



**United Nations Forum on Forests
Open-ended Intergovernmental Ad hoc
Expert Group Meeting on Forest Financing
Second Meeting
Vienna, 14-18 January 2013**

**Compilation of substantive submissions from Governments
on strategies to mobilize resources from all sources to support the
implementation of sustainable forest management, the achievement of
the global objectives on forests and the implementation of the
non-legally binding instrument on all types of forests**

BACKGROUND PAPER

E/CN.18/AEG/2013/BP.1

Summary

At the special session of its ninth session, the United Nations Forum on Forests decided to establish the Open-ended Intergovernmental Ad Hoc Expert Group on Forest Financing to make proposals on strategies to mobilize resources from all sources to support the implementation of sustainable forest management, the achievement of the global objectives on forests and the implementation of the non-legally binding instrument on all types of forests, including, inter alia, strengthening and improving access to funds and establishing a voluntary global forest fund. At its ninth session, the Forum also adopted the Resolution on Forests for People (E/2011/42-E/CN.18/2011/20). In paragraph 24 of this Resolution, the Forum invited substantive submissions from Governments, relevant regional organizations and processes and major groups on strategies to mobilize resources from all sources to support the implementation of sustainable forest management, the achievement of the global objectives on forests and the implementation of the non-legally binding instrument on all types of forests, including, inter alia, strengthening and improving access to funds and establishing a voluntary global forest fund, and the advantages and disadvantages of different options, envisaged functions, structures, requirements and deliverables of these options. The present document contains substantive submissions from Bangladesh, the European Union, Finland, the Group of 77 and China, Guyana, Japan, New Zealand, Norway, and Switzerland. This document is submitted, in accordance to the Resolution of Forest for People, to facilitate the work of the Expert Group during its second meeting.

Substantive Submission on Forest Financing in Bangladesh

Introduction

Bangladesh Forest Department has been continuously working to bring 20 percent of the country's geographical area under tree cover by the year 2015 to fulfill the MDG's objectives in order to achieve self-reliance in forest products and maintenance of ecological balance. Almost half of the area has some short of tree coverage. Approximately 19.20% of the land has tree cover of more than 10% density, which is considered as the forest coverage of the country. It is estimated that the target of high density tree coverage of the country (20%) will be achieved by 2015.

Forestry Master Plan

To address the national commitment for forestry sector development, Government has formulated the National Forest Policy 1994, which is an elaborative document for this sector. At the same time Forestry Sector Master Plan (1995-2015) has been prepared and approved. Both the documents addressed the need for 20% land to be brought under forest cover by 2015. Estimated cost of development program of this Forestry Sector Master Plan was Tk.8000 million under following three categories:

- People Oriented Program
- Production Directed Program
- Institutional Development

Based on these programs a number of development activities have already been implemented in the country since 1995. Considerable changes have been made in the management of forest resources. People oriented participatory social forestry program has been the successful strategy for poverty reduction in the forestry sector of Bangladesh.

Till to date there is comparatively less investment during the plan period. On an average 1000.00 million Tk. was invested each year since 1995. At the end of the plan period for successful implementation of the Forestry Sector Master Plan, external financing is essential to meet the target of Master plan.

Sixth Five Year Plan

The country's sixth five year plan 2011-2015 has laid down a road map by marshalling country's scarce resources to move to the higher trajectory of growth path based on the philosophy of inclusive growth process. Removing income inequality and regional imbalances are the other key objectives of the government embedded in the sixth five year plan. The plan came into operation from July, 2010.

An amount of Tk. 27083.50 million has been estimated for development of forestry sub sector during the Sixth Five Year Plan Period.

The main objectives of the forestry sector during sixth five year plan are to expand forest resources, make forests productive, and develop institutional capabilities and to encourage people's participation. About 20 percent forest coverage by the end of 2015 has been expected in the Twenty Years Master Plan (1995-2015) prepared for the forestry sub sector.

Under the present trend allocation, it is not possible to achieve that target of 20 percent forest coverage by the end of 2015. Considering the allocation constraints international efforts as well as forest financing is urgently needed for sustainable development in the forestry sector in Bangladesh including low carbon development, mitigation, technology transfer. There must have some obligation for adequate international financing in the country.

Millennium Development Goals

The Millennium Development Goals (MDGs) has eight goals to be achieved by 2015 that respond to the world's main development challenges. The MDGs are drawn from the actions and targets contained in the Millennium Declaration in September 2000. Bangladesh is one of the signatories among 189 countries in the world to the Millennium Declaration (2000). As a part of that agreement, Bangladesh is working towards achieving the Millennium Development Goals (MDGs) by 2015.

Bangladesh faces huge social, institutional and policy challenges to achieve the MDGs objectives in general and MDG-7 in particular. Many of these challenges have been compounded as a result of uncoordinated development interventions and its adverse impact on the environment and country ecosystems.

Progress or Achievement of MDGs

The following table shows the progress or achievement of millennium development goals in respect of goals 7:

Goals & Targets	Indicators of Monitoring	In 2007	Achievement/ Progress (up to April, 2012)
Goal 7: Ensure Environmental Sustainability.	7.1 Proportion of Land Area Covered by Forests.	19.20 % (tree density above 10 %)	19.33 %
	7.6 Proportion of Territorial and Marine Area Protected.	1.78 %	1.83 %

Problem to Achieve MDGs Target

There are problems to achieve the MDG's target in the forestry sector. These are; unsustainable financing, shortage of skill manpower, conflicting land use policy, and weak law enforcement activities coupled with population growth resulting unemployment and poverty.

Climate Change Perspectives

Adequate attention has been given to combat adverse effect of climate change. Immediate after the Bali conference (COP 13) government formulated Bangladesh Climate Change strategy and Action Plan (BCCSAP) with six pillars and programme of actions formulated there under in 2009 to increase country's resilience to climate change; reduce the risks climate change poses to national development; and rapid develops the country, following a low carbon growth path. The Six pillars are;

- Food security
- Comprehensive disaster management
- Infrastructure
- Research and knowledge management
- Mitigation and low carbon development
- Capacity building and institutional strengthening

This document is considered as a living document and will be periodically reviewed depending on the new scientific findings, change in national priorities for development and the pace of international negotiation. About US \$ 500 million will be needed immediately, and about US \$ 5 billion will be needed within the next 5-10 years to implement the strategy. While international assistance is crucial, apart from Govt. development budget the Government of Bangladesh has earmarked 21000 million taka for mitigation and adaptation efforts. Moreover, external support is required for achieving the objectives of BCCSAP.

Bangladesh Climate Change Trust Fund (BCCTF)

In the line of BCCSAP, Government has established Bangladesh Climate Change Trust Fund (BCCTF) under GoB budget in the year 2009 to meet the urgent task of adverse effect of climate change. Over the last three years GoB has allocated 21000 million taka in this fund. This fund is working with the issue of climate change such as adaptation, mitigation and development, technology transfer and capacity building into the mainstream planning process.

Bangladesh Climate Change Resilient Fund (BCCRF)

In the wake of London conference, a multi donor trust fund for climate change was proposed as a modality for the development partners to support Bangladesh in implementing the BCCSAP. Following this, the Bangladesh

Climate Change Resilient Fund (BCCRF), with contribution from bilateral donors, was set up in May, 2010. The BCCRF will be managed and implemented by the Government of Bangladesh. Technical assistance portion of the BCCRF will be executed by the World Bank with agreement of the Government of Bangladesh. By this time, 113.6 million US \$ was deposited in this fund. It's so inadequate to adaptation and mitigation of adverse effect of climate change in Bangladesh. So forest financing is urgently required to face the challenges of climate change.

There is no doubt that smooth flow of financing, transfer of environmentally sound technologies and capacity building for sustainable forest management is important elements for the implementation of previous resolutions adopted by the forum (UNFF), including the IPF/IFF proposals for action.

Developed countries have so far failed to perform their responsibility to address the adverse effect of climate change. UNFF as well as developed countries should come forward and assist the least developed countries to fulfill their obligations as signatories to the MDGs.



EUROPEAN UNION
DELEGATION OF THE EUROPEAN UNION
TO THE UNITED NATIONS
Head of Delegation

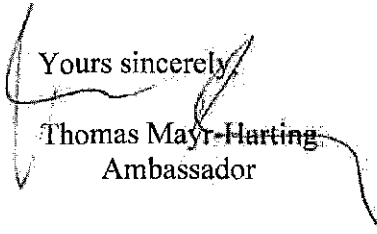
New York, 16 April 2012
DELUSANYC/2012/D/00079

Dear Ms. McAlpine,

Please find attached the submission on behalf of the European Union and its Member States¹ in response to the UNFF-9 resolution on means of implementation, which invites substantive submissions by 1 March 2012 from governments, relevant regional organisations and processes, and major groups, on strategies to mobilise resources from all sources to support the implementation of sustainable forest management, the achievement of the Global Objectives on Forests and the implementation of the Non-Legally Binding Instrument on All Types of Forests, including, *inter alia*, strengthening and improving access to funds and establishing a voluntary global forest fund, and on the advantages and disadvantages of different options, envisaged functions, structures, requirements and deliverables of these options.

The EU and its Member States hope that the views and consideration expressed in the submission will help to further the future work of the UNFF, the CPF members, and other stakeholders on forest-related financing and strategic elements that are to be taken into account. We look forward to participating constructively in the follow-up discussions on the matter, including with possible views on advantages and disadvantages of different options, envisaged functions, structures, requirements and deliverables of various options.

Yours sincerely,


Thomas Mayr-Harting
Ambassador

Annex:

- Submission by the EU and its Member States in response to the UNFF-9 resolution on MoI

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¹ The acceding country Croatia aligns itself with these proposals.

SUBMISSION OF THE EUROPEAN UNION AND ITS MEMBER STATES

Introduction

This submission by the European Union and its Member States¹ is a response to the UNFF 9 resolution on means of implementation, which invites substantive submissions by 1 March 2012 from Governments, relevant regional organizations and processes and major groups on strategies to mobilize resources from all sources to support the implementation of sustainable forest management, the achievement of the Global Objectives on Forests and the implementation of the Non-Legally Binding Instrument on All Types of Forests, including, *inter alia*, strengthening and improving access to funds and establishing a voluntary global forest fund, and on the advantages and disadvantages of different options, envisaged functions, structures, requirements and deliverables of these options.

The EU and its Member States wish to put forward some preliminary views on forest-related financing in general and on relevant principles of forest financing, as well as on possible strategic elements that should be taken into account in forthcoming work by the UNFF, CPF members and other stakeholders in the run-up to the Organization-Led Initiative (OLI) envisaged to be held in late September 2012, as well as to the 2nd Ad Hoc Expert Group (AHEG) of the UNFF.

However, it is recognized that at the time of making this submission, some relevant information is yet to become available, in particular related to the OLI to be organized by the CPF by invitation of UNFF 9 in the same resolution. The EU and its Member States may complement this submission at a later date with additional views as the global situation in relation to forest financing develops.

General observations

- A number of global forest finance instruments have been established in recent years, including the FCPF, the FIP and the UN REDD programme. In particular, the SFM/REDD programme, established under the fifth replenishment of the GEF provides broad access to funding for all eligible countries and all types of forest for all thematic elements of SFM. The Green Climate Fund launched at the recent UNFCCC conference in Durban should also have a key role in financing result-based actions to address deforestation and forest degradation and promote forest restoration.
- Over the past few years, the international community has made great progress in recognising and addressing the cross-boundary or even global role of forests in, *inter alia*, provision of forest products, mitigating of and adapting to climate change and in conserving biodiversity and combating desertification. Consequently, new policies and pro-

¹ The acceding country Croatia aligns itself with these proposals.

grammes have emerged (e.g. payments for ecosystem services and REDD+) which provide new opportunities for financing investments and additional revenues for sustainable forest management, the achievement of the Global Objectives on Forests and the implementation of the Non-Legally Binding Instrument on All Types of Forests. These need to be fully developed and tapped, taking the implementation of other forest-relevant instruments into account. Consequently, the discussion on financing SFM takes place in many international fora.

- The promotion of a horizontal and coherent policy framework, as well as market instruments, including certification systems, contribute to the development and implementation of sustainable forest management (SFM). The positive role of the formal and informal private sector, especially in stimulating employment opportunities needs to be fully recognized and their potential in playing a major role in addressing deforestation and enhancing SFM needs to be strengthened.
- In the EU, FLEGT is another instrument which has been introduced and developed together with partner countries, offering *inter alia* financial support and supportive development measures for further development of effective legal frameworks with wide stakeholder support, covering all aspects of sustainable forest management, as well as law enforcement and good governance. In the view of the EU and its Member States, these are basic requirements for enhancing sustainable forest management and for establishing favourable conditions to attract investments in forestry and to enhance payments for forest goods and services from all financing sources, public and private, including innovative sources. The EU aims to contribute towards such enabling conditions by implementing the EU Forest Law Enforcement, Governance and Trade Action Plan and by concluding FLEGT Voluntary Partnership Agreements ensuring verifiable legality, governance and law enforcement between the EU and partner countries. Strengthening forest governance and finance as an emerging opportunity has also been recommended by the COFO of the FAO at its 20th Session.

Principles for forest financing

- The EU and its MS are aware that forest financing covers a wide range of activities that includes both the mobilisation, access and effective use of funds for investments, as well as the generation of additional revenue streams based on the payment of forest goods and services.
- The EU and its Member States believe that there is no single financial instrument that could meet the needs of all countries or different groups of actors involved in all aspects of SFM on all levels (local, national, regional, international). Consequently, finance should continue to come from a range of complementary sources: public and private, and domestic and foreign, bilateral and multilateral. Policies on forest finance should facilitate the finance necessary to enhance the sustainability of the productive services of forests and must be a central pillar of all forest finance policy and relevant for all sectors dealing with forestry issues (e.g. climate change and biodiversity)
- At the national level, resource mobilization and financing for local and global goods and services need to be mainstreamed in forest finance policies and in national forest

policies and practices with a view to strengthen social, environmental and economic incentives and safeguards. At international level, existing financing mechanisms should be encouraged through their governing bodies to aim for more coherence and the creation of enabling conditions for mutual support, simplified access and reduced reporting and administrative burden.

- The EU and its Member States see great potential for mobilizing new and additional financing for SFM in the private sector, including the banking/finance sector. Challenges remain to create instruments and conditions to increase its involvement and to ensure that investments meet the principles of sustainability, although there has been progress on this in recent years as consumers show preference for sustainable forest products and services. Good prospects exist for enhanced private and public investments in SFM in the context of the green economy, with increasing convergence between forest and fibre, energy and food markets. Investments will be stimulated where efforts are made towards good forest governance, coherent policies and clear tenure systems. The development and maintenance of stable and effective regulatory frameworks in support of investments (e.g. by addressing market, policy and governance failures, forest law enforcement and deficits in information, training and institutional capacity) should be supported with public funds.
- To attract long-term finance for SFM especially from the private sector, countries should establish an enabling regulatory and investment-friendly environment which allows for a manageable level of risk for private investors and a transparent environment for public support. To that end, the EU and its Member States are of the opinion that official development assistance (ODA) should be catalytic. Enabling and facilitating public policies, including forest and financing, should contribute to the establishment of stable and effective regulatory frameworks, so that private investment in sustainable forest management can emerge and private markets, domestic and international, can function. The EU and its Members States are supporting partner countries in their efforts to improve enabling conditions through the FLEGT Action Plan. ODA is most effective when delivered in accordance with the Paris Declaration on Aid Effectiveness in support of the objectives set in recipient countries' poverty reduction and other national development strategies. National forest programmes or equivalent programmes/policies/ strategies, and, where appropriate, REDD+ strategies, are among such policy instruments.
- Whatever source of forest finance is concerned, the efficient and effective use of funds will need to be demonstrated, as financing arrangements for SFM increasingly require the monitoring, reporting and verification of performance, the application of robust social and environmental safeguards, and participatory and transparent design of forest-related projects and investments. In the long-term, SFM should be self-financing.

Strategic elements

- Forest financing arrangements should build on and complement one another in order to avoid the fragmentation of public resources and the increase of administrative costs that deter the mobilisation of additional and private support. The EU and its Member States

do not see forest financing as a task for a single institution, but as a set of coordinated and coherent actions involving a range of institutions.

- The capacity of relevant stakeholders/countries to assess financing needs and identify funding should be increased. The coordination of international SFM financing should be promoted. The access to new and various existing and emerging financial instruments should be facilitated and improved, building upon the collaborative work of the CPF members. We see the role of governments, regional and global organisations in stimulating and sound conditions for enhancing SFM financing. Consideration should be given to a dedicated service that provides information and advice about sources of funding. It should facilitate and improve access to and use of various existing and emerging financial instruments, building upon the collaborative work of the CPF members, with a view to developing a dedicated service that improves coordination and coherence between those instruments. The role of governments, regional and global organizations is to create incentives and stimulate and create equitable access to SFM financing.
- The formulation and establishment of national financing strategies for SFM, including adaptation to and mitigation of climate change, should be one basic building block within such a financing framework. Within these strategies, as in national forest policies, it should be identified what outputs SFM will contribute to human well-being and what types of financing are needed (and in what mixes) by different actors (public, private; small-scale, large scale; domestic, international) and for what purposes. To that end, ODA can facilitate and support the development and implementation of such comprehensive and inclusive national financing strategies within national planning frameworks (e.g. national forest programs, biodiversity, REDD+ or NLBI implementation strategies etc.) that depart from and build on national opportunities and the diversity and specificity of local realities and needs.
- The EU and its Member States believe that the Facilitative Process agreed at UNFF 9 is a pilot for this kind of financing arrangement. It incorporates the above mentioned principles of multi-source financing for several actors and several purposes, and can be tailored to developing/partner countries' needs and purposes defined in national policies and strategies. It allows to make best use of existing financing instruments from all sources, to create synergies and to enhance effectiveness of the single instruments. It combines means to establish an enabling framework for private investment with the identification of investment opportunities. In that respect, the EU and its Member States are keen to learn more about pilot activities started and running since 2009, as well as experiences and first outcomes of the facilitative process in the least developed countries and small island developing states, to identify ways to improve and enhance the pilot approach and ways to up-scale the facilitative process. Also, the insights gathered by the CPF members during the pilot phase, especially on enhanced coordination of forest-related financing will be highly appreciated.
- To further assist the realization of the Global Objectives on Forests and the implementation of the Non-Legally Binding Instrument on All Types of Forests in the long-term, the EU and its Member States are keen to examine how far the further development and management of the Facilitative Process towards such a dedicated service is feasible to

mobilise resources from all sources and to bring together suitable projects and national financing needs identified in, for example, national financing strategies, based on the principles of sustainable forest management, together with appropriate sources of available finance and vice versa. This could assist potential project developers and relevant national authorities, to the fullest extent possible, to scope potentially viable projects especially at national level and to help them overcome administrative, technical and other barriers to accessing available funding.

- Assistance should also be provided to countries and regions to help improve enabling policies and conditions for investment, and the generation of additional revenue streams.

Concluding remarks

- The EU and its Member States hope that the views and considerations expressed above will help to further the future work of the UNFF, the CPF members, and other stakeholders on forest-related financing and strategic elements that are to be taken into account.
- We look forward to participating constructively in the follow-up discussions on the matter, including with possible views on advantages and disadvantages of different options, envisaged functions, structures, requirements and deliverables of various options.

Summary

The sustainable management, improvement and conservation of Finland's extensive forest resources are based on comprehensive, regularly updated legislation and national forest programmes. Private people and families own 60% of the forests. In these forests public support is available for some silvicultural and forest improvement measures, and for maintenance of forest biodiversity. In 2010, the total costs of silvicultural and forest improvement works in Finnish forests amounted to 289 million euros, of this 206 million euros was invested in private forests. The state subsidy covered about 30% of these costs. The subsidies to harvesting and chipping energy wood from private forests amounted to 18 million euros. In total the public support for silvicultural and forest improvement works and harvesting energy wood in 2010 amounted to 80 million euros. Public funding for nature conservation totalled 24.4 million euros in 2011. Biodiversity conservation in private forests is supported by 10-year voluntary protection agreements and support to the management of forest habitats. In 2011, the public funding for these instruments totalled 8.8 million and 2.2 million euros respectively. Public funding is also allocated to finance extensive forest advisory services available for private forest owners. In the State Budget 2012, 9.3 million euros is allocated for extension, advisory services and training carried out by the national Forestry Centre. Public support is also available for improving forest sector competitiveness and profitability through support to forest industries and small and medium-sized enterprises in internationalization, innovation and improving their development and operating environment. Finland is investing considerably in forest research and education. Public funding for forest education is around 110 million euros annually. Finland's development cooperation in the forest sector amounted to 31.5 million euros in 2010. Summary table of forest-related finance in Finland is presented in the Appendix .

Introduction

This submission by Finland is in response to the UNFF9 resolution on strategies for mobilizing resources for implementing sustainable forest management, the achievement of the global objectives on forests, and the implementation of the non-legally binding instrument on all types of forests including, inter alia, strengthening and improving access to funds.

In this submission Finland shares some of her experiences in improving access to national state budget funds, deliverables of private and public funds to forest owners as well as the society at large, and creating a predictable and enabling environment for investments in forests. The submission touches upon innovative financing mechanisms as well.

The submission also shares the Finnish experiences in developing and implementing national forest policy and policy instruments on Finnish forests, cross-sectoral approach to forest finance, and cross-cutting strategies and mechanisms.

Sustainable forest management is profitable in Finland. However, the toolkit of all the necessary policy instruments for enabling this is still being constantly reviewed and renewed.

This national submission of Finland is complementing the submission made by the European Union (EU) and its Member States.

Forests in Finland

Forests have been and still are crucial for the livelihoods, economic development and cultural and spiritual well-being of Finns. In Finland, industrialization, economic development and the

development of the welfare state, which form the basis of today's societal well-being and high standard of living, have to a great extent been based on the development and utilization of forest resources. The multitude of biologically diverse forests also constitutes an important landscape element, an environment for recreation, and a habitat for flora and fauna. In addition, forests are an important part of the Finnish cultural heritage. Everyman's right grants the universal right and opportunity to everyone to use forests for recreation, outdoor activities and collecting berries and mushrooms, insofar as this causes no damage or disturbance. Non-wood forest products may have considerable importance locally and for individual households, although the value of forest services and non-wood products is small compared to the sales value of timber on the national level. Finland is the leading country in the EU in using wood for energy production. Wood accounts for about 20% of the total energy consumption, which is five times the average in the EU.

The forest cover in Finland is more extensive than in any other European country. Three fourths of the land area, some 23 million ha, is under forests. The forest area has remained almost the same over the past 50 years. However, the state of Finland's forests has improved and the volume of the growing stock has increased by more than 40% during the past 40 years to 2 200 million m³ metres (over bark) at the end of 2010. Since the mid-1970s, the use of wood in Finland has been far below the annual growth, which is now about 100 million m³ per year. In 2010 the total drain was 71 million m³.

Forestry has a central role in Finland's economy. In 2010 the value added of the forest sector was 7 494 million euros, contributing 4.8% to Finland's GDP. Regionally, however, the importance of the forest sector varies greatly, and in some regions, for instance, in south-eastern and eastern Finland and in the Kainuu region, its GDP share is as high as 10%.

The forest sector accounts for about 20% of Finland's total exports. In 2010 the value of forest products exports amounted to 10 700 million euros. Despite urbanization and the structural changes in the Finnish forest industry, the forest sector is still a notable employer. In 2010 the forest sector provided employment to about 69 000 of Finland's about 5 million inhabitants, which is about 3% of the total employed labour force.

Over half (60%) of the forest land in Finland is owned by private people and families (non-industrial private forest owners). Companies own 9% and the state 26% of the forest land. Most of the state forests are in the more sparsely populated northern and eastern regions. The remaining 5% is owned by municipalities, parishes, associations and societies. The average size of a private forest holding is 30 ha.

The total area of protected forests and forests under restricted use is about 3 million ha, which is about 13% of all forest land in Finland. The majority of the protected forests are in northern Finland.

Funding for sustainable forestry

Funding is based on legislation

The improvement of Finland's forests and their sustainable management are based on comprehensive forest legislation. The first Forest Act was enacted already in 1886. After that the forest legislation has been complemented and renewed several times to respond to the changing socioeconomic and environmental conditions. While the core principle of the early forest laws was the prevention of forest destruction, since 1990s the forest laws have focused on sustainable forest management and conservation and brought ecological and social sustainability on par with the

sustainable production of wood. Sustainable forest development has been based on the conscientious implementation of forest legislation.

Forest programmes have played an important role in Finland as a forest policy instrument and in the provision of funding for forestry for more than 50 years. The first actual forest programme was prepared in 1961, known by the initials of its authors as HKNL (Heikurainen-Kuusela-Linnamies-Nyyssönen). It was followed by two Teho programmes (1962 and 1964), three Mera programmes (1964, 1966, 1969), the Forest 2000 Programme (1985) and the New Environmental Programme for Forestry in Finland (1994). After that programme work has continued through Finland's National Forest Programmes. The earlier forest programmes focused on increasing wood production by providing finance to basic forest improvement work. These programmes laid the foundation for the increase in the volume growth described above.

Currently, the development and financing of the forestry sector in Finland is largely based on forest laws and three programmes that complement and support each other: Finland's National Forest Programme (NFP), the Forest Biodiversity Programme for Southern Finland (METSO) and the Strategic Programme for the Forest Sector (SPFS, 2011-2015). Public funding for forestry is based on the Act on the Financing of Sustainable Forestry. The Forest Act (1997) lays down provisions on the restrictions and preconditions for the use of forests. Forest legislation and official guidelines on sustainable forestry are currently under revision. The revised legislation is likely to increase forest owners' freedom of choice in the decision-making on silvicultural methods. It will also further encourage forest owners to manage their forests responsibly and sustainably.

The Act on the Financing of Sustainable Forestry promotes forest improvement and environmental management in private forests and the use of wood for energy. Under this Act, government subsidies are available for safeguarding sustainable wood production, maintenance of forest biodiversity, and improvement of the health of forests.

National Forest Programme provides the framework

Within the past a little more than a decade two NFPs have been drawn up, the first in 1999 and the second in 2008. The most recent one, Finland's National Forest Programme 2015, was adopted by the Government in 2008, but because of the rapid changes in the operating environment it was revised and finally adopted for implementation by a Government Decision in late 2010. The NFP's mission – to generate increased welfare through diverse and sustainable forest management – acknowledges the multiple roles of forests in providing both economically valuable products and non-material benefits. The NFP's vision sees Finland as “a responsible pioneering country in the future global bioeconomy, where forest-based livelihoods are competitive and profitable, and biodiversity and the other environmental benefits derived from forests are enhanced”. The NFP is based on three objectives derived from the vision: strengthening forest-based business and increasing the value of production; improving the profitability of forestry; and strengthening forest biodiversity, environmental benefits and welfare implications.

The new programme differs from its predecessors specifically in that it brings forest products and services that are considered to offer the greatest potential for success to the forest sector on par with ensuring sustainable forest management. One particular aim is to promote the use of wood and refined wood-based biofuels.

The NFP emphasises cross-sectoral and society-wide approach to forest development. Important decisions affecting forests are made in other sectors, for example, in relation to energy issues and climate change. Coordination between and coherence within sectoral policies is thus important for overall forest sustainability. Collaboration between different ministries, forest industry, private forest owners, research community, and other stakeholders forms the basis for sustainable forestry

development. The NFP was prepared in broad cooperation with various stakeholders and drawing on the operating strategies of the different interest groups. The Government's commitment to the preparation and implementation of the NFP broadened the political consensus over the national forest programme in Finland.

The formal adoption of the programme has made it a binding forest policy framework in the Government policy arena. The commitment of the key ministries, the Ministry of Finance, in particular, and the parties in power has provided better opportunities to incorporate expenses, including indirect and direct public subsidies, into the state budget for implementing the programme. The programme is implemented subject to spending limits and appropriations available under the state budget. The estimated needs for annual public funding for NFP 2015 are close to 600 million euros. This amount consists of the funding needed by five different ministries involved in the implementation of the NFP.

Investment and public support for silvicultural and forest improvement works

In Finland the first Forest Improvement Act was adopted already in 1928. It has since undergone several changes. The latest change was in 1997, when the Act on the Financing of Sustainable Forestry entered into force. Under this Act forest owners planning certain types of forest management and improvement measures (including the tending of seedling stands, improvements in young stands, and the construction and improvement of forest roads) may apply for subsidies.

The total costs of silvicultural and forest improvement work in Finnish forests amounted to 289 million euros in 2010. Of this, 206 million euros was invested in forest improvement measures in non-industrial private forests, 30 million euros in forest lands owned by forest companies, and 53 million euros in state forests.

The state subsidies to finance sustainable forest improvement measures in private forests amounted to 63 million euros. Self-financing and own labour input by private forest owners amounted to 144 million euros in 2010, which means that the subsidy contributed about 30% of the total costs of silvicultural and forest improvement work in non-industrial private forests.

Almost 60% of the total costs of silvicultural and forest improvement work consisted of the costs of regeneration and management of young stands. In 2010 the total area of silvicultural and forest improvement work amounted to about 700 000 ha and the construction and basic improvement of forest roads to over 4 000 km. In the state budget 2012 about 60 million euros is allocated to support silvicultural and forest improvement work.

The total gross stumpage earnings across all ownership categories amounted to about 1 769 million euros in 2010. During the same year, the net stumpage earnings by non-industrial private forest owners were 1 231 million euros, and their operating profit 88 euros per hectare. On average, the state support to wood production on private holdings was 4.8 euros per hectare.

Until 2012 public support has also been available for harvesting and chipping energy wood from non-industrial private forests. In 2010 the subsidies to these activities amounted to 18 million euros and the volume of energy wood harvested to about 2 million m³.

In total the public support for silvicultural and forest improvement works and harvesting energy wood amounted to 80 million euros in 2010. Between 2004-2008, 42% of those who own over five hectares of forest received public support for these measures. In the state budget 2012 about 79 million euros have been allocated for these purposes.

Public support for biodiversity conservation

The central legal instruments for safeguarding forest biodiversity on private lands include the Nature Conservation Act, the Forest Act, and the Act on the Financing of Sustainable Forestry. The Forest Biodiversity Programme METSO, initiated in 2008 and running until 2020, enhances Southern Finland's network of protected areas and safeguards forest biodiversity across the whole country, focusing on Southern Finland. The METSO Programme has been prepared and implemented in parallel to the NFP to help achieve national biodiversity goals.

The METSO programme aims to consolidate the favourable trend in forest biodiversity by improving the maintenance of habitats and structural features of forests vital to the survival of threatened species. New areas and networks of areas that support forest biodiversity are being created, and the biodiversity of existing conservation areas is being improved. The principles of the new protection methods include voluntary participation by forest owners, preservation of ownership, and full compensation of economic losses. The Finnish Government plans to spend about 40 million euros annually through the METSO programme to protect forest biodiversity and support the related research work. METSO Programme is based on the experiences gained from the METSO pilot phase (2003-2007) where the voluntary tools of the programme were tested. During the pilot phase about 7 000 hectares of habitats were temporarily or permanently protected in privately owned forests.

The site selection criteria define ten forested habitats that are being preserved under the METSO programme, in other words, they form "an ecological shopping list". The sites are selected according to their ecological structure and value for biodiversity. Another important selection criterion is the proximity of potential sites to the current network of protected areas. Impacts on economic activities, recreation, tourism, and cultural values may also be considered.

METSO offers voluntary measures for forest owners to protect their forests or to enhance natural values of the forests through management measures and to receive compensation for these activities. The options the METSO programme offers are permanent protection, temporary protection, and management of forest habitats. Conservation is based on the forest owners' voluntary tender. Permanent protection can be implemented according to the Nature Conservation Act by establishing a private conservation area, by selling the area to the state, or by exchanging the area with the state. When a conservation area is established as a private conservation area under this Act, the area remains the property of the landowner and the owner receives compensation which corresponds to the economic loss caused by conservation.

If protection is agreed on a temporary basis, an environmental support agreement is made for the area in accordance with the Act on the Financing of Sustainable Forestry for a period of ten years. Typical sites covered by environmental support include valuable habitats protected under the Forest Act. By means of the support, the area protected can form a more extensive entity than what is protected by the law. Temporary protection can also be implemented under the Nature Conservation Act, in which case the maximum term of the protection agreement is 20 years.

The Act on the Financing of Sustainable Forestry promotes sustainable forest management by granting government support for private forestry measures which aim at the maintenance of forest biodiversity and ecosystems. Management of forest habitats may aim at maintaining or enhancing natural values, or at restoring the forest to a more natural state. The management work is planned in cooperation with the forest owner, and the management will not cause costs to the forest owner.

In 2011 METSO was implemented through the instruments provided by the Nature Conservation Act by acquiring 2 862 ha of forest land to state ownership and by establishing private permanent conservation areas (2 956 ha) and private temporary conservation areas (194 ha, agreement for 20 years). In 2008-2011, 13 682 ha of habitats have been protected in privately owned forests by

using these conservation instruments. The funding in 2011 totalled 24.4 million euros; during 2008-2011 the funding has been approximately 64 million euros.

In 2011 voluntary 10-year protection agreements made under the Act on the Financing of Sustainable Forestry covered an area of 5 126 hectares and the support totalled 8.8 million euros. During 2008–2011 about 23 300 hectares of habitats in privately-owned forests have been protected by these agreements, totalling about 26.3 million euros. State support for the management of forest habitats amounted to 2.2 million euros in 2011 and totalled 9.4 million euros during 2008–2011.

Along with privately owned lands, METSO contributes to the conservation, restoration and management of publicly owned lands, such as forests managed by Metsähallitus, the state-run enterprise that oversees the state-owned forests. As part of METSO Programme, Metsähallitus has protected a total of 10 000 hectares of state-owned commercially managed forests.

Experts from the University of Helsinki have devised a tool known as Zonation, which applies GIS data on a wide range of ecological parameters to target the most valuable sites, enhancing the connectivity of protected areas to establish 'green corridors'. Under the METSO programme, Zonation has been applied in the South Savo region with favourable results. Research plays an important role in assessing long-term ecological, economic and social impacts of the METSO programme. Under the programme, 2 million euros per year are allocated to support both basic and applied research on forest biodiversity. Zonation was utilized in prioritizing and selecting 10 000 hectares state-owned commercially managed forests to be included in the conservation areas under the METSO programme.

In addition to the protection agreements described above, biodiversity conservation in commercial private forests is promoted by forest legislation, recommendations and instructions for best practices in forest management, and certification. Today 95% of Finland's forests are certified under the PEFC system. In accordance with the recommendations, old broadleaved trees are left standing in commercial fellings. Decayed trees or other trees that have special biological value are also retained. According to forest certification requirements, a certified site must have an average of 5-10 such trees per hectare. In 2010 the average number of living retention trees in clear felling sites was 10 per hectare, their volume was 2.8 m³, and value 89 euros per hectare. In the same year clear fellings in private lands covered 144 800 hectares. Based on the estimated loss of earnings per hectare, the investments in private forests for maintaining and increasing biodiversity in clear felling sites amount to almost 13 million euros per year.

Finance for improving profitability and competitiveness

The first fixed-term Strategic Programme for the Forest Sector (SPFS 2009–2011) prepared by the Ministry of Employment and the Economy aims to launch and implement projects and initiatives to support strategic goals in the forest sector and to improve the profitability and competitiveness of the entire value chain of the forest and wood sector. The programme was followed by a new Strategic Programme for the Forest Sector (2011-2015). The preparation and steering of the Strategic Programme for the Forest sector takes place in close coordination with the NFP process.

The main aims of the SPFS programme are to initiate and implement processes that enhance the competitiveness and renewal of the forest sector, monitor and foresee changes in the operating environment, and coordinate proactive measures to support forest industries and entrepreneurship. The programme also focuses on coordinating cross-sectoral forestry development measures.

Under the SPFS programme the internationalization of woodworking industry was supported by around 5 million euros in 2010-2011.

In 2010-2011 Tekes, the Finnish Funding Agency for Technology and Innovation, has granted around 25 million euros to innovative projects aimed at generating new know-how and new kinds of products, processes, and service or business concepts in the wood industry sector.

In 2010 the Ministry of Employment and the Economy granted around 9 million euros as public subsidies to pulp and paper industry and around 20 million euros to mechanical woodworking industry. This aid to business is primarily aimed at improving the long-term competitiveness through, for example, projects improving the development and operating environment of small and medium-sized enterprises.

Costs of providing societal benefits on state lands

Metsähallitus is a state enterprise that administers more than 12 million hectares of state-owned land and water areas. It runs business activities subject to restrictions set by legal obligations related to biodiversity conservation, recreational use of forests, employment, and consideration of Sami culture and reindeer husbandry. Fulfilling these obligations restricts timber production and gives rise to costs in the form of lost timber revenues, increased planning costs, etc. In 2010 the restrictions affected an area of about 624 000 ha and the costs of additional inputs and lost timber revenues amounted to an estimated 52.5 million euros.

Financing research, education and advisory services

Because of the great importance of forests for the Finnish society, Finland has long traditions in forest research and forestry education and advisory services. The principal source of funding for forest research in Finland has for decades been the annual appropriations in the state budget. In the last ten years, however, the share of other funding has grown to about 30% of all research funding. The Finnish Forest Research Institute (Metla) is the main forest research organisation in Finland. Metla employs about 650 researchers working on forests and wood-related topics. The National Forest Inventories prepared by the Metla provide information on the current state of Finland's forests, and national and regional trend forecasts for forest resources are derived from them. This information is crucial for planning the use and management of forests. In the state budget 2012 the appropriation for funding Metla is about 43.4 million euros. Forest-related research is also done in several universities and smaller research units.

Forestry education is available on different levels, from vocational education and training to universities. The government funding for forest education is around 110 million euros annually. In 2010 the number of graduates with a degree in forestry totalled 1 184, of which over 60% in vocational education and training.

Forest planning is the most important practical tool for implementing sustainable forest management, taking into account the harvesting potential, safeguarding of biological diversity, and other goals that forest owners may have for their forests. Baseline information on forests is needed for comparing calculations based on various scenarios. Forest planning is done on many levels: by individual holding, by region, by municipality, by forests managed by Metsähallitus and the forest industry companies, or for the entire country. Management plans for individual forest holdings help and guide private forest owners in the management and use of their forest holdings.

Individual forest owners benefit from the subsidized forest utilization and management planning and advisory services provided by the Forestry Centre, which covers the whole country, and the 103 forest management associations that provide services for forest owners locally. Extension and advisory services have been developed to respond to the changing needs of the society and environment.

Advisory services for forest owners by the Forestry Centre and forest management associations include the preparation of forest management plans, information on different funding options, etc. Forest management associations are governed and financed by forest owners who pay a tax-like forest management fee to finance these associations. The Forestry Centre operates under the Ministry of Agriculture and Forestry and is government funded. The appropriation in the state budget 2012 is 47.7 million euros, of which 9.3 million euros is allocated to extension and advisory services and training.

Development cooperation in forest sector

Finland's development cooperation in the forest sector is implementing the national development policy programme, and takes its overall objectives from the Millennium Development Goals (MDG's). The forest sector cooperation has been guided by "Development policy guidelines for forestry sector (2009)". Sustainable forest management (SFM) is one of the cornerstones and reflects Finland's own development path and the role of broad based governance in the sector.

The present level of development funding in forestry is at the level of 4-5% of total official development assistance (ODA). The actual expenditure was 31.5 million euros in 2010, and is expected to be around 45 million euros in 2012. As presented above, Finland has been a forerunner in the fields of national forest inventory and well informed national planning. Some of these experiences can be successfully applied to partner country conditions and combined with local knowledge.

Development cooperation activities include support to participatory processes with stakeholders and promoting user rights of local people including women. International policy processes and climate change related interventions, especially REDD+ (Reduced deforestation and degradation of forests) have increased proportionally in funding, and they make presently over one third of forest sector cooperation input.

Lessons learned

The factors behind Finland's success in sustainable forest management are manifold. The most important of them are:

- the importance of the forest sector for the national economy and economic development;
- the strong, long-term political commitment of the Finnish Governments to support wood production, favourable operating environment for forest industries as well as biodiversity conservation;
- clear property rights;
- regularly updated legal and regulatory frameworks;
- conscientious implementation of forest legislation and recommendations and instructions for forest management;
- the wide participation of different stakeholders in the preparation of NFPs;
- public support to silvicultural works, forest improvement and, more recently, to biodiversity conservation;
- extensive forest advisory services for non-industrial private forest owners;
- national forest planning, forest and carbon inventories (including for REDD+) as well as community and smallholder forest management have been supported in development co-operation.

Sources for further information:

Finland's National Forest Programme 2015,
http://www.mmm.fi/attachments/metsat/5AA7RyrLK/National_Forest_Programme_of_Finland_2015_brochure_ENG_web.pdf

Forest sector in Finland in brief, 2010,
<http://www.metla.fi/metinfo/tilasto/julkaisut/vsk/2011/index.html>

METSO Programme, <http://www.metsonpolku.fi/metso/www/en/index.php>

Ministry for Foreign Affairs of Finland, <http://formin.finland.fi/public/default.aspx?culture=en-US&contentlan=2>

Ministry of Agriculture and Forestry, <http://www.mmm.fi/en/index/frontpage.html>

Ministry of the Environment, <http://www.ymparisto.fi/default.asp?node=5295&lan=en>

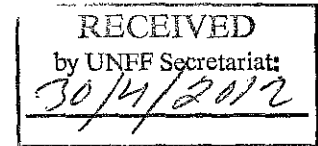
State of Finland's Forest 2011, <http://www.metla.fi/julkaisut/muut/state-of-finlands-forests-2007.pdf>

Appendix: Summary table of forest-related financing in Finland

Type of finance	Amount, milj.€
Investment and public support for silvicultural and forest improvement works	
Total (2010)	289
Private forests (2010)	206
Self-finance	144
State subsidy	63
Industry owned forests (2010)	30
State forests (2010)	53
Biodiversity conservation	
According to the Nature Conservation Act (2011)	24.4
According to the Act on the Financing of Sustainable Forestry (2011)	
10-year protection agreements	8.8
Management of forest habitats	2.2
Opportunity costs of biodiversity conservation in clear felling sites in private forests (2010)	13
Public support for improving profitability and competitiveness	
Internationalization of woodworking industry (2010-2011)	5
Innovation in the wood industry (2010-2011)	25
Improving the long-term competitiveness (2010)	
Pulp and paper industry	9
Mechanical woodworking industry	20
Opportunity costs of providing societal benefits on state lands	
Estimate for 2010	52.5
Research, education and advisory services	
Finnish Forest Research Institute (2012)	43.4
Forestry education, app. annually	110
Forestry Centre advisory services for private forest owners (2012)	9.3
Development cooperation in forest sector (2010)	31.5



THE GROUP OF 77
New York



The Chairman

L-021/2012

27 April 2012

Excellency,

I have the honour to transmit, herewith, the substantive contribution of the Group of 77 and China on Forest Financing, in accordance with UNFF9 Resolution on Forest for People, and taking into account the deadline established by the Bureau of the UNFF.

Please accept, Excellencies, the assurances of my highest consideration.

Mourad BENMEHIDI
Ambassador and Permanent Representative
of Algeria to the United Nations
Chairman of the Group of 77

H.E. Mr. Mario Ruales Carranza
Chair of the UNFF Bureau

H.E. Ms. Jan L. McAlpine
Director of the UN Forum on Forests Secretariat
Department of Economic and Social Affairs

Proposals of the Group of 77 and China on the Global Fund.

The basic elements of such a Fund are outlined below:

1. **Objective:** the Fund shall aim at providing new and additional financial resources to developing countries, in order to achieve the Four Global Objectives on forests, promote sustainable forest management and implement the NLBI in all types of forests. The fund shall be equally accessible to developing countries without conditionalities and enable direct access to funding by all developing countries with all types of forests. Special needs and circumstances of HFLDs, SIDS, LFCCs and HFCCs countries, as well as Africa, shall be taken into account, including for access to funding.
2. **Resources:** contributions to the Fund, including new and additional funds from all sources, including voluntary for promoting sustainable forest management.
3. **Structure:** in order to operationalize the Fund immediately, hosting of the fund should take full account of keeping to a minimum its overhead costs including the possibility of hosting it in an already existing agency that can later be elaborated.
4. **Governance:** the Fund would function under the guidance of the UNFF, aiming for better access to funds. The Governing Body, composed by at least three countries from each of the UN's regional groups based on equitable, geographical distribution, would be responsible for examining and approving project proposals submitted by developing countries. The members of the Governing Body shall be appointed by the UNFF.
5. **Communication strategy:** a communication strategy to engage all stake holders and attract potential donors is essential. This strategy would be implemented by the UNFF Secretariat and the CPF.
6. **Funding targets:** a funding target could be defined by the UNFF, aimed at institutional strengthening, capacity building and transfer of environmentally sound technology, in order to guide the efforts in mobilizing voluntary contributions for the Fund.
7. **Operational procedures:** the UNFF should adopt simple and transparent operational procedures for the functioning of the Governing Body, in order to allow for the quick disbursement of funds from the Fund.

8. Eligible activities and Priorities: the Fund would provide grants to projects that aim at implementing the national policies and programmes and actions outlined in section V of the NLBI.

9. Reporting procedures: simple reporting procedures for projects that receive resources from the Fund should be established, in order to assess the efficiency of the Fund in contributing towards implementation of the four Global Objectives, SFM and the NLBI.

GUYANA'S SUBMISSION ON UNFF'S CALL FOR VIEWS ON INTERNATIONAL FOREST FINANCING

APRIL 2012

1. Mechanisms for Financing Mechanism for Consideration

The following mechanisms are recommended for consideration:

- transfer payments involving the transfer of global costs or global benefits through the following types of mechanisms:
 - International Transfer Payment: bilateral partnerships, multilateral donors, international financial institutions, international NGOs,
 - Private sector (with focus on developed countries),
 - Public sector (with focus on developed countries),
 - Private/public sector, and
 - Other partners.
- the promotion of market or trade-based approaches; and
- promoting and influencing private or public investment flows through Foreign Direct Investment, and other similar mechanisms

In this regard, the role of international institutions should be adapted to administer International Financing Mechanism. The context of their roles, objectives, and approaches need to be customised to the new and emerging needs of this type of mechanism. As part of this, may be the need for international institutions to further develop policies to contribute to institutional capacity building, facilitate the exchange of information, and stimulate the establishment a framework that will be appropriate to new financing mechanism requirements.

Additionally, innovative efforts should be encouraged and incentivised. It may be necessary for donors, multilateral banks and international NGOs to be prepared to bear a large part of the initial costs of pilot projects but this must be viewed as an investment in a future effort that will yield compensatory returns.

It is imperative that within the context of the design of a forest financing mechanism that the aim be broad enough to capture the values of combined ecological services, and corresponding to both global and local benefits. Guyana has established a Guyana REDD+ Investment Fund as one example, and it is aimed at a multi donor framework, and administered by International Financing Institutions including the World Bank and IDB.

As an important point on process, it will be essential for there to be participation of local and other relevant stakeholders in the different phases of development of financing mechanisms as this will impact on the effectiveness of the resulting mechanism.

2. Aspects of International Forest Financing

2.1 Forest Carbon Financing

REDD Plus results based financing

The activities referred to in paragraph 70 of the 1/CP.16 undertaken by developing country Parties in accordance with national circumstances and respective capabilities should be supported by significant financial resources that are new, additional, adequate and predictable.

Financial resources for the full implementation of results based actions should come from a flexible combination of public and private sources, including market based and market linked sources.

Public:

Public finance should be channelled through the Green Climate Fund, which should also coordinate funding managed by International Finance Institutions, with a view to absorbing all public finance in the long run.

Public funds for the implementation of the activities referred to in Para 70 of 1/CP.16 should be channelled through a new REDD Plus Window in the GCF using direct access, and be administered by a REDD+ Board.

The REDD+ Board should work under the guidance and authority of the COP, and its membership should be equally balanced between developed and developing countries and be representative of the major geographical groupings.

Market linked:

Public finance that is generated from markets, such as the auctioning of allowances, where possible, should include a share that is managed under the Green Climate Fund.

Private sources

Private sources of financing, including market sources, should be subject to guidance and standards provided by the COP to ensure efficiency and environmental integrity.

Market based sources

Parties should consider all market based approaches to support results based actions, but a new market mechanism under the guidance and authority of the COP is preferred.

Where Parties develop national market based mechanisms that may be used by Parties to meet the objectives of the Convention, including their respective commitments, such market mechanisms that include REDD Plus actions shall:

- Maintain consistency with the relevant decisions of the Parties under the Convention, including Subsidiary Bodies.
- Maintain consistent standards for reference levels, safeguards and MRV systems to ensure environmental integrity.

REDD+ actions should be results-based and measured, reported and verified at the national level. The national forest monitoring system should apply principles already established under UNFCCC reporting rules, notably transparency, consistency, comparability, completeness and accuracy.

Emission reduction units equivalent to an agreed national reference emissions level that are measurable, reportable, and verifiable, should be guaranteed direct market access, be fully fungible with AAUs, and transacted at a price equal to those credits transacted by Annex I Parties.

To encourage broader participation by guaranteeing the livelihoods of rural and indigenous communities, Parties should agree on a floor price which could be independently supported from, amongst others, the revenues generated from AAUs auctions.

For Parties seeking to increase or consolidate permanent forest conservation areas within the context of a market based mechanism, certain forest areas may be permanently identified as conservation areas.

Recognizing the rights and roles of local communities and indigenous peoples, based on national circumstances, activities referred to in paragraph 73 of decision 1/CP.16 should respect their traditional knowledge and intrinsic relationship with tropical forests while significantly supporting their social, environmental and economic development.

Since the Convention considers only anthropogenic emissions, greenhouse gas emissions resulting from extreme weather events and natural disasters affecting forest areas should not be included within any market based mechanism.

Combined sources:

New and innovative sources such as

- i. REDD Bonds
- ii. Advance market commitments
- iii. Tax on bunker fuels provided that this is implemented in such a way that does not adversely affect developing country Parties dependent on tourism and maritime trade should be explored and applied subject to guidance and standards approved by the COP.

2.2 Overall considerations in financing Water Services, Forest Carbon, and Biodiversity Conservation

The potential of contributing to sustainable livelihoods and poverty alleviation, feasibility and appropriateness to the context in which these are applied, should form important guiding principles in the design of new financing mechanisms.

Financing mechanism for water services, bio prospecting and biodiversity conservation should be guided by the following considerations:

- Funding for different services should be additional financing to other ecosystem services, for example forest carbon.
- Initial support should be geared towards building capability at the national and community level in establishing baselines, monitoring resources use, and reporting performance at national level.
- Monitoring Reporting and Verification standards need to be established to enable credible, consistent, transparent, independent assessed and effective performance monitoring of services for which financing is being made. These methods should be appropriate to the various contexts: countries, services, etc to which they are applied and should be cost effective to administer (whereby the benefits outweighs the cost). As in the case with climate monitoring and the standards set for by IPCC, for example, there is recommended to be a similar scientific approach to examining pertinent matters under each of the areas (indicators for monitoring, methods, reference levels, etc), and coming up with Good Practice Guidance for relevant action under each area (monitoring, etc.)
- The application of financing mechanisms aimed at biodiversity conservation should represent an emphasis on mechanisms promoting the sustainable use of forest resources.

- Research should assess for different tropical forest ecosystems, the levels of sustainable forest resources extraction that allow maintaining biodiversity.
- In terms of forest carbon financing, it is imperative that alternative financing mechanisms be identified or developed in order to capture the value of the sink function of natural forests. Natural forest ecosystems play a crucial role as a major carbon sink. The value of carbon sequestration should therefore be captured into effective IFMs, possibly in combination with payment for other benefits.
- In terms of water services, the value of water services generated by forests should be captured into effective IFMs, preferably by including payment for benefits of other ecological services. Cross boundary water flow should be recognized as a part of the consideration to the development of such a financing mechanism.
- Research should be done to investigate technical aspects regarding water management, quality and flow, and to address the question how payments for water services to local forest-dependent communities could mean a substantial contribution to their income. Economic valuations and establishment of baselines will also be imperative to such research programmes as well as exploring explore the function of forests in providing protection against a range of natural hazards, as a basis for complementary or new financing mechanisms in relevant situations.

3. Policies and Enabling Factors

The following are key issues and recommendation with regards to forest financing mechanism at the international level as it relates to policies and enabling conditions:

- Tropical forests are in the process of rapid transformation through various drivers and processes of deforestation and forest degradation. The ecological services provided by forests at both the national, community and global levels are at risk.
- The potential of innovative financing mechanisms to add value to tropical forests can be utilized better if major efforts are made in specific areas.
- Lessons should be drawn from current innovative financing mechanisms for other ecosystem services, and these should not be restarted as much of these lessons, approaches and methods may be transferrable to international financing mechanisms. However, at the same time, the pitfalls faced in those discussions should be avoided.
- It is essential for there to be a transparent and effective definition of the criteria for sustainable forest management systems should play a key role in the development of IFMs. If criteria are not chosen in a correct manner and one that allows for national country level situations to still be provided for in each instance, an IFM can turn into a perverse incentive, and will become unachievable, inappropriate and burdensome for local stakeholders.
- Additional research on sustainable forest management systems is needed. On the long term, those land use systems that are able to generate a variety of benefits for different stakeholder groups are likely to be most successful in providing a basis for the generation of financial revenues.
- Economic valuation is important in giving an impression of the relative importance or contribution of the benefits generated by different ecological services. A useful tool is provided by the assessment of opportunity costs of conservation and sustainable forest management. The financial gap that needs to be bridged between forest and non-forest uses can thus be quantified.
- The institutional set-up of IFMs should not be done in a top-down way. The success of their implementation will depend on the choices of local actors to adopt sustainable forest management systems or to contribute to sustainable utilisation and development overall.

Submission by Japan on Forest Financing for SFM implementation

This paper is a submission of the Government of Japan in response to an invitation by UNFF to express its views on forest financing for SFM implementation.

1. Basic View of Japan

1.1. Overview

- a) It is indispensable to promote effective measures to realize SFM on a global scale. However, the amount of available international financial resources is limited. Therefore, based on international agreements related to financing resources for development including the Monterey Consensus of the International Conference on Financing for Development, Japan considers it is important to continue to explore every existing financial resource including not only bilateral and multilateral public finance from developed countries but also public financial resources of developing countries and private funding, while striving to enhance frameworks for effective financing.
- b) Japan stresses that limiting all finances for SFM only to public resources of developed countries is unrealistic. In order to expand finances in a long-term and continuous manner, it is important to expand the range of cooperation and seek for diverse financial resources including public finances from developing countries and private funding.
- c) Support for Facilitative Process In terms of clarifying tasks and future directions, Facilitative Process has a practical significance for both developing and developed countries in implementing NLBI and GOF and promoting SFM.

1.2. Possibility of establishing a new fund

- a) It is premature and inappropriate to discuss details of a new fund without full assessment on challenges and difficulties in the existing financing system for forests based on the assumption that imply a new fund establishment. Japan is of the view that challenges and future direction of implementation of SFM should be continuously pursued by the Facilitative Process.
- b) Establishment of a new fund could result in further fragmentation of the

existing financial resources by increasing its management and operational costs, and would not contribute to solving problems from the viewpoint of efficient use of existing resources. Japan emphasizes that collaboration among the existing initiatives and various frameworks should be strengthened, and related expertise should be utilized as much as possible. The number of funds established is not important. Efficient allocation of available financial resources to effective projects and programs is important.

- c) In terms of the existing initiatives and frameworks, Japan pledged half a billion USD in three years of 2010-2012 for REDD+ area in which the discussion of SFM would be developed to that of low-carbon growth, has already implemented through bilateral supports worth USD 570 million. In addition, Japan contributed USD 200,000 for operational cost of REDD+ Partnership, as well as 3.5 million USD for UN-REDD activities. Japan will continue to support the forest sector seamlessly in the framework of REDD+ beyond 2012.

1.3. Conditions and environment required for SFM finance facilitation

Following points should be noted as conditions/ environment required for effective use of finance in order to deepen discussion on funding financial resources on a long-term and continuous manner:

- a) Developing countries, with strong political commitment, should identify their priorities of forest sector and play leading role in implementing SFM, harmonizing it with other development resources.
- b) With participation of various stakeholders from civil society to private sectors, it is essential to improve forest governance, law enforcement, adjustment mechanism as well as establishing statistics and monitoring systems related to the forest sector.
- c) Under the tight budget constraints in donor countries, it is extremely important to enhance accountability of aid effectiveness to gain understanding and support of tax payers.
- d) Since most of the deforestation and forest degradation accelerated through

development needs are related to agricultural land-use planning, thus cross-sectoral coordination are required.

- e) On the donor side, they should also support the upstream policy formulation as well as program-based support, from the cross-sectoral and comprehensive point of view.
- f) SFM is relevant in terms of tackling with global challenges such as climate change, loss of biodiversity and desertification. Synergies among related actions and maximizing co-beneficial aspect should be promoted.
- g) Sharing good practices of PES among countries are crucial in order to utilize forest ecosystem service.
- h) Not only traditional North-South cooperation, but also south-south cooperation, triangular cooperation and private cooperation among developing countries which share common backgrounds in social, cultural, lingual or developmental stages should be promoted for expanding potential donors.
- i) It is important to strengthen various initiatives/ frameworks, and to enhance the synergy of each activity learning the experience from partnership such as FCPC FIP/ UNREDD joint committee or REDD+ partnership.

2. Japan's Vision and Actions towards Low-Carbon Growth and a Climate-Resilient World

In order to achieve low-carbon and sustainable growth all over the world, the Government of Japan has launched 'Japan's Vision and Actions towards Low-Carbon Growth and a Climate-Resilient World' last November. Japan recognizes the importance of the forest area in concrete efforts to be made under this Initiative. Japan's Initiative includes 1) Creating a network in the East Asia elaborating a long-term scenario towards a low-carbon society and a roadmap of low-carbon policies and technologies, and 2) Support for developing countries, inter alia vulnerable countries of Africa, LDC, Small Island States, implementing transition towards a low-carbon society.

Oslo, 29 March 2012

Submission to UNFF on strategies to mobilise resources from all sources to support the implementation of sustainable forest management

Norway

Strategies to mobilise resources to sustainable forest management should be based on a holistic approach, incorporating all sources of finances. These sources include national and international as well as private and public.

The contribution in this submission is limited to some few examples on Norwegian priorities on financing for sustainable forest management. These examples are related to long term investments in sustainable forest management in Norway and the role of private sector, an example (REDD+) of international payment for ecosystem services mechanisms, as well as international development cooperation for sustainable forest management. These examples may represent important financing components, but need, however, to be addressed in context with other opportunities and sources of financing when developing financing strategies for sustainable forest management.

Revenues from forestry reinvested in sustainable forest management

Forestry is an economic sector that should be able to generate competitive income. Sustainable forest management offer opportunities for economic gain alongside ecological and social benefits. Therefore, as a basic principle, the forest sector should channel parts of the revenue into long term investments for sustainable forest management. Effective investment arrangements depend on an enabling environment including a clear regulatory framework.

Forestry funding could be based on public-private partnerships, as is the case in Norway. A regulation under the Norwegian Forestry Act requires forest owners to reinvest a part of the revenue from forestry into a government administrated fund; the Forest Trust Fund. This fund is established to secure long term investment in sustainable forest management such as silviculture, building and maintenance of roads, forest management planning and environmental measures. All private and public forest landowners are required to deposit between 4 and 40 % of the gross revenue from the sale of timber and fire wood to a trust fund that remains with the forest holding. The owners can deduct the amount of their deposit into the trust fund from their federal income taxes. Additionally, when the funds are used for long term investments on the property, a proportion of the invested amount can also be deducted from annual income taxes. The Forest Trust Fund together with direct private resources is the main source of investment in sustainable forest management in Norway.

International instruments – REDD+ as an example on payment for ecosystem services

Payment for ecosystem services (PES) instruments can contribute to securing forests for the various services they provide, and for the livelihoods, rights, cultures and spiritual value of local communities and indigenous peoples depending on the forests. PES are relevant for consideration at all geographical levels; sub-national, national and international. Such instruments could be directed towards a broad range of ecosystem services, including

sequestration and storage of carbon, protection of biological diversity, provision of water and adaptation to climate change, depending on a willingness to pay for these natural capital.

So far, at international level, payments for reduced or avoided forest carbon emissions (REDD+) remain the most advanced way to secure forests. Norway is convinced that REDD+ represents an excellent example on opportunities for developing countries to access financing for sustainable forest management. Under the UNFCCC, countries have agreed to “slow, halt and reverse forest cover and carbon loss”, and are putting in place necessary principles, safeguards, rules and modalities for undertaking and financing REDD+. Still, missing parts are a robust demand for verified emission reductions, either from carbon markets or funds (e.g., Green Climate Fund), and mechanism(s) to channel payments for emission reductions.

REDD+ is about more than payments for carbon. Yet, REDD+ will never reach the scale required unless the fundamental market failure that drives deforestation are rapidly corrected (carbon has no market value and emissions no cost) by putting in place a global value (‘price signal’) on forest carbon. A credible and predictable demand for emission reductions would be a promising way to mobilise and redirect private finance towards sustainable preservation and use of forests, to clean up supply chains that drive deforestation and to motivate important governance reforms.

The agreed “phased approach” to REDD+ foresees ODA funding to countries to prepare for REDD+ (e.g. consult stakeholders, identify the drivers and underlying causes behind deforestation and forest degradation, prepare a REDD+ strategy, analyse and mitigate potential social and environmental risks, put in place a system to monitor, report and verify emissions and prepare a reference emissions level). Limited ODA/MDB funding should also be available to finance the up-front investments needed to implement a REDD+ strategy. But the lion’s share of REDD+ financing should be in the form of payments for verified emission reductions relative to an agreed incentives level.

International development cooperation for sustainable forest management

The International Climate and Forest Initiative is by far the largest contribution from Norway for sustainable forest management, with disbursements of approximately USD 350 million in 2011. In addition to this, Norwegian development policy opens for supporting sustainable forest management activities through other channels.

**UNITED NATIONS FORUM ON FORESTS: SECOND OPEN-ENDED
INTERGOVERNMENTAL AD HOC EXPERT GROUP ON FOREST FINANCING**

New Zealand Submission

Introduction

1. In November 2011 the UNFF Secretariat requested countries to provide substantive submissions for the second meeting of the Ad Hoc Expert Group on Forest Finance (AHEG2) by 1 March 2012 on the following topics:
 - Strategies to mobilise resources from all sources to support the implementation of SFM, the achievement of the four Global Objectives on Forests (GOFs) and the implementation of the forest instrument, including, inter alia, strengthening and improving access to funds and establishing a voluntary global forest fund, and
 - The advantages and disadvantages of different options, envisaged functions, structures, requirements and deliverables of these options.
2. New Zealand wishes to submit the following as a contribution to the further discussion, in preparation for the second meeting of the Ad Hoc Expert Group (AHEG2), on the issues around the implementation of the Non-legally binding Instrument (NLBI) on Sustainable Forest Management (SFM) as set out in the agreed "ad ref" resolution from the Special Session of the UNFF9 in September 2009.

Background to Submission

3. To date New Zealand has been very engaged in the discussions around implementing the NLBI. We consider the discussions at the AHEG1 and UNFF9, including reporting on work under the Facilitative Process, has provided useful information on possible ways forward to inform discussions at AHEG2.
4. Funding SFM has been thoroughly explored topic over a long period and includes analysis and reporting undertaken prior to UNFF8. It is clear that there is a global shortfall in funding SFM. However, it is also clear from the analysis and discussions undertaken to date, that there is also a complex array of existing funding mechanisms, range of donors and also a number of other factors that contribute to funding difficulties.
5. New Zealand considers that finding an effective means of boosting funding for SFM and implementing the NLBI will not be easy. In our view the following important elements regarding the nature of the financing of SFM that were highlighted prior to UNFF8 remain vital considerations:
 - more funding is required to implement SFM globally;
 - there are a number of ways the policies agreed to by the UNFF can and have been funded and implemented by organisations and countries in the past;
 - the main way SFM implementation has been financed to date has been via a "portfolio approach" i.e. a range of programmes and projects operated by CPF partners, overseas development assistance programmes, bilateral programmes other than ODA, and investment;
 - additional methods of funding and implementing some of the SFM policies agreed by the UNFF may emerge in Climate Change discussions in course of initiatives relating to 'reducing emissions from deforestation and degradation' (REDD+).

6. The benefits and outcomes of SFM are not easily articulated and therefore not easily sold politically. By contrast REDD+ seems to have well defined outcomes and consequences that are more easily promoted.
7. "Corralling" forests under one fund or convention has always been elusive and there is nothing to suggest that a single fund would be any easier to create and sustain now, especially given the constraints caused by the difficult global financial situation .

New Zealand Submission

8. Noting the scope of submissions currently being sought by the UNFF, New Zealand considers that strategies to mobilise resources to implement SFM and the evaluation of various options and their associated requirements are the key issues that still need resolution; discussion of which was usefully started at AHEG1.
9. New Zealand would strongly favour a continuation of the AHEG1 dialogue among recipients, donors, bankers, fund administrators and parties. This dialogue was beginning to identify and resolve the structural, political and technical issues that hamper the mobilisation of existing funding for SFM and likely to similarly affect new funding.
10. To ensure that the discussion in AHEG2 builds on previous discussion and does not get bogged down in repetition of previous debates, New Zealand would like to see the UNFF circulate updated information and then prepare a synthesis paper to guide the process going forward. New Zealand considers this vital preparatory work in the lead up to UNFF10.
11. In New Zealand's view AHEG2 participants should have a paper or papers covering:
 - A summary and analysis of the outcomes of AHEG1 and the whole intersessional process
 - Information and insights emerging from the work undertaken in the Facilitative Process and SFM funding discussion
 - Reference to the presentation by Markku Simula and discussion on the AGF report at AHEG1.
 - a summary of the analysis and conclusions contained in the 2008 CPF/AGF report (as these are still highly relevant)
 - Updated information from the FAO database on funding sources (the "Funding Sourcebook").
12. New Zealand would like to see the 2008 CPF/AGF report updated and await this as an input to the AHEG2 discussion. In our view the report's thorough analysis of funding options provides a solid background for understanding the status and flow of resources. The report's analysis and conclusions remain highly relevant and should be used as the basis of discussions in the AHEG2. Updating this report should be done in a manner that does not detract from the information, data and analysis already contained in the report.
13. The table below sets out New Zealand's views on the tasks that AHEG2 should undertake

New Zealand considers that AHEG2 should:	Comment
<i>Aim to refine and assemble the important discussion points made at AHEG1 from the different perspectives and provide possible solutions to</i>	New Zealand notes that the AHEG1 Co-chairs emphasised at the meeting that it was a "meeting of experts" and that outcomes were not being

<p>existing funding flow, such as improved administration, application process and audit processes</p>	<p>negotiated. This enabled a very useful exchange of ideas across a range of viewpoints in the sequence of forest financing.</p> <p>AHEG1 covered a range of key donor, administration and recipient representation; including; development banks (African Development Bank, Amazon Fund, World Bank), funding bodies (the GEF), UN (FAO, UNFCCC, UNEP, ICRAF (world agro-forestry centre) UN-REDD), international forestry (ITTO), country groupings; Small Island Developing Countries (SIDs), Low Forest Cover Countries (LFCCs) and NGOs.</p>
<p>Provide AHEG2 participants with updated information on the existing funding – including an updated version of the FAO-produced database of funding sources for sustainable forest management (the FAO “source book”) – to enable discussion by AHEG2 attendees on funding gaps and current funding sources</p>	<p>The FAO database remains a valuable and updatable information source and an important adjunct to analysis of forest funding</p>
<p>Provide AHEG2 participants with an updated version of the 2008 report prepared by the Advisory Group on Funding (AGF) under the Collaborative Partnership on Forests (CPF)</p>	<p>The discussion at AHEG1 on the 2008 AGF report led by the main report author, Markku Simula, was an important exchange of ideas and highlighted many of the complex issues related to SFM funding. New Zealand understands that the report is to be updated and we support its presentation and discussion at AHEG2.</p> <p>There was constructive discussion at UNFF9 on future direction, for example, there was strong support for the updating of the analytical work done for the AGF of the CPF (Simula) and the need to consider what modalities are needed to guide project funding.</p> <p>It would also be useful to have any updated information or analysis on the “gaps” in SFM funding discussed in the 2008 report and whether there is significant change in the gaps (expanding or contracting) as a result of funding of projects under REDD+ that has occurred since 2008. For some countries the benefits covering governance, capacity building or information/mapping from work under REDD+ may well provide comparable benefits for SFM.</p>
<p>Include a full report-back and discussion from the Facilitation Process, including the relevant country-led initiatives (CLIs)</p>	<p>Both SIDs and LFCCs have SFM issues that tend to go beyond the scope of climate change-related forest issues. For example; the issues</p>

<p><i>and the information gained from projects such as those in Small Island Developing State (SIDS) and Low Forest Cover Countries (LFCCs).</i></p>	<p>related to communal land administration in SIDS and the afforestation (and re-establishment of forests) in semi-arid countries such as Iran, Jordan and Sub-Saharan Africa.</p> <p>It is important that the AHEG2 has the latest FP information as this process will continue to inform the direction for implementation of SFM (including the NLBI) post-UNFF10</p>
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Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Swiss proposal for financing sustainable forest management (02.04.2012)

1. Introduction

Switzerland has a long standing practice in financing for sustainable forest management (SFM). SFM is not only the mean to sustainably produce timber, but also to reach other objectives, such as protection against avalanches, mudflows or rockfalls. Important elements of the forest governance structure are secure and clear tenure rights, clear roles of the forest administration/institutions (at national, sub-national/cantonal and local levels), and of the private sector and the civil society. Fiscal federalism (income taxes from national, sub-national/cantonal and community sources) guarantees that funding is available at national and cantonal levels. This is mainly used to improve and maintain forest ecosystem services like protective functions and biodiversity conservation.

For Switzerland, there is no single approach to sustainable forest management financing. There is indeed a need for flexible, varied, international and national financing mechanisms. Sustainable forest management financing must be developed through complementary avenues.

Financing SFM has two components that are complementary: First, financing for sustainable forest management should come from all sources (i.e. domestic, international, private and public). Secondly, enabling conditions are essential, especially a well functioning forest governance structure defining clear institutional roles at national, sub-national and local governance levels, as well as principles of good governance (i.e. transparency, accountability, equity, participation, effectiveness and efficiency). These are preconditions for successfully generating national and international funding as well as investment from private sources.

Financing is different in time depending on the stage of SFM implementation (policy, technical, etc.). The 3 tier approach should be used, which implies 3 different temporal financing phases: initial upfront investment, mainstreamed upfront investment and sustained financing.

The UNFF10 decision needs to strike a balance between financing and enabling conditions, which for the latter are an important part of the means of implementation.

For Switzerland, financing SFM is the key element of a comprehensive international forest policy. Switzerland is strongly engaged in several multilateral, bilateral and regional cooperation programmes and projects on sustainable forest management such as through ITTO, World Bank, FAO, IUCN, UNDP, GEF, FCPF, UN-REDD, etc.

2. Role of the International Arrangement on Forests in financing

The International Arrangement on Forests being composed by 2 entities, i.e. the United Nations Forum on Forests (UNFF) and the Collaborative Partnership on Forests (CPF), both of them have distinct roles to play with regard to financing SFM.

2.1 Role of UNFF on financing SFM

Given its policy mandate, its structure and its specific function, UNFF can only play a limited role in financing SFM. Indeed, UNFF is not meant to be operational, nor used for capacity building and does not have the competence to establish or manage neither financial mechanisms nor funds to implement/monitor programs or projects for the support of SFM in specific countries.

In this regard, UNFF should contribute to SFM financing with the following activities:

- **Share experience and updated information on funding:** The 10th session will be the opportunity to share experience and present the financing mechanisms and their update within the work of the CPF members, as well as give guidance to the CPF for further work and coordination on this issue as stated in the part 2.2 below. In addition, Switzerland believes that the Country-Led Initiatives (CLIs) such as the one on financing which took place in San José (Costa Rica) (International Expert Meeting on Innovative Financial Mechanisms: Searching for Viable Alternatives to Secure Basis for the Financial Sustainability of Forests) in 2005 or the one that took place in 2008 in Suriname (International Dialogue on Financing Sustainable Forest Management; a Country-Led Initiative (CLI) in Support of the UN Forum on Forests) are extremely useful. Their reports should be fully used while preparing the official documents for the AHEG 2 meeting and UNFF10.
- **Promote forest governance and tenure rights:** Switzerland attaches a lot of importance on enhancing the enabling conditions which are essential to allow funding to be received and leveraged, such as sectoral governance and tenure rights which are central to the work of UNFF (see the CLIS organized by Switzerland, Indonesia, South Africa and Mexico). The interactions in forestry between national levels and local realities are often not sufficiently articulated in international negotiations and larger processes. Having a comparative advantage, UNFF should be proactive towards supporting countries in setting up trust and high standards of sectoral governance to make best use of new means of implementation. UNFF's ability to build powerful synergies between the different processes dealing with tenure rights is to be strengthened, to take advantage of emerging opportunities outside the forest sector, such as Reduction of Emission from Deforestation and Forest Degradation (REDD+). Recent guidance in this regard is given by the FAO Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests¹.
- **Assess the values of the services of forests with a view to establish PES and related markets:** Switzerland believes that forests do not offer only carbon sequestration, but also many other services such as biodiversity and water,. It would be wrong to focus SFM on only one service and to overlook the others. SFM means we must address all the forest services while taking care of the REDD + safeguards.

¹ http://www.fao.org/fileadmin/user_upload/nr/land_tenure/pdf/VG_en_Final_March_2012.pdf

UNFF's role with regard to SFM financing should focus on i) enhancing a better understanding of and providing a general and regularly up-dated overview of existing support mechanisms, ii) enhancing a better understanding of the interlinkages between governance and financing, and iii) exploring new, innovative financing possibilities such as PES, through assessment of forests ecosystem services.

2.2 Role of the CPF on financing SFM

While one of the tasks of the Collaborative Partnership on Forests (CPF) is to mobilize financing for sustainable forest management and facilitate the access to new sources, the CPF can also contribute to answering the need for a comprehensive vision of all funding sources at the international level.

The CPF Sourcebook on funding for sustainable forest management which compiles information on who is doing what, and where, will need to be updated regularly. A clear and transparent communication on funding based on this sourcebook will enhance the funding accessibility. Expressed needs of recipient countries and other potential users will have to be taken into account while further developing the sourcebook.

The following further tasks for the CPF should be discussed at the 10th session of UNFF:

- **Better information and communication:** Immediately improve information and data base on international forest financing (as an extended mandate to the Advisory Group on Finance of the CPF):
 - Develop further the sourcebook on funding for sustainable forest management, such as providing more data on private and philanthropic funding, including tool boxes to access non-traditional funding sources, and make the sourcebook easily available through a user friendly website and other means.
 - Within the sourcebook, add new categories by clearly separating large funding sources (> 10 Mio U\$), medium funding sources (> 1Mio U\$) and small funding sources (below 1 Mio U\$).
 - Improve data quality and monitoring of forest financing means. Establish a comprehensive mapping of the main funding sources according to a 3 tiers approach (initial upfront investment, mainstreamed upfront investment and sustained financing) as presented in the report on "Financing flows and needs to implement the non-legally binding instrument on all types of forests" prepared for the Advisory Group on Finance of the CPF by Markku Simula for the Ad Hoc expert Group on financing (November 2008, Vienna, Austria) (http://www.un.org/esa/forests/pdf/aheg/finance/AGF_Financing_Study.pdf) in order to streamline financing of SFM (i.e. Table 2).
 - Regularly update on SFM financing through UNFF sessions and website, from both demand and supply side, using a portfolio approach.

- **Cooperation, improved coordination, synergies, complementarity** between the different funding institutions/ sources taking advantage of the regular CPF meetings or other gatherings is needed to bring more coherence with a view to avoid duplication, to streamline the mechanisms, procedures and processes, as well as to make information more accessible and understandable both to potential recipients.

- **Continue the facilitative process** under the guidance of UNFF with a strong involvement of the CPF members. Report on the impact on improved country forest financing of the past workshops in Low Forest Cover countries and Small Island De-

veloping States, as well as in Africa and Least Developed Countries. Make proposals for the improvement of the process of 2012 and 2013 into the future. Use the information of the NLBI country reporting.

The CPF role with regard to SFM financing should focus on i) providing better information and communication by updating the CPF Sourcebook on funding for sustainable forest management, ii) addressing thematic and geographic gaps in financing and promoting facilitated access and, iii) enhancing cooperation, coordination, synergies, and complementarity between the CPF members, iv) continuing the facilitative process

3. Role of the regional organizations

The funding gaps concern a certain number of countries in specific regions (Africa, Western and Central Asia, low forest cover countries). The regional forest organizations (for example the FAO forestry Commissions or else) should provide insight and possible solutions to fill them as a contribution to UNFF by organizing back to back to their meetings /deal with this thematic at regular sessions/special expert group meetings. The regional organizations should work with the CPF partners and if possible with their regional representative. The Regional organisations will be expected to report at UNFF 10.

4. Role of countries for national financing of SFM

SFM financing can only be successful where there is a well functioning forest governance structure at national level with a supportive policy, an efficient institutional environment, and with a good alignment with long-term policy priorities. The implementation of SFM in a country must be defined by a strategic document such as a national forest program (defining priorities-show gaps) that should be a part of the sustainable development strategy. Any national forest program has to be completed by stock taking of present forest financing mechanisms as well as a national forest financing strategy, including all potential sources. A national portfolio of possible funding areas will be essential.

A country should ensure that policies and balanced investments within and outside the forest sector will address drivers of deforestation and forest degradation. Lessons learned by countries from forest governance and broader land use dynamics that drive deforestation and forest degradation should be shared with a view to develop adequate strategies to promote sharing of cost burdens and responsibilities among global, national, and local actors.

Countries should strengthen their capacity to meet market demands for forest products and forest services, including carbon, with better forest governance, for example, by identifying the linkages between REDD+ and Forest Law Enforcement and Governance/ Forest Law Enforcement, Governance and Trade (FLEG/FLEGT).

4.1. National enabling conditions for financing SFM

The following national enabling conditions are essential to ensure that funding can be received, leveraged and best applied for SFM:

- Apply a coordinated approach to development policy by showing that SFM brings benefits to other national priorities (food security, health, biodiversity, water, etc.). (i.e. "Forests as basic green infrastructures for the development").
- Integrate SFM via National Forest Programmes (NFPs) into the national development strategies (including in the Poverty Reduction Strategies) with a view to bring policy coherence among sectors, enhance cross-sectoral implementation and avoid perverse subsidies.

- At national level, create mechanisms for cooperation, improved coordination, synergies and complementarity between the different funding institutions/sources for SFM in order to avoid duplication, streamline the mechanisms, procedures and processes, as well as make them more accessible and understandable for potential clients.
- Based on NFPs, develop long term implementation strategies for SFM.
- Through NFPs and similar instruments, address funding gaps and requirements from existing and potential funding sources, i.e. domestic, international, public and private by strengthening the development of mid-term financial planning instruments for SFM, and make this planning available to national and international financial supply agencies.
- Develop an appropriate policy and legal framework (clear and secure land tenure rights, forest sector governance, institutions, law enforcement, involving the financial sector in forest development; participation of all stakeholders in particular when thinking about performance based financing), stable investment climate, resource assessment and monitoring and improve revenue collection from the sector. Pursue holistic anti-corruption efforts at all levels.
- Integrate the full range of values of forests (products and services, including water, biodiversity, carbon, etc.) in the financial architecture (GDP or other) and encourage fair compensation for these services, including through market mechanisms.
- Promote the sustainable management of forests and enhanced benefits derived from them, and the judicious use of market tools such as transfer payments and voluntary partnership agreements;
- Eliminate barriers and improve the access of local communities to markets, as well as to the revenue generated by the sustainable management of forests, including through better distribution of fiscal resources;
- Support strengthening the inclusion of local people, including indigenous peoples and women, in decision-making, benefit sharing, and preservation of their cultural and social values through SFM and in schemes, such as REDD+, where SFM is a robust and credible approach in maintaining and enhancing the economic, social and environmental values of forests for the benefit of present and future generations.

4.2 Development of national portfolios of funding sources for SFM

Aware of the diversity of national situations and variation within countries, Switzerland favours a tailor-made approach, i.e. national portfolios of funding sources to support both, global externality concerns and SFM in developing countries and countries in transition.

The national portfolios of funding sources should include:

- Domestic financial resources including also new sources using national trusts, credits for local communities and forest-based enterprises and risk management for investors.
- ODA for forests through bilateral and multilateral or other institutional donors.
- Private sector investment in SFM
- Funding outside the forest sector such as funding for mitigation of and adaptation to climate change (REDD+, i.e. SFM, reforestation, restoration, etc.).
- Funding from philanthropy and NGO sources.
- Payments for ecosystem services (which remain flexible, both, market oriented and/or regulatory oriented, and equitable) with a view to achieve sustained financing, i.e. self-financing of SFM.

The countries activities with regard to financing should focus on i) improving the national enabling conditions, and ii) developing national portfolios of funding sources for SFM.

5. Role of bi- and multilateral cooperation in financing SFM

The role of bi- and multilateral cooperation is not negligible. Coordination and coherence of various donor agencies within a donor country could however be further enhanced. Donors within one recipient country should engage together in enhancing initial and mainstreamed upfront financing for SFM. Donors should also coordinate with regard to the mandate and the funding of the different CPF-organisations.

Donors should improve data quality and monitoring of forest financing means. They should also ensure that ODA to other sectors does not harm forests via perverse incentives.

Bi- and multilateral cooperation with regard to financing should focus i) on improving coherence within a donor country and, ii) on coordinating among themselves within recipient countries as well as with regard to the mandate and funding of the CPF members.

6. Role of the private investment

The private sector, currently, has potential to become a major source of financial capital for SFM and objectives that can be reached through SFM, like REDD+, provided good governance is in place. New mechanisms in addition to carbon markets are being developed such as forest bonds.