Hossein Moeini-Meybodi, United Nations Forum on Forests, 16 October 2014

1. The revised background paper has been substantially improved with the addition of Annex II which summarises the "forest finance landscape" with a summary of the main findings of the 2012 AGF study, although some of these, e.g., ODA, could be updated with the most recent OECD figures. However, Annex II is largely disconnected from the rest of the paper. In Annex II, "forest finance" is understood in a broad way as financing for sustainable forest management generally. The rest of the paper, however, continues to refer to "forest finance" as solely REDD+ finance.

For instance, Table 2 only contains the sources of REDD+ finance and does not capture forestry ODA, forest finance from the private sector, from PES, and from productive sources such as the timber sector and the production and commercialisation of NTFPs. In addition, there is no reference in the paper to recent developments related to NAMA registry and its related bilateral initiatives and facilities. A number of countries are also considering regional NAMAs as a means to seek international support. These recent developments should be considered as part of the broad forest finance landscape in view of their increasing importance and potential as a source of forest finance.

In order to limit this polysemy, we recommend providing a general definition of forest finance in the background/introduction section of the paper. If so preferred, it would be useful to point out from the outset that the paper focuses on REDD+ and that other sources of forest finance are described in Annex II.

2. We welcome the revised text in Ch. III particularly on the importance to identify various stakeholders and entities dealing with climate finance outside the UNFCCC process for the partnership opportunities. In this regard, the UNFF, through the 2012 AGF study and the Facilitative Process on forest financing, has produced a wealth of qualitative and quantitative information on forest finance beyond REDD+. We stand ready to provide further suggestions and contribute to the work of the SCF related to forest financing to deliver its mandate, including but not limited to: i) the possibility to organize the Facilitative Process workshop on forest financing in conjunction with the Third SCF Forum in 2015; and ii) the provision of substantive contributions to biennial assessments and overview of climate flows. In connection to i), we are currently planning to hold the workshop in February 2015 in Bangkok, Thailand, in cooperation with the UN-ESCAP and the ASEAN Secretariat, and would be happy to provide further information.

3. In response to the call of the SCF for additional data on results-based and alternative approaches, a range of forest finance mechanisms exist. While the emphasis on results-based approaches is an innovation often linked to the emergence of REDD+, each source of finance comes with its own conditions:

- Domestic public finance (i.e., allocation of funds from the national budget) is generally not conditional on sustainable forest management nor upon results, but it is considered to be regular and therefore sustainable;
- International public finance (notably ODA) is highly volatile and based on short-term conditions such as transparency and accountability, though not necessarily on longer-term conditions such as a reduction in deforestation;

- Domestic and international private finance is equally volatile as it is largely based on fluctuations in demand and market prices. It is mostly not conditional on sustainable forest management and deforestation rates, although small proportions of these markets have linked the two (e.g., forest certification).
- Blended and innovative finance is highly variable. REDD+ and payments for ecosystem services (PES) fall into this residual category. PES are not necessarily market-based instruments, and their successful functioning (i.e., their results-based character) is largely based on existing institutional and legal frameworks ensuring that payments will effectively bring about a change in behaviour among certain stakeholders and therefore reduce deforestation.

In general, however, the questions asked by the SCF (results-based approaches and PES) are relevant to a small category of forest finance sources (namely REDD+ and PES). A more relevant question would be to ask which sources of finance support sustainable, rather than business-as-usual, forest management, and are therefore conducive to reducing deforestation and forest degradation. While the bulk of public and blended finance falls into the sustainable category, public finance continues to be dwarfed by private finance, notably from the timber sector, which may require additional institutional arrangements to support sustainable forms of forest management.