

Barriers to sustainable financing for forests

Key findings of the
2012 AGF study on forest financing
Chapter 4

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Introduction

- Forest finance: Funding flows – mechanisms & instruments – needs & gaps – **barriers to access funding** – successful examples – way forward
- “*Work to **identify the barriers** for access, in particular by developing countries and countries with economies in transition, **to financing** and **suggest ways** to **simplify relevant procedures** and **build the capacities** of countries to remove them*”
(UNFF 9, Resolution on Forests for People, Livelihoods and Poverty Eradication)

Why do gaps in forest finance exist?

- **Not just a lack of financing in terms of volume**
- **Lack of capacity and knowledge**
 - to identify and mobilize financial resources
 - to recognize the full economic value of forests
- **Weak enabling environment**
 1. Capacity and knowledge
 2. Policy and legislative frameworks
 3. Institutional frameworks
 4. Markets and private sector mechanisms and instruments

**Main barriers
and
action points?**

Key barriers – Capacity and knowledge

- Weak **linkages** to other sectors such as agriculture, energy, water, finance
- Lack of **data** on the economic, social and environmental benefits of forests
- Inadequate **communication** of the importance of forest-related products and services
- Inadequate **knowledge** among key decision makers outside the traditional forestry sector

**Need to make the case for the relevance of forests
for sustainable development**

Key barriers – Policy and legislative frameworks

- Forest policy **goals** and **priorities** often absent, poorly implemented, enforced or aligned with other sectors
- Forest sector **dialogues** and strategies often fail to consider financial resources needed or available
- Insufficient public sector **fiscal policies**
- Insecure forest **tenure**

Need for integrated landscape approach



Key barriers – Institutional frameworks (i)

Internal public funding

- **Competition** and **overlaps** between agencies and ministries for funding
- Challenges to **channel funds** from public and private sector investors and bi/multilateral entities **to the local and sub-national levels**
- **Local stakeholders** frequently unable to access and secure financing needs for SFM, enterprise development and capacity building

National level governments to set thematic priorities and to facilitate better organized and coordinated stakeholder engagement



Key barriers – Institutional frameworks (ii)

External public funding

- Limited eligibility to receive donor finance
- Complex application procedures
- Specific reporting requirements
- Challenges to mobilise counterpart financing
- Delays in delivery
- Duplications of efforts

Need to improve jointly the delivery, alignment and efficiency of donor financing in the spirit of the Paris Declaration, Accra Agenda for Action and the Busan Partnership



Key barriers – Private sector and market mechanisms

- **High-risk** investments (long-term, land tenure, legal framework, political stability, natural disaster...)
- **Less competitive** as other commodities with low start-up costs and short turnover
- Ineligibility for financing from **formal sector**
- Forests rarely considered as **collateral**
- Particular challenges for **small and medium forest enterprises** (small client base, high transaction costs, lack of market information...)

Incentives need to be in place for private sector to invest in forests, including microfinance, self-organized private deals and eco-labelling/certification

Recommendations

- Need **to make the case** for the relevance of forests for sustainable development
- Need for **integrated** landscape approach
- National level governments to set **thematic priorities** and to **facilitate** better organized and coordinated stakeholder engagement
- Need to improve **jointly** the delivery, alignment and efficiency of donor financing in the spirit of the Paris Declaration, Accra Agenda for Action and the Busan Partnership
- **Incentives** need to be in place for private sector to invest in forests, including microfinance, self-organized private deals and eco-labelling/certification

Conclusions

- Main challenge is **mobilization of finance**, not only the availability of funds
- Sound **enabling environment** essential for leveraging public and private financing for SFM
- **Entry points** for resource mobilization **differ** from one place to another
- No **single solution** can eliminate the **various barriers** that hinder the mobilization of forest finance

Long-term strategies required that are context appropriate and politically viable to improve the enabling environment for forest finance

THANK YOU

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