-based manner*
- *give priority to projects and programmes to achieving one or more of the Global Objectives on Forests,*
- *facilitate internalizing externalities of forests*
- *consider a sustained and predictable funding base: Multiple funding sources*
- *Increase leverage factor*
- *collaborate with existing funding mechanisms and with any future UNFCCC REDD-related funding sources, and*
- *explore ways to develop and mainstream other payment for environmental services-based funding mechanisms*

Operational approaches

- *minimum new structures and transaction costs*
- high standards of performance and accountability
- *participatory* decision-making
- *close involvement* of the private sector and civil society organizations
- *a transparent and efficient administration*, including an effective monitoring and evaluation system.

Some questions

- 1. What measures to mobilize new & additional financial resources for the implementation of the instrument?**
- 2. How can international cooperation be enhanced to support national measures of the Instrument?**
- 3. How can development and implementation of payment mechanisms for the forests benefits be accelerated?**
- 4. How can the discussion on forest-related financing mechanisms in other forums, in particular, those related to climate change, be coordinated and/or influenced in order to ensure achievement of the global objectives on forests?**

Some questions

- 5) What measures are needed to attract the private sector investment in SFM?**
- 6) What other additional elements are required in the forest financing mechanism, approach or framework?**
- 7) What aspects need to be considered in the governance of a possible new forest financing mechanism, approach or framework?**
- 8) How can the effectiveness of the existing public forest financing mechanisms and instruments be enhanced?**



Thank you