

**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
- CLI "Innovative Financial Mechanisms..", Costa Rica, 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

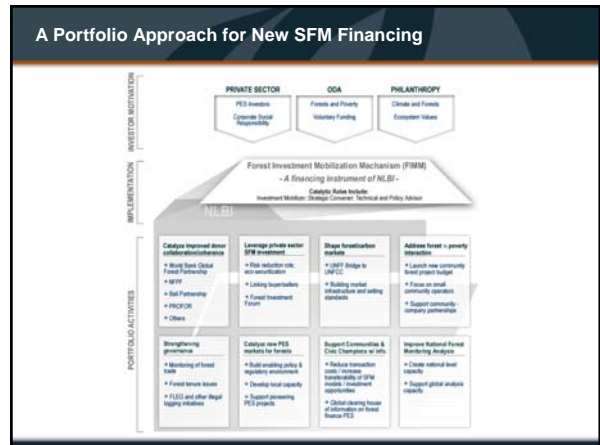
Leverage private sector investment in SFM:

- 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



The Evolution of SFM Financing

A Potential Scenario with Timeline and Illustrative Development Examples

	2007-2008	2008-2012	2012-2020
INSTITUTIONAL ACTIVITIES	Establishing NLBI and FIMM structure and governance Initiate pilot technical/policy assistance Capacity building activities	Engage partners for insurance eco-certification facility Design for voluntary community forest project Engage with UNFCCC on avoided deforestation Launch global information clearinghouse Initiate PES pilots and mechanisms	Launch insurance eco-certification forest program Launch community forest program Full-fledged PES markets for forest-carbon, water, and biodiversity Robust global forest analysis capacity institutionalized
FINANCIAL RESOURCES	ODA: 80% Private Sector & Philanthropy: 20%	ODA: 80% Private Sector & Philanthropy: 40%	ODA: 25% Private Sector & Philanthropy: 75%
REGULATORY AND POLICY	Agreements between donor and producer countries Ecosystem partnerships with other institutional initiatives Donor commitment to national program implementation Producer country commitment to put in place the enabling regulatory environment for SFM investments including national targets and timelines	Strengthened tenure at national level Capacity to monitor and manage forest change at national level Capacity to engage with markets, legal framework, etc. Develop private sector partnerships	Investment climate risk mitigated Resource rights established - esp. for low-income communities Market instrumentation established