

26th Session of the Committee on Forestry

Item 8.4 Finance and investment in forest pathways

Increased levels of finance and investment are urgently needed to counter climate change, biodiversity loss, and persistent poverty and inequality. To achieve this increase in funding, all sources of funding – domestic government, private, and official development assistance – will need to be tapped into.

Drawing on the latest evidence and data, in particular from *The State of the World's Forests 2022 (SOFO) 2022*, and the XV World Forestry Congress, this document provides an overview of key issues and opportunities to scale up finance and investments. It highlights four priority actions that have the potential to deliver both higher financing flows and increased impact for halting deforestation, enhancing restoration and increasing sustainable use of forests:

- increase climate finance for sustainable forestry, including restoration, for example by including them in climate finance strategies and seizing opportunities from developing carbon markets; allocate more finance to Indigenous Peoples, local communities (IPLC) and small producers, recognizing their key role as key agents to protect and restore forests, and support sustainable forest value chains; strategically use public finance to engage the private sector, including smallholders, and better monitor domestic public finance to curb subsidies and incentives leading to deforestation and to create opportunities for forestry within sustainable agrifood systems; and address finance issues for forestry and agriculture in an integrated way, promoting complementary practices between agriculture and the conservation, restoration and sustainable use of forests.

The Committee is invited to:

- call on Members to consider, through the governing bodies of the international instruments and processes related to climate change, to simplify procedures, enhance access to financial resources, and monitor the level of direct financing to local stakeholders that contribute to halting deforestation, enhancing restoration and increasing sustainable use of forests (the three forest pathways as identified in SOFO 2022); and
- encourage Members to promote coherence across public finance instruments towards sustainable landscapes, in particular through assessment of impacts on forests of agricultural subsidies, public expenditures and incentives, including through the opportunities to finance improvements of the forestry-agriculture interface provided by the Global Environment Facility (GEF)-8 and other multilateral funding mechanisms.

The Committee is invited to recommend FAO to:

- support Members, upon their request, to strengthen capacities for improved governance and institutional arrangements across national and sub-national levels to effectively make use of the finance opportunities resulting from multilateral agreements, such as the Paris Agreement, and the UN Decades on Ecosystem Restoration and of Family Farming, and high-level political commitments and pledges, such as the Glasgow Leaders' Declaration on Forests and Land Use;
- support Members, upon their request, to access climate finance, such as the REDD+ result-based payments and emerging carbon finance opportunities, including through technical support to assist Members to meet relevant requirements under the United Nations Framework Convention

on Climate Change (UNFCCC) and other forest carbon standards to enhance environmental and social integrity and quality of REDD+ results;

- support Members, upon their request, in their efforts to mobilize private sector finance for forestry and increase the opportunities for investments, including through the inclusion of sustainable forest value chains into their climate and restoration strategies;
- use existing FAO facilities, programmes, and initiatives to support public and private institutions in the development of pipelines of investment-grade projects and in building capacity of small producers to actively and fairly participate in them;
- support Members, upon their request, in developing methodologies to monitor the flows of domestic public finance that impact forests and assess the effectiveness and efficiency of public finance instruments used to implement forestry, agriculture, and land-use policies, and in developing effective instruments to strengthen the financing of the forest pathways; and
- leverage FAO's ongoing strategic partnerships with the Green Climate Fund (GCF) and the Global Environment Facility (GEF), and particularly through the GEF-7 Impact Programs on Dryland Sustainable Landscapes (DSL-IP) and Food Systems, Land Use and Restoration (FOLUR-IP), to create and exchange evidence and good practices for innovative finance and investment models to implement the forest pathways at scale.

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