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FINANCING SUSTAINABLE FOREST MANAGEMENT (SFM) – A STRATEGIC CROSS-SECTORAL REQUIREMENT FOR ACHEIVING INTERNATIONALLY AGREED DEVELOPMENT GOALS

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The Global Mechanism of the UNCCD at IFAD



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Summary of Presentation

- Introduction
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- National Budgeting Architecture
- Financing SFM
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Introduction

- Global Mechanism was established by the UNCCD as a subsidiary body with a clear mandate for developing countries (Article 21 of the Convention)
- GM's mandate clarified through the adoption of the Paris Declaration on Aid Effectiveness and strengthened domestic budgetary processes and priority setting by developing countries
- Role of forests and forests in combating land degradation and desertification clearly recognised in UNCCD with 193 country Parties (many without drylands)

Focus of the GM

- **The Global Mechanism (GM) focuses entirely on finance**
- **It is a facilitator** - not a fund
 - ✓ Mandated to promote actions leading to the mobilization and channelling of substantial financial resources
 - ✓ Ten Year Strategy of the UNCCD calls for “Integrated Investment Frameworks” for SLM (including forests) which is defined as an cross-sectoral, inter-ministerial agreement on public finance, PPPs and facilitation of private sector investments

Sustainable Forest Management (SFM)

- NLBI outlines SFM as a dynamic and evolving concept – agreed, but how to position forests in the overall development programming and financial resources allocation processes?
- Forests as a major contributor to poverty reduction and sustainable development – how does this translate into domestic development priorities?
- SFM world-wide too dependant on international finance allocation – GEF, REDD, FIP etc. with a focus on “tropical forests” – “all types of forests” do not receive sufficient attention in (lower) middle income countries and in developing countries with a high potential for forest production like Uganda.

Internationally Agreed Development Goals

- UNCCD – Ten-Year Strategy
- UNFCCC – REDD/adaptation/mitigation
- CBD – eco-system approach etc.
- Millenium Development Goals (1, 7 & 8)
 - Monterrey Consensus on Finance for Development – do forests play a role?
 - Paris Declaration on Aid Effectiveness - “Accra Triple A” does not mention forests/SLM

Domestic Budgeting Architecture

- decentralisation and devolution of public administration and alignment of priorities of international community at country level with those of recipient countries (Paris Declaration)
- Domestic public budget allocations through “sector-wide-approaches” (SWAPs), direct budget support or basket funding
- Budget caps set by Ministries of finance and partners (WB etc.)
- Potential of national forest funds limited, if not nurtured by international contributions as a result of domestic priorities in development

Domestic Budgeting Architecture contd

- Medium-Term Expenditure Frameworks (Basket funding and direct budget support etc.) are increasingly determining financial resource allocations
- Fighting poverty is the norm, but forests feature low in most countries (see evaluations of PRSPs in Africa)
- To attain SFM, countries have been encouraged to **prepare National Forest Programmes (NFPs)** and **mainstream** them into their national development strategies
- The concept of “integrated investment frameworks” could be considered to achieve programmatic approaches or SWAPs blending domestic and international finance

Prerequisites for SFM

- Financing SFM has several requirements including:
 - Good governance (effective central and decentral governmental institutions) and an enabling environment for forest investment for PPP and for private sector investments, including farmers
 - Coherence and interaction between different policies and programmes (agriculture, trade and market access, land tenure rights, environmental policies etc.)
 - Participation and involvement of stakeholders in and equitable sharing of benefits – definition of the process of interaction
 - Comprehensive cost-benefit analysis about land-use changes
 - Ecosystem-level/landscape management and planning
 - International cooperation

Limits to Mobilizing Finance

- Domestic budget process is not yet central and forest finance is not yet based on development priorities
- To be effective, financing SFM must reflect this reality in terms of availability of public finance, international financial contributions and investments by private sector
- Discussions on forestry finance have usually been handled as an internal issue to the forest sector – inter-ministerial dialogue, particularly with Ministry of Finance weak
- key external factors affecting SFM not addressed in broader development debate and cross-sectoral policy debate
- Implementing SFM is in effect a call for internalisation of externalities within national processes for frontline implementation – ecosystem approach, poverty reduction, enabling environment etc..

“Missing Links” revisited

- Indeed forests and trees contribute to energy, food, water, agricultural productivity (soil and water conservation, flood control, watershed protection, terrestrial biodiversity, industry, carbon sink)
- NLBI refers to “all types of forests” and “trees outside forests” and mobilising “increased new and additional financial resources from all sources”
- Does the forest policy debate at any level influence the true decision makers on financial resources allocation?

Conclusion

- Agreed: Forests' multiple functions make the sector a hotbed of synergies and opportunities concurrent attainment of the multiple objectives of the MEAs and IADGs
- Agreed: SFM is thus an efficient entry point for attaining the multiple objectives of the MEAs, IADGs, the NLBI and other related processes
- Agreed: Global attention has tended to be skewed in favour of the large expanse tropical rain forests in Protected Areas owned by the state, moreover in forest-rich countries
- Agreed: Bulk of forest/tree cover in many countries is often outside the forests
- Agreed: - please add any argument!

Conclusion

- Financing SFM dependant on political will of governments to see forests as a net contributor to development and hence to identify the sector as a national priority
- Major fund arrangements are emerging – REDD and FIP as well as new efforts in forest conservation – “all types of forests” suffer from focus on tropical forests and UNFF should turn to development issues, not only in “low forest cover countries”
- While “new and additional” forest finance for SFM is supposed to come from “all sources,” the unspoken debate revolves around ODA and other international funding sources
- This dwarfs the value of domestic sources of forest finance, which are yet key to sustainability
- Financing SFM within context of the “portfolio approach” has potential for unmasking strategic gaps and opportunities for plugging them and is the only means of sustaining positive impact since ideally SFM should be self-financing

Options for Action

- Financing SFM **MUST** be integral part of national processes and hence proceed within the national framework for planning, budgeting and fiscal channelling
- Global action should respect and invest in what has been agreed namely “all types of forests” and “trees outside forests”
- IPF/IFF/UNFF and a large number of active processes have identified all limitations/bottlenecks and potentials for SFM and its financing
- The next step is to effectively organize a structured dialogue at country level which is transparent, predictable and agreed upon which the GM calls “Integrated Financing Strategy” and termed “national financing strategy” – integrating all aspects discussed and regarded a prerequisite for SFM
- If a Global Forest Fund is created, mandate it to support these policy and financial allocation processes – not projects!