

September 2017

E

	منظمة الأغذية والزراعة للأمم المتحدة	联合国 粮食及 农业组织	Food and Agriculture Organization of the United Nations	Organisation des Nations Unies pour l'alimentation et l'agriculture	Продовольственная и сельскохозяйственная организация Объединённых Наций	Organización de las Naciones Unidas para la Alimentación y la Agricultura
---	--	--------------------	---	---	---	--

## LATIN AMERICAN AND CARIBBEAN FORESTRY COMMISSION

### THIRTIETH SESSION

Tegucigalpa - Honduras, 25 -29 September 2017

**Mechanisms and economic incentives for: i) Mitigation of climate change effects, ii) Protection of biodiversity (wildlife) and conservation of ecosystem services, and iii) Restoration of forests and landscapes**

### Secretariat note

#### I. Financing mitigation of the climate change

1. The Paris Agreement aims to “limit the rise of global average temperature to well below 2 °C above pre-industrial levels” and to “increase the ability to adapt to the adverse impact of climate change and foster climate resilience...” The Agreement refers also to UNFCCC's existing goal agreed in Copenhagen in 2009 to mobilize at least US\$100 billion for climate-related financing annually by 2020.

2. Countries in Latin America and the Caribbean (LAC) face a host of climate challenges ranging from deforestation, natural disasters and land degradation to urban pollution and inadequate solid waste management. The cost of climate-related disasters is estimated at more than US\$5 billion a year, with the poor suffering the most from the adverse effects of climate change. These adverse effects are expected to intensify in the LAC region, owing to projected decreases in rainfall, heavy and growing demands for transport and energy generation, as well as geography, topography, and demographics. Efforts at mitigating and adapting to the negative effects of climate change have been supported by a wide range of public multilateral and bilateral, and private, funding sources. These efforts have met with varying degrees of success (World Bank, 2013)<sup>1</sup>.

3. Twenty funds are active in the region (see the most relevant in the table below). The largest contributions are from the Clean Technology Fund (CTF), a multilateral fund which has approved almost all of this finance as concessional loans. The second biggest provider of climate finance in the region is the Amazon Fund, capitalized from multilateral sources which scope is restricted to Brazil. Germany, the United Kingdom and Norway are the countries with the largest bilateral investments in LAC. Germany has approved a significant amount of finance in the region to date through the International Climate Initiative (IKI). Norway's International Climate and Forest Initiative and the UK's

<sup>1</sup> <http://documents.worldbank.org/curated/en/145151468048301267/pdf/ACS44310ESW0wh00Box377363B00PUBLIC0.pdf>

International Climate Fund have approved similar amounts of bilateral projects in the region (Heinrich Böll Stiftung, North America, 2014)<sup>2</sup>.

Source	Comment
Clean Technology Fund (CTF)	Empower transformation in developing and emerging economies by providing resources to scale up low carbon technologies with significant potential for long-term greenhouse gas emissions savings.
Amazon Fund	Aim to raise donations for non-reimbursable investments in efforts to prevent, monitor and combat deforestation, as well as to promote the preservation and sustainable use in the Brazilian Amazon
German International Climate Initiative (IKI)	Finance climate and biodiversity projects in developing and newly industrializing countries, as well as in countries in transition.
Norway's International Climate	Support global efforts to reduce destruction of tropical forests. It aims to halt greenhouse gas emissions from deforestation and forest degradation in developing countries.
Green Climate Fund (GCF)	Support the developing countries to limit or reduce their greenhouse gas (GHG) emissions and adapt to climate change.
Global Environment Facility (GEF)	Support the implementation of the Convention on Biological Diversity, the United Nations Framework Convention on Climate Change, and United Nations Convention to Combat Desertification.
Climate Investment Fund (CIF)	Energy, climate resilience, transport and forestry sectors.
UNREDD+	Reduce forest emissions and enhance carbon stocks in forests while contributing to national sustainable development
REDD+ Early Movers Programme (REM)	German programme that rewards the climate change mitigation performance of Early Movers and promotes sustainable development for the benefit of small-scale farmers as well as forest-dependent and indigenous communities through fair benefit sharing.
Adaptation Fund (AF)	Finance climate change adaptation and resilience activities in developing countries that are vulnerable to the adverse effects of climate change and are Parties to the Kyoto Protocol.
World Bank Initiatives Forest Carbon Partnership Facility (FCPF)	Readiness Fund: supports tropical and sub-tropical developing countries in preparing themselves to participate in a future, large-scale, system of positive incentives for REDD+. Carbon Fund: pilot incentive payments for REDD+ policies and measures in developing countries,
BioCarbon Fund Initiative for Sustainable Forest Landscapes (BioCF-ISFL)	Reduce emissions from the land sector through smarter land use planning, policies, and practices
Forest Investment Programme (FIP)	Lead efforts to empower transformations in the energy, climate resilience, transport and forestry sectors
Global Climate Change Alliance+ (GCCA) (European Union)	Foster effective dialogue and cooperation on climate change.
Global Energy Efficiency and Renewable Energy Fund (GEEREF) (European Union)	Fund-of-Funds catalyzing private sector capital into clean energy projects in developing countries and economies in transition.
UK International Climate Fund	Tackle climate change by supporting low carbon growth and adaptation in developing countries

4. With regard to climate finance for forests, REDD+ has gained prominence due to its assumed capability to deliver relatively cheap reductions in CO<sub>2</sub> emissions. REDD+ aims at creating a financial value for carbon stored in forests by offering incentives to developing countries to reduce emissions from forested lands. Pursuing REDD+, the UNREDD Programme assists countries to develop the capacities needed to meet the UNFCCC's REDD+ requirements, so that they can qualify to receive

<sup>2</sup> <https://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/9335.pdf>

results-based programmes under the Convention. Implemented by FAO, UNDP and UNEP, the UNREDD Programme in the region benefits twenty countries through national programmes implementation and specific initiatives in amount around USD 557 million.

5. The Green Climate Fund (GCF) is playing an increasing role in financing climate change mitigation and adaptation. The GCF was proposed in 2010 as a financial mechanism of the UNFCCC to support developing countries in their efforts to limit or reduce their greenhouse gas emissions and adapt to climate change. The GCF became operational in 2015 and it aims to mobilize \$100 billion a year by 2020 to support the implementation of the Paris Agreement. By September 2017, the GCF had approved a total of 43 projects amounting \$2.2 billion. For this region 8 projects have been already approved.

6. In addition to international public climate finance, domestic public finance and private sector contribution are two other major sources of climate financing. Many developing countries, particularly the emerging economies, are prioritizing climate actions in their national plans and allocating significant budgets. Such contributions also include co-financing commitments made through international climate programmes and projects. Comprehensive information on domestic climate financing, however, is lacking as these efforts have not yet been systematically tracked.

7. In 2015, CEPAL launched a study about the climatic finance in the region. The study shows that more than 50% of the investment on climate come from national funds, about 1/3 from multilateral banks in the form of loans, around 5% from bonus for climatic purposes and no more than 2.2% from climatic funds<sup>3</sup>. Countries are paying the major part of the “bill” of the climate change with own resources.

Year		Amount in million USD					Total
		Climatic funds	Multilateral banks	National development banks	Other national sources	Bonus for climatic purposes	
2015	<b>Total</b>	302	7,835	9,684	1,184	1,064	20,069
	<b>%</b>	1.5	39.0	48.3	5.9	5.3	100.0
2104	<b>Total</b>	477	7,323	11,858	1,738.33	242	21,639
	<b>%</b>	2.2	33.8	54.8	8.0	1.1	100.0
2013	<b>Total</b>	315	5,487	11,884	2,111	0	19,797
	<b>%</b>	1.6	27.7	60.0	10.7	0.0	100.0

8. It is widely recognized that the main contribution of forests and forestry to climate change is through sustainable forest management (SFM). Yet, globally, the progress towards SFM continues to be a challenge as the sector struggles to broaden and diversify sources of revenue and to improve the economic viability of forestry.

9. In January 2017, a special session of the United Nations Forum on Forests (UNFF) agreed upon the UN strategic plan for forests 2017-2030 which provides a global framework for actions at all levels to sustainably manage all types of forests and trees outside forests and halt deforestation and forest degradation. The strategic plan includes six global forest goals and 26 associated targets to be achieved by 2030. These voluntary goals and targets contribute to the implementation of the 2030 Agenda for Sustainable Development, the Paris Agreement of the UN Framework Convention on Climate Change (UNFCCC), the CBD and the United Nations Convention to Combat Desertification (UNCCD). Global Forest Goal 4 aims to mobilize new and additional financial resources from all sources for the implementation of sustainable forest management and strengthen scientific and technical cooperation

<sup>3</sup> Independent structures which resources come from the states or others sources and have a specific budget that in the majority cases has been frequently renewed.

and partnerships. In addition, the strategic plan reaffirmed the role of the Global Forest Financing Facilitation Network (GFFFN) as one of the six components of the international arrangement on forests

10. CEPAL in 2015 estimated that 13.3% of the resources available in climatic funds in LAC have been used in forestry programmes and projects pursuing SFM, more than the 9.8% used in agriculture. The major part of the resources were used in energy generation and supply:

Sector	Amount (in million USD)	Percentage
Forestry	38.55	13.3
Energy	109.18	37.6
Water and sanitization	42.5	14.6
Agriculture	28.46	9.8
Others	71.89	24.7
Total	290.58	100.0

## II. Protection of biodiversity (wildlife) and conservation of ecosystemic services

11. The high-level segment of the United Nations Biodiversity Conference, held in Cancun, Mexico in December 2016, adopted the [Cancun Declaration on mainstreaming the conservation and sustainable use of biodiversity for well-being](#). Subsequently, the 13<sup>th</sup> Conference of Parties (COP13) to the Convention on Biological Diversity (CBD), in its [Decision XIII/3](#), urged Parties to strengthen their efforts to mainstream the conservation and sustainable use of biodiversity within and across various sectors, including agriculture, forestry, fisheries and aquaculture, and tourism at all levels and scales, to enhance the implementation of the Strategic Plan for Biodiversity 2011-2020. COP13 also welcomed the adoption of the Paris Agreement and the adoption of the 2030 Agenda for Sustainable Development and its Sustainable Development Goals.

12. COP13 recognized [Sustainable Development Goal 15](#) and its [target 2](#), which refers to sustainable management of all types of forests, halting deforestation, restoring degraded forests and substantially increasing afforestation and reforestation by 2020. It further noted the [UN Economic and Social Council resolution 2015/33](#) on the international arrangement on forests beyond 2015 as well as the [UN General Assembly resolution 62/98](#), which describes sustainable forest management and its seven thematic elements, including forest biodiversity. In Decision XIII/3, COP13 encouraged Parties and other stakeholders to make use of the United Nations Forest Instrument and to strengthen efforts to enhance the awareness of all stakeholders and their involvement in the development and implementation of policies and strategies for sustainable forest management.

13. In its [Decision XIII/8](#) on wildlife, COP13 encouraged Parties and relevant organizations to consider and implement, as appropriate, the road map for better governance towards a more sustainable bushmeat sector, as presented to the XIV World Forestry Congress in Durban, in September 2015. It also encouraged Parties to integrate existing guidance and recommendations of the Convention related to the sustainable use of wildlife into plans and strategies for development cooperation agencies and to enhance the mainstreaming of the conservation and sustainable use of biodiversity in relevant sectors. Furthermore, COP 13 requested in collaboration with the [Collaborative Partnership on Sustainable Wildlife Management](#) to enhance synergies with enhance synergies with the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services ([IPBES](#)) with regard to the re-scoping of the assessment on sustainable use of biodiversity.

14. Since 1991, the [Global Environment Facility \(GEF\)](#) has been supporting developing countries and countries with economies in transition by providing grants for projects addressing biodiversity, climate change, land degradation and other environmental issues, including sustainable forest and wildlife management. During its sixth replenishment cycle (2014-2018), GEF has continued to support the implementation of sustainable forest and wildlife management with a targeted funding totaling \$750

million for this purpose. The forest-related GEF projects have now nearly reached this target and they have leveraged more than \$4 billion in co-financing.

15. Presently, the seventh replenishment period of GEF (2018-2022) is under preparation. A new sustainable forest management programme strategy is being developed in consultation with the member countries and other stakeholders, taking into account the new development agenda, including the Paris Agreement, the Sustainable Development Goals, the outcomes of the UN Biodiversity Conference in 2016 and the UN strategic plan for forests 2017-2030. The seventh replenishment of the Facility is expected to be launched in July 2018.

16. The [Addis Ababa Action Agenda](#), adopted at the Third International Conference on Financing for Development, held in Addis Ababa in July 2015, includes a bid to mobilize funds for sustainable agriculture, including forestry, fisheries and pastoralism. The Action Agenda also encourage the mobilization of financial resources to the conservation and sustainable use biodiversity and ecosystems, including sustainable forest management. The Action Agenda has not yet translated into concrete funding opportunities but it is likely to make financial available to achieving the Sustainable Development Goals, including Target 15.

### **III. Restoration of forests and landscapes**

17. Deforestation and land degradation are major causes of biodiversity loss and significantly reduce the productivity of the natural assets upon which the well-being of humanity relies. Global estimates suggest that one quarter of global soils are degraded (Gibbs and Salmon, 2015).

18. The global community has shown strong commitment to forest and landscape restoration (FLR) by embracing ambitious targets: the Bonn Challenge calls for restoring at least 150 million hectares of degraded land by 2020; Aichi Target 15 of the Convention on Biological Diversity (CBD) aims for restoration of at least 15 percent of degraded ecosystems by 2020; the New York Declaration on Forests targets the restoration of 350 million hectares by 2030. The most ambitious, Target 15.3 of the Sustainable Development Goals, looks to achieve land degradation neutrality by 2030.

19. Funding required to achieve such commitments, it is estimated that USD 360 billion is required to meet the Bonn Challenge and USD 830 billion to meet the target of the New York Declaration on Forests. The mobilization of these financial resources remains one of the main constraints for the effective implementation of large-scale FLR projects and programmes. It requires an urgent effort from existing public financial instruments (national budgets, development banks), climate financing mechanisms (Adaptation Fund, Green Climate Fund) and the private sector (impact funds and traditional investors such as pension funds and commercial banks). It is expected that GEF7 and the German International Climate Initiative (IKI) will focus also on restoration in their next phases.

20. Also a number of countries have developed successful financing strategies such as national forest/environment/climate funds, microfinance instruments and dedicated credit lines to support restoration.

21. FAO is working in supporting countries on forest and landscape restoration. FAO's Forest and Landscape Restoration Mechanism (FLRM) works in Latin America at regional level for the 20x20 Initiative and at national level in Peru and Guatemala to support the preparation and the implementation of national Forest and Landscape Action Plans. To scale-up the FLR efforts within countries, the FLRM operates to support partnerships striving for increased inter sectoral collaboration.

22. In Guatemala the FLR Mechanism is one of the key partners involved in the national platform created to support the implementation of the National Forest and Landscape Restoration Strategy of this country. At the forest policy level, the programme has supported the implementation of the forest law (PROBOSQUE), focusing on the forest landscape restoration chapter. This included, as a first step,

preparation of the draft "Technical Guidelines for practices and systems of forest landscape restoration", a joint undertaking of INAB, FAO, IUCN and the US Forest Service. Additionally FLRM is assisting in developing an entire diploma on restoration to develop capacities within ministries and extension services in the country.

23. Peru is working to meet its commitments made in the context of Initiative 20x20, by restoring 3.2 million hectares of degraded land by 2020. Since 2015, it has been receiving related support from FLRM. Early in 2016, and building on targeted FAO support for forest and landscape restoration, Peru's National Forest Service (SERFOR) began developing a National Programme for the Restoration of Degraded Lands (PNRAD). It also hosted an Investment Forum. Under the umbrella of FLRM's support to Peru, the country-wide mapping of possible areas for restoration was organized in 2016. Over 200 cases of ongoing and planned FLR-relevant projects were identified in 20 of Peru's 25 regions. At the moment the pilot sites in the highlands and the Amazon are developed. Furthermore a study on restoring mining areas is drafted.

24. FLRM support the regional dynamics in Latin America through technical and financial resources. One key activity of the FLRM was the co-organization of a Regional Technical Restoration Workshop titled "Restauración de Bosques y Paisajes en Mesoamérica frente al Desafío de Bonn: preparando el camino para la acción a gran escala", with technical and financial contributions by FLRM. About 50 people participated in the workshop, including delegates from CCAD countries and special guests related to the region's theme, as well as from Mexico and Colombia. Other support at regional level was provided to an international course on landscape restoration ("La restauración de paisajes - Principios y herramientas inclusivas para liderar la transformación"; i.e. landscape restoration: inclusive principles and tools to lead transformation) held at CATIE in Costa Rica.

#### **IV. Points for consideration**

25. Commission may wish to discuss about:

- Considerations through the governing bodies of the international instruments and processes related to climate change, biodiversity conservation and forest and landscape restoration to simplify procedures and enhance access to financial resources.
- Ways to strengthen investments in forests for climate change, biodiversity conservation and forest and landscape restoration and scale up successful initiatives that can generate significant multiple benefits.
- Mobilization of large scale financial resources from the Green Climate Fund and other sources, in partnership with countries and with accredited implementation agencies, including Regional Development Banks, for promoting adaptation and mitigation to climate change, biodiversity conservation and forest and landscape restoration through forest sustainable management.
- Use existing FAO Facilities and programmes as channels for technical support and for building capacity for readiness for larger scale investments building links between climate change adaptation and mitigation, biodiversity conservation and forest and landscape restoration and food security, rural poverty reduction.