

ASSESSMENT OF INNOVATIVE FINANCING MECHANISMS AND DEVELOPING NFFS FOR SFM IN ASIA-PACIFIC

Overview

- Background
 - HoF dialogue, Bhutan
 - Expert Meeting
- NFFS
 - Process
 - Experience
- Proposal
 - Principles
 - Core areas
 - Activities



Financing for SFM - Motivation

- UNFF's unanimous resolution, and launching of two initiatives
 - AHEG on Forest Financing
 - Facilitative Process
- FAO Asia Pacific Forestry Sector Outlook Study of 2020
- 19th and 20th sessions of the Committee on Forestry (COFO Rome in 2009 and 2010)
- Heads of Forestry Dialogue Asia Pacific Forestry Commission (APFC) Bhutan June 2010

Financing for SFM – HoF Dialogue

- **Declining public sector** support to SFM ~consequences on forest conservation and livelihoods
- Limited access to improved technology and capacity constraints
- The existence of substantial room for improvement - not necessarily more money **but reforms**
- The potential for generating finances from production as opposed to solely relying on conservation
- An urgent need for further analysis and understanding on how to ensure stronger **private sector** involvement for mutual benefits

Financing for SFM – HoF Dialogue

- **Small and fragmented nature** of mechanisms for payments for environmental services (**PES**) and the existence of several obstacles to accessing mechanisms such as REDD;
- The potential for establishing specific forest funds by pooling external and internal resources and **bundling PES through portfolio approaches**; and
- The need for intra and inter-regional cooperation and exchange of information on experiences related to the creation and expansion of innovative financial mechanisms

Expert Meeting in Bhutan

Mechanisms suggested to further the progress:

- Developing institutional arrangements and activities to involve other sectors
- Enhancing stakeholder capacities and information exchange
- Support research and information to highlight the benefits of SFM (e.g. RIL)
- Exploring options to bundle various PES for better coordination and synergy; and
- Developing **comprehensive and integrated approaches** (investments, payments, enabling environment); and **facilitation processes**.

NFFS - Experiences

- **Latin America**

- Guatemala (November 2007)
- Peru (December 2008)*
- Suriname (June 2008)*
- El Salvador (September 2008)
- Paraguay (February 2009)
- Costa Rica (May 2009)
- Ecuador (September 2009)
- Bolivia (in pipeline)

- **Africa**

- Namibia (October 2007)
- Uganda (2010)
- West Africa 7 nations (March 2011)
- Ruanda (in pipeline)

- **Asia Pacific**

- The Philippines (August 2009)

* Module implemented by partners

NFFS- A Facilitative Process

- Conduct comprehensive analysis of forest financing-Investment & Income generation
- Identify and develop appropriate financial instruments (Trust Funds, PES)
- Help nations strengthen institutions
 - Developing necessary institutional arrangements (Task Force, WG, Forest Finance Intelligence Unit)
 - Enabling new declarations/ notifications/ revisions as appropriate
- Promote improved cross-sectoral integration



NFFS – A Capacity Building/ Knowledge Sharing Effort

- Strategy development-
built on national
ownership and
leadership
- Provide guidelines and
training
- Familiarise FOs with
concepts, terminology,
and processes
- Provide a framework for
systematic analysis and
strategy development



NFFS- Adaptive, Participatory

- Participatory
- Adaptive

Implementation

Shared
Vision for Future

Mutually
identified
goals and
objectives

NFFS

- Expertise
- \$\$\$
- Institutions

Actions

Constraints/
Opportunities

- Investment
- Income



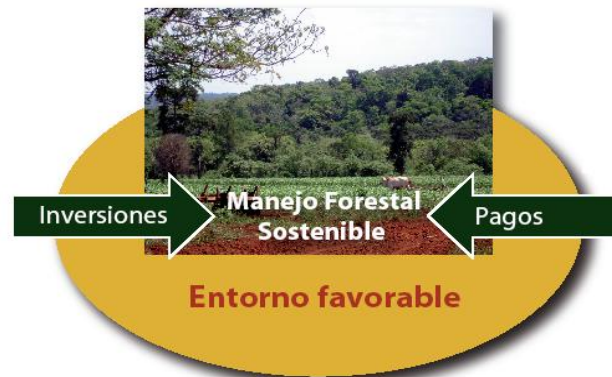
NFFFS- Partners

Documento de Trabajo sobre Política e Instituciones Forestales

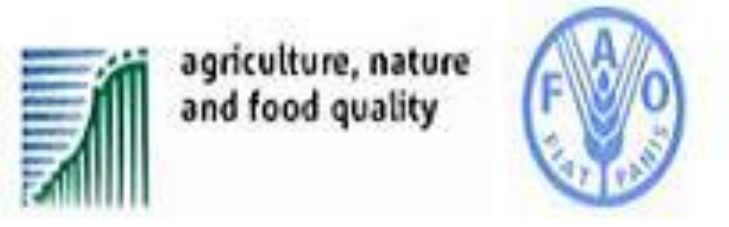
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Hacia estrategias nacionales de financiamiento para el manejo forestal sostenible en América Latina

Síntesis del estado actual y experiencias de algunos países



landbouw, natuur en voedselkwaliteit



- IUCN
- Tropenbos International

Initial Achievements

- **Completed outputs of the processes**
 - National forest financing strategies endorsed (GT, ES)
 - Forest Finance Intelligence Unit created (GT)
 - Trust fund created (PY)
- **Inter-sectoral working groups formed.**
 - Finance and economic aspects of SFM
 - Forest governance, legal and technical aspects
- **Financial instruments developed**
 - Trust funds attractive to private and institutional investors (GT, PY, ES, CR)
 - Capital market instruments (Repurchase agreements, Securitization)
 - Incentives programs (CR, ES)

Initial Achievements

Other priorities identified for implementation

- Amendments in policy environment (Admin orders, etc.) (PH, EC)
- Regulations for Credit Guarantee Fund (GT)
- Projects that insert forestry within multi-sectoral projects (GT)
- Identification of pilots/business cases (Agreements to link small with larger producers in PY)

Lessons Learned

Success Factors (Institutional)

- Supportive policy and institutional environment, including land tenure, risk mitigation and guarantees
- Alignment of forest strategy with long-term national priorities and commitments
- Linkages among sectors (forest – environment – financial)
- Synergistic incentive packages (bundling)/ portfolio approaches
- Addressing the concerns of key beneficiaries (local/Indigenous communities)

Lessons Learned

Success Factors (Capacity Building)

- Financing language, instruments, and process
- Enterprise development
- Update information on new and emerging opportunities (REDD, REDD++, PES)
- Opportunities for learning by doing
 - (combine learning with decisions making/prioritizing)
- Partnership building and communication (address isolation)
 - Linkages with other sectors/stakeholders (NFPs, networks)
 - Promote associations among small forest SH

The Proposal

**is a direct outcome of the recommendations
and our experiences**

- **Overall Objective**

to enhance resources for implementing SFM and consequently ensure better socio-economic and environmental benefits to forest stakeholders and communities.

The Proposal- Principles

- Truly reflected the multi-functionality of forests;
- Removing policy and legislative disincentives and non-legislative impediments to investment;
- Resolving tenure and property rights issues, particularly those related to sharing of carbon and other environmental service benefits;
- Improving the knowledge of market and business information, instruments, and processes among key stakeholders.

The Proposal- Core Areas

- Private investments
- Small scale and community forestry
- Mainstreaming forestry in national development policies/plans
- Establishing/strengthening institutions with holistic vision to financing forestry
 - establishment of dedicated national “forest funds”
 - internalizing externalities(earmarked taxes) & funding from investors and donors interested in the notion of a triple bottom line—financial, social, and environmental.

The Proposal- Activities

- Identification, analysis, and documentation of **successful case studies** of forest financing
- Testing **pilot activities** and mechanisms for scaling up/main streaming.
- Assisting countries develop and implement **national forest financing strategies**.
- **Sharing** of experiences and lessons learned and **promoting regional/global understanding** of effective forest financing mechanisms and strategies.

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Thank you

