

Synthesis of inputs on financing options for sustainable forest management
UNFF Secretariat

Table of Contents	<i>Page</i>
1. Background	1
2. Highlights	1
a. Preferred option	1
b. Essential elements of a financing option	2
c. Link between the preferred option and other forest funding sources and mechanisms e.g. the Collaborative Partnership on Forests (CPF)	2
d. Challenges that would be resolved with the creation of either of the preferred options	3
e. Other existing and emerging sources of financing and mechanisms	3
3. Way forward	3
4. Sample of the questionnaire	4

1. Background

The UNFF Ad Hoc Expert Group (AHEG) met in Vienna on 10-14 November 2008 to develop proposals on a voluntary global financial mechanism/portfolio approach/forest financing framework as per ECOSOC resolution 2007/40. Through the deliberations, the Expert Group highlighted two main possible options for strengthening the forest financing architecture: a dedicated fund for SFM and a facilitative mechanism, while also noting that these two options are not mutually exclusive. To help elaborate these two concepts, experts recommended that Members States and major groups provide written contributions on their views regarding these two proposals and the Secretariat prepare a synthesis report of these contributions. Accordingly, the Secretariat, through a questionnaire, requested Member States and major groups to provide their views on options and their attributes.

In total, 22 responses have been received from 19 Member States, the European Union (on behalf of its 27 member countries) and two major groups (Indigenous peoples and NGO).

The following paragraphs try to highlight key messages from the responses. It does not, however, claim to reflect the full breadth and depth of individual contributions. The readers are strongly advised to refer to original responses for accurate views of each respondent, which are available at <http://un.org/esa/forests/adhoc-SFMfinance.html>>

2. Highlights

The survey questions were developed to solicit views, primarily on the *preferences for options (dedicated fund, facilitative mechanism, both or any other options)*. In addition, the survey tried to gather views on essential elements for preferred options; how the preferred option would be linked with other forest funding sources and mechanisms; what challenges would be resolved with the creation of either of the preferred option; and what other existing and emerging sources of financing and mechanisms could be utilized to implement sustainable forest management, and the Non-Legally Binding Instrument on All Types of Forests (forest instrument) including the four Global Objectives on Forests therein.

a. Preferred option

option	supporting responses	names
Dedicated Fund	5	Azerbaijan, Cuba, Grenada, India, Niger
Facilitative Mechanism	6	Angola*, Belarus, Japan, Republic of Korea, Russian Federation, United States of America
Both Dedicated Fund and Facilitative Mechanism	7	Guatemala, Indonesia, the Philippines, Suriname, Thailand, Indigenous Peoples, NGO
Neither of the two	3	New Zealand, Sweden
Other	1	European Union “ <i>Forest financing framework based on a portfolio approach</i> ”, Switzerland

* Even though Angola chose Facilitative Mechanism as the preferred option, the information provided in the survey indicated that their preference was for a dedicated fund.

Respondents indicating both options underscored that the two options are not mutually exclusive and that both are needed for effective and efficient resource mobilization to implement the forest instrument and achieve SFM.

Some countries (Switzerland and New Zealand) or group of countries (EU) presented different proposals. While many of the rationale are familiar they essentially imply not to establish any new separate funding mechanism. New Zealand is not convinced of a need of either a fund or a facilitative mechanism. Sweden informed separately that they see no value added in the proposal. Switzerland states that there is no single approach to SFM financing and highlights desirable roles for UNFF, CPF, countries, and bi- and multi-lateral cooperation on financing SFM. The European Union proposed a “forest financing framework based on a portfolio approach” with a description how such a framework will address financing at different levels.

b. Essential elements of a financing option

Most responses noted all or most of the following five elements

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

Several responses identified additional elements as well. These included:

- types of beneficiaries, national focal points, structure, admin of funds (Guatemala)
- short, medium and long-term objectives; accessibility; and minimum conditionality (Angola)
- Forest valuation and long-term investment in the forest sector (India)
- climate change issues (Philippines)
- accessibility, transparency, flexibility and no conditionality (Niger)
- Brokerage service of the prospective facilitative mechanism (Russian Federation)
- objectives; principles (Indonesia)

c. Link between the preferred option and other forest funding sources and mechanisms e.g. the Collaborative Partnership on Forests (CPF)

Although no clear picture emerged from the responses to this question, an underlying emphasis seems to be that the CPF members present high potential for supporting SFM and implementation of the forest instrument. Repeated mention of existing funding mechanisms such as GEF, NFP-Facility and climate change funds were made in the survey responses, as sources of funding for SFM. One response suggested using those examples in designing a global fund. High expectations were also noted regarding the evolving funding mechanisms and initiatives, in particular those related to the on-going climate change process – Forest Investment Programme of the World Bank, UN-REDD and other REDD related programmes in the near future.

A suggestion for strengthening and institutionalizing the Advisory Group on Finance (AGF) serving as advisory/governing board of a new facilitative mechanism also made by one country while another suggested the AGF to work key funding sources and facilitators to ensure maximum coherence and simplification of the processes.

d. Challenges that would be resolved with the creation of either of the preferred options

The views supporting a dedicated fund and a combination of a fund and a facilitative mechanism see that such a fund (or fund and facilitative mechanism) will help finance SFM, implement the forest instrument and also strengthen the UNFF to evolve as the leading high level intergovernmental body on forests. The fund will help

fill the gaps in current financing. Better access to funding by stakeholders was also highlighted with a combination of dedicated fund and facilitative mechanism.

Those supporting a facilitative mechanism or other options stress in enhanced communication, coordination, capacity building to access existing mechanisms/sources. It was also suggested that any facilitative mechanism should avoid building new bureaucracy or having budgetary implications for the UN.

e. Other existing and emerging sources of financing and mechanisms that could be utilized

Several existing and emerging sources and mechanisms were mentioned as possible funding sources. In particular mentions were made about GEF (existing and a new specific window or SFM), FCPF, FIP, Carbon trade, increased ODA, private sector, international financial institutions, REDD-related programmes, etc. One respondent stated that SFM should be the umbrella under which all international funding for forestry and environment should be made subordinate to; synergy and collaboration with any future funding sources related to UNFCCC and REDD; countries with good record for policy and legal framework should get higher weightage for funding while another referred to 0.7 percent ODA target. Concerns for special circumstances such as forest as a low priority sector in developing countries, special problems of High Forest Low Deforestation countries (HFLD) and low forest cover countries (LFCCs) were also expressed in some responses. Those not in favour of establishing any new fund or mechanism stated that any such new creation would result in more confusion and bureaucracy than an increase in funding. Several inputs called for active engagement of UNFF in other processes including the climate change negotiations.

3. Way forward

The survey provides indications of different philosophies and approaches to finance SFM and implement the forest instrument. Nevertheless, except for providing some rationales for preferred options/approaches, those responses still seem to represent the prevailing view points that has dominated the finance debate for past two decades – i.e., a dedicated global fund for SFM (international commitment) and/or reliance on national efforts (national commitments). There seems to be no fundamental disagreement among the respondents that there is a need for mobilizing new and additional financing from all sources, including from the private sector. The divergence of views on whether there is a need for special funding arrangement for SFM on its own standing, however, still exists. This will be a challenge that the consultation meeting in Rome would need to reconcile with.

The current analyses of available financial sources and their flow pattern show that there is a significant gap between the estimated needs to effectively implement the forest instrument for SFM and available resources. To bridge the gap, the international community needs to go beyond theoretical and rhetorical to pragmatism and realism.

4. Sample of the questionnaire

Template for inputs on proposals for financing sustainable forest management

The UNFF Ad Hoc Expert Group meeting to “Develop Proposals for the Development of a Voluntary Global Financial Mechanism/Portfolio Approach/Forest Financing Framework” held from 10 -14 November 2008, in Vienna, Austria, was convened per ECOSOC resolution 2007/40, to develop proposals for consideration at Eighth session of the United Nations Forum on Forests (20 April - 1 May 2009, UNHQ, New York).

Experts at the Ad Hoc Expert Group voiced their support for two key proposals: a) creation of a distinct fund dedicated or earmarked for implementation of sustainable forest management; and b) development of a facilitative mechanism to help mobilize existing and emerging funds for sustainable forest management¹. To help elaborate these two concepts, experts recommended that Members States and major groups be requested to provide written contributions on their views regarding these two proposals.

Please use the following questions to provide the views of your Member State or Major Group (please only submit one response per Member State or Major Group organization.) A detailed response to these questions would be appreciated. We request you to limit your submission to a **maximum of 5 pages**.

2. Drawing from the AHEG’s formulation², 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? Is the preferred option (select one):
 - a. Dedicated global forest fund
 - b. Facilitative mechanism
 - c. Both
 - d. Other mechanism (please specify) _____
3. What do you consider to be the essential elements for the preferred option? (select as many as relevant):
 - 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?
4. How would your preferred option be linked to with other forest funding sources and mechanisms e.g. the Collaborative Partnership on Forests (CPF)?
5. What challenges would be resolved with the creation of either of the preferred option?
6. 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)?
7. Any other views and suggestions?

¹ Para 64-73 of Chair’s summary report of ad hoc expert group to Develop Proposals for the Development of a Voluntary Global Financial Mechanism/Portfolio Approach/Forest Financing Framework

² It was generally accepted at the AHEG that the portfolio approach (described as the large variety of financing needs for sustainable forest management being met from a variety of sources) already existed, provided many benefits, and should continue in the future. (Para 60 of the Chair’s summary report)