

Background Note for the Expert Group Meeting on the Clearing House of the Global Forest Financing Facilitation Network

Scope and content of the Clearing House databases – Phase I

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Introduction

The Global Forest Financing Facilitation Network (GFFFN) was established in 2015 under the auspices of the UN Forum on Forests (UNFF) by the UN Economic and Social Council.¹ One of the main priorities of the GFFFN is to serve as a Clearing House (CH) on forest financing.²

In May 2018, Member States at the thirteenth session of the UNFF adopted the GFFFN Guidelines and requested the UNFF Secretariat to:

Develop, without duplicating existing efforts, the Network's online clearing house in consultation with interested members of the Collaborative Partnership on Forests (CPF), with a view to providing:

- A comprehensive up-to-date database on forest financing opportunities from all sources for sustainable forest management, drawing and building on existing initiatives and sources of information, including information on procedures for accessing resources;
- A web-based interactive platform for the exchange of data, lessons learned and best practices among users, including, for example, on project conceptualization.
- A source of data for assessing progress on target 15.b of the Sustainable Development Goals and Global Forest Goal 4³.

In January 2019, an expert group meeting was held to identify core elements of the CH. Based on the EGM discussions, it was proposed that the CH would be developed in two phases.⁴ These proposals were reconfirmed by the Forum at its 14th session (UNFF14) in May 2019.

The discussions during UNFF14 also highlighted^{5,6} that UNFF15 in May 2020 should consider the “*Status of phase I of the clearing house and next steps*”, with the view of operationalizing the first phase of the GFFFN clearing house before the end of 2020.

In follow up to the UNFF14 discussions and to move forward with development of the first phase, the UNFF Secretariat hired a consultant to assist the Secretariat in further elaborating the scope and content of the databases for CH phase I, and to assist in collecting information based on the identified scope.

This paper is the consultant proposal for the scope and content of the three databases of the CH Phase I, which is submitted for discussions at the EGM on the CH on 12-13 November 2019 in Geneva.

¹ ECOSOC resolution 2015/33

² ECOSOC resolution 2017/4

³ Global forest goal 4: Mobilize significantly increased, new and additional financial resources from all sources for the implementation of sustainable forest management and strengthen scientific and technical cooperation and partnerships. (E/2017/4)

⁴ Available at co-chairs' summary on the EGM available at: <https://www.un.org/esa/forests/wp-content/uploads/2018/12/EGM-CH-2019-CH-CoChairs-Summary.pdf>

⁵ UNFF14 Chair's Summary, paragraph 24 e-g

⁶ UNFF14 Chair Summary, Part IV

Proposal for scope and content of Phase I of the CH

Lack of funding for forests is a major challenge in many parts of the world. Of equal importance is the lack of knowledge/data on where are the funding opportunities and how to access to existing funding for forests.

Currently, there is no comprehensive database which countries could consult to identify existing funding sources and obtain information on applying for or accessing existing funding sources to support sustainable forest management.

The three databases for Phase I of Clearing House (CH) aim at providing a package to address the above-mentioned challenges, provide a one-stop-shop for Member States and stakeholders to identify financing sources, and get knowledge on how to access existing financing sources for forests.

Against this background, three databases were proposed for Phase I of the CH by the first EGM on the CH, which was subsequently reconfirmed at UNFF14. The three databases are:

- funding opportunities for sustainable forest management;
- information and learning materials for accessing resources;
- lessons learned and best practices.

This paper provides a proposal by the consultant for the scope and content of each database for Phase I of the CH, taking into account the proposals of the January 2019 EGM.⁷ The proposal includes the following points and observations:

- An added value of CH of the GFFFN is its focus on serving Member States of the UN Forum on Forests as the primary beneficiaries of the CH.
- Countries are the main users of the CH and their information needs should be the basis for the types of information and data that are to be included in the CH.
- No one size fits all – forest financing gaps and needs of countries are very different. Therefore, the CH should focus on forest financing opportunities, gaps and needs at the global level.
- The CH could draw data from other relevant online databases and promote interfaces between them.
- Building the CH is a complex process and requires focusing on key priority issues. Thus, it is imperative to have a step-wise process, starting with something simple in the first phase and building on gradually in the subsequent phases.

Database 1- Database on Funding Sources/Opportunities

Lack of information on the existing funding sources for forests is a major challenge. This database aims to address this challenge by identifying and providing information about funding sources that can contribute to sustainable forest management.

⁷ Co-chairs' summary on the EGM available at: <https://www.un.org/esa/forests/wp-content/uploads/2018/12/EGM-CH-2019-CH-CoChairs-Summary.pdf>

Conceptual scope

This database would include information about funding from all sources for sustainable forest management (SFM). The funding source to be included in the database should contribute to SFM, defined in the United Nations Forest Instrument (UNFI) adopted in 2007 (E/CN.18/2007/8) as a “dynamic and evolving concept, aims to maintain and enhance the economic, social and environmental values of all types of forests, for the benefit of present and future generations”. An indicative list of thematic areas of activities is provided in Annex I to show case the activities that these funding sources should potentially contribute to.

The “funding sources” that should be included in this database include funding from any forms of entities/programmes that would provide external finance for SFM. With a view to prioritizing the most primary funding source to be included in the database, the following funding sources are proposed in this database for Phase I, with further improvements at a future stage:

- a. All major multilateral, bilateral and philanthropic finance that provide grants and loans to SFM. These are considered primary data for this database, as they are well established funding channels to contribute to SFM.
- b. Most primary innovative financial mechanisms through multilateral and bilateral and philanthropic finance for SFM that have potential to scale-up successful funding for forests. This includes *e.g.*, results-based payments, equity, bonds, among others.

Annex II provides an explanation note on the examples of multilateral, bilateral and philanthropic finance, as well as innovative financial mechanisms that are referred here.

Content of the database

The proposed information to be presented for each funding source is a brief aggregate of content from existing official websites of each funding source. The CH website will present this information in an intuitive, user-friendly manner. To minimize the need for maintenance and updates, wherever possible weblinks will be provided, instead of rewriting content that already exists.

Based on the recommendations received from the first EGM on the CH, the following categories of information are proposed to be included for each funding source as long as they are already available on the website of the funding source:

- Organization name
- Brief description of the Organization
- Geographical focus: *e.g.* global, Region, Country names, special groups of countries: *e.g.*, SIDS, HFLD, LDC, LFCC, EIT, etc.
- Issue area/thematic focus
- Relationship with other Multilateral Environmental Agreements
- Financing type: multilateral finance, bilateral finance, and philanthropic finance
- Financial instrument: grant, guarantee, loan and innovative financial instrument, including results-based payments, equity, bonds.
- Indication if this funding source provide dedicated finance to forests: *i.e.* direct forest source of finance; or, integrated funding source
- Project scale
- Application guidelines
- Eligibility criteria
- Accredited Entities, if applicable
- Applicable standards/certifications approved by funding institution

- Official website

Database 2 - Database of Information and Learning Materials for Accessing Resources

Funding agencies/institutions have specific programmatic and operational rules to allow access to their funding. Lack of knowledge about these rules pose a major challenge to eligible countries. This database aims to address this challenge and facilitate access of countries to the resources of relevant funding institutions through providing necessary information and knowledge about the scope of work, and respective rules of these institutions.

Conceptual scope

This database would include guides, tutorials, courses, training resources to enable users to improve accessibility to the funding sources that are identified in Database-1 Funding Sources/Opportunities. The information should help users to:

- Identify which sources of financing are applicable to them based upon the specific eligibility criteria of the funding source.
- Be able to understand what they must do in order to apply and/or access the identified sources of financing.
- Understand what skills, expertise, and/or capabilities they must have in order to apply and/or access the funding opportunities.

Content of the database

This database would largely feature direct weblinks to guides, tutorials, courses, training resources. Information to be included in this database would include information from CPF member organizations, UN and non-UN sources. Information about these sources will be provided through a hyperlink to the original webpage of the respective information source. The UNFF-GFFFN training materials on accessing financing would be also available. The following areas of information would be provided by the database:

- Subject Matter/Issue area: *e.g.*, Project management, greenhouse gas accounting, Due diligence process, Institution-specific requirements; Data sources; and others based on availability.
- Type of resource: *e.g.*, course, training materials, workshop, webinar, tool, book, article, etc.

Database 3 – Database of Lessons Learned and Best Practices

This database complements database 1 and database 2 and aims at providing a broader range of practical examples, lessons learned and best practices that are beneficial for countries in looking for a source of funding.

Conceptual scope

This database would provide best practices and learning opportunities for users to refer to, when applying for funding from the sources identified in Database-1, and includes Case studies, analytical publications on what works in project preparation, project content, project components, etc.

Content of the database

This database would largely feature direct weblinks to lessons learned and best practices from Member States, CPF members and other organizations. It includes:

- Information from CPF member organizations, and UN system organizations that provide examples of projects that could be considered as “best practices” or “lessons learned.”
- Importing information from other UN and non-UN entities that are already labelled “best practices” or “lessons learned” by other organizations.
- Importing information about best practices, lessons learned and funding levels by Member states of the UN Forum on Forests through voluntary input from member states of the Forum. In this case, the UNFF national focal points /Permanent Missions in NY will serve as the authorized providers of such inputs.

Annex I

It is proposed that the funding source to be included in the Database 1-Funding source/opportunities should contribute to the following list of thematic areas. This list is the thematic areas for action associated with the global forest goals (GFGs) and targets of the United Nations strategic plan for forests 2017–2030 (GA71/285)⁸.

Note: The list of indicative thematic areas for action set out below is not exhaustive and is in no particular order.

Global forest goal 1

Reverse the loss of forest cover worldwide through sustainable forest management, including protection, restoration, afforestation and reforestation, and increase efforts to prevent forest degradation and contribute to the global effort of addressing climate change

The indicative thematic areas for action are:

- (a) Reduction in/halting of deforestation
- (b) Reduction in/halting of forest degradation
- (c) Maintenance and improvement of forest health
- (d) Reforestation and afforestation
- (e) Forest landscape restoration and rehabilitation
- (f) Natural forest regeneration
- (g) Contribution of forests to climate change mitigation and adaptation
- (h) Reduction in/halting of loss of forest biodiversity
- (i) Mitigating the impact of invasive alien species
- (j) Mitigating the impact of air pollution
- (k) Fire control and management
- (l) The role of forests in preventing land degradation and desertification
- (m) Combating sandstorms and dust storms
- (n) Wildlife protection and management
- (o) Innovative approaches to the sustainable management of natural and planted forests
- (p) Disaster risk reduction
- (q) Control of mining activities within and adjacent to forests
- (r) Mitigating the impact of air, water and soil pollution

Global forest goal 2

Enhance forest-based economic, social and environmental benefits, including by improving the livelihoods of forest-dependent people

The indicative thematic areas for action are:

- (a) Contribution of forests to poverty eradication and livelihoods
- (b) Community/collaborative forest management
- (c) Value-added forest product production and processing
- (d) Working conditions and wages of forest workers
- (e) Competitiveness and diversification of forest products
- (f) Valuation of forest goods and services

⁸ The UN Strategic Plan for forests 2017-2030 is available at: <https://www.un.org/esa/forests/documents/un-strategic-plan-for-forests-2030/index.html>

- (g) Payments for ecosystem services
- (h) Protective functions of forests (soil and water management)
- (i) Conservation and sustainable use of genetic diversity of forests and trees outside forests
- (j) Traditional forest-related knowledge
- (k) Forest-related education, training and extension
- (l) Forests and trees in the urban context
- (m) Sustainable production and consumption of forest products
- (n) Socioeconomic functions of forests
- (o) Ecotourism development
- (p) Importance and characteristics of different forest types (e.g. boreal, temperate, tropical)
- (q) Agroforestry
- (r) Research
- (s) New and innovative forest products
- (t) The role of women and girls in sustainable forest management
- (u) Sustainable building materials

Global forest goal 3

Increase significantly the area of protected forests worldwide and other areas of sustainably managed forests, as well as the proportion of forest products from sustainably managed forests

The indicative thematic areas for action are:

- (a) Management of protected forest areas and networks
- (b) Enhancing conservation through other effective area-based conservation measures, including by establishing and expanding national parks where appropriate
- (c) Conservation and sustainable use of forest biodiversity, including in production forests
- (d) Sustainable management of forests used for production of wood and non-wood forest products
- (e) Productive functions of forests
- (f) Wood for energy and fuelwood, including sustainable use of woody biomass
- (g) Competitiveness of sustainably managed forest products
- (h) Market-based tools
- (i) Incentives for sustainable forest management and other public policy tools
- (j) Legality verification and traceability of forest products
- (k) Approaches for reduced-impact logging
- (l) Application of spatial and land use planning tools
- (m) The role of indigenous peoples and local communities in sustainable forest management
- (n) Building markets and infrastructure to promote production and consumption of sustainably managed forest products
- (o) Conservation and sustainable use of forest biodiversity

Global forest goal 4

Mobilize significantly increased, new and additional financial resources from all sources for the implementation of sustainable forest management and strengthen scientific and technical cooperation and partnerships

The indicative thematic areas for action are:

- (a) Means of implementation to achieve sustainable forest management
- (b) Funding support for implementation of the United Nations forest instrument
- (c) International public funding and national budgets

- (d) Foreign and domestic private sector investment in sustainable forest management and forest-based enterprises
- (e) Capacity-building to access and mobilize funds for sustainable forest management
- (f) Expertise in expanding capacity-building in developing countries
- (g) Public-private partnerships
- (h) Environmentally sound and innovative forest-based technology and know-how
- (i) North-South, South-South and triangular technical and scientific cooperation
- (j) North-North technical and scientific cooperation
- (k) Efficiency of forest-based industries
- (l) Forest science-policy interface
- (m) Best practices and innovative tools
- (n) Regional and subregional financing sources and mechanisms
- (o) Programmes and pilots for the implementation of the United Nations forest instrument and strategic plan

Global forest goal 5

Promote governance frameworks to implement sustainable forest management, including through the United Nations forest instrument, and enhance the contribution of forests to the 2030 Agenda for Sustainable Development

The indicative thematic areas for action are:

- (a) Cross-sectoral coordination at all levels
- (b) Integration of forest values into national planning and accounting
- (c) Enabling environments for investment in sustainable forest management
- (d) Forest law enforcement, governance and trade
- (e) Illegal logging and associated trade
- (f) Forest land tenure and land ownership
- (g) Gender equality in the forest sector, including empowerment of women and girls
- (h) Stakeholder engagement at all levels
- (i) Public involvement in forest decision-making
- (j) Civil society partnerships
- (k) The role of research in sustainable forest management
- (l) Criteria and indicators for sustainable forest management
- (m) Forest inventories and availability of reliable forest data and statistics
- (n) National forest inventories and other official forest-related data
- (o) Legal policy and institutional framework for sustainable forest management

Global forest goal 6

Enhance cooperation, coordination, coherence and synergies on forest-related issues at all levels, including within the United Nations system and across member organizations of the Collaborative Partnership on Forests, as well as across sectors and relevant stakeholders

The indicative thematic areas for action are:

- (a) Enhanced coherence and reduced fragmentation in global forest governance
- (b) Coherence, collaboration and cooperation among forest-related programmes and initiatives
- (c) Joint initiatives and joint programming of the Collaborative Partnership on Forests

- (d) Collaboration and cooperation between members of the Forum, the Collaborative Partnership on Forests and regional and subregional organizations and processes, as well as major groups and other non-governmental stakeholders
- (e) Harmonized programmes of work and programmes of action at all levels
- (f) Strengthened and harmonized data collection and reporting cycles and formats
- (g) Coordination initiatives among criteria and indicator processes
- (h) Common understanding of sustainable forest management
- (i) Regional and subregional coordination mechanisms

Annex II

The following major categories of finance are discussed at the first EGM on the CH and are proposed to be included in the database 1 on financing sources and opportunities.

Multilateral finance:

- **Multilateral funds**

Multilateral funds are alimented by international public finance, generally by OECD countries. They are devoted funds that support policy processes and technical support projects through international cooperation. The most relevant funds to be included in the GFFFN CHM include, to name a few, the Green Climate Fund (GCF), the Global Environment Facility (GEF), the Adaptation Fund, the Pilot Programme for Climate Resilience (PPCR), the UN-REDD Programme, the Forest Investment Programme (FIP), etc.

- **Multilateral development banks (MDBs)**

MDBs are supranational institutions set up by sovereign states, which are their shareholders. Their responsibilities reflect the development aid and cooperation policies established by its member states. MDBs have the common task of fostering economic and social progress in developing countries by financing programs and projects in all sectors of the economy, including forests. Access to funding is done through exchanges between country governments (often through the Ministry of Finance) and the respective MDB.

The world's six large multilateral development banks, World Bank Group (IBRD, IDA, IFC; see glossary), Asian Development Bank (ADB), African Development Bank (AfDB), Interamerican Development Bank (IDB), the European Bank for Reconstruction and Development (EBRD) and others such as the European Investment Bank (EIB) delivered over USD 32 billion in financing in 2017 to help developing countries and emerging economies mitigate and adapt to the challenges of climate change with a considerable part relating to forests and land use.

Bilateral finance:

Besides classic development cooperation between OECD countries and recipient countries that are mostly of technical nature (which includes official development assistance or “ODA”) new forms of bilateral government arrangements between donor and reception countries have emerged over the past years that provide financial resources, predominantly addressing the role of forests and climate change, FLEGT and FLR. These include, *inter alia*, special programmes dealing mainly either with climate change or biodiversity that include forests, and developed by countries such as Germany, Norway and United Kingdom, EuropeAid (EU “ODA” funding), US (US-AID, a number of foundations), France (Afd and FFEM), Japan (JICA), Canada (CIDA), Korea (incl. AFoCo), Australia, Switzerland (SDC/GPCCE) and multilaterally organized coordinated funds such as the Nordic Development Fund of the Scandinavian countries with the scope to facilitate climate change mitigation investments in low-income countries.

Philanthropic finance:

Many private foundations offer financial support to environmental projects including climate change initiatives. Foundations with a potential interest in projects on forests and climate change includes Arcadia Fund, Betty and Gordon Moore Foundation, ClimateWorks Foundation, Oak Foundation, Precious Forests Foundation, etc.

Innovative financial instruments:

New approaches of financial instruments have arisen over the past years that might find its way into SFM funding, including results-based payments and equity capital for developing projects and possibly bonds that have the potential to upscale successful investments.

- **Results-based Payments**

RbPs are a new form of policy and incentive instrument to pay for public services effectively rendered, including reducing deforestation and forest degradation, conservation and sustainable management of forests and enhancement of forest carbon sinks. With RbPs, a donor pays for the results achieved (*e.g.*, verified emission reduction in forests). The approach is used in Phase 3 of the REDD+ scheme, implementing verified emission reductions in the forest sector. Programmes that are being implemented under a Results-based payment scheme include the German REDD Early Movers Program (REM), effective since 2014 and the FCPF Carbon Fund that is about to start ER-Programs in 2019 and the GCF REDD+ pilot program (not yet fully operational).

- **Equity (a component of FDI)**

Equity capital is given in exchange for a share of a business. In the case of SFM, equity investors potentially invest in certified timber and NTFP production. There are several operational equity funds active at the wider forest/ES and landscape “market” in 2018 including Althelia Climate Fund (ecosystems conservation and sustainable agroforestry), Moringa Fund (developing sustainable agroforestry systems), Permian Global (protection and recovery of natural forests to mitigate climate change), Terra Bella Global Fund (early-stage project finance capital to high impact community-based forest and agricultural emissions reductions projects). Also, it is worth mentioning so-called Timberland Investment Firms (*e.g.*, Quantum Global, Miller Forest Invest, Sharewood, Life Forestry, Forest Finance and others, which promote mainly timber plantations). The Katoomba Incubator of Forest Trends supports projects to become attractive for equity funds. Acumen is a type of fund that helps to bring equity capital providers in regions where such investments are absent.

- **Bonds**

A bond is a financial instrument for raising funds from private capital markets in exchange of a later pay-back including interest payments. Bonds are optimized for the needs of the financial market and

they have high liquidity and are standardized. Bonds can mobilize large amounts of funds. Green bonds are being designed for climate change and natural resource management. Bonds are suitable to be used in a wider portfolio approach to scale up financing of existing, well-introduced management and restoration schemes that generate returns. Generally, a concrete example on the use of bonds does not exist in the forest sector.

Note: Though Foreign Direct Investments (FDI) is also considered an important category of international investment for many developing countries, the fluidity and characteristic of the finance make it challenging to track the available source. As a result, database 1 on funding sources will not include this category at its current stage.