



UNFF CLI ON FINANCING SFM HIGHLIGHTS: THURSDAY, 11 SEPTEMBER 2008

On Thursday, 11 September 2008, the Country-Led Initiative (CLI) on Financing for Sustainable Forest Management (SFM) in support of the UN Forum on Forests (UNFF) convened in Paramaribo, Suriname to continue their discussions. In the morning, participants heard presentations on national institutional and governance strategies for increasing financing for SFM, then discussed this theme in breakout groups. In the afternoon, they heard presentations on international institutional and governance strategies, followed by another session of breakout group discussions. Participants then reconvened in plenary to hear the breakout group co-chairs' reports.

NATIONAL INSTITUTIONAL AND GOVERNANCE STRATEGIES FOR INCREASING SFM FINANCING

PLENARY: Sheila Bhairo, Suriname Case Study Team, presented on financial mechanisms for SFM in Suriname, including from formal and informal sources. She highlighted international sources, and described aspects of SFM in public and private sectors that require funding, including physical infrastructure and forest certification. She said the perception of forestry as a risky investment could be addressed by a loan guarantee mechanism. She lamented that Suriname has yet to be rewarded by the international community for implementing SFM. She recommended creating a national forest fund and acknowledging traditional land property rights.

Michael Richards, Forest Trends, presented case studies from Uganda and Peru demonstrating a portfolio approach to forest financing. Outlining conditions in Uganda, he noted that 70% of forests are under private or customary ownership. He stressed that a portfolio approach should decrease Uganda's dependence on official development assistance and increase opportunities for forest industries. He said that, in Peru, reducing emissions from deforestation and forest degradation (REDD) was a priority, focused on supporting indigenous communities. He underscored the importance of capacity building, and increased participation of civil society and local communities for a "bottom-up" approach.

Dorjee Sun, Carbon Conservation, Australia, presented on enabling policies for investment in forest carbon. He described examples of voluntary forest projects based on private investments: US\$3.15 million that resulted in conserving 13,000 hectares of forest under a 100-year contract; and US\$9 million invested by Merrill Lynch in a project in Aceh, Indonesia. He said that this involved the coordination of government and NGO efforts, and establishing the baseline deforestation rate that would have occurred in the absence of intervention. He emphasized that policies must be supported by local people, and called for an action-oriented approach. He cautioned against becoming lost in technical details regarding forest carbon valuation.

In the ensuing discussion, participants addressed priority activities to be financed by a forest fund, including those benefiting local communities, generating awareness and enabling research for SFM. In considering possible recommendations for policy makers to implement and integrate SFM, participants underscored the importance of land tenure clarity and a forest sector vision. The need for an incentive to enhance stakeholder cooperation was also highlighted.

BREAKOUT GROUPS: Delegates of the three breakout groups were asked to suggest the highest priority national actions to mobilize significant new SFM financing, and identify key challenges to taking those actions.

Breakout group 1: Several participants suggested creating national forest strategies or plans, with many stressing the involvement of all relevant stakeholders, particularly indigenous communities, so as to enhance ownership of the process. Others emphasized strategies that are oriented towards poverty eradication.

Many participants pointed to creating coherence and support among government ministries and integrating forestry into other sectors at the national and sub-national level. They also discussed communication among domestic agencies involved with climate change. Some called for more intensive involvement of the private sector, including creating a professional producer body to enhance dialogue among stakeholders. Some participants called for improving the enabling environment with legal reforms and tax incentives.

One participant suggested studying domestic demand for forest products, and another called for a study on domestic expenditure on forests. Participants also discussed bilateral voluntary partnership agreements and national legislation on importing legally-sourced wood, and the role of donor countries in requiring comprehensive forest strategies from exporting countries. Others cautioned against regulatory barriers to trade.

Breakout group 2: Participants stressed that political will and commitment was vital for advancing policy implementation. One participant noted that government should lead this task, and that it should recognize tasks that can be carried out by the private sector. Participants acknowledged that the formulation and implementation of strategies was a participatory process and that stakeholders from all sectors should be identified and included in discussions. They also noted that a framework of rights, laws and processes was important as stakeholders need to be able to take their interests forward. They stressed the importance of a well-formulated working plan, underpinned by a common mission and long-term vision as well as commitment from the forest sector.

It was stated that making a business case for SFM would enable policy makers to identify priorities, funding sources and stakeholders within each context. One participant

emphasized that these plans need to consider local customs and activities in order not to unnecessarily disrupt the daily lives of stakeholders.

Breakout group 3: Several countries shared their top priorities for forest funding, including human resource development, good governance, infrastructure, community capacity, and strengthening national institutions and monitoring capacities. One participant highlighted successes achieved by attaching a cost to converting forest to other uses, noting that revenue generated from forestry was invested back into forests and not used to fund the general national budget. One participant emphasized that countries must be aware of what it will take to become financially self-sufficient. Another participant questioned how donors can be assured that funds are used for forests, and not for other purposes.

It was emphasized that not all communities have an equal interest in forest management, or in their ability to function as forest managers, and that traditional leadership structures must be respected. One participant called for a change in the relationship between forest and finance ministries, emphasizing communication in both directions. Another participant called for efficient forest commissions that can interpret technical jargon and communicate this at the local level.

INTERNATIONAL INSTITUTIONAL AND GOVERNANCE STRATEGIES FOR INCREASING SFM FINANCING

PLENARY: Andrea Kutter, Global Environment Facility, described the changing international architecture for environmental financing and its implications for forests. She noted that over 20 new funding mechanisms have emerged in the past year. She highlighted the move towards catalytic and results-based financing, and said the proliferation of funding requires the coordination of mandates. She singled out agriculture as a driver of deforestation, and said this entrenches forests within the food security debate. She presented the example of the Congo Basin, where SFM efforts are funded by a wide variety of funds totaling US\$670 million.

Letchumanan Ramatha, on behalf of the Association of Southeast Asian nations (ASEAN), presented ASEAN's perspectives on SFM financing. He highlighted current instruments available, including: public sector revenues from forests and development funds; private sector revenues from plantations and forest certification; and payment for ecosystem services. He added that some financing mechanisms occur informally and cannot be captured. He stressed that constraints to successful mechanisms include: policy failure from unsustainable market practices; market failure due to skewed pricing mechanisms; and the unclear contributions of SFM to poverty reduction.

Max Ooft, Association of Indigenous Village leaders (VIDS), Suriname, said that indigenous perspectives on forest financing have not been included thus far. He said it is no coincidence that the remaining intact forests are inhabited by indigenous people as they are directly dependent on them for their survival. He cautioned that the REDD debate commodifies forests, and encouraged a human rights-based approach. He called for the integration of indigenous peoples within financial decisions as more than just "stakeholders," and said policies must consider non-monetary values. He challenged the notion of national sovereignty, saying that this is often used to avoid addressing the underlying causes of deforestation.

BREAKOUT GROUPS: Participants were asked how they would strengthen or change the current international financing framework to mobilize new and additional resources from public and private resources, in order to best support national SFM financing agendas.

Breakout group 1: Some participants highlighted difficulties in accessing funding, with a few lamenting the lack of delivery on past promises from financial institutions. Noting that there exists a variety of funding sources, some participants outlined that the challenge was to be more strategic in identifying links and gaps at the international level. Others pointed to the role of national governments in having clear policies and strategies to effectively use funds, with one participant highlighting a problem with some countries' absorption capacity to effectively use funds as they were intended. Many participants stated the need to improve coordination among funding sources and cooperation among organizations, noting that the UNFF could fill the role of the latter, and others underscored the importance of regional cooperation.

Breakout group 2: Participants requested a common understanding of the current international financing framework, acknowledging that it was a complicated issue. Communication was also identified as a challenge to overcome, particularly between sectors at the national level. Participants stressed the need for funding to reach communities and grassroots level organizations, with one participant suggesting that the efficacy of current funding activities be analyzed to improve funding regimes. Some participants encouraged that a portion of funding be derived from local sources, so as not to be overly reliant on outside sources and funding cycles.

Breakout group 3: It was widely expressed that there is much room to improve the interface between users and providers of funding, and that this could build upon the existing Collaborative Partnership on Forests Sourcebook as an information clearinghouse, with dedicated human resources to help users navigate the various funds and application processes. Participants called for financing criteria to be mutually supportive of multiple forest benefits, namely the conservation of biodiversity and combating climate change and land degradation. Participants discussed the development of the World Bank's Forest Investment Programme, intended to support efforts to reduce deforestation and forest degradation, promote SFM as a means to reducing emissions, and protect carbon reservoirs. It was emphasized that the scope of this fund was still being defined, and that countries and stakeholders will have an opportunity to contribute their views on this in the coming months.

IN THE CORRIDORS

Entering the final day of the meeting, spirits are high amongst participants who have been privy to presentations from a roster of experts and provided with numerous opportunities to exchange views informally throughout the week. Interest is developing around the World Bank's Forest Investment Programme, which holds the potential to give forest financing a massive boost and may serve to prime the pump for further investment by others. The scope of this fund was the source of much discussion that will likely continue until the final terms of the fund are determined in January 2009. Although a wide range of views still remains regarding the financing of SFM, the process is much further ahead for having met at Paramaribo.

CLI SUMMARY: The Paramaribo Dialogue Bulletin summary will be available on Monday, 15 September 2008, online at: <http://www.iisd.ca/yimb/sdfms/>