

Summary Report

Standing Committee on Finance side event on “Enhancing coherence and coordination of forest finance”

Background

The Standing Committee on Finance (SCF) initiated its work on the 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 United Nations Climate Change Conference session in 2016, to facilitate interactions among entities providing forest finance. In accordance with this agreement, a side event was held on the margins of the forty-fourth sessions of the subsidiary bodies on 23 May 2016.

At the 12th meeting of the SCF, 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 the coherence and coordination of forest finance at the twenty-second session of the Conference of the Parties (COP).

Proceedings

The side event was held from 1.15 p.m. to 2.45 p.m. on 23 May 2016 in room Bonn III at the World Conference Center in Bonn, Germany. On behalf of the SCF, Mr. Georg Børsting and Ms. Outi Honkatukia presented an overview of the committee’s work on the coherence and coordination of forest finance and the outcomes of the 3rd forum of the SCF on forest finance. This was followed by a presentation by SCF member Mr. Paul Oquist Kelley 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, representatives of the Green Climate Fund (GCF), the United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries (UN-REDD), the United Nations Forum on Forests (UNFF), the World Bank, the National Forestry Commission of Mexico and the Department of Energy and Climate Change (DECC) of the United Kingdom of Great Britain and Northern Ireland engaged in a discussion on the coherence and coordination of forest finance and ways and means to transfer payments for results-based actions. This was followed by a question-and-answer session. The side event programme is contained in the Annex of this document.

Summary of presentations and discussions

Opening remarks and overview on the committee’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 work of the SCF on the coherence and coordination of forest finance, including a description of the mandate, the work completed in 2015 and activities to be conducted in 2016.

Presentation on the outcomes of the 3rd SCF forum on issues relating to forest finance

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

Presentation on forest finance in climate strategies and policies

Mr. Oquist Kelley, a minister from Nicaragua, 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 the use of renewable energy and creating inexpensive energy for national development, as well as a forestry industry in all its dimensions for energy, construction, household goods, fiber, and exports, can contribute to national sustainable development as well as to the international effort to limit the global average temperature increase to 1.5 °C above pre-industrial levels. Nicaragua follows an integrated, holistic reforestation policy that contemplates all forms of reforestation, including natural regeneration, agroforestry and silvo-pastoral activities, industrial and energy plantations, wood plantations for export 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, representative of 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-plus¹). The nexus between climate finance and forest finance is the most dynamic area of forest financing, and is poised to play an increasingly important role in the realm of forest financing. However, in addition to forest finance and climate finance, there are plenty of other sources, including private finance for production of forest products, forestry official development assistance 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, GFFFN is the main instrument within the UNFF to enhance coordination at the national level among different donors and among different sources. Its main functions are to promote the design of national financing strategies, build capacity in project design and formulation (i.e. through cooperation with the Global Environment Facility and the GCF) and serve as a clearing house for financing opportunities.

Ms. Ellysar Baroudy, representative of 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 that a recent evaluation within the World Bank showed that coordination with other multilateral providers has improved. At the same time, there is room for

¹ 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.

improving in-country coordination with other bilateral providers. Experience has shown that the best driver for this is when the countries participating in REDD-plus take up this coordination task. Referring to coherence, Ms. Baroudy noted that it has been difficult in the past to understand the availability of finance. Earlier in 2016, the World Bank Group published two documents, the *Forest Action Plan FY16–20* and the *Climate Change Action Plan 2016–2020*, which are going to be a coherent umbrella, strengthening the World Bank's programmatic approach to finance.

Ms. Melissa Pinfield, representative of DECC, stated that leadership and coordination from partner governments is vital, and that the Germany–Norway–United Kingdom (GNU) partnership benefits from working with partners that have strong national commitments and strategies in place, such as Columbia. When asked by a participant about success factors in the ongoing negotiations between 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 is helpful in the sense that having a single interface among the three donors and the Colombian Government allows for coherence and coordination and also a holistic approach among donor countries.

Financial support for different phases of REDD-plus

Mr. Juan Chang, representative of the GCF, noted in his presentation that forestry is one of eight areas of strategic impact of the GCF and that the fund will support all three phases of finance under REDD-plus. At its 8th meeting, the Board of the GCF adopted an initial model for results-based payments (RBPs) made under REDD-plus and a performance measurement framework (PMF) for RBPs under REDD-plus. The initial logic model (LM) and PMF are in line with the methodological guidance provided in the Warsaw Framework for REDD-plus. They set the groundwork for the GCF to move ahead with the operationalization of RBPs under REDD-plus. The LM and PMF may be updated as decided by the board. The overall design of the LM and PMF for RBPs under REDD-plus is in line with the Warsaw Framework for REDD-plus. While the LM and PMF provide basic frameworks within which the GCF can initiate RBPs under REDD-plus, further work is needed in order to operationalize results-based finance (RBF). In decision B.12/07, the Board of the GCF requested the secretariat of the GCF to prepare a document for the fourteenth board meeting in October 2016 to pave the way for operationalization.

Ms. Baroudy stated that the World Bank supports all three phases of finance under REDD-plus 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, a mix of grants and loans for phase 2 provided by the FIP and RBF provided by the Carbon Fund. There are important linkages among the different phases of REDD-plus. More recently, the funds providing finance for readiness started to work on enabling environments, thereby pushing the boundary slightly into the investment space and phase 2 funding.

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 a joint statement, the GNU partnership 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 from the audience inquired about the time frame and modalities for accessing finance from the various finance providers on the panel. Mr. Chang responded that the Board of the GCF will decide on modalities for accessing RBF later in 2016. 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. The BioCarbon Fund and FCPF are not subject 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 being developed. At the same time, pilot countries under the Carbon Fund 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, 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 at COP 21.

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

Ways and means to transfer payments for results-based actions

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

The workshop in Panama was organized by UN-REDD, which has worked on readiness for the last five years and has begun to provide support for the second phase focused on implementation. UN-REDD is also a delivery partner of the FCPF and hosts the Central African Forestry Initiative launched at COP 21. UN-REDD was represented at the panel discussion by Ms. Jyoti Mathur-Filipp, who highlighted several possible areas for harmonization by providers of RBPs, including: the project cycle for RBPs under REDD-plus; the legal nature, value, timing and allocation of RBPs; the prioritization of countries when allocating limited resources to RBPs; the accounting of tonnes being paid for across portfolio; the screening of national strategies/action plans under REDD-plus; and the review of the UNFCCC assessment team findings from the technical assessment of forest reference emission levels and forest reference levels.

Further information

Full details of the side event are available at

[http://unfccc.int/cooperation and support/financial mechanism/standing committee/items/8985.php](http://unfccc.int/cooperation%20and%20support/financial%20mechanism/standing%20committee/items/8985.php).

Annex – Programme

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

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, UN-REDD 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**