Second Facilitative Process Workshop on Forest Financing in Low Forest Cover Countries
Niamey, Niger, January 30th – 3rd February 2012

WORKSHOP REPORT

BACKGROUND

1. On 30 October 2009, a landmark resolution was adopted at the United Nations Forum on Forests (UNFF) on the means of implementation of sustainable forest management (SFM). This resolution established two complementary initiatives, namely the Ad Hoc Expert Group on Forest Finance (AHEG) and the Facilitative Process (FP) to assist Member States in mobilizing funds for forests.

2. Following its creation, the FP was launched with a project on identifying gaps, obstacles and opportunities in financing SFM in Small Island Developing States (SIDS) and Low Forest Cover Countries (LFCCs). The project is structured in three components: (i) preliminary studies on forest financing in SIDS and LFCCs; (ii) data validation and transfer of ownership of the findings through a series of workshop with national forest financing stakeholders, and (iii) defining the way forward through a series of policy briefs and a global strategy for forest financing in SIDS and LFCCs, drawing on data obtained in the first two components.

3. This workshop is the second of a set of four workshops that comprise the second component of the above mentioned project on forest financing in SIDS and LFCCs, and was co-organised by the UNFF Secretariat, the United Nations Convention to Combat Desertification (UNCCD) Secretariat, the Global Environment Facility (GEF) and the Government of the Republic of Niger.

OBJECTIVE

4. The objective of the workshop was to (i) discuss and validate the findings of the 11 preliminary studies, particularly with regard to identifying gaps, obstacles and opportunities in financing SFM in LFCCs, and (ii) hold discussions between participants on basis of the studies and feedback from the first LFCC workshop held in Tehran, Iran. The workshop was also to initiate a network of forest financing stakeholders at the international to lay the basis for sustainability of the project and the implementation of its findings and also contribute to raising awareness about forest financing – one of the main factors currently hampering the allocation of funds to SFM.

PARTICIPANTS

5. The workshop was attended by 41 experts and country representatives participating from 14 LFCCs (Bangladesh, Burundi, Egypt, Islamic Republic of Iran, Kenya, Lesotho, Mali, Mongolia, Namibia, Niger, South Africa, Togo, Tunisia and Uruguay). Organisations represented included the African Forest Forum, The Permanent Inter-State Committee for Combating Drought in the Sahel (CILSS), the African Women's Network for Community Management of Forests (REFACOF), the Tehran Process Secretariat for Low Forest Cover Countries (TPS for LFCCs), the Global Environment Facility (GEF), the World Bank, the UNCCD Secretariat including the Global Mechanism, the United Nations Economic Commission for Africa (ECA) and the UNFF Secretariat. A full list of participants can be found in Annex 2.

STRUCTURE, VENUE AND DATES

6. The workshop was structured in two parts: (i) a one-day field trip to a fuelwood market at Mossipaga, the office of the Mayor of Makalondi and to a gum production organisation at Torodi (30th January 2012), and (ii) a 3.5 day workshop (January 31st – February 2012), comprising a series of presentations on forest financing given by the UNFF Secretariat, Member States, Intergovernmental Organisations, Major Groups and group work. On 2nd February 2012, participants were split into 4 working groups by language (French and English, two groups each) to discuss and answer a series of questions on forest financing in two sessions, and to report to the plenary after each session. On 3rd February 2012, an expert panel summarised the main findings which were then discussed among participants before an agreed conclusion was reached.

FIELD TRIP

7. During the field trip, 3 presentations were made by the hosts in the rural town of Makalondi. Mossipaga fuelwood market is managed by a community institution with a committee of 9 members elected by the General Assembly runs operations. Management is decentralised and the committee controls harvesting through a forest management plan and felling coupes over a rotation of 6 years. Land and forests belong to the state but are managed by the communities for their own benefit. Villagers may apply for a logging license which allows them to receive up to 90% of the total income from fuelwood sales. The remainder mostly goes towards a well-established taxation system which benefits both local and central authorities. The market was funded until recently by the European Union but has proven to be financially self-sustaining and even enabled the town hall of Makalondi to purchase a fleet of motorbikes for monitoring activities. The Torodi Gum Arabic community organisation was founded in 2007 using the same principle and structure.

OPENING CEREMONY

8. The first day of the meeting (31st January 2012) included an opening ceremony comprising statements made by the following:

9. **Economic Commission for Africa (ECA) (Mr J. Foumbi).** Mr Foumbi emphasized the importance of the workshop for all 15 countries covered by the West Africa Office of the Economic Commission for Africa, especially in light of (i) a study commissioned in 2010 that showed a reduction in forest cover since 1990 in 13 of the 15 countries concerned, and (ii) local populations rely crucially on forests and trees outside of forests for their livelihoods.

10. **United Nations Convention to Combat Desertification (UNCCD) (Mr C. Boubacar).** Mr Boubacar explained that most LFCCs are in arid in semi-arid zones and that forests are vital in combating desertification and drought. Management of forests in these zones contributes to achievement of sustainable land management (SLM).

11. **UNFFS (Mr B. Singer on behalf of UNFF Director Ms J.L. McAlpine).** This second workshop on forest financing in Low Forest Cover Countries is funded by GEF and co-organised by ECA, UNFF, UNCCD and UNEP. It builds on the first workshop which took place in Tehran from 12 to 17 November 2011. LFCCs have received limited international attention and this workshop is critical to building the basis for understanding what actions should be taken for forest finance and finance for trees outside of forests – a decision to be reached at UNFF10.

12. The workshop was opened formally by Mr Mamane Mamadou, Secretary General of Water and Environment of the Republic of Niger. He noted that Niger, as a Sahelian country, is a member of the Tehran Process on LFCCs and that SFM enhances the implementation of the Millennium Development Goals (MDGs). The challenge to the workshop is to formulate suggestions on how trees and forests in LFCCs can be managed to contribute to economic development. Stating that Niger has a National Forest Programme, the Secretary General urged the workshop to contribute to identifying solutions to the challenges identified in this document. Niger supports UNFF's efforts in mobilizing financial resources to manage the world's forests sustainably.

ELECTION OF CO-CHAIRS

13. The opening ceremony was followed by the election of co-chairs. Elected were Ms Alicia Aguerre of Uruguay and Mr Ibro Adamou of Niger.

ORGANIZATION OF WORK

14. Following invitation by the co-chairs, the participants adopted the Organization of Work of the workshop. It was agreed that there would be no negotiated outcome but that co-chairs would present a workshop summary reflecting the discussions of the workshop.

DOCUMENTATION

15. Documentation relevant to the workshop includes:

- SIDS and LFCCs case studies prepared during the first component of the project on forest financing in SIDS and LFCCs (2010)
- The report commissioned by the Advisory Group on Finance in 2008 entitled, "Financing flows and the need to implement the non-legally binding instrument on all types of forests."
- The Resolution on the Means of Implementation of Sustainable Forest Management of the Special Session of UNFF9 (2009)
- The report of the first meeting of the Ad Hoc Expert Group on Forest Finance held in September 2010 in Nairobi
- The Secretary General's Report on the Means of Implementation of Sustainable Forest Management, prepared for the 9th Session of the UNFF (2011)
- The Resolution of the 9th Session of the UNFF (2011)
- The Report of the first workshop on forest financing in Low Forest Cover Countries (Tehran, Iran, November 2011).

16. All these documents can be found at http://www.un.org/esa/forests/niger-workshop.html.

MATTERS FOR CONSIDERATION

17. The Co-Chairs' summary of the discussions that were held at the second workshop on Forest Financing in Low Forest Cover Countries, including the agreed conclusions, is annexed to the present report.

ANNEX 1

CO-CHAIRS' SUMMARY OF PRESENTATIONS AND DISCUSSIONS DURING THE SECOND WORKSHOP ON FOREST FINANCING IN LFCCS

Tuesday 31 January 2012

A. OPENING CEREMONY AND PLENARY

B. GENERAL PRESENTATIONS

UNFF Process on Forest Financing

18. Mr Benjamin Singer (UNFF) presented the UNFF Process on Forest Financing with a focus on the functions and objectives of the Ad Hoc Expert Group (AHEG) and the Facilitative Process (FP). The intersessional activities on forest financing were also explained, including the current work of the Advisory Group on Finance on updating and expanding the 2008 study on forest financing, and the role played by the Collaborative Partnership on Forests (CPF) and other stakeholders in this regard. The LFCC/SIDS project was then presented. The following aspects were also pointed out: first, forest finance is the core of a broader category of financial flows whether they affect forests positively or negatively. It is difficult to draw its borders as funding goes to other sectors that benefit SFM and vice-versa. Secondly, there are 3 categories of funding namely (i) national, (ii) international (bilateral and multilateral), and (iii) innovative (REDD+, PES, etc); and thirdly, the definition of SFM stands on three pillars (environmental, social and economic).

Summary of Interactive Discussions

19. Following a round of questions, the following clarifications were made, namely that the objective of the workshop – to understand gaps, obstacles and opportunities to forest finance – are an integral part of the broader objectives of the project of which this workshop is part.

Tehran Process Secretariat (Tehran Process Secretariat for Low Forest Cover Countries) – (Dr Mostafa Jafari)

20. Dr M. Jafari traced the evolution of the concept of LFCCs (56 countries) and of the TPS, and gave an outline of the first workshop that took place in Tehran in November 2011. He posed a number of questions relating to (i) possible sources of forest financing at country level, (ii) volume of forest finance available, and (iii) the need to calculate the intangible values of forests.

Lessons from the first workshop on forest financing (Mr Oyetoude Djiwa, Co-Chair of the Tehran Workshop)

21. Mr. Djiwa outlined the objectives of the Tehran workshop, which was attended by 41 participants, including country representatives from 11 LFCCs and experts from international agencies and local NGOs. A number of measures were agreed including, inter alia, (i) capacity assessment in LFCCs, (ii) scaling-up inter-agency collaboration through the NFP process, (iii) increasing awareness and raising the profile of forests among political leaders, (iv) promoting effective forest law enforcement, (v) strengthening the TPS of the LFCCs, (vi)

promoting development and commercialisation of NTFPs, and (vii) applying forest landscape restoration technologies as these are low-cost and most suited for LFCCs.

Introduction to the UNFF Process on Forest Financing – (Ms N. Kariuki, UNFF)

22. Ms N. Kariuki recalled the two decades global dialogue on forest finance and the creation of the Ad Hoc Expert Group on Forest Financing (AHEG) and the Facilitative Process (FP) in 2009 as a major breakthrough. In this context, AHEG-2 will make recommendations to UNFF10 for a decision. Ms Kariuki outlined the functions of the FP, its current work, inter-sessional activities to be carried out by the Collaborative Partnership on Forests, member states and the UFF Secretariat. The 10th Session of the UNFF will make major contributions to the 2015 review of the international arrangement on forests (IAF).

Summary of Interactive Discussions

23. A question was asked on how the private sector could be more involved in Egypt's afforestation programme. This prompted a general discussion on the role of the private sector in forest financing in LFCCs. It was finally noted that the private sector is an important actor and can play a positive role. The following points were also noted: (i) the commercialisation of non-timber forest products (NTFPs) creates a greater risk of capture by the private sector, unless greater fairness in benefit-sharing is ensured; (ii) the private sector can play a key role in increasing forest cover, investment in value addition and job creation; (iii) there is a need to work out mechanisms for rewarding small scale farmers and communities for the trees they plant and manage; and (iv) more generally, LFCCs should strive to increase their forest cover beyond 10%.

The Global Environmental Facility (GEF) and SFM (Mr Ian Gray, GEF)

24. GEF is the funding mechanism for the multilateral environment agreements (MEAs). It has invested over $1 billion in forest-related projects and attracted much more in co-funding since its establishment. GEF-5 (2010-15) established an independent SFM/REDD+ strategy and funding to harness the multiple environmental benefits from improved management of all types of forests. The STAR allocation process is a system that avails funds to various countries for project work in the focal areas of climate change, biodiversity and land degradation. The GEF has established an incentive mechanism in favour of SFM. For every $3 in STAR allocation, GEF avails another $1 as an incentive for SFM. Countries decide on how they use their STAR allocation – if funds are not used they go back to donors. Mr Gray pointed out that requests are not coming at optimal rates from developing countries.

The Global Mechanism of the UNCCD (Ms. Wafa Essahli, GM/UNCCD)

25. Ms Wafa Essahli drew parallels between UNCCD and UNFF and between SLM (sustainable land management) and SFM, and noted the low funding available. The requirement for harmonisation and alignment means that forests must be a national priority if it is to receive funding. In terms of lessons learned, consultation, integration in national priorities and budgets, capacity building, portfolio financing and facilitation are all important in mobilising and channelling more resources to SLM and SFM. Finally, determining the cost of deforestation and forest degradation at national level often helps to raise the profile of SFM in discussions on national development.

A World Bank Perspective on Forest Financing (Mr Loic Braune, World Bank)

26. Mr Braune explained that lending for SFM by the World Bank since 2002 tops $2.4 billion. Partnerships like FCPF, FIP, the BioCarbon Fund, PROFOR, CEPF and FLEG also include some LFCCs. The World Bank is moving away from stand alone projects to partnerships and a multi-sectoral approach, where governance projects have become a priority. Co-benefits are a key consideration, hence interest in forests. Funding at the World Bank falls into four categories, namely investment lending, policy lending, analytical work and carbon finance. Forestry is small in terms of funding at the World Bank, but the organization is still the largest financier of forestry globally.

Summary of Interactive Discussions

27. Questions included whether LFCCs could get preferential treatment by the GEF, but it was noted that all countries get equal treatment. On the question of the difference between the GM's Integrated Financing Strategy and national investment programmes, it was explained that the GM and the GEF should cooperate and assist countries to determine the cost of forest degradation and deforestation for countries to be able to integrate forestry in development priorities. There is a need to formulate incentives for small farmers planting and keeping forests, especially for carbon trade.

28. GEF is involved in the "Great Green Wall" and in this way is affecting a number of LFCCs. More generally, however, it is up to countries, including LFCCs, to formulate their own requests. How countries use their allocation, including resources in the Small Grants Programme (SGP), is their prerogative. There was recognition for the need for continued funding over long time for a cumulative positive impact. It was pointed out that the World Bank withdrew from funding forestry in Bangladesh and some of the milestone achievements are being lost.

29. A question was asked on the multiplicity of funding agencies. In response, it was explained that the GEF is not an implementing agency, and as such it has to work through implementing agencies. However, the GEF has set up a pilot system to work directly with countries. In short, different organisations have different approaches and while this may not be most efficient way of working, the different agencies have different mandates and this pulls in synergies. As for the impact of the GEF's Small Grants Programme on SFM in LFCCs, it is limited because of the small number of requests for grants coming from LFCCs. Yet each country gets an allocation under STAR ($7m) for the three focal areas (biodiversity, land degradation and climate) and the country decides which focal area is its priority.

<u>Wednesday 1 February 2012</u>

Findings of the Preliminary Studies on Financing SFM in SIDS and LFCCs (Ruhombe J., UNFF)

30. Mr J. Ruhombe presented the studies carried out by Indufor and particularly their key findings and recommendations. The study covered 49 LFCCs and 38 SIDS. A total of 7 detailed case studies were undertaken, including 4 LFCCs (Jordan, Kyrgyzstan, Mali and Uruguay). Conclusions include the following:

- Most countries with Poverty Reduction Strategies (PRS) have mentioned forests and trees in the Strategy, and have also received some forestry Official Development Assistance (ODA);
- Volume of forestry ODA in LFCCs has been decreasing slightly; the share of LFCCs' forestry ODA out of all forestry ODA has been decreasing;
- Forestry ODA is unevenly distributed among the LFCCs and Least Developed Countries (LDCs) are particularly disadvantaged;
- There is limited available information on other financing sources than ODA - especially relevant could be information on linkages between investments in agricultural sector / livestock and forests in LFCCs;
- Environmental services (carbon, water) potentially provide opportunities for fund mobilization – however, none of the LFCCs with an existing forest policy explicitly recognizes this potential in their forest policy; and
- Forests and trees in LFCCs are inevitably a multi-sectoral issue – multi-sectoral approach to financing the service provision of forests and trees is needed; breaking of sectoral barriers is necessary.

Uruguay Case study (Ms Laura Vila, Uruguay)

31. Ms Laura Vila introduced the state of forest financing in Uruguay by pointing out that the country's 9.5% forest cover breaks down into natural forests (4%) and planted forests (5.5%). The latest Forestry Law, which dates from 1987, includes provisions for both types of forest. In addition, natural forests are mostly protected under the National Protected Area System (SNAP). SFM in Uruguay is understood as bringing together the objectives of the three Rio Conventions, and relies on external funding for the implementation of a landscape approach and ecosystem services.

Mali Case Study (Mr Tidiani Coulibaly, Mali)

32. Following an introduction on the distribution of forests in the country, Mr Coulibaly explained the three main sources of forest financing (state, bilateral and multilateral donors, and NGOs). However, lack of coordination between financing sources and the absence of reliable data at the national level means that any attempt to improve forest financing remains a challenge. However, an increase in forest financing from public sources at the national level has been noted over the past decade. Promising opportunities include the Malian Carbon Fund (which has been discussed since 2007) and a variety of projects on payments for ecosystem services.

Summary of Interactive Discussions

33. Questions on the presentations focused on the proportion of national versus international forest financing. In Uruguay, sources – particularly for conservation – are primarily international. There are efforts in Niger to finance forestry domestically, but these need support for scaling up. It was pointed out that the Green economy can bring in opportunities for forest finance. The Green economy is directly related to SFM and focus should also be on opportunities presented in transferring industries to green economies including those that are not directly related to forests but indirect such as infrastructure. In addition, forests and trees outside forests play a significant role in rural livelihoods, and the informal agricultural sector can also benefit the forest industry. Finally, it was recommended that Member States commit

themselves to strengthening the Tehran workshop recommendations on forest financing in LFCCs.

African Forest Forum (Dr M. Larwanou, AFF)

34. Dr. M. Larwanou (AFF) presented an overview on financing forestry in Africa. He noted that while financing SFM is a shared responsibility between countries and the international community, effects of forests have no boundaries, each country has the primary responsibility for achieving SFM within its own territory. Addressing identified gaps in the international financial flows needs a special effort. No single (new or old) instrument will be sufficient for meeting the financing needs and centralization of financing flows is unrealistic. He further observed the African landscape is increasingly becoming a mosaic of patches of intact forests interspersed with farms with trees. Forests continue to be lost, but more trees continue to surface on farms. The potential for smallholder farmers in increasing investments in trees and forests is rising fast. Income from carbon trade will provide an incentive in this direction, although carbon finance is a small part of climate finance and most funds go to mitigation. Africa has to work hard to help the private sector in forestry to grow and attract funding from climate finance. AFF has a task force that is working on forest finance in Africa.

Permanent Interstate Committee for Combating Drought in the Sahel (CILSS) (Mr Hamadi Konandji, CILSS)

35. Nine countries in the region are members of CILSS, namely Burkina Faso, Cape Verde, the Gambia, Guinea-Bissau, Mali, Mauritania, Niger, Senegal and Chad, home to a total of over 50 million people. Within this region, agriculture and cattle herding form the livelihoods of more than half the population and provide for 40% of the nine countries' GDP. These two activities have an important impact on forests and trees, whose prospect is further worsened by increasing demand for fuelwood and a changing climate. Degradation of these wooded ecosystems leads to desertification. Proposed solutions include devolving land management and decision-making to the local level, as well as tax reforms adapted to specific contexts. CILSS assists the region's countries by providing policy advice, training programmes and disseminating information, which has helped strengthen forest-related institutions and implement monitoring systems, and ultimately securing different sources of forest financing.

Togo's National Forest Action Plan (Mr Oyetoude Djiwa, Togo)

36. Togo's National Forest Action Plan was first established in 1994 but was not implemented at first because of institutional complications. Its vision states that Togo should reach a forest cover of 20% and ensure sustainable management of all its forests by 2035. The Plan breaks down into five strategic areas: (i) promoting sustained production, (ii) restoration of degraded landscapes and biodiversity conservation, (iii) effective partnerships for forest management, (iv) improving institutional, legal and legislative forest sector frameworks, and (v) developing forest-related research. The total cost of the Plan has been estimated at some $ 89 million, of which 78 million is expected from external sources.

Forest Financing in Bangladesh (Mr Ratan Kumar Mazumder, Bangladesh)

37. Mr. R. K. Mazumder noted that until the 1970s forests was one of the major revenue earning sectors of the government and financing forestry was not a problem as demand was reasonably small. Nowadays emphasis has been shifted from revenue generation to conservation and gradually the sector is losing its importance to national planners in getting

resource allocation. Accordingly forest financing has been declining in the last 2 decades, resulting in a decline SFM-related activities. Bangladesh has the largest mangrove forest in the world, and its forest master-plan targets to increase forest cover to 20%. Only 0.6% of the budget to implement the Master-plan is financed. To cope with this situation, the government has created the "Tree Farming Fund" (TFF) and revenue sharing schemes.

Summary of Interactive Discussions

38. During discussions, AFF pointed out that it is not a financial institution, but that it provides information and advocacy on all sources of finance. In the search of new sources of forest financing, the difficulty of financing carbon stocks in LFCCs was raised, as well as micro-finance entities as new opportunities. In addition, agro-forestry should receive special attention because of shortage of land in many LFCCs. With regards to Bangladesh in particular, the impact of ODA on forests was effective while it lasted, and even helped increase forest cover by having trees planted on land claimed from the sea. However, since then forests have become the "poor child" of Bangladesh, possibly through lack of awareness of the importance of forests among decision-makers.

Forest financing in Niger (Mr Ibro Adamou, Niger)

39. Niger has a high demand for forest products, especially energy. There is a number of national sources of forest finance in addition to ODA (e.g., DANIDA, African Development Bank) but together they are all insufficient in covering the costs of implementing SFM. Forests are a regular item on the national budget and about 60% of revenue goes to the communities for re-investment in forestry with support from government. The challenge is establishing inventories and enforcing law, but financial resources are insufficient. Extension is also a challenge, as is high pressure from agriculture. In short, while the country is home to an adequate legal system, resources to implement SFM are still needed, particularly from international sources.

Financing Community Projects Niger (M. Assadeck, Niger)

40. Niger's Community Action Programme (PAC) is a multi-donor programme (WB, GEF, IFAD, Niger) and has a budget of 27.8 billion CFA francs. The main objectives of PAC is to improve the capacity of local authorities to establish and implement in a participatory manner local development plans and annual investment plans to improve rural living conditions, as well as to reduce land degradation and promote sustainable land management. Successes include increasing local revenues, improving local social dynamics and restoring fertility of pastures. However, a number of problems remain, such as recurring droughts, slow growth of young trees through lack of maintenance, and weak vegetation protection against wandering cattle.

The Great Green Wall (A. Maisharou, Niger)

41. The Great Green Wall was originally launched to halt advance of desert through tree planting, generate wealth for local people and diversify local economies. It is a "public-private-partnership" (PPP) and has four pillars: (i) governance of natural resource management; (ii) enhancing food security; (iii) research and knowledge management, and (iv) coordination, monitoring and evaluation. Funding for the Niger component comes primarily from the state and from the GEF.

Summary of Interactive Discussions

42. The discussions following these presentations focused on the issue of gender which had not been raised so far. Regarding the Great Green Wall, it was pointed out that village development funds are managed by grassroots communities and it is therefore up to them to include a gender dimension. Women also access micro-credit and are involved depending on decisions made by local committees.

Gum Arabica in Niger (Dr Ichaou Aboubacar)

43. There are currently about 300,000 ha worth of Gum Arabic groves in Niger. In the rural town of Torodi alone (visited during the field trip on 30 January), annual production of Gum Arabic (Acacia senegal and Acacia seyal) averages 3 to 5 tonnes. An additional type of gum with similar properties is also extracted from Combretum nigricans trees, with a production of over 400 tonnes a year for Torodi. Middlemen used to get a larger share of the profit than they now do thanks to a re-organisation of the chain of custody to the benefit of collectors. However, demand for fuelwood continues to compete with gum over the resource, hence the need for further training and sensitisation among communities to the benefits of collecting Gum Arabic. The creation of community organisations responsible for gum production has helped in this respect.

Summary of Interactive Discussions

44. One participant asked what the average cost is of establishing a hectare of Gum Arabic. The answer was that it varies between US$ 400 and 500 depending on the climate. On average, each tree produces between 100 and 200 grams of gum per year. The impact of Gum Arabic production on women and children is more one of trickle-down, as they benefit from the public infrastructure funded by the sale of the product (including classrooms and health posts). Concerning the competition over trees between the need for fuelwood and that of gum, there is definitely more profit to be made from collecting gum. In this sense, the enhancement of non-timber forest products is a way to conserve forests.

<u>Thursday 2 February 2012</u>

C. GROUP WORK

45. Four working groups were formed, two for English-speaking participants and 2 for French-speaking participants. Groups were provided with prior formulated questions to consider. All groups considered same questions in 4 sessions. The questions revolved around 4 broad themes, namely forest financing stakeholders, sources of forest financing, gaps and obstacles; and opportunities. Each group had a facilitator to lead discussions within the group and a rapporteur to record and report to plenary sessions. Group discussions were followed by presentations and discussions in plenary sessions.

English Group 1

46. Forest finance stakeholders include central governments, local governments, industries, private individuals, forest industries, bilateral and multilateral partners and NGOs. All these stakeholders contribute finances for supporting forest programs. Aid, though not enough, assists in reducing financing gaps. It is necessary to promote transfer to green economy on a large scale.

47. To improve effectiveness of forest finance, governments need to create conducive environment for attracting finances, especially in relation to labour laws, land tenure, forest extension and programme design. Creation of forest development funds, enhancement of partnerships and anticipating conditionalities set by development partners will also contribute to effectiveness. The group recommended that countries should improve coordination of policies and management between different forest-forest related ministries and involve the ministry responsible for finance focused on showcasing the forest sector as one that contributes financially to the economy and to livelihoods.

48. Gaps for forest finance are found in forests and trees outside protected forest areas, training for forests in arid, semi-arid, low carbon forests and in farmlands, forestry extension and inventory, Forest law enforcement and governance, stakeholder participation and engagement; and allocation for training and research. Closing these gaps will require Advocacy, extension and raising the profile of forests, reactivating and prioritising agriculture and forest institutions, adding value to forest products, and creating stable economic and political climate for encouraging investment in forests, including reviewing legislation.

49. Recommendations are as follows: revising and applying existing legislation and consolidate legal framework concerning land and trees; and promoting good governance based on principles of enhanced law enforcement, transparency, accountability and integrity to attract investment and instill investor confidence.

50. The group also identified the following as "success stories" relating to forest finance:

(i) Tree seedling production in Lesotho & Kenya

- Complete switch of seedlings production from government owned production to private sector production;
- In Lesotho, 3 million seedling is current production by private sector;
- In Kenya, 100 million seedlings being produced in Kenya by private sector; and
- Government, NGOs, private sector stakeholders purchasing seedlings from farmers / producers.

(ii) Privatization of tree/forest management in Mongolia

- Started in 2007;
- Has created interest and investment by private sector in small scale forest industries;
- Incomes accruing to individuals is increasing; and
- Has attracted additional financing by Japanese government.

(iii) Supply of sawlogs from farm forestry in Kenya

- In 1999 government instituted a measure to reduce excessive harvesting of timber from state forests;
- This triggered supply of sawlogs to the small scale millers from the farmlands;
- Farmers have been able to realize incomes from their investment in tree growing; and
- This has resulted in accelerated investment in tree growing by private sector.

(iv) Okongo community forest in Namibia

- Introduction of community forest management by local communities in 1998;
- Initial support from GIZ;
- Gazetted as a community forest in 2006;

- Communities enjoying all benefits – timber, honey, guinea fowls; and
- Community fund created for sustainability.

(v) Sawlog production in Uganda

- In 2003, government decided to ramp up private sector involvement in forest management in view of impending shortage of sawlogs;
- Growing of sawlogs on a 50 year rotation license in government Forest Reserves;
- Trees belong to farmer land remains government;
- With support from EU and NORAD, upfront subsidy through a rebate of 50% of the costs provided farmer adheres to certain technical standards;
- Triggered a lot of interest to the extent that even without availability of subsidy, private people are investing in plantations; and
- Over 50,000ha of new plantations have been established

English Group 2

51. Sources of Financing include (i) national, (ii) international, and (iii) innovative. There are difficulties in accessing national funding revolving mainly around inadequate budget allocation and disbursement. Improving accessing national funding should include (i) decentralization, (ii) increasing awareness at all level on contribution of forestry to economic development, especially policy makers/politicians, and (iii) improving national financial disbursement procedures to be responsive to the peculiar needs of the forestry sector.

52. Difficulties in accessing international sources of forest finance include (i) imposed conditionalities, (ii) changing of policies of multilateral and bilateral partners which are not in line with national priorities, and (iii) timeliness of disbursement. Improving access may involve prior mutually agreement on conditionalities and making disbursement procedures responsive to the unique need of the forestry sector.

53. Countries encounter difficulties in accessing also innovative sources. These include (i) narrow base of entrepreneurs, (ii) complicated processes and, (iii) low level of national capacities to draw projects. Improving access should include (i) capacity building to create local expertise, and (ii) making a political case for LFCCs especially for REDD+, GEF and World Bank funding.

54. It is recommended that the TPS for LFCCs be strengthened and decentralized in some form to establish closer and effective, regional and national coordination. FAO's regional commissions could host the decentralized units. LFCCs should also create incentives to support a move towards greening the economy, including among other things, increasing forest and tree cover through popularizing sale of carbon credits and creation and operationalisation of forest funds. Being an LFCC should be transitory.

55. Forest financing gaps may be thematic or geographical. Current gaps are, among other things, due to the following:

- Lack of a legally binding convention on forests;
- Lack of guidelines on C&I for SFM for allocating funds;
- NFPs that highlight national balanced financing priorities in forest sector

- Financing is not a problem for income generating forest sector, gaps exist in financing for conservation and protection of natural forests;
- Forest sector in LFCCs is less attractive to the private sector;
- National governments in LFCCs may not consider forest sector as a priority in terms of budgetary allocations; and
- Lack of strategic environmental impact assessment.

56. Current financing is not addressing research and education institutions in forest sector and PES. It is necessary to strengthen research and education for capacity building in forest sector. Legislation on environmental impact assessment at national level is needed and TPS for LFCCs in should distribute available C&I for Near-east, North Africa and sub-Sahara Africa. The Ministerial meeting of LFCCs planned to take place in Iran before UNFF10 emphasize the need to secure political good will at policy level.

French Group 1 Report

57. The main stakeholders in forest financing are government organisations and international donors (the latter being for specific issues/projects and over shorter periods of time). Donors include JICA, FAO and the World Bank. Additional stakeholders include local communities (e.g., who pay taxes) and the private sector (e.g., ASI for Gum Arabic in Niger). Governments could improve their role by creating more favourable conditions, especially for private investment, while donors could simplify access to financing mechanisms. Information should be shared among stakeholders to a greater extent.

58. Funds come from a variety of sources. At the national level these include the central and local authority budgets, the private sector and national forest funds. At the international level these may be bilateral and multilateral sources (GEF, AfDB, etc.) and NGOs, as well as financing mechanisms such as carbon funds and REDD+. There are several difficulties encountered to access these funds, notably (i) complex administrative measures, (ii) limited human and logistical capacities among recipients, (iii) limited training for accounting purposes, and (iv) the length of time for applications to be processed.

59. In terms of gaps and obstacles, there is a clear lack of funds specifically aimed at dry forests, as well as for field-based activities (e.g., participatory approaches to combating deforestation). Agroforestry also receives limited financial support, along with inventories and land degradation. These gaps could be closed through an integrated landscape approach and a widening of the definition of forests to include more variables than tree height and crown density.

French Group 2 Report

60. Funds come from both national and international sources. At the national level, national and local budgets are the main sources, but communities and the private sector also contribute significantly. At the international level, the European Union, the World Bank, FAO, GEF, AFD, GIZ, DANIDA, NORAD, CIDA are all sources of financing. Innovative mechanisms include the Clean Development Mechanism, carbon funds and the Climate Change Adaptation Fund.

61. Obstacles and difficulties in overcoming access to funds are as follows: (i) insufficient information; (ii) complexity and rigidity of procedures; (iii) conditionalities set by donors;

and (iv) limited national capacities. Access could be improved by strengthening national capacities, simplifying procedures and conditionalities, and adapting information sharing mechanisms.

62. As regards gaps in forest financing, there is insufficient funding available to (i) generate knowledge (notably national forest inventories), (ii) work on forests in politically unstable areas, (iii) improve environmental services, (iv) fund an economic argument that upholds the contribution of forests to the national economy, and (v) mainstream gender issues. These gaps can be overcome by improving SFM planning and mainstreaming gender at all levels.

63. The main recommendations would be (i) to simplify and increase the flexibility of procedures to improve access and utilisation of funds and (ii) open funds to all types of forests.

64. One success story concerns Babanrafi, a 35,000 ha forest in Niger which 22 rural firewood markets depend on. The area brings together a forest-pasture mosaic and a conservation area. Its management has brought together all neighbouring communities into a strong federation that received continuous funding for over 12 years. This length of external funding may be key to the fact that communities have successfully warded off elite capture and ensured that benefits remain in the hands of communities themselves.

Summary of Interactive Discussions

65. On of the main themes that emerged from the interactive discussions was the Green Economy as a new and promising opportunity to address the sustainable use of natural resources to address poverty alleviation. It involves all levels of industry and is part and parcel of sustainable development, where all stakeholders have a role to play. For instance, the South African Government signed a compact with 300 private companies to ensure the creation of 5 million new jobs to address poverty. Many will also be in the forest sector. The Green Economy is also a way to stop looking at forests in terms of silos.

<u>Friday 3 February 2012</u>

Expert Panel Session

66. The UNFF Secretariat staff presented six major issues which had emerged in the course of the workshop, namely:

- The need to raise the profile of forests at the national level
- The need to increase cross-sectoral cooperation
- Ensuring long-term forest financing
- Strengthening the Tehran Process Secretariat for Low Forest Cover Countries
- Tapping into non-timber forest products as an opportunity for forest financing
- Recognise the specificity of Low Forest Cover Countries

Summary of Interactive Discussions

67. One question asked concerned the role that the UNFF Secretariat can play in strengthening the TPS for LFCCs. In response, it was explained that the UNFF Secretariat has contacts in all LFCCs and can thus assist significantly in ensuring closer exchange between LFCCs and

the TPS. It was also explained that the TPS for LFCCs has the status of an intergovernmental organisation.

68. It is recognised that (i) LFCCs are not home to the same carbon stocks as high forest cover countries, and (ii) Non-timber forest products should be promoted as an opportunity for forest financing in LFCCs. However, this does not mean that carbon finance should not be pursued, but rather that LFCCs should acknowledge where their specific opportunities lie in terms of forest financing. In terms of NTFPs, the main need is to assess market linkages and analyse value chains.

69. In order to promote the full value of forests, national forest inventories are essential. Likewise, forest stakeholders need to promote the full value of forests in a more convincing way by reaching beyond the forest sector to other ministries, and in particular politicians and finance ministries. In terms of cross-sectoral cooperation, farmers should be encouraged to intensify their production, but also to grow and maintain trees on their farms.

Agreed Main Conclusions

70. The participants then adopted the following agreed conclusions for the workshop:

71. **To overcome limited political will to address forest financing and reveal the full value of forests, it is necessary to:**

- **Undertake national inventories to reveal the full potential of forests;**
- **Develop a cross-sectoral communication strategy and identify targeted audiences to better engage the media and interact with political leaders and connected sectors, and better adapt the outgoing message; and**
- **Integrate forest financing within national frameworks for planning, budgeting and fiscal channelling, and develop National Forest Programmes and National Forest Financing Strategies.**

72. **Promote cross-sectoral cooperation by taking forests beyond the forest sector and overcome weak inter-ministerial dialogue:**

- **Develop and coordinate between National Forest Programmes (facilitated by the NFP Facility) and National Forest Financing Strategies (which could be facilitated by the UNFF Secretariat) in a participatory and integrated manner;**
- **Promote the Green Economy as an integrated approach;**
- **Make national forest financing central to stimulate dialogue between the forest sector and other national sectors; and**
- **At the international level, further promote (i) the 360-degree perspective of the UNFF on all things forests and (ii) cooperation between the UNFF and the three Rio Conventions.**

73. **Ensure that forest financing remains sustainable over the long term:**

- **In recognition of the fact that ecological and social processes in LFCCs take place over long periods;**
- **Gender mainstreaming also requires time, and in this respect, long-term financing must be associated with a systematic integration of gender issues at all stages and an**

appropriate communication strategy to convince all stakeholders of the need to include gender;
- **Include the social aspects of LFCCs: local communities, youth, children and women contribution to poverty alleviation;**
- **Private sources of financing, particularly when relying on forest products (both timber and non-timber) should be promoted especially if they depend on sustainable harvesting methods; and**
- **The Baban Rafi case study in Niger is a successful example showing that with long-term funding, the community was able to strengthen/consolidate federation of rural markets.**

74. Strengthen the Tehran Process Secretariat for Low Forest Cover Countries, and in particular seek greater ownership of the Process and involvement by LFCCs through:

- **The presence of the Tehran Process Secretariat at regional and national levels, particularly through the nomination TPS national and regional focal points before UNFF10;**
- **The creation of a strategic plan on decentralization through a workshop;**
- **A call to fund the institutional changes and strengthening of the TPS for LFCCs;**
- **Holding a Ministerial Meeting before UNFF10 in coordination with the UNFF Secretariat.**

75. The full range of forest products and services needs to be tapped into, particularly non-timber forest products, as sources of forest financing:

- **In recognition of the fact that LFCC forests and trees outside of forests may not be as rich in timber or carbon as in high forest cover countries, but they often harbour valuable NTFPs (fruit, nuts, gum, shea, etc.). Many agrobiodiversity hotspots are located in LFCCs;**
- **The example of Gum Arabic in Makalondi, Niger shows that (i) community organisation essential; (ii) value must be added primarily at community level to ensure that SFM also reduces poverty;**
- **In particular, the entire chain of custody of NTFPs should be improved.**

76. The specificities, and in particular the strengths, of forests and trees outside of forests in LFCCs must be recognised:

- **Forests and trees outside of forests in LFCCs are valuable in their own right (see paragraph above);**
- **LFCCs should aim to access funds not only through carbon, but also through values which LFCCs are high in – agroforestry, climate change adaptation, forest landscape restoration, food security and agrobiodiversity;**
- **It is necessary to establish a niche/specific path to improving forest financing building on the strengths of dryland forests and trees outside of forests.**

77. The UNFF Secretariat should play a catalysing role in all of the above in the following ways:

- **Facilitate the establishment of National Forest Financing Strategies in close coordination with all relevant sectors at the national level and organisations at the**

international level, particularly with the NFP Facility which assists in developing National Forest Programmes;

- **Assist the TPS for LFCCs by facilitating a ministerial meeting and catalyzing the creation of TPS focal points within individual LFCCs and appropriate regional organizations;**
- **Ensure that the main output of the project on forest financing in SIDS and LFCCs – a forest financing strategy common to SIDS and LFCCs – explores, builds on and capitalises on the strengths and specificities of LFCCs in terms of accessing forest financing;**
- **Further (i) develop the UNFF's 360-degree perspective for greater recognition of the full range of values of forests, and (ii) deepen collaboration with the three Rio Conventions to promote a cross-sectoral perspective in all of the above.**

ANNEX 2: LIST OF PARTICIPANTS

	Name	Affiliation
1	Dr Larwanou Mahamane	African Forest Forum
2	Mr Ratan Kumar Mazumder	Bangladesh
3	Mr Monirul Huda	Bangladesh
4	Ms Capitoline Nsabiyumva	Burundi
5	Mr Felix Ngendabanyikwa	Burundi
6	Mr Hamadi Konandji	CILSS
7	Dr Moustafa El-Hakeem	Egypt
8	Eng. Mohamed Abdel Moneim Mostafa	Egypt
9	Ms Wafa Essahli	Global Mechanism of the UNCCD
10	Mr Aliosat Montazeri	Iran
11	Mr Patrick Mungai Kariuki	Kenya
12	Mr Seeiso Moshoeshoe	Lesotho
13	Ms Motulu Shale	Lesotho
14	Mr Tidiani Coulibaly	Mali
15	Ms Kadiatou Dembele Sanogo	Mali
16	Ms Majig Tungalag	Mongolia
17	Mr Nergui Baatarnyam	Mongolia
18	Mr Fillemon Kayofa	Namibia
19	Ms Anneli H. Shishome	Namibia
20	Mr Mahamane Sani	Niger
21	Mr Mohamed Assadeck	Niger
22	Mr Abdou Maisharou	Niger
23	Mr Hamadou Mamoudou	Niger
24	Mr Balla Bassirou Souley	Niger
25	Mr Assoumane Garba	Niger
26	Mr Ibro Adamou	Niger
27	Ms Korotoumou Ouedraogo	RECOFAC
28	Ms Elise Haber	South Africa
29	Mr Ian Gray	The GEF
30	Mr Oyetoude Djiwa	Togo
31	Dr Mostafa Jafari	TPS for LFCCs
32	Mr Jamel Kailene	Tunisia
33	Mr Mehdi Khlass	Tunisia
34	Mr Boubacar Cissé	UNCCD Secretariat
35	Mr Hassane Bassirou	UNDP Niger
36	Mr Foumbi Joseph	UNECA
37	Mr Benjamin Singer	UNFF Secretariat

38	Ms Njeri Kariuki	UNFF Secretariat
39	Mr Jones Ruhombe	UNFF Secretariat
40	Ms Laura Vila	Uruguay
41	Ms Alicia Aguerre Dominguez	Uruguay
42	Mr Loïc Braune	World Bank