

## Study on Financing for Sustainable Forest Management in Small Island Developing States (SIDS) and Low Forest Cover Countries (LFCCs)

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### Background and objective

- The 2008 study on financial flows and needs detected a long term decline in development cooperation financing for forests; particularly steep decline was identified in two country groups: (i) Small Island Developing States (SIDS) and Low Forest Cover Countries (LFCCs)
- UNFF (October 2009) decision launched, among others, the Facilitative process on forest financing addressing the special needs of countries that have faced decline in forest financing
- Present study is the first step of the Facilitative process
- Immediate objective is to improve the understanding of SFM and related financing policies and mechanisms for SFM in SIDS and LFCCs, specifically to:
  - Assess the present financing flows
  - Assess the demand for financing
  - Analyze specific problems, challenges and opportunities in mobilizing (additional) financing
  - Study enabling environment that would be conducive for enhanced forest financing
  - Propose recommendations
- Broad objective is to find out ways to facilitate additional financing for forest sector development in LFCCs & SIDS, and to reverse the decline in official development assistance for SFM (fourth Global Objective on Forests)



## Scope

- Study covers 49 LFCCs and 38 SIDS; total 87 countries
- Including 7 case study countries - a reasonably representative set of the total population of the study group:
  - Cape Verde
  - Fiji
  - Jordan
  - Kyrgyzstan
  - Mali
  - Trinidad and Tobago
  - Uruguay

## Methodology and products

- Data mining: available documents, reports and statistics
- Email survey of the 87 countries
- In-depth country case studies (7) using broad cross-sectoral consultations
- Analyzing and summarizing collected information
- Products: 11 papers:
  - 4 macro level papers:
    - Background paper on SIDS
    - Background paper on LFCCs
    - Forest financing paper on SIDS
    - Forest financing paper on LFCCs
  - 7 case study papers

## Methodology & study process related findings

- Survey response rate was very low:
  - ⇒ Results are based, to large extent, on the 7 case studies
  - ❖ Serious capacity constraints
  - ❖ Forests simply are not a priority issue in national political agenda in many of the countries
- Earlier reports relevant to forest financing in the two country groups or sub-groups (group specific information) are not available
- Specific statistical data or other information that would be particularly relevant for these two country groups (e.g. tourism and forest linkages, agriculture and forest linkages ...) are not readily available (only anecdotal information)
- Cross-sectoral coordination and even information exchange is a serious problem in many countries; case studies revealed that collecting relevant cross-sectoral information at country level requires patience and dedication

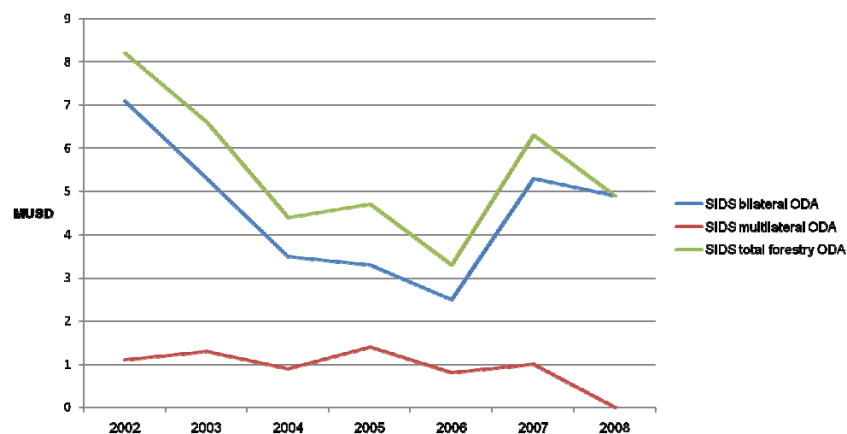
## General conclusions on SIDS

- Heterogeneous group with common disadvantages: small size – limited availability of land for productive purposes leading to strong competition over land
- Limited areas with forests and trees must provide multiple services to the population
- Many SIDS are biodiversity hotspots
- Majority of SIDS have fairly well conserved forest cover/resources
- Vulnerability to natural hazards (tropical storms, hurricanes, cyclones, volcanic eruptions, earthquakes, forest fires, land slides, tsunami...)
- Small economies, many of them far from international markets

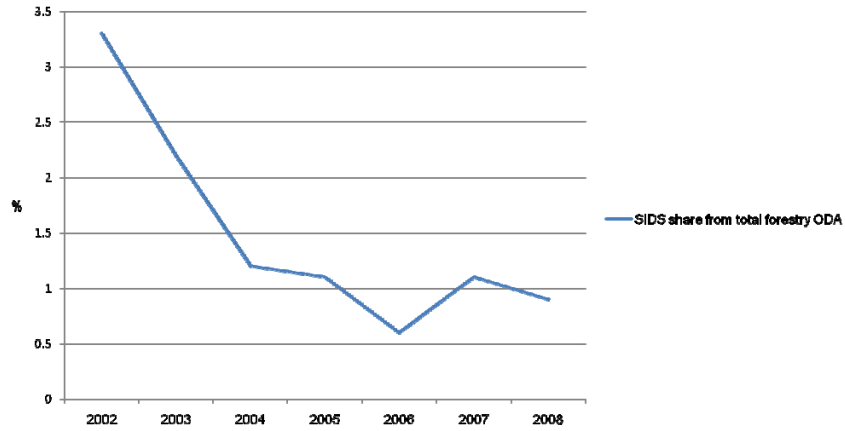
## Conclusions on forest financing in SIDS (1/2)

- Forests not considered as a major resource in many SIDS but of minor significance in the national economies
  - ⇒ Forest are not a priority in national development / macro policies (22 countries of the 38 SIDS have identified forests and trees in their development strategies)
  - ⇒ Only half of SIDS in this study have a forest policy and or legislation
  - ⇒ Forest administration – if exists – has limited resources
- In SIDS with more significant forest resources and forest sector (e.g. Fiji, Guyana, PNG, Samoa, Solomon Islands, Suriname) forests are better included in national policies and legislation, but law enforcement & SMF capacity and capabilities inadequate due to limited resources
- Currently ODA is a major source of forests financing in SIDS – however, the volumes and the share of SIDS from total forestry ODA have been decreasing
- ODA allocation to countries reasonably equally distributed
- Forest policy and forest administration by far the largest thematic area in ODA

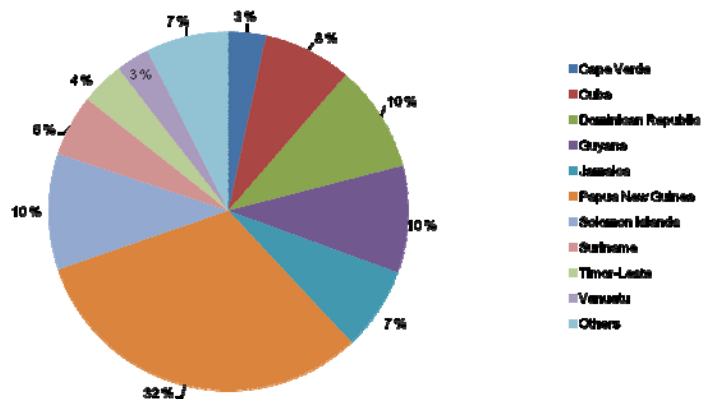
## Forestry ODA in SIDS during 2002-2008



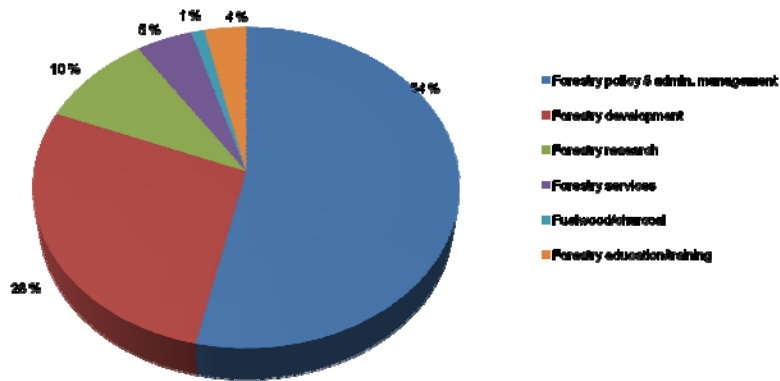
### SIDS share from total forestry ODA during 2002-2008



### Average forestry ODA percentage received by country in SIDS during 2002-2008



### Percentage shares of forestry ODA in SIDS by thematic focus during 2002-2008



### Conclusions on forest financing in SIDS (2/2)

- Forests and trees in SIDS are inevitably a multi-sectoral issue - financing the provision of services and products from forest and trees in SIDS cannot be limited to the forest sector alone; however sectoral barriers and “institutional silos” are hard to break
- In many SIDS, commercial forest sector is marginal or absent - public financing sources and innovative mechanisms are more likely to play a significant role
- Watershed services are considered important benefits of trees and forests in SIDS; acknowledged in several PRSs and other development strategies
- Climate change and forests financing potential is not perceived to be very significant in most of the SIDS (limited land for afforestation, heavy land pressure); adaptation to rising sea levels & increasing storms seen as crucial
- Tourism is likely to have a major potential for generating new financing to forests in many SIDS

## Recommendations on SIDS (1/2)

- Recognize and value all forest products and services, including PES, and internalize them in GDP
  - ⇒ would bring forests in national political agenda and would improve budget allocations
- Integrate forests in relevant policies in SIDS: agriculture, water, environment, climate, energy, tourism, infrastructure
  - ⇒ Introduce cross-sectoral approach in forest development, land-use planning and forest financing in SIDS; lessons learned e.g. from Fiji on linking water and forests
- Introduce and promote an integrated approach also in planning of financing of land, agriculture, water, energy, climate, environment and forests

## Recommendations on SIDS (2/2)

- Promote and support PES, particularly payment for watershed services systems, however, capacity development and awareness raising are needed
- Consider special support to forestry education and training; they have received minor shares of forestry ODA in SIDS – e.g. regional education and training programs supporting regional institutions could be considered; to include also forest policy and financing courses (such as integrated planning approaches, PES, climate change and forests)
- Linkages between forest and tourism sectors should be studied in detail (in-depth case studies e.g. in about 10 countries by teams of tourism and forest financing specialists)

## General conclusions on LFCCs

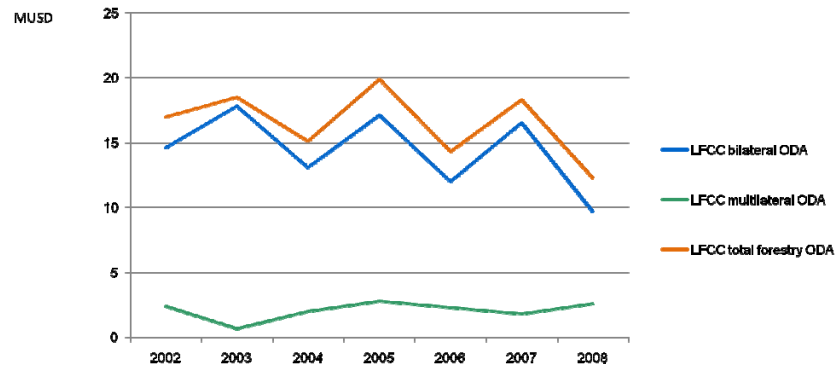
- Forest sector is marginal in many LFCCs
- Forests and trees play important, supportive roles in rural livelihoods, particularly in agriculture and animal husbandry
- Many LFCCs are facing challenges related to deforestation, forest degradation, desertification and soil degradation
- In developing LFCCs food production and food security are national priorities
- Forest resources per capita are low, and trees outside forests are important (agroforestry)
- Competition for land and water resources with agriculture; forest degradation and deforestation often due to grazing and fuel wood collection
- In many LFCCs forest are integrated in agricultural or environmental policies
- Role of forests and trees appears to be fairly well recognized in the existing PRSs
- Nevertheless, forests are not high on the list of government priorities in most of the LFCCs - less than half of have an official forest policy document

## Conclusions on forest financing in LFCCs (1/2)

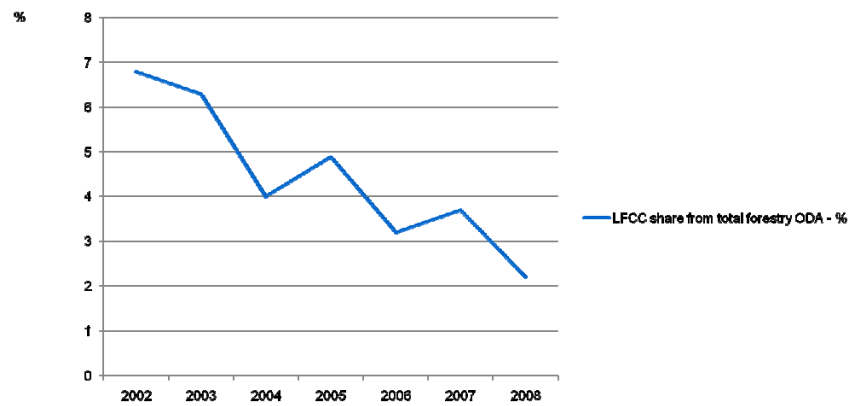
- Most of those countries with PRS have mentioned forests and trees in the Strategy, and have also received some forestry ODA
- Volume of forestry ODA in LFCCs has been decreasing slightly; the share of LFCCs' forestry ODA out of all forestry ODA has been decreasing strongly
- Forestry ODA is unevenly distributed among the LFCCs, and LDCs are particularly disadvantaged
- Forestry development is the largest thematic area of forestry ODA (60%)
- There is limited available information on other financing sources than ODA - especially relevant could be information on linkages between investments in agricultural sector and forests in LFCCs



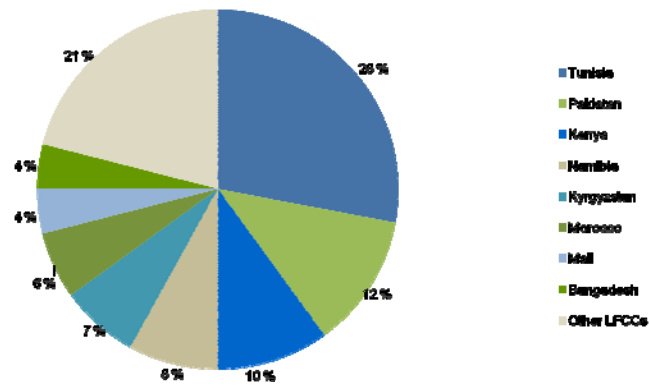
### Forestry ODA in LFCCs from 2002 to 2008



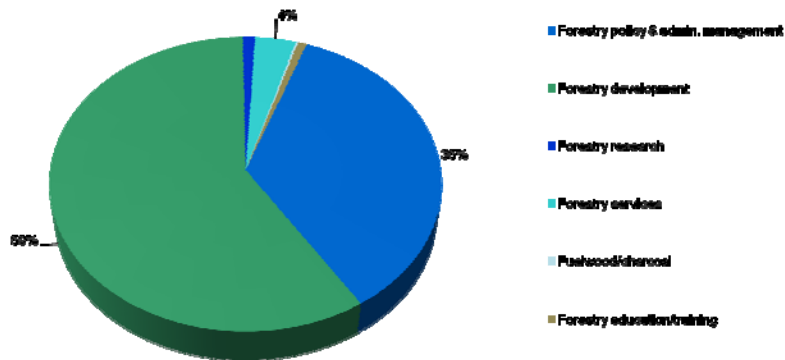
### LFCCs' share of Forestry ODA



### Major forestry ODA recipients in LFCCs



### Forestry ODA in LFCCs by category during 2002-2008



## Conclusions on forest financing in LFCCs (2/2)

- Environmental services, such as carbon or water, could potentially provide opportunities for fund mobilization – however, none of the LFCCs with an existing forest policy explicitly recognizes this potential in their forest policy
- Very few LFCCs have operational PES mechanisms, though some PES related projects have taken place
- Only few countries have carbon projects; most of those are forest bio-energy related
- Climate change and forests financing potential not perceived to be very significant by most of the LFCCs; CDM - heavy pressure on land with significant tree growth potential; REDD potential neither seen as significant in most of the countries
- Forests and trees in LFCCs are inevitably multi-sectoral issue – multi-sectoral approach to financing the service provision of forests and trees is needed; breaking of sectoral barriers is necessary

## Recommendations on LFCCs

- Recognize and value all forest products and services, including PES, and internalize them in GDP
  - ⇒ would bring forests in national political agenda and would improve budget allocations
- Promote and support integrated financing strategies, such as those developed by the Global Mechanism, to improve the coordination of finance planning and to tap the cross-sectoral (agriculture, water, energy, climate change) financing potential
- Linkages between investments in agricultural sector and forests in LFCCs should be studied in detail (in-depth cross-sectoral case studies)
- Regional cooperation and existing regional organizations should be strengthened and used for developing models for land-use planning, financing strategies and to collect lessons learned