



### SUMMARY OF THE COUNTRY-LED INITIATIVE ON FINANCING FOR SUSTAINABLE FOREST MANAGEMENT IN SUPPORT OF THE UNFF: THE PARAMARIBO DIALOGUE: 8-12 SEPTEMBER 2008

The Country-Led Initiative (CLI) on Financing for Sustainable Forest Management in Support of the UN Forum on Forests (UNFF): The Paramaribo Dialogue met from 8 to 12 September 2008 in Paramaribo, Suriname. Over 225 participants representing governments and inter-governmental and non-governmental organizations gathered to identify opportunities to enhance financing for sustainable forest management (SFM). The Dialogue, organized by the governments of Suriname, the Netherlands and the United States, was a forum for participants to share experiences on mobilizing forest funding and generating revenues, identify emerging and existing public and private financing sources, and examine the relationship between forest financing and forest-related governance.

Throughout the week, participants met in plenary sessions and breakout groups to hear presentations and discuss: producer, consumer and community perspectives on financing SFM; financing from ecosystem services; and institutional and governance strategies at the national and international level for increasing SFM financing. Participants also took part in field trips that showcased Suriname's natural diversity. A Co-Chairs' Summary Report was produced, which aims to inform discussions at the meeting of the UNFF *Ad Hoc* Expert Group on Finance, to be held in Vienna, Austria in November 2008, and at UNFF 8's deliberations on adopting a decision on SFM financing in April 2009.

#### A BRIEF HISTORY OF THE UNFF AND FINANCING FOR SFM

The UNFF was established in 2000, following a five-year period of forest policy dialogue facilitated by the Intergovernmental Panel on Forests (IPF) and the Intergovernmental Forum on Forests (IFF). In October 2000, the UN Economic and Social Council (ECOSOC) in its resolution E/2000/35 established the UNFF as a subsidiary body, with the main objective of promoting the management, conservation and sustainable development of all types of forests.

To achieve its main objective, the UNFF's principal functions were identified as to: facilitate implementation of forest-related agreements and foster a common understanding on SFM; provide for continued policy development and dialogue among governments, international organizations, and major groups, as identified in Agenda 21, as well as to address

forest issues and emerging areas of concern in a holistic, comprehensive and integrated manner; enhance cooperation as well as policy and programme coordination on forest-related issues; foster international cooperation and monitor, assess and report on progress; and strengthen political commitment to the management, conservation and sustainable development of all types of forests.

The IPF/IFF processes produced more than 270 proposals for action towards SFM, and form the basis for the UNFF Multi-Year Programme of Work and Plan of Action, which underlie sessional work of the UNFF. Country- and organization-led initiatives have also contributed to UNFF's work.

#### INTERNATIONAL WORKSHOP OF EXPERTS ON FINANCING SUSTAINABLE FOREST MANAGEMENT:

This CLI in support of the UNFF was held from 22-25 January 2001, in Oslo, Norway. Delegates considered alternative approaches to financing SFM, including greater private sector involvement, an investment promotion entity, a global forest fund, a consortium approach and better use of existing resources.

**UNFF 1:** UNFF 1 took place from 11-23 June 2001, at UN headquarters in New York. Delegates discussed and adopted decisions on UNFF's Multi-Year Programme of Work, a Plan of Action for the implementation of the IPF/IFF Proposals for Action, and UNFF's work with the Collaborative Partnership on Forests (CPF). Delegates also recommended establishing

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three *ad hoc* expert groups to provide technical advice to UNFF on: approaches and mechanisms for monitoring, assessment and reporting (MAR); finance and transfer of environmentally sound technologies; and consideration with a view to recommending the parameters of a mandate for developing a legal framework on all types of forests.

**UNFF 2:** UNFF 2 took place from 4-15 March 2002, at UN headquarters in New York. Delegates adopted a Ministerial Declaration and Message to the World Summit on Sustainable Development and two decisions and eight resolutions on: combating deforestation and forest degradation; forest conservation and protection of unique types of forests and fragile ecosystems; rehabilitation and conservation strategies for countries with low forest cover; the promotion of natural and planted forests; specific criteria for the review of the effectiveness of the international arrangement on forests (IAF); and proposed revisions to the medium-term plan for 2002-2005.

**UNFF 3:** UNFF 3 met in Geneva, Switzerland, from 26 May - 6 June 2003. UNFF 3 adopted six resolutions on: enhanced cooperation and policy and programme coordination; forest health and productivity; economic aspects of forests; maintaining forest cover to meet present and future needs; the UNFF Trust Fund; and strengthening the Secretariat. Terms of reference were adopted for the voluntary reporting format, and three *ad hoc* expert groups designed to consider: MAR; finance and transfer of technologies; and consideration with a view to recommending the parameters of a mandate for developing a legal framework on all types of forests.

**UNFF 4:** UNFF 4 convened in Geneva, Switzerland, from 3-14 May 2004. UNFF 4 adopted five resolutions on: forest-related scientific knowledge; social and cultural aspects of forests; MAR and criteria and indicators; review of the effectiveness of the IAF; and finance and transfer of environmentally sound technologies. UNFF 4 did not reach agreement on resolutions on traditional forest-related knowledge and enhanced cooperation and policy and programme coordination.

**CLI ON INNOVATIVE FINANCIAL MECHANISMS:** This CLI was held from 29 March - 1 April 2005, in San José, Costa Rica, to contribute to the international forest dialogue and in particular to the long-term processes or mechanisms to secure the basis for financial sustainability of SFM. Financial mechanisms discussed included: funding from international development banks; debt for nature swaps; environmental services payment systems; mechanisms from different international conventions and organizations; and the potential of carbon markets.

**UNFF 5:** UNFF 5 took place from 16-27 May 2005, at UN headquarters in New York, with the goal of reviewing the effectiveness of the IAF. However, participants were unable to reach agreement on strengthening the IAF and produced neither a ministerial statement nor a negotiated outcome. They did agree, *ad referendum*, to four global goals on: significantly increasing the area of protected forests and sustainably managed forests worldwide; reversing the decline in official development assistance (ODA) for SFM; reversing the loss of forest cover; and enhancing forest-based economic, social and environmental benefits. They also agreed in principle to negotiate, at some future date, the terms of reference for a

voluntary code or international understanding on forests, as well as means of implementation. Delegates decided to forward the draft negotiating text to UNFF 6.

**UNFF 6:** UNFF 6 took place from 13-24 February 2006, at UN headquarters in New York. Negotiators reached agreement on how to proceed with reconstituting the IAF. Delegates agreed on a text, later adopted by ECOSOC, containing new language on the function of the IAF, a commitment to convene UNFF biennially after 2007, and a request that UNFF 7 adopt a non-legally binding agreement on all types of forests. UNFF 6 also set four Global Objectives on Forests: reverse the loss of forest cover worldwide through SFM, including protection, restoration, afforestation and reforestation; enhance forest-based economic, social and environmental benefits and the contribution of forests to the achievement of internationally agreed development goals; increase significantly the area of protected forests worldwide and other areas of sustainably managed forests; and reverse the decline in ODA for SFM and mobilize significantly increased new and additional financial resources from all sources for the implementation of SFM.

**UNFF 7:** UNFF 7 was held from 16-27 April 2007, at UN headquarters in New York. After two weeks of difficult negotiations, culminating in an all-night session, delegates adopted the Non-legally Binding Instrument on All Types of Forests (NLBI) and a Multi-year Programme of Work for the period 2007-2015. Delegates also participated in two multi-stakeholder dialogues, a panel discussion with member organizations of the CPF, and the launching of preparations for the International Year of Forests 2011. Delegates agreed that a "voluntary global financial mechanism/portfolio approach/forest financing framework for all types of forests" would be developed and considered, with a view to its adoption at UNFF 8.

## PARAMARIBO DIALOGUE REPORT

Amb. Ewald Limon, Suriname, CLI Task Force, welcomed participants on Monday 8 September and expressed hope that the CLI will set the stage for the commitment of new and additional resources to enable SFM.

Hans Hoogeveen, the Netherlands, UNFF 7 Chair and CLI Co-Organizer, identified challenges and opportunities within SFM, including improving the lives of forest peoples and reversing climate change. He said the NLBI can only be



Amb. Ewald Limon, Suriname, CLI Task Force



Stephanie Caswell, US, CLI Co-Organizer

implemented with increased funding, including from philanthropic organizations and the private sector. He encouraged coherence within international forest policy efforts, based on a shared vision.

Stephanie Caswell, US, CLI Co-Organizer, noted the importance of CLIs within UNFF. She said that the NLBI is a landmark agreement that

provides a framework for cooperation on SFM, and that its implementation will require increased funding and good governance. She suggested that public funds can be used to leverage additional funding from other sources.

Boen Purnama, Indonesia, UNFF 8 Chair, stressed the need for continued commitment from stakeholders to achieving the



Runaldo Ronald Venetiaan,  
President of Suriname

four Global Objectives on Forests adopted at UNFF 6.

Runaldo Ronald Venetiaan, President of Suriname, noted the steps undertaken by Suriname to protect its forests, including legislation for protected areas and forest sustainability. He emphasized the need for developing financial

mechanisms based on a portfolio approach as well as developing a mechanism to allow service payments from consumers for using forests as carbon sinks.

CLI Co-Chairs Hoogeveen, Caswell, Cornelis Pigot (Suriname) and Anette Tjon Sie Fat (Suriname) designated the following participants as co-chairs of the breakout groups: Elise Haber (South Africa), Glen Kile (Australia), Carlos Gonzalez (Mexico), Stefanie von Scheliha (Germany), John Hudson (UK), and S.P. Yadav (India).



Hans Hoogeveen, the  
Netherlands, UNFF 7 Chair and  
CLI Co-Organizer

Following the opening ceremony and throughout the week, participants met in plenary to hear presentations on: an overview of forest financing; producer, consumer and community perspectives; financing from forest ecosystem services; and national and international institutional and governance strategies for increasing SFM. Following each plenary session, the presentations were discussed in three breakout groups, which reported back to plenary each day. On Wednesday, participants attended field trips showcasing Suriname's natural diversity. On Friday, participants agreed to the Co-Chairs' Summary Report of the meeting. The following summarizes the plenary sessions and ensuing discussions, as well as the conclusions and recommendations contained in the Co-Chairs' Summary Report.

### OVERVIEW ON SFM FINANCING

Russell Mittermeier, Conservation International, outlined examples of new opportunities for SFM financing and investment, including protected areas, ecotourism, sustainable timber and non-timber forest product extraction, payment for environmental services (PES) and forest carbon, which he said together demonstrate the value of forests at a scale comparable to economic gain from unsustainable extraction. Noting the opportunities and obstacles associated with financing through reducing emissions from deforestation and forest degradation (REDD), he listed examples of current carbon funds and investments.

Michael Jenkins, Forest Trends, described the change in forest threats and opportunities over time, and noted that forests present a nexus between climate, communities and conservation. He provided an overview of potential new funding sources, including PES. Jenkins highlighted that forest-related carbon represents 20% of the voluntary carbon market, yet only one percent of the regulated market. He said that REDD holds potential but presents challenges that must be addressed, including leakage, equitable distribution of payments, and perverse incentives.

Tiina Vahanen, UN Food and Agriculture Organization (FAO), presenting on the CPF background analysis of the NLBI, noted that it identifies sources of financing, examines links between existing funding sources and the national measures of the NLBI, and provides illustrations on proactive efforts by countries to increase forest financing. She stressed that supportive policies and institutional environments, including land tenure clarity, are important for successful implementation of the NLBI and SFM, and suggested creating a programme to assess national financing needs and mobilize the necessary resources.



Tiina Vahanen, FAO

Markku Simula, CPF Advisory Group on Finance, presented the results of a study on the external financial flows for SFM in developing countries. He said the study found that: there is relatively weak country demand for forest-related ODA; bilateral and multilateral financial flows come from a narrow base of sources; and private foreign direct investment has shown to be very profitable. He identified several geographic and thematic gaps in forest financing, including: SFM outside protected areas; management of natural tropical forests for production; and upfront investment for SFM.

Presenting on new and emerging World Bank initiatives on forest finance, Gerhard Dieterle, World Bank, noted that new funding opportunities available include: forests being included in the climate change agenda, particularly the Bali Roadmap; private sector investment in forests; and significant new ODA financing. He highlighted challenges for funding, including: linking the development and climate change agendas; improving coordination between donors and funding agencies; and addressing governance and institutional bottlenecks.

On the issues and opportunities for financing forestry in Latin America and the Caribbean, Dora Currea, Inter-American Development Bank (IDB), highlighted that climate change provides new opportunities for direct financing. She underscored opportunities available to mitigate emissions caused by forest degradation, including: forest fire reduction; decreasing illegal logging and promoting SFM; and the establishment of forest plantations.



Dora Currea, Inter-American  
Development Bank

Bharrat Jagdeo, President of Guyana, lamented that SFM financing has yet to match political commitments. He stressed that forests must be part

of any development strategy, and noted that ultimately forests will be cut down as long as this is more profitable than keeping them standing.

### FINANCING SFM: PRODUCER, CONSUMER AND COMMUNITY PERSPECTIVES

Amha Bin Buang, International Tropical Timber Organization (ITTO), gave an overview of ITTO's financing



Amha Bin Buang, ITTO

of sustainable tropical forest management, noting that between 1988 and 1996, US\$129 million were granted to various projects in tropical-timber producing countries. He described the financial provisions under the International Tropical Timber Agreement, 2006, including the specific funding of Thematic Programmes. He noted that ITTO's funding base is narrow,

with Japan, Switzerland and the United States together accounting for 90% of contributions. He added that the funding of projects is similarly concentrated, with eight recipients accounting for 50% of funding awarded.

Linda Mossop-Rousseau, South African Forestry Company Limited and African Forest Forum, presented on the financial

challenges facing forest-product producers in South Africa. She reviewed the effects of the Apartheid era on South Africa's forestry sector, including social, political and economic exclusion that has left forests in some regions under extreme pressure because of overpopulation and lack of funding. She stressed that the duality of economies in the forest sector continues despite policy reforms, and that although large corporations dominate the forest sector, small producers are making inroads.



Linda Mossop-Rousseau, South African Forestry Company Limited and African Forest Forum

On community forestry and financing, Yati Bun, Foundation for People and Community Development, Papua New Guinea,



Yati Bun, Foundation for People and Community Development, Papua New Guinea

stressed that capacity building was a large challenge for SFM. He highlighted the benefits of SFM to the community, including: directly received export revenues; building of permanent houses; the establishment or improvement of copra fermentries; and higher incomes for households. He stressed that a number of challenges remained, including: the impracticality of long-term subsidization; modernizing

traditional ways to enable market participation; and understanding the local situation.

Erik Albrechtsen, DLH Group, Denmark, said that corporate social responsibility requirements for wood products coming from "high-risk" countries are greater, yet no price premium

exists for these markets. He added that this is because sustainably-produced products are forced to compete on an uneven playing field with wood from dubious origins. He underscored that funding is required to support SFM efforts, as market mechanisms alone provide an insufficient incentive.

Adil Najam, Boston University, presented on governance reforms necessary for the implementation of a portfolio approach. Noting that the complexities of forest governance have to be managed, not simplified, he highlighted that a portfolio approach is necessary to address diverse realities and interests. In designing an innovative financing mechanism, he called for, *inter alia*: focusing on key interests; capitalizing on diverse capacities of governments, markets and civil society, and encouraging partnerships among them; building strength through flexibility; and operating at multiple levels. He noted that governance challenges in a portfolio approach include achieving financial coherence within public sector funding and creating appropriate governance mechanisms to broker private initiatives.

**DISCUSSION:** Addressing presentations heard during the overview session and that on producer, consumer and community perspectives on financing SFM, participants discussed country experiences with: challenges to implementing SFM; financing mechanisms for SFM; the role of forestry in climate change mitigation; and the linking of global and local funding initiatives.

Participants reflected on challenges to SFM faced by their countries, including land use competition, forest degradation, and illegal mining. The concept of basing compensation on opportunity cost was raised several times, with many emphasizing that forests will always be cut down if alternative land uses are more profitable. Some participants stressed that indigenous and local communities must benefit from financing mechanisms, while one noted that the development of a country's population as a whole should be considered and that communities living in cities are also stakeholders.

Participants underscored that local context plays an important role in determining the appropriate PES mechanism. Others raised concerns that REDD is dominating discussions, noting that a new mechanism needs to be developed to compensate countries that do not have major deforestation problems, and that acknowledges the benefits that SFM provides beyond carbon sequestration. Some expressed concern that funding opportunities are not widely known amongst all stakeholders and suggested that mechanisms should be scaled down to enable easier access.



Participants meeting in breakout groups.

Participants also discussed the need to mobilize resources across all sectors within a country to ensure that resources are effectively used, and stressed the need for strong institutional frameworks for effective SFM implementation. Several participants remarked on the need for policy coherence among agencies at both the domestic and international level, with one highlighting that expectations for SFM have risen but donor funding has not. While one participant highlighted that National Forest Programmes are needed to provide a comprehensive policy framework at the national level, another countered that these do exist for many countries, but lack adequate funding for implementation.

### **FINANCING FROM FOREST ECOSYSTEM SERVICES**

Financing from forest ecosystem services was addressed in plenary and group discussions on Tuesday, 9 September. Presentations and discussions focused on current examples of PES mechanisms, and creating an enabling environment for investment in such mechanisms.

Carlos Manuel Rodríguez, Conservation International, highlighted steps that Costa Rica has taken to create an enabling policy environment to mobilize financing from forest ecosystem services, including: legislation to implement sustainable development; creating a national system of protected areas; and transforming incentives and creating funds for PES to promote forest protection. He underscored that policies should not be sectoralized in order to maintain and upscale forestry services.



Carlos Manuel Rodríguez,  
Conservation International

Simon Petley, Enviromarket, UK, provided an overview of capital markets available for forest financing. He said that at US\$455 billion per annum they represent ten times the amount of ODA currently assigned to forests, noting however that 60% is concentrated within only five countries and that ODA is still greater than private investment in 60% of developing countries. He emphasized the role of local markets, which provide 90% of forest financing, adding that lenders have yet to express interest in investing in ecosystem services. He examined differences in expectations held by borrowers and lenders regarding capital for SFM, with the latter being primarily concerned with certainty of repayment and risk management. Highlighting the importance of country-specific constraints, he said that managing risks requires enforceable property rights and good governance.



Simon Petley, Enviromarket,  
UK

Claudio Maretti, WWF-Brazil, presented on Brazilian perspectives of carbon compensation for the protection of the Amazon rainforest. He highlighted that deforestation rates have decreased within and around protected and sustainable use reserves in Brazil, resulting in a large projected reduction



Claudio Maretti, WWF-Brazil

of carbon emissions. He listed keys to achieving this success, including: strong commitment and support from state and federal governments; a broad vision that includes strict nature protection and sustainable development; and strong partnerships. He underscored the importance of PES to contend with alternative land uses.

Rezal Kusumaatmadja, Starling Resources, presented on concessions for ecosystem restoration in the peat forests of Indonesian Borneo. Stressing the importance of peat forests as a carbon sink, he lamented that carbon emissions were increasing due to the loss of these forests caused by land use change. He highlighted that a new policy in Indonesia allowing land concession permits to restore ecosystems, in conjunction with opportunities in the voluntary carbon market, has made the restoration of peat forests financially viable and beneficial to both local communities and the private sector. He stated that the ecosystem restoration permit was well received by carbon markets as it met conditions of permanence and additionality, allowing ecosystem restoration projects to be wholly financed through the carbon market, and underscored it as an example of a portfolio approach for SFM financing.



Rezal Kusumaatmadja, Starling  
Resources

Doris Cordero, IUCN, discussed lessons learned regarding PES in the Northern Andes, emphasizing the importance of considering differences in social, legal and institutional contexts. She noted that PES systems have been primarily funded by local communities, and run by municipalities with support from non-governmental organizations. Regarding funds for carbon sequestration and avoided deforestation, she noted they have been mainly dependant on the voluntary market. She said that while biodiversity conservation is difficult to measure as an environmental service, it can be bundled with other services such as watershed protection. She stressed the importance of establishing objectives and defining exactly what is being bought and sold, and emphasized that institutions must be strong enough to enable trust and certainty between buyers and sellers of services.



Doris Cordero, IUCN

**DISCUSSION:** The group discussions focused on: policy, institutional and legal frameworks needed for effective realization of PES; mechanisms to utilize PES effectively towards SFM and societal well-being; sensitivity and responsiveness of current financial institutions and capital markets to support SFM; and availability of information.



Participants during a lively discussion.

Participants called for more sharing of information on practical demonstrations of PES. They noted that there were good examples of PES at the local level, and that lessons learned should feed back to the policy level, in order to scale up and nationalize PES mechanisms. Others highlighted disseminating information to and building relationships with local and indigenous communities.

Several participants questioned the replicability of currently successful PES mechanisms in diverse contexts. They agreed that a “one size fits all” model is not realistic, noting that a portfolio approach recognizes the different needs and capacity of countries. It was stressed that PES should not focus solely on payments for carbon-related services, and many participants emphasized that REDD is just one instrument within the larger PES context. Concerns were raised regarding the exclusion of low forest cover countries from the PES discussions.

Others brought attention to the challenges of ensuring that payments reach indigenous and local communities. Some participants supported the notion that communities should control the selling of services, but others questioned their capacity to knowledgeably enter into PES negotiations and equitably distribute payments. Other participants expressed concern that this would bypass the authority of national governments, and argued that since the provision of environmental services by a given country will ultimately be determined by a national government’s action or inaction, payment for and provision of environmental services should occur at this level. A few participants countered that local communities need a direct incentive to maintain forest cover, and that the role of government should be to provide an enabling environment for communities to participate in these markets.

Private sector involvement was highlighted, with participants stressing the need for practical and immediate action towards creating partnerships with private companies. One participant highlighted the need to prove the business case for SFM and raise awareness of PES to demonstrate its financial viability. On creating an enabling environment, some participants said that financial institutions require clear and concrete contextual information of investment conditions to support PES initiatives, citing the IDB’s Forestry Investment Attractiveness Index as a good example, and noted that the private sector dislikes uncertainty. They discussed the need to clarify land tenure and create good business environments, with particular reference to specific and focused legal frameworks.

Participants generally agreed that PES is based on capturing positive externalities that have been taken for granted to date, and that getting beneficiaries to pay for these will require a change in attitude. Several participants cautioned against

placing the provision of environmental services at the mercy of the market. Participants also expressed support for UNFF playing a leadership role within PES and particularly REDD.

### ***INCREASING FINANCING FOR SFM: INSTITUTIONAL AND GOVERNANCE STRATEGIES AT THE NATIONAL LEVEL***

Institutional and governance strategies at the national level to increase SFM were addressed in plenary and group sessions on Thursday, 11 September. Presentations and discussions centered on possible strategies to increase SFM financing at the national level, obstacles to successful implementation, and possible actions to overcome these obstacles.

Sheila Bhairo, Suriname Case Study Team, presented on financial mechanisms for SFM in Suriname, including from formal and informal sources.



Sheila Bhairo, Suriname Case Study Team

She highlighted 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, and recommended creating a national forest fund and acknowledging traditional land property rights.

She lamented that Suriname has yet to be rewarded by the international community for implementing SFM.

Michael Richards, Forest Trends, presented case studies from Uganda and Peru demonstrating a portfolio approach to forest financing. He stressed that a portfolio approach should decrease Uganda’s dependence on ODA and increase opportunities for forest industries. He also noted that in Peru REDD is a priority aimed at 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: one where US\$3.15 million resulted in the conservation of 13,000 hectares of forest under a 100-year contract; and another featuring a US\$9 million investment by Merrill Lynch in Aceh, Indonesia. He noted that these investments involved coordinating government and non-governmental organization efforts, and establishing the baseline deforestation rate that would have occurred in the absence of intervention. He further emphasized that policies must be supported by the local population and called for an action-oriented approach, cautioning against becoming lost in technical details regarding forest carbon valuation.

**DISCUSSION:** Discussions centered on prioritizing national actions needed to mobilize significant new SFM financing, and identifying the key challenges to taking those actions.

Several participants suggested creating national forest strategies or plans that are underpinned by a common mission and long-term vision, with many stressing the involvement of all relevant stakeholders, particularly indigenous communities, so as to enhance ownership of the process. Some participants called for strategies that are orientated towards poverty

eradication. They acknowledged that the formulation and implementation of these strategies should be a participatory process and that stakeholders from all sectors should be identified and included in discussions. They suggested that government should lead the process and identify tasks that can be undertaken by the private sector. They also noted that a framework of rights, laws and processes was important for stakeholders to be able to pursue their interests. It was stated that making a business case for SFM would enable policy makers to identify priorities, funding sources and stakeholders for each situation.

Participants emphasized the need to improve the enabling environment with legal and tax reforms and incentives, including the clarification of land tenure. It was emphasized that not all communities have an equal interest in forest management, or the ability to function as forest managers, and that traditional leadership structures must be respected. One participant emphasized that national forest strategies need to consider local customs and activities in order not to unnecessarily disrupt the daily lives of stakeholders.

Many participants pointed to creating coherence and support among government ministries and integrating forestry into other sectors at the national and subnational level. They called for a change in the relationship between forest and finance ministries, stressing the need for two-way communication. They also discussed communication among domestic agencies involved with climate change, and called for efficient forest commissions that can interpret technical jargon to make this information more accessible at the local level.

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.

It was suggested that those projects benefiting local communities, generating awareness and enabling research for SFM would be prioritized for funding by a forest fund. One participant highlighted successes achieved by: requiring compensation for forest conversion based on the value of the services that the forest would have provided; and ensuring that revenue generated from forestry was invested back into forests and not used to fund the general national budget. Another participant emphasized that countries should think about how to become financially self-sufficient, while others inquired how to assure donors that funds are used for forests, and not for other purposes.

### ***INCREASING FINANCING FOR SFM: INSTITUTIONAL AND GOVERNANCE STRATEGIES AT THE INTERNATIONAL LEVEL***

Institutional and governance strategies at the international level to increase SFM were addressed in plenary and group sessions on Thursday, 11 September. Presentations and discussions focused on the current international financing framework, opportunities and gaps within the framework and the role of indigenous communities.

Andrea Kutter, Global Environment Facility (GEF), described the changing international architecture for environmental financing and its implications for forests. She



Andrea Kutter, Global Environment Facility

noted that over 20 new funding mechanisms have emerged in the past year and highlighted the move towards catalytic and results-based financing; noting the proliferation of funding requires the coordination of mandates. 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 PES. Noting that some financing mechanisms occur informally and cannot be captured, he stressed that constraints to successful mechanisms include 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 of forests. He challenged the notion of national sovereignty, saying it is often used to avoid addressing the underlying causes of deforestation.

**DISCUSSION:** Participants discussed how to 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.

They encouraged the development of a common understanding of the current international financing framework, acknowledging that it is a complicated issue. Many expressed that there is much room for improvement on the interface between users and providers of funding, with some participants highlighting the difficulties in accessing funding. To address this situation, participants suggested building upon the existing CPF Sourcebook as an information clearinghouse, with dedicated human resources to help users navigate the various funds and application processes. A few participants lamented the lack of delivery on past promises from financial institutions and others called for an analysis of the efficacy of current funding activities. 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. Some participants suggested that a portion of funding be derived from local sources, to prevent excessive reliance on outside sources and funding cycles. Participants called for financing criteria to be supportive of multiple forest benefits, namely the conservation of biodiversity and combating climate change and land degradation. Others pointed to the role of

national governments in having clear policies and strategies to use funds, with one participant highlighting a problem with some countries' capacity to make use of these funds.

Many stressed the need for funding to reach communities and grassroots-level organizations. Others 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. Communication between sectors at the national level was also identified as a challenge to overcome.

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 is still being defined, and that countries and stakeholders will have an opportunity to contribute their views in the coming months.

### CO-CHAIRS' SUMMARY REPORT

On Friday, 12 September, Co-Chair Pigot presented the Co-Chairs' Summary Report. He said the Report provides a summary of the meeting's discussions, encapsulates the diverse range of views and opinions expressed throughout the week, and is not intended as a consensus document. He noted that it provides a summary of conclusions and recommendations that emerged during the meeting, including on: issues, opportunities and challenges for SFM; and institutional and governance strategies at national and international levels for financing SFM.

Participants requested the addition of text on: the need to expand technical and educational services, enhance access to markets, and reform taxation policy to encourage family and community forestry; and the relevance of integrating an SFM financing strategy into national forest strategies or programmes. Participants made some editorial comments on the summary of conclusions and recommendations, with one participant preferring "sources of financing" to "the portfolio approach," as the latter had yet to be agreed to by the Forum. Participants agreed to the document.

**Final text:** The Co-Chairs' summary report lists conclusions and recommendations on issues, opportunities and challenges for SFM including, *inter alia*:

- The proliferation of international and regional forest-related institutions, processes and funds necessitates greater coordination to promote coherence;
- The UNFF is in a stronger position to play a major role, having agreed in 2007 to a Multi-Year Programme of Work and NLBI, but this work will depend on the mobilization of significantly increased new and additional resources;
- PES markets are still evolving and hold great potential for mobilizing SFM financing, although resistance may come from those who currently receive these services for free, and those who object to the commoditization of nature;
- PES systems need to be flexible, supported by a strong institutional framework, and adapted to national contexts;
- The current climate change financing focus on REDD may overlook the other benefits provided by SFM, such as water regulation and biodiversity conservation;
- REDD must respect the rights of local communities, indigenous peoples and small forest owners;

- The World Bank's Forest Investment Program, currently in development, holds the potential to mobilize increased funds for REDD and SFM, though the exact scope has yet to be determined;
- A disconnect exists between international processes and funds and the local context, and financing should aim to attract additional and sustained funding at the local level;
- SFM requires good governance and an enabling policy environment for SFM at the national level, including: policy coherence between ministries, elimination of bureaucratic barriers and corruption, strengthened law enforcement, and removal of perverse incentives for deforestation; and
- ODA can play a role in providing "up front" investment in PES, but it should primarily be a catalyst for subsequent funding from the private sector.

The report also lists conclusions and recommendations on institutional and governance strategies at the national and international level for financing SFM including, *inter alia*:

- Conducting country-level inventories of forest resources, including a preliminary assessment of the forest's value;
- Formulating long-term visions for the sustainable development of forests and forest lands through participatory and inter-sectoral processes;
- Establishing an enabling policy, legal and institutional environment;
- Respecting the rights of local and indigenous communities when establishing partnerships at the grassroots level;
- Improving the interface between donors and recipients of financing for SFM;
- Ensuring that international funding reaches communities and grassroots-level organizations;
- Establishing PES schemes that do not result in relocating indigenous communities or making traditional practices illegal; and
- Increasing policy coherence among existing, new and emerging forest-related funding mechanisms.

### CLOSING OF THE MEETING

Further to the adoption of the report, Co-Chair Pigot thanked the organizers of the meeting and commended participants for their hard work and participation. He noted that the Paramaribo Dialogue had delivered on its promise to significantly deepen the understanding of financing SFM in support of the UNFF.

Michael Jong Tjien Fa, Suriname Minister of Physical Planning, Land and Forest Management, highlighted the open

and insightful dialogue on SFM that had taken place over the course of the week. He noted that participants had addressed the most pressing issues of financing SFM, considered the constraints that exist within the international framework, and discussed methods to overcome these. He asked for support for Suriname, as a high forest cover low



Michael Jong Tjien Fa, Suriname Minister of Physical Planning, Land and Forest Management

deforestation rate country, in future meetings and dialogues and expressed hope that a successful outcome on SFM financing will occur at UNFF 8. He closed the meeting at 3:26pm.



## UPCOMING MEETINGS

**WORKING FORESTS IN THE TROPICS: PARTNERING RESEARCH WITH PRACTICE FOR CONSERVATION AND DEVELOPMENT:** This meeting will take place from 6-7 October 2008 in Gainesville, US. It will explore how scientists from universities and research organizations have worked in partnership with government agencies, policy-makers, the private sector, social movements, and natural resource managers to advance conservation and development through applied research and capacity building. For more information, contact: Jhanna Gilber, University of Florida; tel: +1-352-392-5930; fax: +1-352-392-9734; e-mail: jhanna@ufl.edu; internet: <http://conference.ifas.ufl.edu/tropics/>

**INTERNATIONAL CONFERENCE ON TRADITIONAL FOREST-RELATED KNOWLEDGE AND SFM IN AFRICA:** This meeting will take place from 15-17 October 2008 in Accra, Ghana. It will highlight the importance of traditional forest-related knowledge (TFRK) towards achieving the Millennium Development Goals and SFM. The conference will cover: context and history of the relationship between formal forest knowledge, and “scientific” forestry and TFRK with respect to forest management, including community participatory approaches in Africa. For more information, contact: Alfred Oteng-Yeboah; e-mail: otengyeboah@yahoo.co.uk; internet: <http://www.iufro.org/science/task-forces/traditional-forest-knowledge/activities/accra08/>

**EUROPEAN FOREST WEEK:** This meeting will take place from 20-24 October 2008, and will be marked by events in Brussels, Rome and throughout Europe. The week highlights the contribution of European forests in mitigating the effects of climate change, providing wood and renewable energy, promoting fresh water supply and protecting the environment. For more information, contact EFW Coordinator: e-mail: [efw@unece.org](mailto:efw@unece.org); internet: <http://www.europeanforestweek.org/home/en/>

**PROVOKING CHANGE: STRATEGIES TO PROMOTE FOREST USERS IN THE AMAZON:** This meeting will take place from 10-14 November 2008 in Santa Cruz de la Sierra, Bolivia. It will address the options and requirements of a broader operational framework for the sustainable development based on the use, management and conservation of Amazonian forests. For more information, contact: Inka Montero; e-mail: [inka.montero@waldbau.uni-freiburg.de](mailto:inka.montero@waldbau.uni-freiburg.de); internet: [http://www.waldbau.uni-freiburg.de/forlive/05\\_Events/sc.html](http://www.waldbau.uni-freiburg.de/forlive/05_Events/sc.html)

**AD HOC EXPERT GROUP TO DEVELOP PROPOSALS FOR THE DEVELOPMENT OF A VOLUNTARY GLOBAL FINANCIAL MECHANISM/ PORTFOLIO APPROACH/FOREST FINANCING FRAMEWORK:** This UNFF *Ad Hoc* Expert Group meeting will take place from 10-14 November 2008, in Vienna, Austria. Participants will develop proposals for the development of “a voluntary global financial mechanism/portfolio approach/ forest financing framework,” to be presented at the UNFF 8 in 2009. For more information, contact: UNFF Secretariat; tel: +1-212-963-3160; fax: +1-917-367-3186; e-mail: [unff@un.org](mailto:unff@un.org); internet: <http://www.un.org/esa/forests/adhoc-SFMfinance.html>

**FOREST DAY 2:** This event will take place on 6 December 2008 in Poznan, Poland, coinciding with the 14th Conference of the Parties of the UN Framework Convention

on Climate Change. Forest Day provides an international, multi-stakeholder forum on forest and climate change policies at global, national and local levels. For more information, contact: CIFOR Headquarters; tel: +62-251-622-622; fax: +62-251-622-100; e-mail: [cifor-forestday@cgiar.org](mailto:cifor-forestday@cgiar.org); internet: [http://www.cifor.cgiar.org/Events/CIFOR/forest\\_day2.htm](http://www.cifor.cgiar.org/Events/CIFOR/forest_day2.htm)

**EIGHTH SESSION OF THE UN FORUM ON FORESTS:** UNFF 8 will take place from 20 April - 1 May 2009, at UN Headquarters in New York. Agenda items include working to reach agreement on a decision on a “voluntary global financial mechanisms/a portfolio approach/forest financing framework,” and will address the theme of forests in a changing environment. For more information, contact: UNFF Secretariat; tel: +1-212-963-3160/3401; fax: +1-917-367-3186; e-mail: [unff@un.org](mailto:unff@un.org); Internet: <http://www.un.org/esa/forests/session.html>

## GLOSSARY

CLI	Country-Led Initiative
CPF	Collaborative Partnership on Forests
IAF	International arrangement on forests
IFF	Intergovernmental Forum on Forests
IPF	Intergovernmental Panel on Forests
ITTO	International Tropical Timber Organization
MAR	Monitoring, assessment and reporting
SFM	Sustainable forest management
NLBI	Non-legally Binding Instrument on All Types of Forests
PES	Payment for environmental services
REDD	Reducing emissions from deforestation and forest degradation
TFRK	Traditional forest-related knowledge
UNFF	United Nations Forum on Forests



Stephanie Caswell (US) (left) and Kim van Seeters (right) on behalf of Hans Hooegeven (the Netherlands) received a token of appreciation from Suriname.