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Template for inputs on proposals for financing sustainable forest management

Deadline for submission: 31 December 2008

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USA

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**.

1. 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) _____

b. Facilitative mechanism

A facilitative mechanism or “forest investment mobilization mechanism” would be a new element within a broader “facilitative framework” that would also encompass and help coordinate a number of existing and emerging mechanisms for financing SFM. This “facilitative framework” and its component elements would build on existing and emerging financing initiatives and mechanisms, providing coherence, communication, and enhanced coordination among proliferating funding mechanisms and sources. The facilitative framework would build on and implement the portfolio approach, seeking to leverage forest ODA, forest-

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)

related funding for climate change mitigation and adaptation measures, payments for ecosystem services, private sector investments in sustainable forest management activities and products, and private philanthropic sources of grant funding.

A stepwise approach to creating a facilitative framework is desirable. This would entail first strengthening and building on existing mechanisms (such as CPF’s Sourcebook on Funding for SFM, the National Forest Programme Facility, and the CPF Advisory Group on Finance), and then developing an additional “facilitative mechanism” to complement the existing mechanisms. A stepwise approach will also allow for the use of pilot activities to test and assess effective approaches at country and regional levels; and provide opportunities for feedback and information on continuing gaps and needs for financing.

The CPF Sourcebook on Funding for SFM already is an important source of information on financing and could be further strengthened by dedicating additional support and personnel to (a) bolster capacity to track and include existing and emerging sources of funding including in the private sector; and (b) incorporate an interactive dimension to the Sourcebook that would allow users to request and obtain more information from a live contact, computer chat room setting or other format.

Additional support for the National Forest Programme Facility would allow it to expand pilot work on assisting countries to develop national forest financing strategies, including identifying forest-related governance reforms and improvements necessary to attract both public and private funding. Such strategies and governance measures are critical for governments and stakeholders to develop capacity to assess their financing and policy needs; develop outreach and interaction with finance and other planning ministries to integrate forest financing needs into long-term development planning and investment strategies; identify domestic and international opportunities to increase financing; communicate needs and conditions to potential donors and financiers; and provide reporting, assessment and accountability on funded actions.

A new facilitative mechanism could be useful to mobilize the full complement of SFM funding resources in the portfolio approach. As a component of a “facilitative framework,” such a facilitative mechanism could serve a vital brokerage function to match funding sources with the SFM funding needs of governments and other forest stakeholders. This facilitative mechanism would tap organizations with experience in private sector financing, payments for ecosystems services (PES), and other sources additional to ODA. Its brokerage services would concentrate on providing information on policies and enabling environment for private sector financing and PES; sources of financing, including thematic, geographic and other priorities that would help match financiers with projects/locations; and guidance on developing and presenting projects/locations.

To complement the existing focus and expertise of the Sourcebook and NFP Facility with ODA and other public financing, the facilitative mechanism could be hosted by an existing institution with competence concerning non-public sources of funding. As it develops, the facilitative mechanism might evolve into a networked organization, with specific functions divided among different organizations with responsibilities distributed according to funding source (industry contact; philanthropy contact), region, or other aspects.

A facilitative framework would begin by seeking to enhance existing sources of funding, improve coordination among them, and facilitate information about and access to them by governments and stakeholders. Additional sources of funding (either not yet included or not yet developed) could be incorporated.

2. 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?

a, c, d: scope and structure, sources of financial sources, types of activities covered

The proposed facilitative framework – and the new facilitative mechanism that would be one of its components – would focus on improving information about financing, building capacity within countries to seek and obtain funding from a variety of sources, and facilitating linkages between financing and recipients. Therefore, initial efforts for designing a facilitative framework would focus on activities linked to improving the quality, range, and dissemination of information on financing sources.

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

A variety of mechanisms and institutions will be needed to provide sufficient SFM finance. As described above, some specific mechanisms or activities would build on existing efforts in CPF member organizations such as the FAO. We recommend that efforts under a global facilitative framework consider institutional homes in member organizations of the CPF because it can facilitate communication and coordination, which are two of the purposes of the framework.

The CPF Advisory Group on Finance (AGF) could be strengthened and more clearly institutionalized to play a stronger role in facilitating communication among CPF member organizations on funding, improving coordination of programs and activities, including understanding of thematic and geographic priorities, and serving as the advisory or governing board for a new facilitative mechanism. An expanded role for the AGF could include jointly developing and conducting regional capacity-building activities. For example, regional capacity-building could include dissemination of the results of pilot activities on national forest financing strategies, combined with training on using the CPF Sourcebook and discussions with representatives of other CPF institutions on emerging financing initiatives for SFM globally, regionally, and bilaterally.

At the same time, a flexible approach that incorporates a variety of funding sources and mechanisms is necessary in order to provide assistance to multiple actors, from governments to

NGOs to local and indigenous communities. A facilitative framework will need to be broader than just the CPF in order to engage additional partners in the private sector, including those with experience in finance, industry, payments for ecosystem services, etc.

4. What challenges would be resolved with the creation of either of the preferred option?

In particular, this proposal addresses needs to (a) enhance communication and information to governments and stakeholders on existing and emerging financial sources and opportunities; (b) improve coordination among financing mechanisms; and (c) build capacity among governments and stakeholders to understand financing needs and opportunities for SFM.

5. 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)?

A number of new mechanisms have emerged since UNFF-7 in 2007, including the Forest Carbon Partnership Facility and the Climate Investment Funds/Strategic Climate Fund at the World Bank; initiatives on forests and carbon in the UN system (e.g., UN-REDD); increased bilateral funding from Norway and other donors; expanding voluntary markets for carbon and other ecosystem services; regional initiatives (Congo Basin Forest Fund); and national-level initiatives (e.g., Brazil's Amazon Fund).

UNFF, Member States and the CPF-AGF will need to play a stronger role in ensuring that these emerging initiatives operate in ways that are consistent with the terms of the NLBI and the Global Objectives on Forests.

6. Any other views and suggestions?

References:

See following documents for preliminary discussions of these options and descriptions:

- 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
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