Means of Implementation
Financing Sustainable Forest Management
Putting Proposals and Recommendations into Action

PROFOR
2007

ECOSOC - UNFF

- Under "Means of Implementation" (A. Finance), ECOSOC Resolution 2006/49, o.p. 5 urged countries to make concrete efforts to secure sustainable high level political commitment to strengthen Means of Implementation including financial resources to provide support to developing countries in order to achieve the global objectives and to promote sustainable forest management.

"Assessing and reviewing the current funding mechanisms, including, if appropriate, the possibility of setting up a voluntary global funding mechanism as a contribution towards achieving the global objectives and implementing sustainable forest management."

Previous Discussions of Means of Implementation Financing

IPF – IFF – UNFF:
- Pretoria workshop, 1996
- Croyton Workshop, 1999
- Oslo Workshop, 2001
- UNFF AHEG on Finance, Geneva, 2003
- CLI “Future of IAF”, Guadalajara, 2005

Purpose of Background Paper

- Assess various Means of Implementation, specified in ECOSOC Resolution 2006/49
- Provide an update on, and highlight trends and emerging options likely to have a significant influence on forest sector finance
- Focus on practical issues, discussing both existing "traditional" sources of funds and potential innovative approaches and mechanisms
- Propose approach to Financing SFM
- Facilitate discussion and action on Means of Implementation at UNFF-7

Key Findings

- Need for major shift for SFM to become a mainstream element of national development strategies. The challenge and the opportunity: link between forests, economic development and poverty reduction.
- Increasing importance of private sector investment for SFM; a shift away from traditional ODA funding with conditionalities to new public-private sector contracts. Governments have a critical new role.

Key Findings, Cont.

- To realize 4 Global Objectives a broader approach to mobilize new and additional resources, such as a Portfolio Approach, is needed.
- Implementing NLBI to achieve SFM, would require funding entity, possibly like Forest Financing Mechanism (FFM).
**Trends – Recommendation for UNFF**

**Increased focus on forest governance and certification**
- Support innovative approaches to improved compliance and forest law enforcement
- Increase profitability of certified forest enterprises
- Promote effective and equitable national forest systems

**Increased community management and contribution to SFM**
- Support community-based forest management

**Trends - Recommendations**

**Emerging Ecosystem service payments, markets and market-like instruments**
- Promote policy regulatory and institutional basis for carbon, water, biodiversity and agroforestry/bundled payments programs
- Ex. Support country programs for avoided deforestation credits

**Increasing Private Sector Investment**
- Leverage private sector investment in SFM
- Forest insurance and business development services for small and medium forestry enterprises
- Promotion of risk mitigation programs to facilitate finance of SFM

**Portfolio approach**

- Public funding from domestic national and sub-national budgetary allocations
- ODA (bilateral and multilateral, grants and loans)
- Payment for ecosystem services
- Private sector investment in SFM
- New financial resources from philanthropic leaders, political figures and celebrities

**A Portfolio Approach for New SFM Financing**

**The Evolution of SFM Financing**

**A Potential Scenario with Timeline and Illustrative Development Examples**

<table>
<thead>
<tr>
<th>Year</th>
<th>Economic and Social Development initiative (USD billions)</th>
<th>One Time</th>
<th>Ongoing</th>
<th>Investment Promoted</th>
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</thead>
<tbody>
<tr>
<td>2007-2008</td>
<td>Establishing FL and RVR statute and governance</td>
<td>0%</td>
<td>10%</td>
<td>Forest insurance services</td>
</tr>
<tr>
<td>2008-2012</td>
<td>Forest governance and compliance</td>
<td>10%</td>
<td>30%</td>
<td>Forest insurance and business development services</td>
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<tr>
<td>2012-2020</td>
<td>Forest insurance and business development services</td>
<td>20%</td>
<td>50%</td>
<td>Forest insurance and business development services</td>
</tr>
</tbody>
</table>

**Strategic focus at national level**
- Strengthen forest and environmental governance
- Strengthen private sector engagement and development
- Promote private sector contributions to SFM
- International cooperation and partnerships

**Investment tracking and reporting**
- Track and report on SFM investments
- Promote transparency and accountability
- Foster partnerships and collaborations
- Enhance capacity for monitoring and evaluation

**Market development**
- Develop markets for forest carbon and other ecosystem services
- Promote innovation and entrepreneurship
- Foster partnerships and collaborations
- Enhance capacity for monitoring and evaluation