

NEW ZEALAND COMMENTS ON THE PROPOSALS FOR FINANCING SUSTAINABLE FOREST MANAGEMENT

New Zealand is pleased to provide comments on the issue of “forest financing”¹ following the Ad Hoc Expert Group meeting held recently in Vienna.

New Zealand is supportive of sustainable forest management. We acknowledge and support the existing multilateral and bilateral sources of funding for sustainable forest management and organisations for which sustainable forest management is within their mandate. We also acknowledge and support the discussions in climate change negotiations underway that will support sustainable forest management, for example possible policy approaches and positive incentives to reduce emissions from deforestation and degradation.

Importantly, we acknowledge the need to increase the funds available to sustainable forest management, including to support the implementation of the Non-Legally Binding Agreement agreed at the seventh session of the United Nations Forum on Forests.

New Zealand is concerned, however, that the creation of another fund or facilitative mechanism would result in greater confusion and bureaucracy to sustainable forest management rather than result in an increase in the funds available for sustainable forest management.

Therefore, while New Zealand does not wish to rule out further discussion about the creation of either a fund or facilitative mechanism, we believe there is merit for further considering how existing funds and tools can be optimised to support and implement sustainable forest management and also how possible developments in the climate change negotiations may contribute funds and coherence to sustainable forest management, rather than creating new mechanisms.

New Zealand’s concerns and preferences are discussed in more detail in the responses to the questions below.

Does your Member State or major group have a preference for either a dedicated global forest fund or a facilitative mechanism for sustainable forest management funding?

New Zealand is not convinced that there is a need for either a dedicated global forest fund or facilitative mechanism.

Various background papers on the topic of “forest financing” to both the Suriname country-led initiative meeting (in September 2008) and the Vienna meeting have highlighted many of the problems, and the complexity and rapid change in this area. The list of complicating factors, pitfalls and constraints associated with various financing options seems to be greater than the identification of how either of the two proposals that were put forward can address the problems identified. Therefore, we

¹ This term in quotations is used throughout as an abbreviated way of expressing language from UN Economic and Social Council resolution 2007/40 paragraph 6, namely “voluntary global finance mechanism/portfolio approach/forest financing framework for all types of forests”.

concur with questions asked by experts at the Vienna meeting as to whether or not the creation of a dedicated global forest fund or facilitative mechanism would be the most effective way to mobilize increased resources.

New Zealand believes that there is a need for stronger coherence and an overall rationalisation and simplification of the forest financing framework. We therefore share the concerns of those experts (at Vienna) that the creation of a global forest fund could potentially increase problems of fragmentation and lack of coordination.

If a single fund were to be pursued, and we are not convinced that this is necessary, it would either need to absorb or replace other current mechanisms so that there is an overall simplification of the framework. Similarly, if a facilitative mechanism is pursued, then the issues that have been identified with the current mechanisms would need to be specifically addressed.

New Zealand is also of the view that any new “forest financing” mechanism would need to reflect the principles of the Paris Declaration and Accra Agenda for Action, in particular the need for alignment with country strategies and priorities, and thus contribute to improving sustainable forest management at a national level. If a new mechanism is pursued, the mechanism needs to be flexible enough to deal with individual country circumstances but robust enough to ensure that financing for sustainable forest management purposes reaches all countries that need it (rather than being limited as it is currently).

What do you consider to be the essential elements for the preferred option?

- a. Scope and structure***
- b. Governance and management***
- c. Sources of financial resources***
- d. Types of activities covered***
- e. Accountability, monitoring and evaluation mechanisms***
- f. Any other elements?***

While New Zealand is not convinced that a new fund or facilitative mechanism is needed, a review of existing mechanisms suggests that all of the above points are probably highly relevant to the design of a coherent, workable and effective forest financing mechanism, should a fund or facilitative mechanism be developed.

In terms of other possible elements, should it be decided that there is a need for a new mechanism, the alignment with country strategies and priorities would require some mechanism by which these could be considered, either at a project or programme funding level. This may need to include provisions that ensure full consideration of resource rights and/or interests of forest dependent communities, and channel resources in a way that values active sustainable forest management activity rather than just passive resource-rents.

We note that the elements necessary to integrate private financing flows into a coherent system of “forest financing” are likely to be different from those needed for public flows of financing and thus will require some further thought. The area of payment for environmental services is also likely to require different elements and mechanisms, and again will require further thought.

How would your preferred option be linked to with other forest funding sources and mechanisms e.g. the Collaborative Partnership on Forests (CPF)?

If the UNFF member countries agree that a new fund or facilitative mechanism is required, and we remain unconvinced of this requirement, New Zealand would like to encourage the UNFF Advisory Group on Financing to work with CPF, World Bank, FAO, ITTO, GEF, UNFCCC, and other key funding sources and facilitators to ensure maximum coherence and simplification of the processes.

What challenges would be resolved with the creation of either of the preferred options?

New Zealand is concerned that the creation of either preferred option may not resolve the challenges of financing sustainable forest management, as sustainable forest management is highly dependent on effective governance and political will rather than the allocation of resources to forest management.

However, if there is evidence that a new fund or facilitative mechanism could resolve the challenges of financing sustainable forest management, New Zealand hopes that the creation of the selected option will result in stronger coherence and an overall rationalisation and simplification of the forest financing framework.

What other existing and emerging sources of financing and mechanisms could be utilized to implement sustainable forest management, the four Global Objectives on Forests and the Non-Legally Binding Instrument on All Types of Forests (NLBI)?

The CPF Sourcebook on Funding for Sustainable Forest Management includes 800 entries that could be used to implement sustainable forest management. In addition to those, we expect that there will be further sources of financing and mechanisms emerging soon particularly in relation to payments for environmental services and climate change.

New Zealand notes that important technical institutional and governance foundations need to be in place as part of any mechanism that makes payments for environmental services as a source of funds for sustainable forest management in the immediate future. These are issues that will need to be addressed by the international forestry organisations if REDD (should it be agreed in the climate change negotiations) is to be effective at a national level.