

## Forest Finance

### Background

For at least twenty years, the issue of forest finance has been a constant undercurrent in both national and international discussions seeking to promote sustainable forest management. At the national level, countries have sought to strengthen both user charges for goods and services while adding financial incentives for better management and more efficient production techniques. Internationally, a vibrant discussion has continued on the need for international incentives for developing countries in capacity development, access to technologies and improved market access. Some observers cite a distinct lack of progress at both levels while others see hopeful signs of change.

While many have hoped for financial instruments, mechanisms or frameworks that would be holistic encompassing a full range of forest values, the complexity of forest contributions to society has made it extremely difficult to find national or international agreement on this issue. Instead, the non-market contributions of forests to social, economic and environmental well-being have been taken up in a number of national and international *fora*.

For example, protection of forest biological diversity is encompassed within the efforts of the Global Environmental Facility (GEF) to support the work of the Convention on Biological Diversity. Similarly, international financing for carbon sequestration through afforestation and reforestation has been an important and growing contribution of the World Bank Group. Investments in growing and extracting timber and wood products processing remains a private sector affair. Excitement is abundant about the prospects of finance related to reducing emissions from deforestation and forest degradation (REDD).

Forest finance at the national level is even more diverse than that observed internationally. Each country confronts forest users with a mixture of forest charges, systems of permitting and vested rights to use water and wildlife that reflect the nation's history and heritage. In some countries, lands covered with forests are automatically part of the national patrimony and in other countries there are varying mixtures of private, public and community ownership.

While this diversity of efforts has some advantages that reflect different national situations, it leaves efforts to promote sustainable forest management weakened. On the other hand, SFM concept implies also economic sustainability. Therefore, although SFM in many cases will require increased initial investments in forests, these should mostly be transitional. Currently, there are powerful efforts underway to re-examine international financial incentives for selected forest values contributing to global public goods: GEF is promoting a thematic emphasis on conservation of biological diversity through sustainable forest management in three major tropical forest biomes; the Carbon Partnership programmes through the World Bank Group is supporting carbon sequestration and readiness for a potential REDD financing instrument; the Global Mechanism seeks to increase the efficiency of existing financial mechanisms and resource mobilisation in support of UNCCD objectives; the UNFF will examine a financial framework to advance the global objectives and the non-legally binding instrument on forests (NLBI); the UNFCCC will facilitate negotiations on a REDD component within the overall framework convention on climate change; the EC, World Bank and numerous country partners are financing capacity building to address forest law compliance and promote international trade in legally and sustainably sourced timber.

An exhaustive list of financing and capacity building would take pages and run the distinct risk of overlooking many important contributions.

### Discussion Points

There are number of strategic points that the CPF may wish to consider in this very important area of forest finance:

1. The GEF, the World Bank, IUCN and others have worked diligently to nurture markets for global public goods – carbon, payments for environmental services, conservation banking. Do we believe that these markets can make a difference? Is there more that CPF members could do to accelerate progress and lend assistance to the efforts?
2. The World Bank, IUCN, CIFOR, FAO and ITTO have actively promoted improved forest governance and law compliance as necessary conditions to foster sustainability. Illegal forest activities and trade are said to cost governments considerable foregone revenues depriving communities of needed benefits and compromising the rule of law. Should CPF members be doing more in this area? Are there alliances among us not yet fully realized?
3. CBD, UNCCD, GEF and the Global Mechanism are financing efforts to tackle land degradation often through forestry interventions. Is there an unrealized potential for CPF cooperation in this area? The visibility of low forest cover countries waxes and wanes in our governing bodies.
4. Given the enthusiasm shown on the REDD issue and potential for new funding, how can CPF demonstrate more cooperation and less competition?
5. Is a new mechanism needed to provide some holistic look at sustainable forest management such as through the NLBI? How could a new instrument change/improve the situation from what exists today?