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Swiss proposal for financing sustainable forest management

1. Introduction

For Switzerland, there is no single approach to sustainable forest management financing. There is indeed a need for flexible, varied, financial international and national mechanisms. There are complementary ways that need to be developed.

Generally, financing for sustainable forest management (sfm) should come from all sources, i.e. domestic, international, private and public. Moreover, financing sfm requires an enabling governance structure.

For Switzerland, financing sfm is a key element of a comprehensive international forest policy. Switzerland is strongly engaged in several multilateral, bilateral and regional cooperation programmes and projects on sustainable forest management such as through ITTO, World Bank, FAO, IUCN, UNDP, GEF, etc.

2. Role of the International Arrangement on Forests in financing

The International Arrangement on Forests being composed by 2 entities, i.e. the United Nations Forum on Forests (UNFF) and the Collaborative Partnership on Forests (CPF), both of them have distinct roles to play with regard to financing sfm.

2.1 Role of UNFF on financing sfm

Given its policy mandate, its structure and its specific function, UNFF can only play a limited role in financing sfm. Indeed, UNFF is not meant to be operational, nor used for capacity building and does not have the competence to establish or manage financial mechanisms or funds for the support of sfm.

In this regard, UNFF should contribute to sfm financing with the following activities:

- **Share experience and updated information on funding:** The 8th session will be the opportunity to share experience and present the financing mechanisms and their update thanks to the work of the CPF, as well as give guidance to the CPF for further work and coordination on this issue as stated in the part 2.2 below. In addition, Switzerland believes that the UNFF contribution could be done through Country-Led Initiatives (CLIs) such as the one on financing which took place in Suriname in September 2008.
- **Promote sectoral governance and tenure rights:** Switzerland attaches a lot of importance on enhancing the enabling conditions which are essential to allow funding to be received and leveraged, such as sectoral governance and tenure rights which are central to the work of UNFF. The interactions in forestry between national levels and local realities are often not sufficiently articulated in international negotiations and larger processes. Having a comparative advantage, UNFF should be proactive towards supporting countries in setting up trust and high standards of sectoral governance to make best use of new means of implementation. UNFF's ability to build powerful synergies between the different processes dealing with tenure rights is to be strengthened, to take advantage of emerging opportunities outside the forest sector, such as Reduction of Emission from Deforestation and Forest Degradation (REDD).

UNFF's role with regard to sfm financing should focus on i) enhancing a better understanding of and providing a general and regularly up-dated overview of existing support mechanisms, and ii) enhancing a better understanding of the interlinkages between governance and financing.

2.2 Role of the CPF on financing sfm

While one of the tasks of the Collaborative Partnership on Forests (CPF) is to mobilize financing for sustainable forest management and facilitate the access to new sources, the CPF can also contribute to answering the need for a comprehensive vision of all funding sources at the international level.

The CPF Sourcebook on funding for sustainable forest management which compiles information on who is doing what, and where, will need to be updated regularly. A clear and transparent communication on funding based on this sourcebook will enhance the funding accessibility. Expressed needs of recipient countries and other potential users will have to be taken into account while further developing the sourcebook.

The following further tasks for the CPF should be discussed at the 8th session of UNFF:

- **Better information and communication:** Immediately improve information and data base on international forest financing (as an extended mandate to the Advisory Group on Finance of the CPF):
 - Develop further the sourcebook on funding for sustainable forest management, such as providing more data on private and philanthropic funding, including tool boxes to access non-traditional funding sources, and make the sourcebook easily available through a user friendly website and other means.
 - Within the sourcebook, add new categories by clearly separating large funding sources (> 10 Mio US\$), medium funding sources (> 1Mio US\$) and small funding sources (below 1 Mio US\$).
 - Improve data quality and monitoring of forest financing means.
 - Establish a comprehensive mapping of the main funding sources according to a 3 tiers approach presented in the report on “Financing flows and needs to implement the non-legally binding instrument on all types of forests” prepared for the Advisory Group on Finance of the CPF by Markku Simula for the Ad Hoc expert Group on financing (10-14 November, Vienna, Austria)(http://www.un.org/esa/forests/pdf/aheg/finance/AGF_Financing_Study.pdf)¹ in order to streamline financing of SFM (i.e. Table 2).
 - Regularly update the forest community on sfm financing through UNFF sessions and website, from both demand and supply side, using a portfolio approach.
 - Envisage the convening of Organization Led-Initiative(s) (OLIs) in support of the work of the Forum, specifically on helping countries to select and access appropriate financing resources according to their needs and absorption capacities.

- **Address thematic and geographic gaps in financing:** Given the findings of the report on “Financing flows and needs to implement the non-legally binding instrument on all types of forests”, the Advisory Group on Finance of the CPF should make proposals on how the CPF and its members could address the thematic and geographic gaps in sustainable forest management financing. These proposals could be discussed during the 8th session of UNFF.

¹ Report on “Financing flows and needs to implement the non-legally binding instrument on all types of forests” and its 3 tiers approach (initial upfront investment - for example in planning and initial capacity building; mainstreamed upfront investment - example in creating the enabling conditions for investment and sustained financing which would include revenue from forest goods and services and payments for ecosystem services).

- **Cooperation, improved coordination, synergies, complementarity** between the different funding institutions/ sources taking advantage of the regular CPF meetings or other gatherings is needed to bring more coherence with a view to avoid duplication, streamline the mechanisms, procedures and processes, as well as make them more accessible and understandable for potential clients.

The CPF role with regard to sfm financing should focus on i) providing better information and communication by updating the CPF Sourcebook on funding for sustainable forest management, ii) addressing thematic and geographic gaps in financing and, iii) enhancing cooperation, coordination, synergies, complementarity between the CPF members

3. Role of countries for national financing of sfm

Sfm financing can only be successful when there is a national supportive policy, an efficient institutional environment and good alignment with long-term priorities.

3.1. National enabling conditions for financing sfm

The following national enabling conditions will ensure that funding can be received, leveraged and best applied for sfm:

- Integrate sfm via National Forest Programmes (NFPs) into the national development strategies (including in the Poverty Reduction Strategies) with a view to bring policy coherence among sectors, enhance cross-sectoral implementation and avoid perverse subsidies.
- Apply a coordinated approach to development policy by showing that sfm brings benefits to other national priorities (food, health, biodiversity, water, etc.). (i.e. “Forests as basic infrastructures for development”).
- At national level, create mechanisms for cooperation, improved coordination, synergies and complementarity between the different funding institutions/sources for sfm in order to avoid duplication, streamline the mechanisms, procedures and processes, as well as make them more accessible and understandable for potential clients.
- Based on NFPs, develop long term implementation strategies for sfm.
- Through NFPs and similar instruments, address funding gaps and requirements from existing and potential funding sources, i.e. domestic, international, public and private by strengthening the development of mid-term financial planning instruments for sfm, and make this planning available to national and international financial supply agencies.
- Develop an appropriate policy and legal framework (land tenure rights, forest sector governance, institutions, law enforcement, involving the financial sector in forest development; participation of all stakeholders in particular when thinking about performance based financing), stable investment climate, resource assessment and monitoring and improve revenue collection from the sector.
- Integrate the full range of values of forests (products and services, including water, biodiversity, carbon, etc.) in the financial architecture (GDP or other).

3.2 Development of national portfolios of funding sources for sfm

Aware of the diversity of national situations and variation within countries, Switzerland favours a tailor-made approach, i.e. national portfolios of funding sources to support both, global externality concerns and sfm in developing countries and countries in transition.

The national portfolios of funding sources should include:

- Domestic financial resources including also new sources using national trusts, credit for local communities and forest-based enterprises and risk management for investors.
- ODA for forests through bilateral and multilateral or other institutional donors.
- Private sector investment in sfm (and not generally in level of flows).

- Funding outside the forest sector such as funding for mitigation of and adaptation to climate change (REDD, i.e. sfm, reforestation, restoration, etc.).
- Funding from philanthropy and NGO sources.
- Payments for ecosystem services (which remain flexible, both, market oriented and/or regulatory oriented, and equitable) with a view to achieve sustained financing, i.e. self-financing of sfm.

The countries activities with regard to financing should focus on i) improving the national enabling conditions, and ii) developing national portfolios of funding sources for sfm.

4. Role of bi- and multilateral cooperation in financing sfm

The role of bi- and multilateral cooperation is not negligible. Coordination and coherence of various donor agencies within a donor country could however be further enhanced. Donors within one recipient country should engage together in enhancing initial and mainstreamed upfront financing for sfm. Donors should also coordinate with regard to the mandate and the funding of the different CPF-organisations.

Donors should improve data quality and monitoring of forest financing means. They should also ensure that ODA to other sectors does not harm forests via perverse incentives.

Bi- and multilateral cooperation with regard to financing should focus i) on improving coherence within a donor country and, ii) on coordinating among themselves within recipient countries as well as with regard to the mandate and funding of the CPF members.

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