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Item 9 of the provisional agenda*  
Means of Implementation for Sustainable Forest Management

Means of Implementation for Sustainable Forest Management  
Report of the Secretary General

Summary
According to the United Nations Forum on Forests multi-year programme of work (MYPOW), means of implementation, including finance, is a recurring “crosscutting issue” for each session. At the special session of its 9th session in October 2009, the Forum adopted a resolution on the means of implementation for sustainable forest management, and decided to establish the Open-ended Intergovernmental Ad Hoc Expert Group (AHEG) on forest financing and the Facilitative Process (FP). The Forum at its 9th session considered the report of the first meeting of AHEG on forest financing (AHEG1), and reviewed the performance of the Facilitative Process. The Forum in its resolution entitled “Forests for people, livelihoods and poverty eradication” at its 9th session agreed to undertake a series of intersessional activities in preparation for the second meeting of AHEG (AHEG2) on forest financing held in January 2013 and its tenth session. The Forum, in accordance with the Special Session Resolution has to make a decision on forest financing during its tenth session. The present report provides a report on the intersessional activities on forest financing, undertaken from February 2011 to January 2013. Based on the outcomes of the intersessional work including the outcome of the AHEG2, this report contains recommendations on forest financing options and measures from all sources and for all types of forests and trees outside forests, for consideration by the Forum at its tenth session.

*E/CN.18/2013/1
I. Introduction

1. This report is prepared to facilitate deliberations on the provisional agenda item 9 for the tenth session of the United Nations Forum on Forests.

2. According to the Forum’s multi-year programme of work (MYPOW) means of implementation, is a recurring “crosscutting issue” for each session.

3. At the special session of its 9th session, held on 30 October 2009, the Forum adopted a resolution on means of implementation for sustainable forest management, through which it established an open-ended intergovernmental ad hoc expert group (AHEG) and a Facilitative Process. In its decision 2009/268, the Economic and Social Council took note of the report of the special session.

4. AHEG mandate is to make proposals on strategies to mobilize resources from all sources to support the implementation of sustainable forest management, the achievement of the global objectives on forests and the implementation of the non-legally binding instrument on all types of forests, including, inter alia, strengthening and improving access to funds and establishing a voluntary global forest fund, taking into account, inter alia, the results of the Forum’s review of the performance of the Facilitative Process, views of Member States, and review of sustainable forest management-related financing instruments and processes.

5. Pursuant to this resolution, the AHEG should hold two meetings, one before the ninth session and one before the tenth session of the Forum, and to make its final recommendations to the tenth session for the Forum’s consideration and decision. Accordingly, the Forum at its 9th session (UNFF9) considered the report of the first meeting of AHEG on forest financing (AHEG1) held in September 2010 in Nairobi, Kenya, and also reviewed the performance of the Facilitative Process.

6. The Forum in its resolution entitled “Forests for People, Livelihoods and Poverty Eradication” adopted during its 9th session agreed to undertake a series of intersessional activities in preparation for the second meeting of AHEG (AHEG2) on forest financing and its tenth session. A Ministerial Declaration was also adopted during the 9th session in which Ministers committed to take a meaningful decision on forest financing at the tenth session of the Forum.

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1 E/2009/118-E/CN.18/SS/2009/2, para. 3
4 Ibid. page 2
7. The intersessional activities on forest financing included a wide range of activities which are described in this report, and the results and outcomes of which were submitted to AHEG2\(^5\).

8. This present report is submitted to inform the Forum on the intersessional activities on forest financing including the work of the Facilitative Process and the outcome of AHEG2, so as to enable the Forum to make a decision on forest financing during its tenth session.

II. Report on the work of the Facilitative Process

A. Activities by the Facilitative Process

9. Through the Resolution of the UNFF9 special session, the Forum further decided to establish a Facilitative Process (FP). The FP has the following functions, based on the Resolutions of the UNFF9 special session, and of UNFF9:\(^6\)

   (a) To assist in mobilizing and supporting new and additional financial resources from all sources for sustainable forest management;

   (b) To assist countries in mobilizing, accessing and enhancing the effective use of existing financial resources from all sources for sustainable forest management, taking into account national policies and strategies;

   (c) To identify, facilitate and simplify access to all sources of finance for sustainable forest management;

   (d) To identify obstacles to, gaps in and opportunities for financing sustainable forest management;

   (e) To assist countries in developing national financing strategies for sustainable forest management within the framework of national forest programmes or their equivalent, as called for in the non-legally binding instrument on all types of forests;

   (f) To facilitate the transfer of environmentally sound technologies and capacity-building to developing countries;

   (g) To provide advice, upon request, and to share examples of good practice in improving the enabling environment for sustainable forest management, in particular in achieving the four global objectives on forests and implementation of the non-legally binding instrument on all types of forests, in order to attract public and private-sector investment and philanthropic funding;

\(^5\) Report of AHEG2 - Document E/CN.18/2013/12

(h) To enhance coordination, cooperation and coherence among relevant funding sources and mechanisms to improve the implementation of the non-legally binding instrument on all types of forests and the achievement of the global objectives on forests at all levels and to improve the effective and efficient use of available financial resources for its implementation.

(i) To work to identify the barriers to access to financing, in particular for developing countries and countries with economies in transition, to suggest ways to simplify relevant procedures and build the capacity of countries to remove them, to examine the effects, impact and synergies of cross-sectoral and cross-institutional activities on forest financing…;

(j) To encourage relevant institutions, such as international financial institutions, as appropriate, working in close concert with regional forest processes, to further develop ways to mobilize resources from all sources and to mainstream the global objectives on forests in their programmes;

B. Current Activities by the Facilitative Process

10. It is important to note that the Facilitative Process (FP) is an advisory process, and not a funding mechanism. The FP works in partnership with financing and funding processes, in a mutually supportive and complementary manner.

11. The United Nations Forum on Forests secretariat initiated the Facilitative Process immediately after the adoption of the resolution at the special session of the ninth session of the Forum, with a project on identifying gaps, obstacles and opportunities in financing SFM in Small Island Developing States (SIDS) and Low Forest Cover Countries (LFCCs). The SIDS/LFCC project was selected to kick-start the FP following the findings of the 2008 study by the Advisory Group on Finance of the Collaborative Partnership on Forests (AGF/CPF), which showed that the two categories of countries to have suffered the most from the drop in donor forest financing in the past two decades were SIDS and LFCCs. Funding for this project was provided by the UK and the GEF.

12. A series of 11 preliminary studies were carried out on forest financing in SIDS and LFCCs, which covered 49 LFCCs and 38 SIDS, with a total of 87 countries (some countries being both SIDS and LFCCs). These studies laid the basis for discussions in four inter-regional workshops that brought together, experts and practitioners at the national, regional and international levels. The two workshops for LFCCs were held from 12-17 November 2011 in Tehran, Iran, and from 30 January to 3 February 2012 in Niamey, Niger.7

13. Several recommendations and conclusions were agreed in these workshops. In Tehran, participants agreed among others to (i) improve the enabling environment to facilitate and

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7 Please see the reports of the meeting at: http://www.un.org/esa/forests/facilitative-process.html
encourage involvement of the private sector, (ii) ensure law enforcement and governance to prevent companies from exhausting natural resources, and (iii) promote forest landscape restoration in countries where such potential exists, especially in LFCCs. In Niamey, participants stressed on the need to: (i) explore the full range of non-timber forest products (NTFPs), including fruiting trees in Central Asia, shea and gum Arabic in the Sahel and West Africa, (ii) recognize that trees outside of forests are a component of SFM as they underline the continuity between forests and other types of vegetation cover, and rural livelihoods.

14. The two Facilitative meetings for SIDS were held from 23-27 April 2012 in Port of Spain, Trinidad and Tobago, and from 23 to 27 July 2012 in Nadi, Fiji\(^8\). Participants in Port of Spain workshop highlighted the need to: (i) promote the full economic valuation of forests, including the contribution that forests make to other sectors, and (ii) build on existing regional processes such as CARICOM, OECS, ACS, SPC, SPREP, UN-ECLAC, UN-ESCAP to promote great regional and South-South cooperation and coordination. In Nadi, participants called for promoting a landscape approach wherever possible so as to recognize linkages, including financial linkages, between forests and other land use types. In particular in SIDS, the landscape approach extends to a ridge-to-reef approach. Participants also recognized the need to promote national sources of forest financing, including fiscal policies to create systemic and long-term support for forests\(^9\).

15. A parallel and similar project on facilitating forest financing in Africa and Least Developed Countries (LDCs) was undertaken by the Forum’s Secretariat, with funding from Germany and Sweden. Four macro-level papers and 4 country case were carried out which provided an in-depth analysis of the current institutional, geographic and economic context of SFM funding in Africa and LDCs at the national, regional and international levels. The studies also identified some key funding challenges for these countries, and provided suggestions to mobilize increased financing for forests, taking inter-sectoral linkages, notably impacts of other sectors such as agriculture and transport on financing SFM. The studies also took advantage of the findings and lessons-learned from the previous project on LFCCs and SIDS.

16. The studies were reviewed at two inter-regional meetings, from 11-13 December 2012 in Nairobi, Kenya and from 8 to 10 January 2013 in Dakar, Senegal. 28 African and LDCs, along with other relevant stakeholders, participated in both workshops and identified key recommendations for further action in Africa and LDCs in the area of forest financing.\(^10\)

B. Assessing the Performance and Potential Future Activities for the Facilitative Process

17. The UNFF9 special session resolution includes several functions for the Facilitative Process, and gives special attention to the situations of specific groups of countries. All

\(^8\) Ibid.
\(^9\) Ibid.
\(^10\) Ibid.
functions of the Facilitative Process are of equal importance, and there is no doubt that all functions have to be implemented, in regard to categories of countries identified in the Resolution.

18. The FP has implemented several projects focusing on identifying gaps, obstacles and opportunities to forest financing, and with participation of more than 120 countries and 14 international organizations and donors.

19. The FP has proved to be extremely beneficial to countries efforts in addressing forest financing challenges. The Facilitative Process has assisted large number of countries to work together on issues of common concern, and to identify sets of solutions to address these concerns. To this end, the Facilitative Process has great potential to do much more for countries and other stakeholders. The Facilitative Process, in collaboration with other relevant institutions, can play a “broker” role to further improve access to forest funding by countries and to help identify sources of funding.

20. The FP can also focus on the national level through preparation of a forest financing toolkit to assist countries in developing national forest financing strategies that take into account national policies and strategies.

21. It is worth mentioning that the work of the FP depends entirely on voluntary contributions to the UNFF Trust Fund. The limited staffing and financial resources, currently available, have prevented the FP from launching activities to fulfil all of its functions immediately. If sufficient resources are provided, it will be possible to have a long-term plan for implementation of all Facilitative Process functions, as well as those recommendations that emanated from the intersessional activities on forest financing. For example, a similar project on other categories of countries as listed in the Resolution of the UNFF9 special session; or enhancing donor coordination and cooperation by identifying where lack of coordination remains, and how different donor data on forest financing could be harmonised.

22. In light of the above, the Forum may wish to review the performance of the Facilitative Process and provide guidance for further work by the FP and identify its corresponding resources.

III. 2012 Study on Forest Financing by the Advisory Group on Finance of the Collaborative Partnership on Forests

23. UNFF9 Resolution on Forests for People invited the CPF to expand and update its 2008 study by its Advisory Group on Finance (AGF/CPF). This Resolution set the terms, scope and the main components of the 2012 AGF Study on Forest Financing, herein after called 2012 AGF Study.

A. Scope and content of the 2012 AGF Study

12. E/CN.18/2011/20, pages 11 and 12, paras. 28-29, 32a and 34
24. To address the requests of the UNFF 9 resolution, the 2012 AGF study on forest financing contains six chapters. Chapter 1 reviews the flow of financing to forests from all sources. Chapter 2 includes analyses of opportunities for forest-related financing in relation to climate change, biological diversity, sustainable land and forest management, and land degradation and desertification. This chapter also reviews financial resources associated with forest law enforcement and governance processes as well as the transfer of environmentally-sound technologies and capacity building. Chapter 3 maps changes in thematic areas, geographic regions or country groups with respect to forest financing, identifies gaps and needs. Chapter 4 identifies barriers to accessing resources for forests, presenting a comprehensive analysis of the main obstacles that countries and other stakeholders face in accessing funds for forests. Based on this analysis, proposals are made on how to overcome the barriers. Chapter 5 highlights a number of success stories on forest financing.

25. Based on the previous five chapters, Chapter 6 proposes actions and measures to mobilize financing from all sources and for all types of forests and at all levels. The chapter also provides suggestions on strengthening existing forest-related mechanisms and instruments at the global level, and reviews a number of options for the mobilization of financing for forests. In addition, Chapter 6 contains a review of the advantages and disadvantages of establishing a voluntary global forest fund, and makes some suggestions on these issues.

26. The data and information for the AGF study were compiled from existing databases outlining global- and regional-level forest financing activities, input from the CPF members, literature reviews on forest financing, and inputs from individual consultants and experts. In addition, queries were sent to countries with designated UNFF national focal points, on forest-related financing activities at the national and sub-national levels. Finally, the study incorporated the agreed recommendations from the first three facilitative process meetings on forest financing in low forest cover countries (LFCCs) and Small Island Developing States (SIDS).

27. In general, the issues encountered in the preparation of the 2012 AGF study remain similar to that of the 2008 study. Information continues to be more limited on the domestic public and private forest finance than that of external sources. There remain differences in thematic coverage in reporting countries. Limited access to information, particularly in the private sector and at the national level for many countries, remains a challenge. Forest components remain adjoined with broader programmes and projects, and large gaps remain in data.

28. Access to ODA-related data also continues to be difficult, as the reporting guidelines for financing flows to “forestry” as determined by the OECD are narrower than the scope of the UNFF work on forest finance. There continue to be differences in national and organizational reporting standards to the OECD, including the inclusion by some countries of concessional bilateral credits and loans as ODA. The risk of double-counting ODA flows going through multilateral organizations still remains.
In addition, it is difficult to adequately capture the value of many forest goods and services, including both timber and non-wood forest products as not all these products enter formal markets. Services provided by forests such as climate change mitigation and carbon sequestration are similarly difficult to valuate, given that they are not often marketed and are ‘invisible’ in economic statistics. This has resulted in consistent and serious under-valuation of forest values in official statistics. This poses an additional challenge for comprehensively identifying all sources of financing for forests.

**B. Key Findings of the 2012 AGF Study on Forest Financing**

30. The 2012 AGF study is a far more substantive base of information than was ever provided before, in spite of all limitations. The study identifies the current knowledge on forest finance obtained from multiple sources, local and national government experts, other experts and representatives of multilateral institutions. The study provides major findings on the state of forest financing across the globe.

31. According to the study, the global need for funding for sustainable forest management is estimated to be between USD 70 and USD 160 billion per year. Globally, resources remain insufficient to address all seven thematic elements of SFM, as defined in the forest instrument, in a balanced way.

32. Most countries are unable to raise adequate public funds for the forest sector, and re-investment of revenues in forest management has been minimal. Conversion of public forest institutions into semi-autonomous commercial enterprises has been used to improve self-financing from the forest sector. Another trend is establishment of national forest funds for the mobilization of additional funds from other sources.

33. ODA disbursements increased by an average of 125% between the periods 2002-2004 and 2008-2010, largely due to REDD+ related financing. Thus, the fourth Global Objective on Forests, to the extent that it deals with ODA, has been achieved. High forest cover countries (HFCCs) have received the majority of forestry ODA. But most HFCCs with lower rates of deforestation, low forest cover countries (LFCCs) and small island developing states (SIDS), trees outside forests, and plantations have continued to see a decline in forest financing. LFCCs and SIDS continue to experience decreases in forestry ODA.

34. The private sector including forest communities, smallholders, industry and other investors is a key source of finance for forests, mostly through investments in forests managed for wood production. New private investors generally come from outside the forest industry, and seek suitable combinations of financial returns and risk levels. Smallholders have limited access to finance compared to large producers, and sustainable management of natural forests receives limited financing compared to that of planted forests and protected areas.
35. Existing, new and emerging forest related financing mechanisms have provided significant resources that are linked mainly to climate change, and to a lesser extent to biodiversity.

36. The potential for REDD+ to contribute to forest financing is large and estimated at as much as USD 6.2 billion per year in 2020. Around USD 4 billion was pledged for the period 2010–2012. Apart from REDD+, however, many of the other carbon-related initiatives have no or negligible activities on forests. Payment of ecosystem services schemes are not yet broadly applied and require enabling policy frameworks and development of market and non-market financing mechanisms.

37. Other obstacles to mobilization of forest finance include inadequate enabling conditions, insufficient capacities, donor and investor concerns about governance, insecure tenure, illegal activities, problems associated with eligibility and complex procedures to access to external resources. Sometimes inefficient use of the existing resources has further exacerbated the problem.

38. Success in forest finance stems mainly from strong political support; good systems of governance; efficient, robust and flexible implementation; and involvement of forest communities and other stakeholders. The study stresses that no single solution can address the need for forest financing and a mixture of measures should be undertaken at all levels.

39. To this end, the study concludes that national forest financing strategies should target raising additional financing and more efficient use of resources as well as connecting with relevant sectors and programme objectives with the forest sector. Implementation of the forest instrument has to be strengthened at all levels. Improving statistics and data collection on financing flows to sustainable forest management and related issues at all levels is essential for making systematic progress, and relevant mechanisms have to be strengthened in order to address data gaps and generate consistent and accurate data.

40. Access to resources of the existing forest-related financing mechanisms can be further improved by adjusting public sector financing criteria and streamlining the relevant procedures. The study also concludes that consideration should be also given to strengthening existing forest-related financing mechanisms and devoting a new fund or funds for SFM to address the needs and gaps that are not yet addressed by the existing mechanisms.

IV. Organization Led Initiative by the Collaborative partnership on Forests

41. The UNFF9 Resolution on Forests for People called for the active involvement and engagement of the CPF members in the UNFF intersessional activities on forest financing,
and invited members of the CPF to consider holding an organization-led initiative (OLI) in support of the work of the UNFF on forest financing.

42. Accordingly, the Forum’s Secretariat and the FAO, with the support of other CPF members and financial contributions from donor countries, jointly organized the OLI from 19-21 September 2012 in Rome, Italy. The OLI aimed to deepen understanding and knowledge on the state of forest financing, and on various challenges that stakeholders are facing. The 2012 AGF study on forest financing was first presented to the OLI. Participants had rich and deep discussions on the findings of this Study, and also shared information on new developments related to forest financing.

43. OLI participants identified some key actions, recommendations and suggestions on mobilizing financing for all types of forests at the national and international levels. These included among others strengthening cross-sectoral and interdepartmental collaboration, building the capacities of countries to access funding, integrated planning for forest financing, establishing a specific GEF focal area on forests, improving access to consistent and accurate data at all levels, creating enabling environment for financing, and consideration of a specific global forest instrument or convention, as well as consideration of establishing a global forest fund or funds.

44. Participants also explored some actions to address gaps and needs in forest financing and to take advantage of opportunities at the national, regional and international levels, strengthen funding mechanisms that address multiple functions of forests; improve understanding on the potential of private sector in regard to financing forests; and take advantage of the sub-regional and regional networks.

45. In developing options on forest financing, participants highlighted the importance of: utilizing the potential of the Facilitative Process and “brokerage services” to improve access to forest financing; giving special consideration to dryland forests and the situation of the LFCCs, SDIS and LDCs in developing global forest financing options; devoting specific funds to address thematic gaps in financing all seven thematic elements of SFM; taking advantage of new and emerging financing mechanisms such as Green Climate Fund and REDD+; and strengthening implementation of the forest instrument, utilizing all sources of financing from all levels. The OLI Co-Chairs summarized the key actions, recommendations and suggestions highlighted during the meeting in a Co-Chairs Summary and submitted it to AHEG2.

V. Other Intersessional activities on forest financing

A. Study on the impacts and implications of the Price of Carbon on Forest Financing

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13 E/CN.18/2011/20, paragraph 27-pages 11
46. With the decision at the Bali Climate Change Conference of Parties in 2007 to include policy approaches and positive incentives on issues relating to reducing emissions from deforestation and forest degradation; and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks (REDD+) under the climate change convention, funding for forests in the context of climate change is facing unprecedented enthusiasm among donor and recipient countries alike.

47. REDD+ finance also offers challenges for other forest finance, in particular in the short term as finance for forests may be diverted or re-labelled as REDD+. More research is needed to know the extent to which there is a real or perceived increase in funding for sustainable forest management through REDD+, as framed by the forest instrument. In addition, it is important to identify measures necessary to ensure appropriate distribution of financing to thematic and geographical distribution not presently covered under REDD+, with particular reference to low-forest cover countries, Small Island Developing States, Least Developed Countries, and countries with high forest cover and low deforestation rate.

48. Other issues that need to be addressed include the extent to which REDD+ has catalyzed or hindered sub-national markets in forest and non-timber forest products; consequences of REDD+ programming in terms of disrupting parallel socio-economic development programmes and projects; impact of REDD+ on the exclusion of certain forest management practices such as plantations; impact of REDD+ on the preservation of indigenous and traditional knowledge and values of forests; impact of REDD+ on land tenure and customary rights on land use; and the extent to which REDD+ has improved coherence and coordination among relevant mechanisms and institutions.

49. To examine some of the implications of REDD+ on broader forest financing, a MoU signed between the Government of Norway and the UNFF Secretariat. This MoU and its attached project commissioned a study aimed at identifying the potential impacts of a price on forest carbon through results-based REDD+ finance on the economics and financing of forests and related land use. The findings of the study were presented to AHEG2 in January 2013 in Vienna, Austria. However, more work is needed to better understand the implications of REDD+ on forest financing.

B. Open-Ended Informal Briefing

50. Pursuant to paragraph 38 of the UNFF9 Resolution on Forest for People, the Open-Ended Informal Briefing was held on 19 November 2012 in New York and AHEG1 Co-Chairs kept Member States abreast of the progress made in the preparations for AHEG2.

C. Compilation of Substantive Submissions on Forest Financing

51. In response to paragraph 24 of UNFF9 Resolution on Forests for People, eleven inputs were received from countries which were compiled and submitted to AHEG2 where experts reviewed them along with other intersessional inputs.

D. Forests and Economic Development

52. The UNFF Secretariat produced three background studies on i) Economic contributions of forests ii) Forests and cross-sectoral linkages, iii) Changing future choices, and the contributions of forests. These studies provide the latest research and thinking on issues related to the main theme of UNFF10, with the view to helping experts on forest finance in AHEG2, to see the substantive connections to actions on forest financing. These studies also assist experts to consider forests in conjunction of the national, regional and international trends such as increasing urbanization, and rising commodity prices and distortions related to food security, energy, scarcity of water and arable land and the impact of rising populations.

E. Post 2015 UN development agenda and the Rio+20 Conference

53. There are two significant intergovernmental processes on the post 2015 UN development agenda and Rio+20 Conference which are relevant to the work of the Forum including its discussion on forest financing. In this context and pursuant to the decision of the Bureau of UNFF10, the Secretariat prepared a note on these processes for AHEG2.

VI. Second Meeting of the Open Ended Intergovernmental Ad Hoc Expert Group on Forest Financing

54. AHEG2 was held from 14-18 January 2013 at the United Nations Office in Vienna, Austria. More than 150 experts from 75 countries and 23 regional and international organizations and processes, as well as major groups and independent experts attended. Experts heard several presentations on the findings of the 2012 AGF study on forest financing, the OLI Co-Chairs Summary, the FP meetings on forest financing, the study on the impacts of the price of carbon on forest financing, and private sector financing for forests as well as other relevant input including the background studies on forests and economic development. Two key note speakers also provided their views on the feasible and realistic strategies on forest financing.

17 For further information, please see the SG Report to the tenth session of the Forum on Emerging Issues in document E/CN.18/2013/6
18 E/CN.18/AEG/2013/INF/2
19 Please see all presentation at : http://www.un.org/esa/forests/adhoc.html
55. These presentations and related interactive discussions led to identification of some actions and measures that should be taken to mobilize financing for forests at all levels and from all sources.

56. AHEG2 participants highlighted the fact that new global trends such as increased urbanization, as well as ongoing deliberations on the post 2015 UN development agenda and the sustainable development goals have affected the discussion on forest financing. They also discussed data, geographic and thematic gaps in regard to financing forests, as well as the means to address these gaps. In regard to data, participants highlighted the need to broaden the basis for data collection from multiple sources, as well as ensuring systematic efforts at all levels to generate accurate, consistent and reliable data.

57. Participants also discussed some actions that are necessary to improve an enabling environment, capacity development activities, involvement of various stakeholders in mobilizing financing for forests including the role of national governments, private sector, and CPF member organizations. Experts also highlighted several other policy, institutional and legislative measures to increase financing for forests at all levels, as well as the need to include all values of forests including their cash and non-cash values in developing strategies to finance forests.

58. Participants also discussed various options and measures for mobilizing forest financing at the national, regional and international levels. The role of national forest programmes, as an effective policy tool for such purpose, as well as other options such as development of national forest financing strategies, and establishment of national forest funds were highlighted. At the regional and international levels, experts highlighted the need to promote inter and intra regional collaboration on forest financing, increasing financing for implementation of the forest instrument, strengthening existing forest related financing mechanisms such as the GEF, World Bank, various mechanisms within the Rio Conventions and other CPF member organizations such as FAO, the GM of UNCCD, and the Facilitative Process.

59. Participants also discussed at length the pros and cons of establishing a voluntary global fund to finance sustainable forest management. A number of additional ideas were also suggested such as “identifying brokering intermediary institutions” to mobilize funding for forests or having an umbrella structure to coordinate the existing multilateral funds related to forests.

60. Based on the AHEG2 discussions, the Co-Chairs prepared a summary in which they also provided a set of proposals and options on forest financing. Experts attending AHEG2 adopted the report of the meeting, and took note of the Co-Chairs Summary which is annexed to the AHEG2 report.

VII. Forest Financing; The way forward

20 Document E/CN.18/2013/12.
61. The resolution adopted by the Forum at a special session of its ninth session provided the foundation to begin a four-year work plan on forest financing, from October 2009 to April 2013. During this period, the Forum undertook unprecedented substantive work, never before carried out by any body, organization or convention, involving analytical and operational input from including from governments, international and regional organizations, and all stakeholders, and from countries with different level of development and forest cover.

62. The UNFF forest financing process and related intersessional activities provided opportunities for multidisciplinary and multi-stakeholders discussions and input on forest financing.

63. The UNFF forest financing process enabled stakeholders to engage in a frank and constructive dialogue, and to focus on providing a wide range of inputs with feasible, efficient and credible suggestions and actions to address forest financing. Such level of knowledge, information and enthusiasm on forest financing has been unprecedented, and has brought the Forum a unique and extraordinary opportunity to make a historic decision on forest financing at its tenth session.

64. Strengthening and mobilizing resources for forests at the national level is contingent upon improving policy, legislative and institutional frameworks, as well as providing a platform for engagement of various stakeholders, including forest communities, smallholders, civil society, indigenous people and the private sector. To this end, national forest financing strategies (NFFS) are effective means for mobilizing financial resources from all possible sources and supporting key activities necessary for sustainable forest management. National forest financing strategies should work in a holistic fashion and strengthen links to the finance sector, as well as agriculture, water, energy and other relevant sectors.

65. These strategies should be a part of the national forest programmes and should promote coherence in implementation of various MEAs at the national level. Cooperative approaches could catalyze more effective financing for all, including joint preparation and implementation of the NFFS with the national resource mobilization strategies and investment frameworks supported by the CBD and CCD.

66. The development and incorporation of national forest funds into national forest programmes and forest policy and legislation is another effective option for addressing forest financing needs.

67. Increasing financing for the implementation of the forest instrument has been one of the key recommendations which came out of the intersessional work. It is important to note that while the instrument is not legally binding, it is the only globally agreed framework on forests that provides a comprehensive set of actions to promote the sustainable management of all types of forests at all levels.

68. Given the importance of forests to achieving the objectives of all three of the Rio Conventions, consideration should be given to establishing a marker similar to the Rio
Marker for forest funding to address the forest instrument and the Global Objectives on Forests (GOFs).

69. Addressing data gaps is one of the most fundamental challenges, and one of the key conclusions emerged from the four-year work of the Forum on forest financing. This gap exists at all levels and applies to different stakeholders. There is a clear need to strengthen national statistical data, as well as mechanisms and processes for collecting data on forest financing, including in the implementation of the forest instrument. Countries’ capacity to collect data and information on forest finance should be also strengthened.

70. More effective coordination of these efforts across the UN system would help countries to access information, including through innovative social and technological means to communicate this data. CPF member organizations could be specifically instrumental in collecting data on forest finance by designating lead agencies to collect specific data, according to the mandate of each member. It is equally important for the CPF to work to produce consistent and accurate data on forest financing including data on cross-sectoral financing that goes to forests.

71. Regional and sub-regional coordination and cooperation is instrumental in mobilizing financial resources for forest management and their roles have to be strengthened to help countries mobilize funds for forests and help them address sustainable forest management challenges in general, and financing of forests in particular.

72. The private sector has a critical role in shaping the market and generating financing for forests at the national and international levels. An enabling environment is key for engaging the private sector in increasing financing for forests. Such an environment requires providing policy and regulatory conditions in which the interests of investors and beneficiaries (both people and the environment) are respected and ensured.

73. The discussion on how to mobilize sufficient funding for sustainable forest management has been the subject of policy debate at the global level for more than twenty years. Part of this discussion has been on the options that could help address this issue at the global level including strengthening existing forest financing mechanisms and establishing a voluntary global forest fund.

74. During these years, arguments were put forward for and against both options while many were of the view that, these options are not mutually exclusive. The agreement at UNFF9 in 2011 was that all options to mobilize resources for forests should be considered.

75. The inputs prepared during the intersessional period have put forward various proposals to strengthen existing forest financing mechanisms, as well as input on the possible functions of a global forest fund. From a conceptual point of view, a global fund could focus on aspects of sustainable forest management that are not covered by other conventions and organizations. It would need to give priority to the thematic and geographical areas that have been identified as having major financing gaps. This fund could also meet important upfront financing requirements for creating an enabling environment to attract funds from other sources. A global fund should also identify a role for national funds that will complement the country-level resources to finance SFM,
including national forest funds. Defining the links between such a fund and, for example, the national forest programme and national forest financing strategies could also be useful.

76. It is important to know how a global forest fund would operate if created, where it would be located, what would be the modalities for accessing its resources, what would be the eligibility criteria, how the funds would be collected and ensured, how a global fund would work with existing multilateral forest financing mechanisms, and how to ensure complementarity among these funds and mechanisms.

77. Alternatively, a number of “targeted funds” could complement the existing forest related financing mechanisms to address the SFM gaps, needs and the areas that are not currently addressed. While this would require some policy adjustments in the respective institutions and organizations to include SFM elements in their work, it could involve fewer complications and duplications.

78. There is no one single solution to address all of the needs in forest financing. The magnitude of the issue requires actions at local, national, regional and global levels and by all stakeholders. At the global level it is important to look for a mixture of measures and seek for a win-win solution by putting all the options as complementary. In this context, while the international community should strive to strengthen existing forest-related financing mechanisms, it can also consider devoting a fund or funds to address the SFM needs and gaps not yet addressed by the existing mechanisms. This solution can bring benefits for all countries and stakeholders.

VIII. Recommendations to the United Nations Forum on Forests on key actions, recommendations and options on forest financing

79. The Forum may wish to consider and take decisions on the following recommendations:

Good Governance

1. Promote enabling conditions, especially effective institutions at all levels, legal frameworks and political engagement to attract forest finance from all sources and reduce risk for investment through;

- Enhancing secure land tenure and resource tenure rights in land use and inheritance laws, and promote forest law enforcement, inviting FAO to continue to work on implementing Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security;

- Strengthening country level donor coordination mechanisms in the forest sector and ensure linkages with national development plans as well as national forest programmes and other sectoral policies;
Further strengthening communication strategies aiming at improving public understanding of the importance of forests.

Engaging all stakeholders and building partnerships

2. Provide support to processes such as the international model forest network that build partnerships, promote dialogue and strengthen the capacities of forest stakeholders, in particular woman and youth, at every level, in particular those at the local level;

3. Invite the CPF member organizations and donors to support local forest stakeholders and smallholders in the development of cooperatives, forest producer organizations and similar groups to enable group-lending practices to improve access to financing for forests;

4. Develop and implement awareness raising programmes for policymakers on the economic, social and environmental values of forests and trees outside forests.

Cross-sectoral Collaboration

5. Promote knowledge sharing to improve mutual understanding and communication between the forest sector and other sectors and institutional financial systems, to help mobilize funding for forests from other sectors inter alia, such as watersheds, rangelands, energy, agriculture, and tourism sector at the national level;

6. Strengthen cross-sectoral and cross-institutional collaboration at the national level, through policy frameworks such as national forest programmes or their equivalents to attract more resources for forests, *inter alia*, building upon the experiences of the FAO’s Farm and Forest Facility and its predecessor, the National Forest Programme Facility, on promoting such collaborations at the local and community levels;

7. Integrate forests in the priority areas of national development plans, and identify the values of forest goods and services, in national budgets and accounts by collecting data, developing indicators and capturing both cash and non-cash values of forests;

8. Encourage the World Bank and regional development banks to promote cross-sectoral collaboration and integrate sustainable forest management programmes in their relevant work.

Capacity building

9. Formulate strategies to address capacity development needs of countries, particularly developing countries, especially on accessing funds, including on monitoring and law enforcement activities; access to funds, data development and management and partnership development;
10. Encourage financial institutions to develop appropriate lending tools for forest owners and communities;

11. Secure sufficient financing for research, education and training.

**Formal/informal markets/Private sector**

12. Promote the use of public-private partnerships where public financing and investments can mitigate potential risks for private investment and ensure that private capital is used in a socially and environmentally responsible manner;

13. Provide a policy environment that encourages private sector investment to create markets that capture non-market forest goods and services;

14. Assist private sector to identify gaps, obstacles to and opportunities for forest financing to ensure properly targeted investments by the private sector;

15. Recognise and/or formalize informal markets for local trade in forest products, where applicable, as a key source of financing;

16. Explore formal and informal financing opportunities such as micro finance and remittances, which could be channelled through forest owner organizations, cooperatives and producer groups, recognizing the broad and varied nature of the private sector.

**National forest financing options**

17. Strengthen mobilization of forest financing in particular through national forest programmes, using a combination of financing approaches including, the creation of national forest funds, and identify other opportunities for financing at the national level;

18. Create, strengthen and implement forest financing strategies which focuses on enhancing the environmental, social and economic aspects of SFM as a cross-sectoral approach at the national landscape level;

19. Develop national forest financing strategies, or equivalent strategies, that package finance for forests from all sources in a participatory manner, taking into account the interlinkages of forests with different issues including poverty eradication, food security, climate change, agriculture, rural development, energy, transportation, mining, tourism;

20. Encourage the development of national forest financing strategies or equivalent strategies by countries.

*Addressing SFM data, geographic and thematic gaps*
21. Focus on addressing gaps in forest financing and devote adequate resources and make concerted efforts to address these gaps at all levels;

22. Support a forest finance data development programme at the national level, working in collaboration with Governments, regional processes, CPF member organizations, other sectors and development banks;

23. Make forest finance knowledge management and the provision of forest economic development, forest finance and data on returns on investment in SFM, a continuous process rather than *ad hoc*, with associated committed funding, and also take advantage of data collection processes in other institutions;

24. Support CPF members to strengthen existing data collection and access mechanisms, to address data gaps on forest finance and to improve data availability in a systematic, coordinated and coherent manner so to provide consistent and accurate data on forest economic development and financing across all sectors; and invite donors to provide resources to CPF members to carry out this responsibility;

25. Use the existing data collection frameworks of the CPF member organizations including the CPF Source Book and the UNFF’s newly developed reporting format to collect data, in particular on the areas where there are gaps in data such as quantifiable as well as qualitatively focused information on cross-sectoral forest financing;

26. Request the UNFF Secretariat to synthesize all findings and recommendations contained in intersessional inputs on forest financing, including on data, geographical and thematic gaps, and provide them to Member States of the Forum;

27. Encourage FAO to further develop its work on national public funding for SFM as part of the preparation of future FAO FRAs;

28. Invite the OECD to review its forest related definitions to create new categories of data so as to reflect the cross-sectoral nature of forest financing.

*Financing implementation of the forest instrument*

29. Increase financing for the implementation of the forest instrument at all levels and in any forest financing strategies to advance sustainable forest management

30. Invite all relevant stakeholders, including donors and the CPF member organizations to support developing countries in implementing the forest instrument;

31. Promote inter-ministerial coordination for mobilizing financing for implementation of the forest instrument and overcoming the disconnect among different ministries;
32. Invite CPF member organizations to mainstream implementation of the forest instrument in the programme of work of various forest-related financing mechanisms, organizations and initiatives;

33. Invite the OECD to set up a tool similar to the "Rio marker" to track and measure funding for the implementation of the forest instrument and its four Global Objectives on Forests.

Official Development Assistance

34. Stress that forest financing is primarily a national responsibility and self-sustaining in the long-term, international assistance including ODA has an important catalytic role in promoting SFM in many countries;

35. Prioritize forests and cross-sectoral or thematic approaches to enhance the contribution of forests to economic, environmental and social development;

36. Address fragmentation amongst forest related financing mechanisms.

Regional cooperation

37. Strengthen inter-regional and intra-regional cooperation on forest economic development and financing including the development of proposals to donors for financing; exploring forest finance and economic development opportunities with the private sector; and sharing relevant experience, knowledge and expertise;

38. Establish partnerships between regional economic bodies and networks, and regional development banks such as AfDB and DBSA.

Strengthening existing multilateral forest related financing mechanisms and improving access to their resources

39. Agree to strengthen existing forest-related financing mechanisms through improving access to and efficiency of resources as well as mobilizing new and additional resources to address the SFM needs and gaps that are not yet addressed, through devoting new and additional fund or funds for forests within those mechanism, and in this regard invite these mechanisms to:

a. Modify public sector financing criteria and further streamline international funding processes and procedures to improve access to their funds;

b. Promote synergies amongst their programmes to address financing needs and gaps in the implementation of SFM;
c. Devote specific financial resources and develop programmes to address thematic gaps in forest financing, to address all seven thematic elements of sustainable forest management, contained in the forests instrument, so as to realize the full potential of forests;

d. Provide financing to support the preparation of national reports of developing countries to the UNFF on the implementation of the forest instrument, through the allocation of new and additional funds to the existing forest related financing mechanisms, including the GEF;

e. Further support countries to undertake forest inventories and valuations to demonstrate the contributions of forests to economic development, and to the provision of environmental and social goods and services;

f. Support countries in identifying and assessing non-cash values of forest products and services;

g. Assist countries to address the financing challenges by building capacity to access funding as well as implement flexible and tailored strategies that package public, private and international finance.

40. Invite the GEF to:

a. Consider establishment of a new focal area on “sustainable management of all types of forests” during the next GEF replenishment, based on the review of its SFM-REDD+ incentive programme and other elements of the GEF forest portfolio;

b. Address the geographical gaps in forest financing by giving special consideration to dryland forests and the special needs of LFCCs, SIDS, HFCCs, Africa, and LDCs;

41. Invite donors to provide resources to the Facilitative Process to carry out the following tasks, in collaboration with CPF members including FAO and GM of UNCCD:

a. Develop national and regional forest financing strategy templates, in collaboration with countries and CPF member organizations, for the LFCCs/SIDS/Africa and LDCs and assist these countries to develop relevant projects;

b. Suggest proposals for improving coordination and collaboration among forest related financing mechanisms to the eleventh session of the Forum, with the view of facilitating the access by countries to funds;
c. Address forest and economic development gaps which have can have a negative or positive impact on forest financing.

New and emerging funds

42. Recognize the opportunities for mobilizing new financing for forests through funds, strategies and programmes in various CPF member organizations as well as other relevant international and regional organizations;

43. Invite Parties to the UNFCCC and the UNCCD, regional development banks and programmes to integrate financing sustainable forest management activities in their relevant funds and operational programmes including the Green Climate Fund, Adaptation Fund of the UNFCCC, as well as similar programmes of the UNCCD;

44. Further invite Parties to the CBD to integrate financing SFM in their relevant programmes and strategies, including its Resource Mobilization Strategy.

Other forest financing options

45. Further consider the establishment of a voluntary global fund to enhance the achievement of SFM by developing countries and countries with economies in transition;

46. Consider other options to mobilize new and additional financing for forests including an umbrella framework to coordinate the existing forest related financing mechanisms, and “brokering” or intermediary institutions at various levels to improve access of countries to financing for forests.

Mainstreaming forests in development decision-making processes

47. Strengthen evaluation of the full range of forest values including through natural resources accounting;

48. Integrate broader values of forests into development planning, decision-making and investments.

Forests/ Post 2015 UN development agenda/Sustainable development goals

49. Invite countries, through their relevant representatives, to integrate forests in the post-2015 UN development agenda and within the Sustainable Development Goals (SDGs) as well as forest financing in sustainable development financing strategies, taking into account that forests play a vital role in poverty eradication and improved livelihoods.