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IPF-2 HIGHLIGHTS WEDNESDAY, 13 MARCH 1996

Discussion of countries with low forest cover continued in the morning of day three of the Intergovernmental Panel on Forests second session. In the late morning and afternoon, delegates opened consideration of programme element II, financial assistance and technology transfer for sustainable forest management.

NEEDS AND REQUIREMENTS OF COUNTRIES WITH LOW FOREST COVER

Co-chair Holdgate invited continued dialog on programme element I.5, the needs and requirements of LFCs.

UGANDA said it should be listed as an LFC. He recommended a less restricted definition of protected areas that would address biodiversity factors in multiple use areas and a prioritization of proposed activities. UKRAINE stressed the need to adopt a holistic approach and to value non-market forest resources. Public participation is important in establishing national programs and precise methodologies should be developed to promote it. INDIA proposed that LFCs determine their own minimum forest cover and that the IPF set general guidelines. He stressed the need to reduce waste of forest goods and services.

SOUTH AFRICA said it should be listed as an LFC. Industrial plantations provide economic and social benefits, however, developers should meet costs. Stronger consideration of the use and non-use values of forests is needed. WWF on behalf of several NGOs emphasized biodiversity values and an integrated and precautionary approach. LFCs should be redefined on the basis of production and use of goods and services.

The Co-chair summarized the Panel's discussion of program element I.5 as follows: the criteria for LFCs may need to be redefined in terms of countries' causes of deforestation and their uses and needs; the role of forest services should be better characterized and considered, particularly economic aspects; countries should attempt to determine the minimum forest cover they can afford; the Panel should prioritize proposed actions; and an intersectoral approach is needed.

FINANCIAL ASSISTANCE AND TECHNOLOGY TRANSFER

Ralph Schmidt (UNDP) introduced the report on financial assistance and technology transfer (A/CN.17./IPF/1995/5), highlighting two broad premises. From an economic view, conservation means "wise use," maximizing present net worth of all future benefits including wood, non-wood and environmental services. Sustainable development means that natural capital is not only to be maintained through replenishment, but enhanced to meet growing needs. The report attempts to link investment and different categories of financing and their implications to technology.

The G-77/CHINA said the Forest Principles from UNCED represent the principal document for these discussions and highlighted several provisions. Expectations for SFM are linked to the availability of funds, and ODA should be maximized. CHINA requested further explanation of the "political difficulties" of donor countries. He commended the references to innovative funding, but said they were based on trade. He asked for justification of a statement that ODA increases are unlikely, and stated that IPF should urge donors to meet their commitments to assistance and technology transfer.

The EU said the report inaccurately notes a decline in ODA for forestry. It does reflect that many donors have adopted multi-sectoral aid and have integrated forestry components into rural development projects. Efforts should be made to ensure effective use of assistance and contributions from donors. He said the responsibility for finance lies with each countries' public and private sector, and on increases in forest revenues.

IUCN, supported by CANADA, said the report neglects to mention national trust funds and foundations as a means for rational disbursement of funds for conservation activities. WWF, on behalf of several NGOs, challenged the statement in the report noting a tendency among donors to give higher priority to projects on conservation and lower priority to industry and marketing.

UGANDA said the Panel should bring plantation forest financing back onto the international agenda because plantations play an important role in the management and conservation of biodiversity. Capacity building should be a means to an end. The REPUBLIC OF KOREA called for a reversal of the negative investment trend in forestry. Innovative financing mechanisms should complement, not replace ODA. He encouraged incentives for private sector investment. CHILE said carbon offsets and tradable emission permits are not simply innovative funding mechanisms but should take account of differentiated commitments under the FCCC.

The UK said ODA is most effective in building local authorities' capacity, assisting valuation of forest goods and services, and encouraging private investment to tackle new areas and act in accordance with SFM. Market mechanisms, tax reform, and other domestic policies can mobilize domestic resources. POLAND said SFM may require more investment in forestry, especially for forest and biodiversity protection and planning. International cooperation is needed, especially debt-for-nature swaps. CANADA said donors should increase support to SFM in their ODA and should formulate incentives to

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private investment. New measures based on environmental externalities of forests should replace traditional measures funding timber alone.

AUSTRALIA said national governments have a role in setting standards and creating enabling conditions. It is appropriate to consider mechanisms for forestry investments to be traded, but he did not favor funding quotas. NORWAY praised practical options to stimulate domestic resource flows, including carbon offsets and tradable emissions permits but emphasized that tradable permits would take time to develop. He suggested that private sector investment in sustainable development is worthwhile for developed countries. ECUADOR stated that the section on donor priorities should be used for reference only, and that each country must be encouraged to establish its own priorities.

FRANCE welcomed language on marketable and tradable resources. Although involving the private sector could mobilize sizable resources, he cautioned against potential abuse. He urged closer study of forest economics. INDONESIA said realization of UNCED principles depends on financial assistance. The report elaborates on technology transfer, but fails to address the progress made since Agenda 21 or to identify effective ways and means. KENYA said many initiatives have been planned, but support has not been realized. He said many development agencies attempt to introduce priorities beyond those of recipient governments.

The G-77/CHINA, recalled specific provisions of the Forest Principles, such as 1(b), on providing agreed full incremental costs, 10 on new and additional financial resources, and 11 on technology transfer on favorable terms. He said the report indicates the need for resources is not being met, that it emphasizes internal resources, and that assistance funds fall short of those envisaged in Agenda 21. He said: increased donor coordination may lessen the flow; private financial resources do not typically favor sustainable development; and multilateral institutions frequently impose conditionalities.

DENMARK noted that the report does not reflect its continued commitment to assistance or its provision of new and additional funds since UNCED. SOUTH AFRICA highlighted the upcoming workshop on financial mechanisms. BULGARIA said increased effectiveness of ODA calls for recipients to adopt and implement sound policies and pursue SFM. He said debt-for-environment swaps proved successful and debt-for-sustainable-development swaps should be considered.

SWITZERLAND urged identification of measures to increase levels of ODA funding and improve its efficiency. The IPF should adopt financing mechanisms conducive to donor participation that address program quality, secure land tenure, are incentive-driven and provide roles in decision-making. Partnership arrangements between developed and developing countries should be encouraged. ECUADOR called for innovations in fund mobilization and encouraged the use of internationally tradable CO_2 emission permits. He said tradable development rights could impinge on state sovereignty and ignore the rights of indigenous peoples, and that partnership agreements with donors should be encouraged. The EU encouraged linkages between scientific and resource institutes of developed and developing countries and welcomed private sector involvement. He stated that national capacities should be increased.

JAPAN stated the decline of the ODA may be due to a lack of projects in the forest sector. He encouraged the mobilization of domestic resources and suggested that international institutional arrangements should follow the CBD approach. He stressed the need to create more predictable and investor-friendly markets to facilitate technology transfer. The PHILIPPINES said international cooperation, not domestic investment, should be the focus. Technology transfer limited to the private sector might not be motivated by sustainable development needs. Joint implementation, “unmentionable” in climate change negotiations, and other measures need to take account of other conventions. Timing and emphasis on conservation over sustainable use and benefits sharing mean the GEF is not fully compatible with SFM. COLOMBIA said mobilizing the private sector will not pay for international environmental services provided by forests, and encouraging private participation could be dangerous without a strict code of conduct. He supported debt-for-nature swaps, but rejected debt-for-policy reform swaps and the recommendation for national forestry funds. The IPF needs to quantify available financial resources to assess the possibility of meeting Agenda 21 targets.

SWEDEN questioned whether it is realistic to halve deforestation rates by 2000 and whether it is possible to balance depreciation by deforestation of “forest capital.” He called for study of private sector investment and stated that: “sustainable forestry” implies activities that are economically sustainable; building management capacity in recipient countries can coordinate donor funding; and working closely with the agricultural sector may increase support to forestry. The NETHERLANDS stated that: the paragraphs describing the effect of investment and disinvestment on forests and forest management neglect social and biodiversity issues; donor coordination can be achieved through national planning; and donor agencies should work to link private investment to sustainable forestry.

BELARUS noted that implementing new forestry policy will require financial resources and technology, and, citing the need to mobilize new and additional resources, proposed an interstate fund for mitigating the effects of transboundary air pollution. MALAYSIA stressed adequate financial resources, and stated that: the cost of forest investment should include rehabilitating degraded lands; Malaysia uses tax incentives to encourage private sector tree plantations; that the ASEAN Timber Technology Centre is closed due to lack of support; innovative mechanisms such as carbon offsets and emissions permit trading require further work; and IPF-3 should study technology transfer for sustainable forestry. IRAN called for technology transfer and new and additional financial resources, and studying the cause of “low absorptive capacity” for assimilating ODA in developing countries.

The US called figures on investment and disinvestment “gross generalizations” and disagreed with use of the term “shortfall,” which implies an agreed level of finance. The most important incentives for private investment are the enabling conditions of the host country, but private investment can have detrimental impacts if not regulated. She suggested identifying factors that facilitate long-term, positive private investment, and highlighted joint ventures, environmentally oriented debt programmes and mobilization of additional domestic funds as options.

IN THE CORRIDORS

Early discussions on financial assistance and technology transfer led some delegates and observers to question the continuity between the recently concluded CSD Intersessional Ad-Hoc Working Group of Experts on Finance and Technology Transfer and IPF-2. While the the Working Group decided to consider non-ODA financial sources, including mobilization of national resources, private sector investment, and innovative financial mechanisms, under the rubric of “new and additional funding,” some IPF participants noted that this decision has not carried over into the IPF’s debate on similar issues. They said this difference may be due to concerns specific to IPF or to the participation of different ministries at the two fora.

THINGS TO LOOK FOR TODAY

FINANCIAL ASSISTANCE AND TECHNOLOGY TRANSFER: The consideration of programme element II, financial assistance and technology transfer for sustainable forest management should conclude during the morning session.

MULTIPLE BENEFITS OF ALL TYPES OF FORESTS: Delegates are expected to begin programme element III.1(a) Assessment of the multiple benefits of all types of forests following the discussion of finance and technology transfer.