



Inter-Regional Workshop  
***“Financial Mechanisms for Sustainable Forest Management:  
Sharing Experiences from Latin America and Asia-Pacific”***



**“Forest financing in Latin  
America: lessons learned”**

**Eduardo Mansur (FAO)**

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**Based on a joint initiative of FAO, IUCN, CCAD, GTZ and the Netherlands**

# Content

✓ **The framework**

✓ **The context**

✓ **Knowledge management**

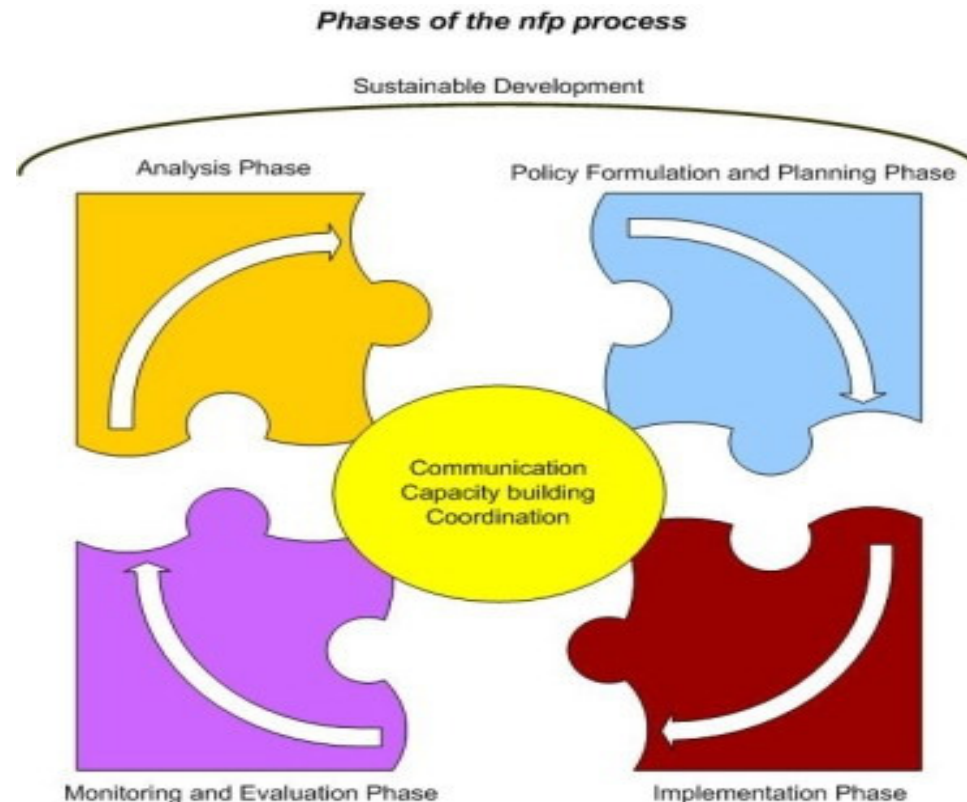
✓ **Lessons learned**

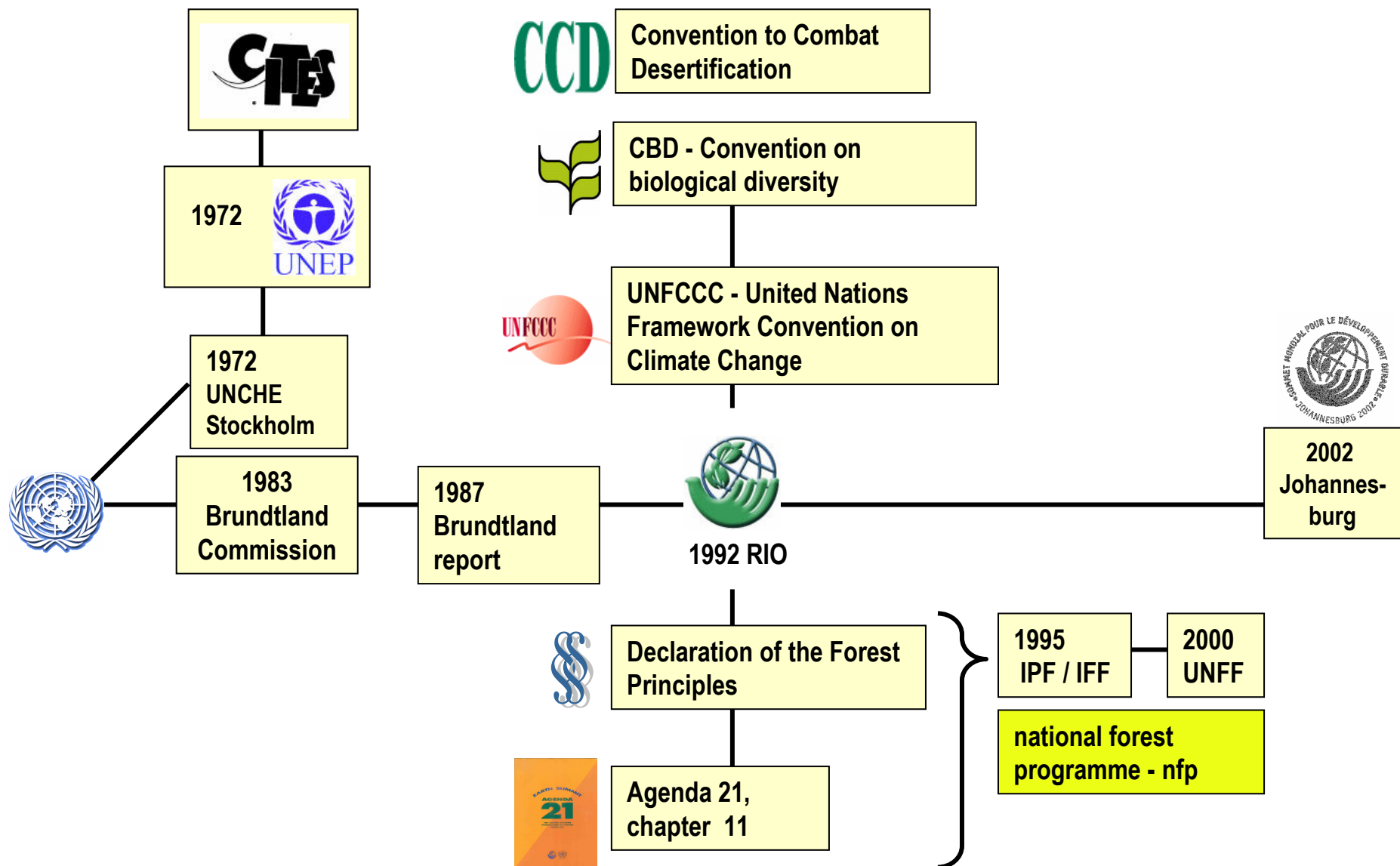
✓ **The framework:**

**national forest programmes**

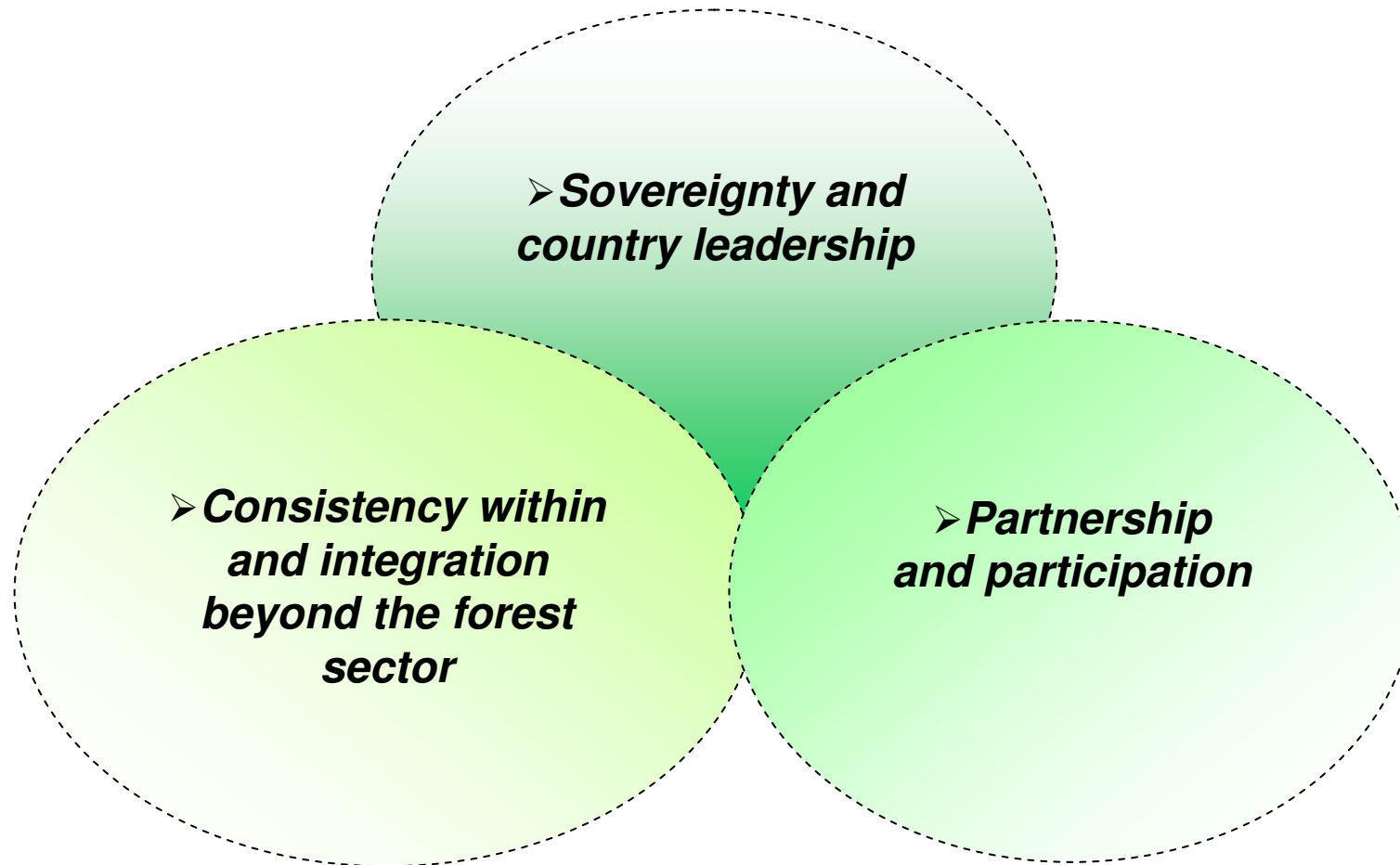
# National forest programme (nfp): what is it?

- **Nfp**: General term to designate a country-led process to promote participatory policy formulation and strategic planning in forestry.
- A **framework** for joint implementation of the national forest policy and international commitments

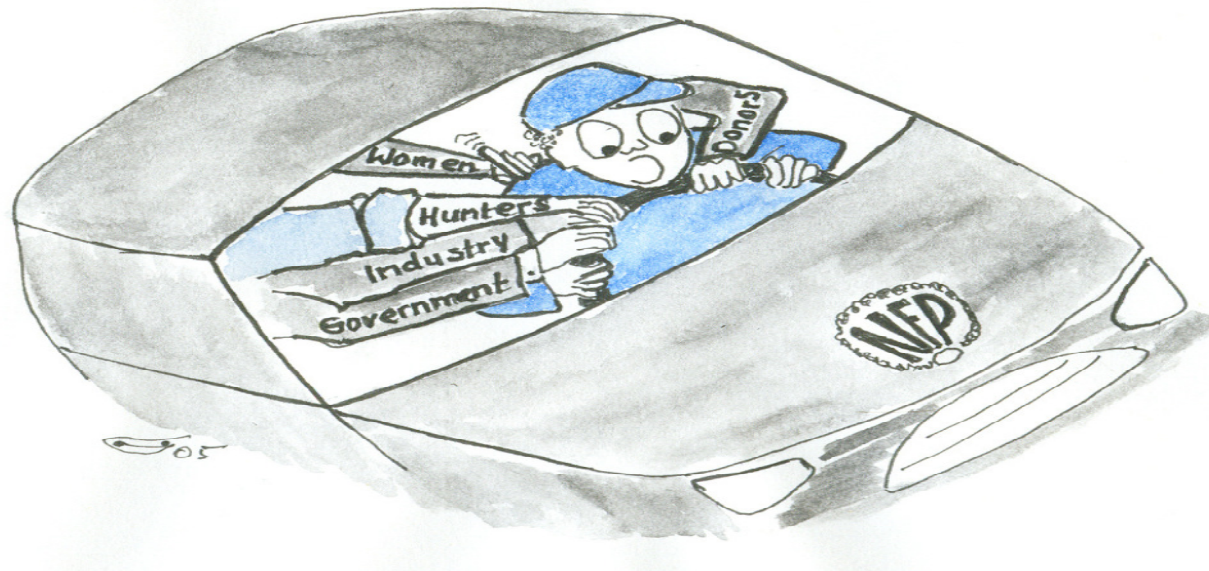




## Nfp cluster of principles



## Sovereignty and Country Leadership



### **Definition and significance**

**Right to manage forests according to national policies and laws, but**

**Responsibility for global concerns**

**Commitment depends on forest sector's profile**



## Consistency within and integration beyond the forest sector



- *Nfps must fit in with national development planning and macro-economic policy frameworks*

## This Cluster Comprises:

- Integration with the sustainable development strategies of the country
- Consistency with the constitutional and legal frameworks of each country
- Recognition and respect for customary and traditional rights
- Secure land and forest tenure arrangements
- Sound economic valuation of forest products and services
- Supportive economic and commercial environment
- Enhancing the institutional capacity of forest-related sectors.

## Partnership and Participation



*Nfps need coordination and communication between and among government institutions, the private sector and other stakeholders*

## **This Cluster Comprises**

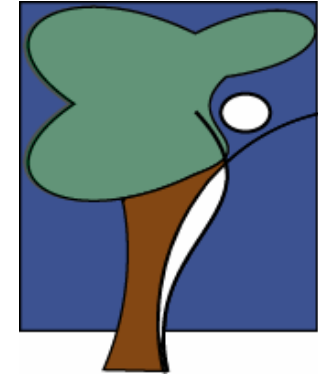
- Partnership and participation
- Coordination among all interested parties
- Appropriate participatory mechanisms in which all interested parties are involved
- Establishment of effective coordination mechanisms and conflict-resolution schemes
- Improving regional and international cooperation for the exchange of information, technology and know-how by networks

## How many countries have an nfp?

<i>Region</i>	<i>Status</i>		<i>Total</i> <i>/</i>
	Plan- ning	Implem- enting	
<b>Africa</b>	21	22	43
<b>Asia</b>	10	14	24
<b>Near East</b>	0	3	3
<b>Latin America and the Caribbean</b>	0	33	33
<b>Economies in transition</b>	3	11	14
<b>Organisation for Economic Cooperation and Development – OECD</b>	0	21	21
<b>Total</b>	<b>34</b>	<b>104</b>	<b>138</b>

Source: UNFF session of 4-15 March 2002

# THE NATIONAL FOREST PROGRAMME FACILITY



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A mechanism hosted by FAO and funded by a group of donors interested in supporting nfp implementation.

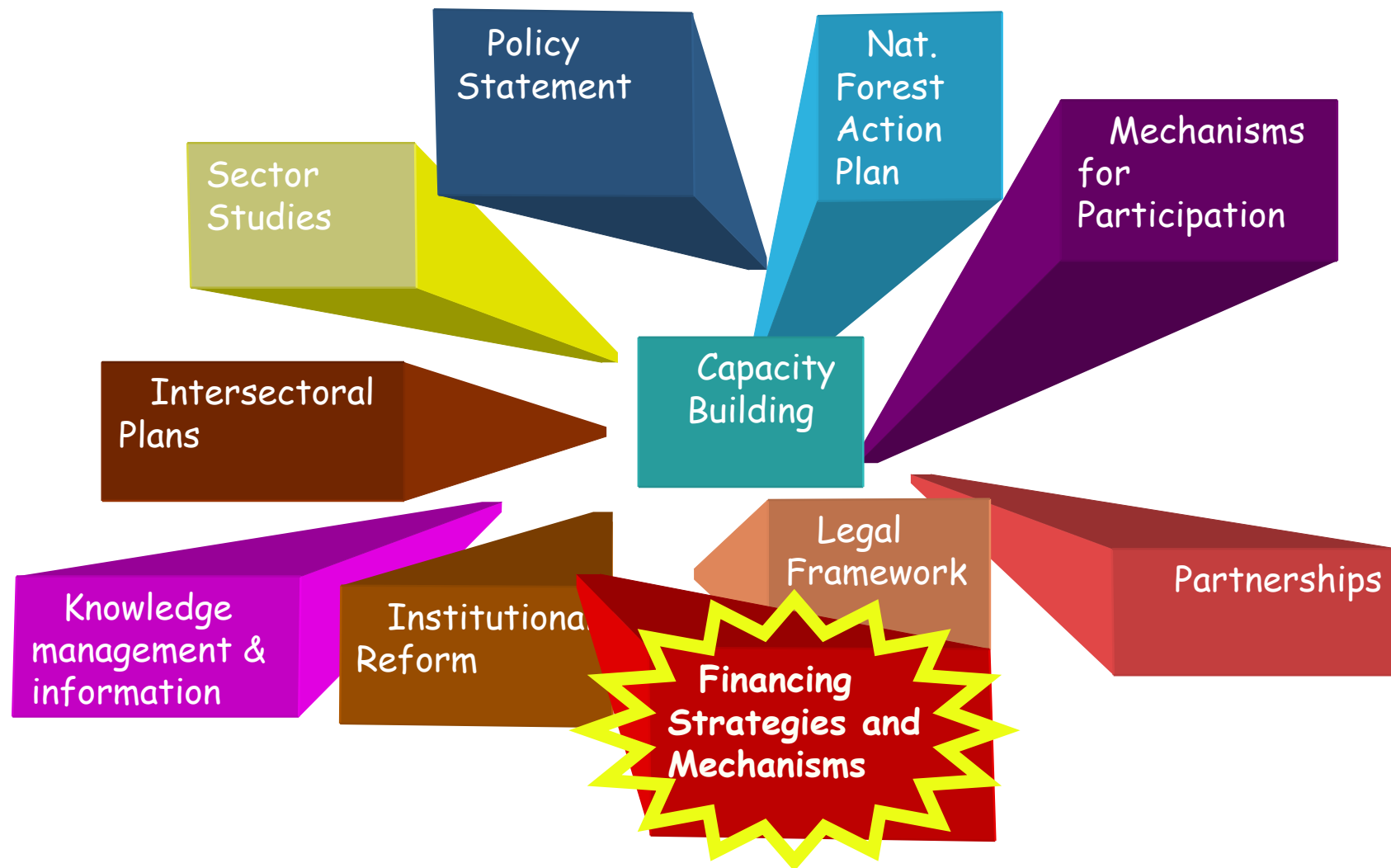
Provider of small grants to less developed countries, and information for all, focusing on:

- Enhancing **stakeholders participation** in nfp processes
- Supporting **poverty alleviation** through sustainable forestry
- Supporting country **implementation of international agreements** related to forests

Currently counts with **42 partner** countries worldwide, plus **4 regional** partner organizations

[www.fao.org/forestry/nfp-facility](http://www.fao.org/forestry/nfp-facility)

## Some elements of the nfp process



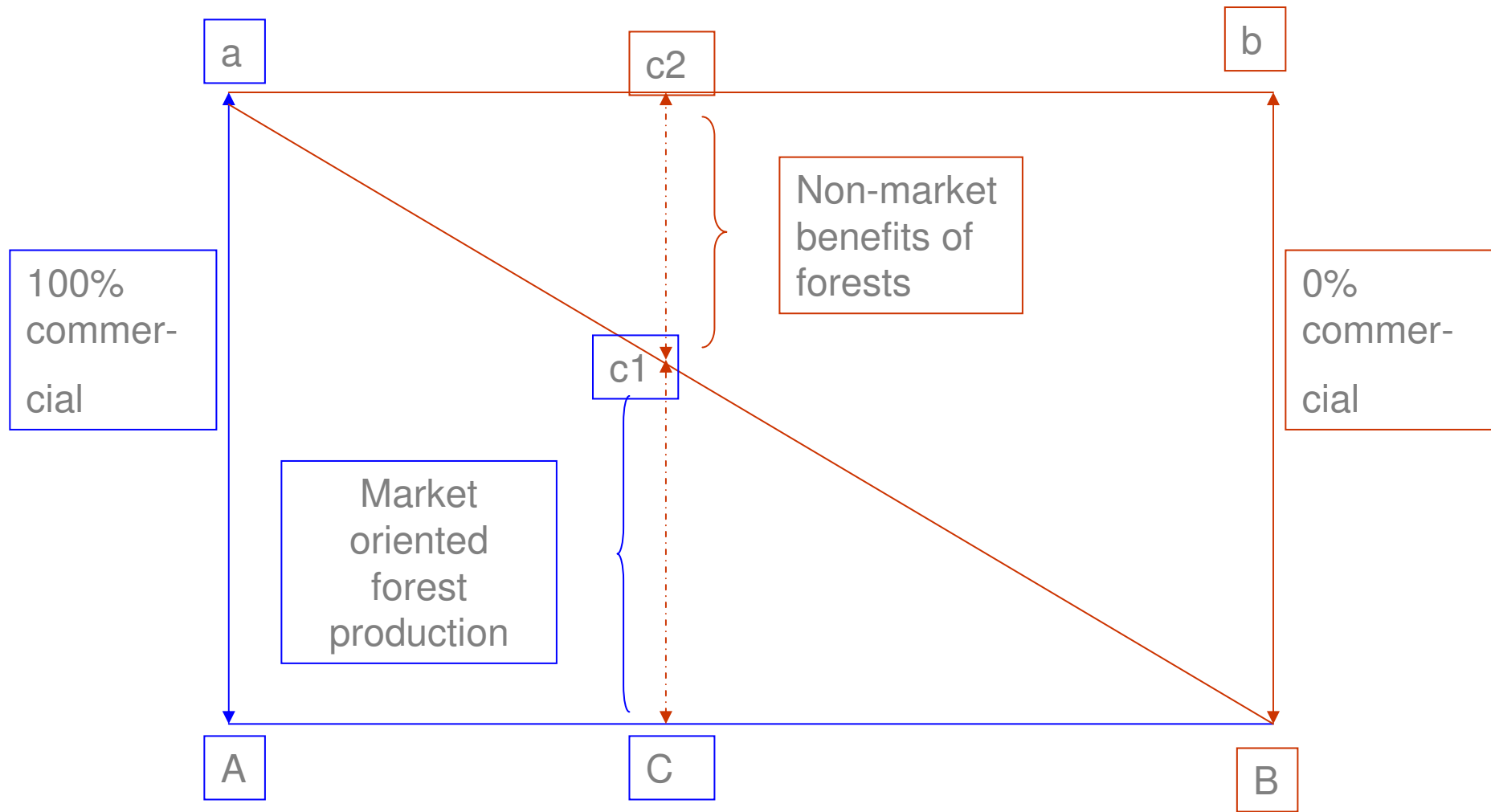
"nfp" is a generic term to designate an evolving process that integrates various elements towards sustainable forest management

✓ **The context:**

**Funding the transition from  
non-sustainable to sustainable  
forestry**



## The context



## More markets... closer to sustainability...

<div> <div>Products</div> <div>Markets</div> </div>	Established products	Potencial products (e.g. PES)	
	Goods	Goods	Services
Local and/or national	Timber, fuelwood, charcoal	New NWFP such as medicines, cosmetics, edible nuts, etc	Wathershed protection and water regulation
	Some non-wood forest products - NWFP (mushrooms, resins, wild fruits, etc.)		Landscaping architecture, eco-tourism, recreation
Regional and/or international	Timber products, some NWFP	Lesser known timber species, bioprospection	Carbon fixation
			Conservación de ecosistemas y de biodiversidad.

Make it a business...

...learning from experiences  
and sharing knowledge

# The rationale of national strategies for forest financing

## Multi-purpose forest management

### Enabling Environment

#### Sources of fund:

- Debt rebates
- Taxes
- Endowment Funds
- Carbon seq.
- Consumers
- Donors
- Private investment
- others...



#### **Financial Instruments and Distribution Mechanisms**



#### Providers of forest goods and services:

- Private sector
- Associations
- Local entities
- Indigenous communities
- NGOs
- State
- others...

**Local and national levels**

## Objective of a NSFF :

To fund the **transition** from non-sustainable use **to sustainable forest management**, making this form of management more competitive in the long-term operation.

NSFF **central functions** are:

- to identify, coordinate and plan the combined use of various financial instruments ("**bundling**") which can be applied locally, sub-nationally, regionally and internationally,
- to establish efficient and equitable **distribution mechanism(s)**, and
- to promote **supportive conditions** for the operation of the financing instruments and investment in sustainable forest management.

## Content model of a NSFF

- a) Starting point: the country **nfp** (policies, targets, etc)
- b) Review of **existing instruments** and **mechanisms** for forest financing (SWOT analysis)
- c) Identification of **new instruments** and **mechanisms**
- d) Requirements of an **enabling environment** for sustainable forest development
- e) The strategy:
  - **Objectives**, target groups
  - **Forest functions** (what can be produced? By whom? When?)
  - **Consumers** (existing and potential)
  - **Financial instruments** recommended
  - **Mechanisms** for distribution (connecting consumers to providers)
  - **Sustainability** of the proposed instruments and mechanisms
- f) Monitoring and evaluation
- g) Dissemination
- h) Action plan, **investment** estimations

# Context summary

- Sustainable forest management (sfm) is accepted as a **common target** in the global forest debate
- SFM (especially for native forest management) implies costs that are **not yet covered by the market**
- **Multiple use** of forest ecosystems takes advantage of the **multiple functions** of forests. It enlarges the number of marketable forest goods and services
- **Market development** can contribute to SFM in an enabling environment
- **Financial instruments** and **distribution mechanisms** can contribute substantially to the feasibility of sustainable forest management
- **National forest programmes** offer a framework to develop financing strategies
- Existing **experiences** and **knowledge** are not sufficiently systematized and disseminated

✓ **Knowledge management:**

**A “Community of Practice”**



## Community of Practice:

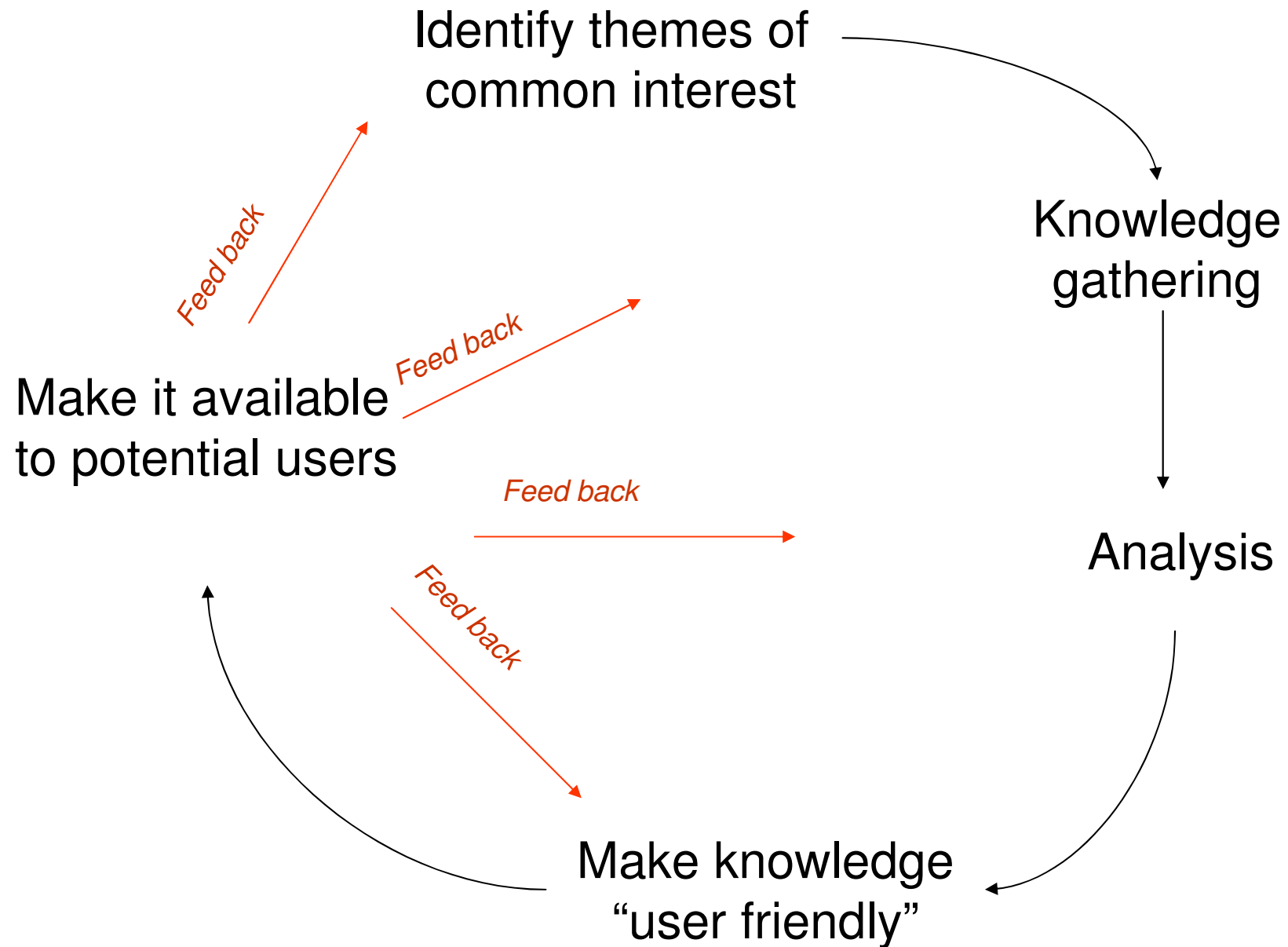
- A **joint initiative** of interested institutions and experts to continuously **collect, analyze and provide** to potential users in a simple, user-friendly manner, **knowledge and information** regarding financing strategies and mechanisms to promote sustainable use and conservation of forests.

### Examples of CoP products to date:

- Tool-kit: 300+ publications collected and summarized
- [Information database](#)
- A web based information platform:  
[project web pages](#) at [www.fao.org/forestry/site/33408/sp](http://www.fao.org/forestry/site/33408/sp)

**Everybody** who is interested in the topic can become a member of the CoP

## The operation of a Community of Practice



# The project GCP/INT/953/NET:

- A joint initiative of **FAO, CCAD, IUCN, Netherlands (LNV/DK and DGIS)** and **GTZ** (Amazon and IWP projects) in cooperation with the **national forest programmes** of 18 Latin American countries.
- March 2005 - June 2007, USD 548,184

## Objectives:

- 1: **Identify, analyse and disseminate**, in a participatory way, the existing **financial instruments and mechanisms** able to promote the sustainable use and conservation of forests in Latin America.
- 2: Increase the capacity of national forest programmes in Latin American countries to **develop national financing strategies** for sustainable forest management.

# Results achieved to date

- **Financial instruments** in 4 *countries* (Mexico, Costa Rica, Brazil and Colombia) **systematised** and available
- Latin American **Workshop** in November 2005 in Brazil joining 50 participants from forestry and financial sectors of LA countries
- Sub-regional **workshops** in Central and South America (May and November 2006) to leverage the information available to national teams and share knowledge
- **18 LA countries** currently elaborating their proposals of national strategies for forest financing (NSFF), being 6 in Central America (CCAD/IUCN), 8 in the Amazon (ACTO/GTZ) and 4 in the Southern Cone (FAO)

# Results...

- A **tool-kit** of available documents of financing strategies and a **desk-study** on experiences with existing financing instruments made available
- Involvement of the **financial** and **planning sectors** in the project
- Other initiatives and organizations **joining in** (eg. SBS, Forest Trends, Katoomba Group, KfW, Tropenbos, etc.)
- A **Community of Practice** is starting

# Expected Impacts of the project

## At national level:

- More **capacity** for strategic planning of forest financing instruments and mechanisms
- Inter-sectoral relationships strengthened (**forests + financing**)
- More **funding** available for sustainable use and conservation of forests (sfm)

## At regional / international levels:

- Provision of **knowledge** and **information** in an **user-friendly** way
- Experiences continuously **shared**
- **Financial instruments and distribution mechanisms** analysed, innovative ones **being developed** (*“creative people”*).
- Sustainable forest management **strengthened**

✓ **Lessons learned:**

**The challenges ahead...**

## Lessons learned (LL) to date: financial flows

- **Baseline data** and data of contribution of forests to GDP available, but for complete analysis **insufficient**
- **Lacking data** of financial **flows** in the forest sector
- Missing knowledge about **values of services** (eg biodiversity) and some **nwfp**
- Little knowledge about the **willingness to pay**



## LL: Existing financial instruments

- Financial instruments in place, however mostly **traditional** ones
- Marked **differences** amongst countries (opportunity for knowledge sharing)
- Many **ideas** for new instruments, but **little grade** of realisation
- Very often lacking **identification** of the **producers** of goods and services and **who is going to pay**.
- Existing payments can derive from **local, national** and **international** sources
- Lack of a **holistic vision** to include all opportunities for forest financing (lack of a comprehensive financing strategy)

## LL: Requirements of an enabling environment

- **Supportive** policies, legislation and institutional settings
- The government must be **willing to establish** an enabling environment
- **Decentralisation** seems to be positive for the functioning of financing instruments
- Relation to **other sectors** extremely important
- **Local-to-international** dimensions

## LL: The distribution mechanism(s)

- Variety of **distribution mechanisms** (market, national budget, funds etc.)
- Often **not adequate** for small enterprises and producers
- Often, funds **do not reach** potential beneficiaries

## **LL: The monitoring system**

- **Monitoring** of production of goods and services is indispensable
- **Transparency** and **dissemination of information** on existing financial instruments and how to access resources are necessary

# Concluding observations

- To date, most existing financial instruments **depend on the State**, and are timber / plantation focused
- While the majority of investment in the sector comes from domestic private sector, financial instruments and incentive mechanisms play a very important **catalytic role** for the sector development
- Small number of **innovative** financial instruments are in place
- Stronger promotion of new and **innovative financial** instruments are needed to capture the value of **all functions** of forests
- Lacking knowledge about forests in the **financing sector** and lacking knowledge about financing in the **forest sector**
- Little integration of financing strategies for SFM in **overarching strategies**
- Emerging consideration of the **multifunctionality** of forests

## Challenges ahead:

- **Support implementation** of the NSFF being developed by the countries
- Further develop **innovative proposals** of instruments and mechanisms for funding sfm
- **Sharing** LA experience with other regions,
  - **Linking up** with initiatives and organisations in other regions (Comifac, AFWC, ASEAN, FAO Sub-regional offices, etc)
  - **Replicate** current project in Africa and Asia
- Animating the **Community of Practice**
  - In the sub-regions
  - In the region
  - Inter-regions (Africa, Asia)
  - Establish/ strengthen **alliances** to advance the process

## What is planned in the near future

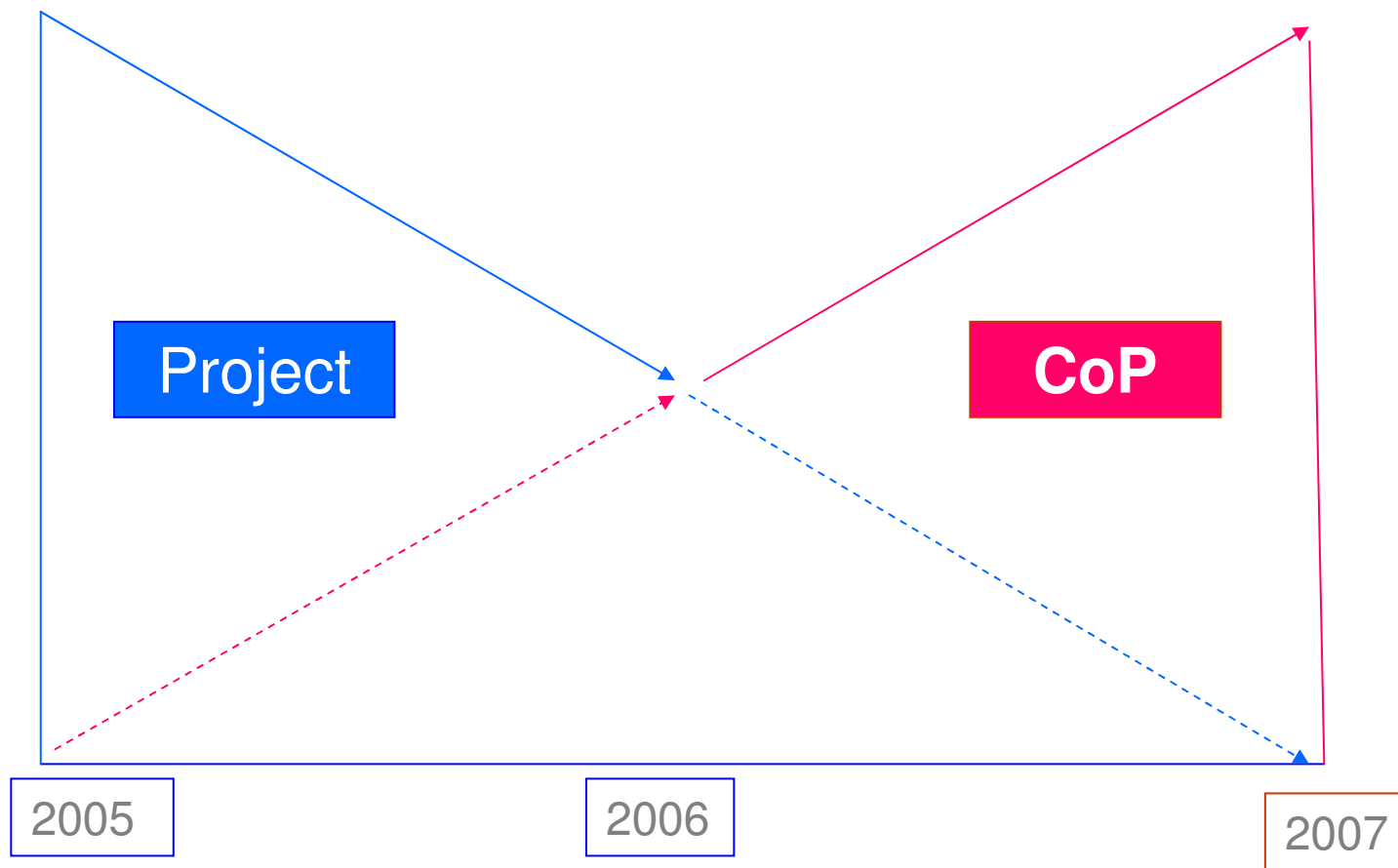
- To complete by December 2006 the elaboration of **17 country reviews** of financial instruments and the proposals of forest financing strategies in Latin America
- To produce **sub-regional policy briefs** (Central America, Amazon and Southern Cone) by early 2007
- To present country and sub-regional results at two **sub-regional Workshops** (Central America and South America) by December 2006

# What is planned in the near future...

- **Cross-analysis** of all country cases available by spring 2007
- All results to be presented in a **high level Conference** by May 2007
- Promote **sharing** of experiences, expand the CoP and **replicate** the initiative in other Regions
  - **Inter-regional workshop** for sharing experiences between Latin America and Asia (Chiang Mai, November 2006, COMIFAC July 2007)
  - **Strengthening** the initiative with partners in Latin America (e.g. Puenbo II, OTCA, CCAD) and other regions



# Project sustainability



# Current partners

- **FAO**
- **DGIS**
- **LNv**
- **GTZ**
- **IUCN**
- **CCAD**

- **Tropenbos**
- **NFP Facility**
- **Utrecht University**
- **Forest-Trends**
- **OTCA / ACTO**
- **COFLAC**
- **SBS**
- **KfW**

– **Asia-Pacific  
institutions most  
welcome!!!**

## **For additional information please contact:**

Eduardo Mansur, coord.	<a href="mailto:eduardo.mansur@fao.org">eduardo.mansur@fao.org</a>
Daniel Dräger, GTZ IWP	<a href="mailto:daniel.draeger@gtz.de">daniel.draeger@gtz.de</a>
Claudia Mayer, Amazon reg.	<a href="mailto:claudia.mayer@gtz.de">claudia.mayer@gtz.de</a>
Herman Savenije. LNV/DK	<a href="mailto:h.j.f.savenije@minlnv.nl">h.j.f.savenije@minlnv.nl</a>
Kees van Dijk, Tropenbos	<a href="mailto:kees.vandijk@tropenbos.org">kees.vandijk@tropenbos.org</a>
Ignacio Bustos, FAO LA	<a href="mailto:ignacio.bustos@fao.org">ignacio.bustos@fao.org</a>
Alberto Salas, Central America	<a href="mailto:alberto.salas@iucn.org">alberto.salas@iucn.org</a>

**or have a look at**

[www.fao.org/forestry/site/33408/sp](http://www.fao.org/forestry/site/33408/sp)