

## Thirteenth meeting of the Standing Committee on Finance Bonn, Germany, 18–20 July 2016

### Background paper on coherence and coordination for financing for forests, taking into account different policy approaches

#### Expected actions by the Standing Committee on Finance

The Standing Committee on Finance (SCF) will be invited to:

- a) Consider and agree on the draft summary of the SCF side event on forest finance;
- b) Discuss any potential conclusions and recommendations to the COP, based on the outcomes of the side event, and how the SCF's work on this matter could be reflected in its report to the COP.

#### I. Possible actions for consideration by the SCF

1. The SCF is invited to consider and agree on the draft summary of the SCF side event on forest finance held on 23 May 2016 during the 44<sup>th</sup> subsidiary body meetings in Bonn. The summary is contained in the annex to this document.
2. In particular, the SCF may wish to discuss any potential conclusions and recommendations for consideration by the COP, based on the outcomes of the side event, and how the SCF's work on this matter could be reflected in its report to the COP.

#### II. Background

3. COP 17 decided that the SCF shall assist the COP in exercising its functions with respect to the Financial Mechanism of the Convention in terms of, inter alia, improving coherence and coordination in the delivery of climate finance.<sup>1</sup> COP 19 requested the SCF to consider, in its work on coherence and coordination, inter alia, the issue of financing for forests, taking into account different policy approaches.<sup>2</sup>
4. Building on the rich discussions that took place at the 2015 SCF forum dedicated to the issue of forest finance, the SCF, at its eleventh meeting, agreed to, inter alia, organize a side event in conjunction with the first session of the subsidiary bodies in 2016, to facilitate interactions among entities engaged in the provision of financing for forests. In line with this, a side event was held on the sidelines of SB 44 on 23 May 2016.
5. At the twelfth meeting of the SCF it was further agreed that the secretariat will prepare a summary of the discussions held during the side event for consideration by the SCF at its subsequent meeting and that the SCF may consider the summary with a view to providing conclusions and recommendations on coherence and coordination of forest finance to COP 22.

<sup>1</sup> Decision 2/CP.17, paragraph 121.

<sup>2</sup> Decision 7/CP.19, paragraph 11.



## Annex

### Draft Summary Report

#### SCF side event on “Enhancing coherence and coordination of forest finance”

##### Background

The Standing Committee on Finance (SCF) initiated its work on coherence and coordination of forest finance in 2014. Building on the rich discussions that took place at the 2015 SCF forum dedicated to the issue of forest finance, the SCF agreed to, inter alia, organize a side event in conjunction with a UNFCCC conference session in 2016, to facilitate interactions among entities providing forest finance. In accordance with this agreement, a side event was held on the sidelines of the SB session on 23 May 2016.

At SCF12 it was further agreed that the secretariat will prepare a summary of the discussions for consideration by the SCF at its subsequent meeting and that the SCF may consider the summary, together with the outcomes of any further outreach related activities in 2016, with a view to providing conclusions and recommendations on coherence and coordination of forest finance to COP 22.

##### Discussion highlights

Key take-aways from the side event include the call of participants for a holistic approach on forest finance across sectors and for enhanced coordination of different sources of finance in order to promote delivery of adequate and predictable finance. The need for further improving in-country coordination among forest finance providers and the importance of coordination efforts and leadership of partner governments were also highlighted.

With regard to financial support for REDD-plus<sup>3</sup>, the Board of the Green Climate Fund (GCF) is expected to make an important decision on modalities for accessing results-based finance later this year. The side event highlighted general principles and critical elements for the operationalization of results-based payments (RBPs) that were agreed by participants of a recent workshop for Latin American countries, including eligibility criteria linked to the Warsaw Framework for REDD-plus and other decisions under the Convention, fair and balanced allocation of resources for RBPs for REDD-plus, and methods for transferring payments to REDD-plus countries that establish clearly the requirements of the designated national entities. In addition, possible areas for harmonization by providers of RBPs were presented by UNREDD, including project cycle for REDD-plus RBPs, the legal nature, value, and timing and allocation of RBPs, prioritization of countries when allocating limited resources for RBPs, accounting of tonnes being paid for across portfolio, screening of REDD-plus National Strategies/Action Plans, and review of findings from the technical assessment of forest reference emission levels and forest reference levels (FREL/FRL).

Another important issue pointed out by participants was that while most forest finance related funds are mitigation focused, they often support action on both, mitigation and adaptation. Going forward, it will be vital to showcase co-benefits and to share lessons learnt on what finance is achieving beyond mitigation.

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<sup>3</sup> In decision 1/CP.16, paragraph 70, the COP encouraged developing country Parties to contribute to mitigation actions in the forest sector by undertaking the following activities: reducing emissions from deforestation; reducing emissions from forest degradation; conservation of forest carbon stocks; sustainable management of forests; and enhancement of forest carbon stocks (also referred to as REDD-plus).

## **Proceedings of the side event**

The side event was held from 13:15 to 14:45 on 23 May 2016 in room Bonn III, World Conference Center Bonn. On behalf of the SCF, Mr. Georg Børsting and Ms. Outi Honkatukia presented an overview of the Committee's work on coherence and coordination of forest finance, followed by a presentation by SCF member Minister Paul Oquist on forest finance in climate strategies and policies.

In line with the objective of the side event to serve as a platform for exchanging views and information, panelists from the GCF, the United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries (UNREDD), the United Nations Forum on Forests (UNFF), the World Bank, the National Forestry Commission of Mexico, and the UK Department of Energy and Climate Change (DECC) engaged in a discussion on coherence and coordination of forest finance and ways and means to transfer payments for results-based actions. This was followed by a Q&A session.

## **Summary of the presentations and discussions**

### ***Opening remarks and overview on the SCF's work on forest finance***

Mr. Børsting facilitated the side event on behalf of the SCF. He welcomed the participants and provided a succinct overview of the SCF's work on coherence and coordination of forest finance, including a description of the mandate, the work completed in 2015 and activities to be conducted in 2016.

Ms. Honkatukia presented the key outcomes of the SCF forum on forest finance in 2015 and highlighted that the forum resulted in concrete conclusions recommendations, which informed the SCF last year in preparing draft guidance to the operating entities of the Financial Mechanism.

### ***Presentation on forest finance in climate strategies and policies***

Mr. Oquist underlined that forest finance and renewable energy finance can form the backbone for financing climate strategies and policies in a way that is not a sacrifice for countries, but rather an accelerator of their development. He noted that reducing oil imports through renewable energy and creating inexpensive energy for national development, as well as a forestry industry in all its dimensions can contribute to national sustainable development as well as to the international effort to achieve a 1.5°C world. Nicaragua follows an integrated, holistic reforestation policy that contemplates all of the forms of reforestation, including natural regeneration, agroforestry and silvo-pastoral activities, industrial and energy plantations, export wood plantations and community forestry.

### ***Panel discussion on coherence and coordination of forest finance and ways and means to transfer payments for results-based actions***

#### ***Enhancing coherence and coordination of forest finance***

Coordination of different sources of finance is needed to promote delivery of adequate and predictable finance. Mr. Ben Singer, UNFF, underlined the importance of decoupling forest finance from forest sector financing because a lot of financing in the latter category goes towards unsustainable practices. He highlighted the need for a holistic approach given that many sectors, including energy and agriculture, can positively influence forest management. Looking at international funding for sustainable forest management, there is an overlap between forest finance and finance for the Rio conventions, namely between forest finance and biodiversity financing, land degradation financing and climate financing (including REDD-plus). The nexus between climate finance and forest finance is the most dynamic area of forest financing which is poised to play an increasingly important role in realm of forest financing. However, besides forest finance and climate finance, there are plenty of other sources, including private finance for production of forest products, forestry ODA, and mobilization of domestic resources, that need to be taken into account. Mr. Singer briefly introduced the Global Forest Financing

Facilitation Network (GFFFN). Established in 2015, the GFFFN is the main instrument put forward within the UNFF to enhance coordination at national level between different donors and between different sources. Its main functions are to promote the design of national financing strategies, build capacity in project design and formulation (i.a. through cooperation with the GEF and GCF) and serve as a clearinghouse on financing opportunities.

Ms. Ellysar Baroudy, representing the World Bank's forest climate change funds, stated that the need for better coordination among providers of forest finance has been repeatedly highlighted in the past and a recent evaluation within the World Bank showed that coordination with other multilateral providers has improved. At the same time, there is room for improving coordination in-country with other bilateral providers. Experience has shown that the best driver for this is when the REDD-plus countries take up this coordination task. Speaking on coherence, Ms. Baroudy noted that it has been difficult in the past to understand the availability of finance. Earlier this year, the World Bank has published two documents, the Forest Action Plan and the Climate Change Action Plan, which are going to be the coherent umbrella, strengthening the World Bank's programmatic approach to finance.

Ms. Melissa Pinfield, DECC, stated that leadership and coordination from partner governments themselves is vital and the Germany-Norway-United Kingdom (GNU) Partnership benefits from working with partners that have strong national commitments and strategies in place, like for example Columbia. When asked by a participant about success factors in the ongoing negotiations between the GNU and the Colombian government, Ms. Pinfield responded that the strong ownership of the Colombian government is one of the factors positively influencing the negotiations as is the clear vision of the Colombian government with regard to desired achievements in line with its broader development goals. She further added that the GNU framework as such is helpful in the sense that having a single interface among the three donors and the Colombian government allows for better coherence and coordination and a more holistic approach among donor countries.

#### *Financial support for different phases of REDD-plus*

Mr. Juan Chang, GCF, noted in his intervention that forestry is one of eight areas of strategic impact of the GCF and that the Fund will support all three phases of REDD-plus finance. At the 8<sup>th</sup> GCF Board meeting, the Board adopted the initial model for REDD-plus RBPs and the performance measurement framework (PMF) for REDD-plus RBPs. The initial logic model (LM) and PMF are in line with the methodological guidance in the Warsaw Framework for REDD-plus. They set the groundwork for the Fund to move ahead with the operationalization of REDD-plus RBPs. The LM and PMF may be updated as decided by the Board. The overall design of the LM and PMF for REDD-plus RBPs are in line with Decision 1/CP.16. While the LM and PMF provide basic frameworks within which the Fund can initiate REDD-plus RBPs, further work is needed in order to operationalize RBF. The last Board decision includes a request for the GCF secretariat to prepare a document for the Board meeting in October to pave the way for operationalization.

Ms. Baroudy stated that the World Bank supports all three phases of REDD-plus finance through the existing multilateral forest climate change funds which collectively add up to over USD 2 billion in finance, namely the BioCarbon Fund, the Forest Investment Program (FIP) and the Forest Carbon Partnership Facility (FCPF), including the Readiness Fund and the Carbon Fund. Different instruments are used by the different funds including grant finance for readiness activities provided by the FCPF and BioCarbon Fund, mix of grants and loans for phase 2 provided by the FIP, as well as results-based finance provided by the Carbon Funds. There are important linkages among different phases of REDD-plus. More recently, the readiness funds have started to work on enabling environments, thereby pushing the boundary a bit into the investment phase.

Ms. Pinfield highlighted that the GNU Partnership made a pledge at COP 21 in Paris to increase forest finance to USD 5 billion between 2015 and 2020, including for all phases of REDD-plus. In their joint statement the GNU committed to strengthening existing and creating new partnerships with forest countries, private sector companies, the financial sector, civil society, donor governments and indigenous peoples and local communities.

One participant in the audience inquired about the timeframe and modalities for accessing finance from the various finance providers on the panel. Mr. Chang responded that the GCF Board will decide on modalities for

accessing RBF later this year. While the GCF has allocated a specific amount of funding for REDD-plus, the proportion of this funding that will be used for RBF is yet to be determined. With regard to the World Bank funds, Ms. Baroudy noted that the Readiness Fund has been designed to run until 2020 and that the FIP may be subject to a sunset clause depending on the evolution of the new financial architecture (i.e. GCF). The BioCarbon Fund and FCPF are not subjected to such a clause. She highlighted that many countries that received readiness funding are beginning to document their experiences from this phase and their national strategies are coming forward. At the same time, pilot countries in the Carbon Funds are developing detailed design documents that help to understand what is needed for investments and delivery. Those processes are being closely monitored by the World Bank, also with a view to ensuring that there is no huge deviation from what is happening under the UNFCCC. With respect to the GNU Partnership, Ms. Pinfield explained that it is envisioned that the whole range of multilateral and bilateral approaches will be needed and used to implement the commitment made in Paris.

A further question from the floor referred to Article 5 of the Paris Agreement and whether the World Bank and DECC representatives saw a possibility of collaborating with the Adaptation Fund (AF) to make available forest finance. Ms. Baroudy highlighted that while most funds she mentioned are mitigation focused they often support action on both, mitigation and adaptation. Furthermore, the World Bank is interim trustee of the AF and helps monetize the proceeds. Ms. Pinfield stressed that showcasing co-benefits as well as sharing lessons learnt on what finance is achieving beyond mitigation will be vital.

#### *Ways and means to transfer payments for results-based actions*

Fabiola Navarrete, National Forestry Commission of Mexico (CONAFOR), presented the results of a workshop for Latin American countries on RBPs for REDD-plus held in Panama City in March 2016. Discussions focused on providing an overview on financing for payment schemes for REDD-plus results and information gaps, experiences of countries in the region in accessing REDD-plus results-based finance, and challenges for the future and possible actions to promote access to payment based on results, especially via the Green Climate Fund. The participating REDD-plus countries agreed on several general principles and highlighted critical elements for the operationalization of RBPs, including eligibility criteria linked to the Warsaw Framework for REDD-plus and other decisions under the Convention, fair and balanced allocation of resources for RBPs for REDD-plus, and methods for transferring payments to REDD-plus countries that establish clearly the requirements of the designated national entities. The full list of principles and elements is available [here](#).

The workshop in Panama was organized by the UNREDD Programme which has worked on readiness for the last five years and has begun to provide support for the second phase focused on implementation. UNREDD is also a delivery partner of the FCPF and hosts the Central African Forestry Initiative launched at COP21. UNREDD was represented at the panel discussion by Jyoti Mathur-Filipp, who highlighted several possible areas for harmonization by providers of RBPs, including project cycle for REDD-plus RBPs, the legal nature, value, and timing and allocation of RBPs, prioritization of countries when allocating limited resources for RBPs, accounting of tonnes being paid for across portfolio, screening of REDD-plus National Strategies/Action Plans and review of UNFCCC assessment team findings from forest reference emission levels and forest reference levels (FREL/FRL) technical assessment. The full presentation is available [here](#).

#### ***Further information***

The programme and presentations held at the event are available here:

[http://unfccc.int/cooperation\\_and\\_support/financial\\_mechanism/standing\\_committee/items/8985.php](http://unfccc.int/cooperation_and_support/financial_mechanism/standing_committee/items/8985.php)

## Annex to Draft Summary Report – Programme of the side event

### Standing Committee of Finance side event – Enhancing coherence and coordination of forest finance

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**Date:** Monday, 23 May, 2016  
**Venue:** Bonn III, World Conference Center Bonn  
**Time:** 13:15 to 14:45

#### **Objective**

The SCF will present an overview of its work on coherence and coordination of forest finance. Moreover, the side event will serve as a platform for exchanging views and information on how to enhance coherence and coordination of forest finance, including in the area of results-based payments.

#### **Programme**

- 13:15 – 13:20 **Opening remarks and overview on the SCF’s work on forest finance**  
by Georg Børsting, SCF member
- 13:20 – 13:25 **Presentation on the outcomes of the Third Forum of the Standing Committee on Finance: Issues relating to finance for forests**  
by Outi Honkatukia, SCF Co-Chair
- 13:25 – 13:35 **Presentation on forest finance in climate strategies and policies**  
by Paul Oquist Kelley, Minister-Private Secretary for National Policies, Presidency of the Republic Nicaragua and SCF member
- 13:35 – 14:25 **Panel discussion on coherence and coordination of forest finance and ways and means to transfer payments for results-based actions**  
facilitated by Georg Børsting, SCF member  
Panelists:
- Juan Chang, Green Climate Fund
  - Jyoti Mathur-Filipp, UNREDD Programme
  - Benjamin Singer, United Nations Forum on Forests (UNFF)
  - Ellysar Baroudy, World Bank: forest climate change funds (BioCF, FCPF, FIP)
  - Fabiola Navarrete, National Forestry Commission of Mexico (CONAFOR)
  - Melissa Pinfield, Department of Energy and Climate Change, UK
- 14:25 – 14:45 **Q&A discussion**