

# Effective Forest Finance to Enhance Climate Change Mitigation, Adaptation and Biodiversity: Lessons from Global Environment Facility Finance

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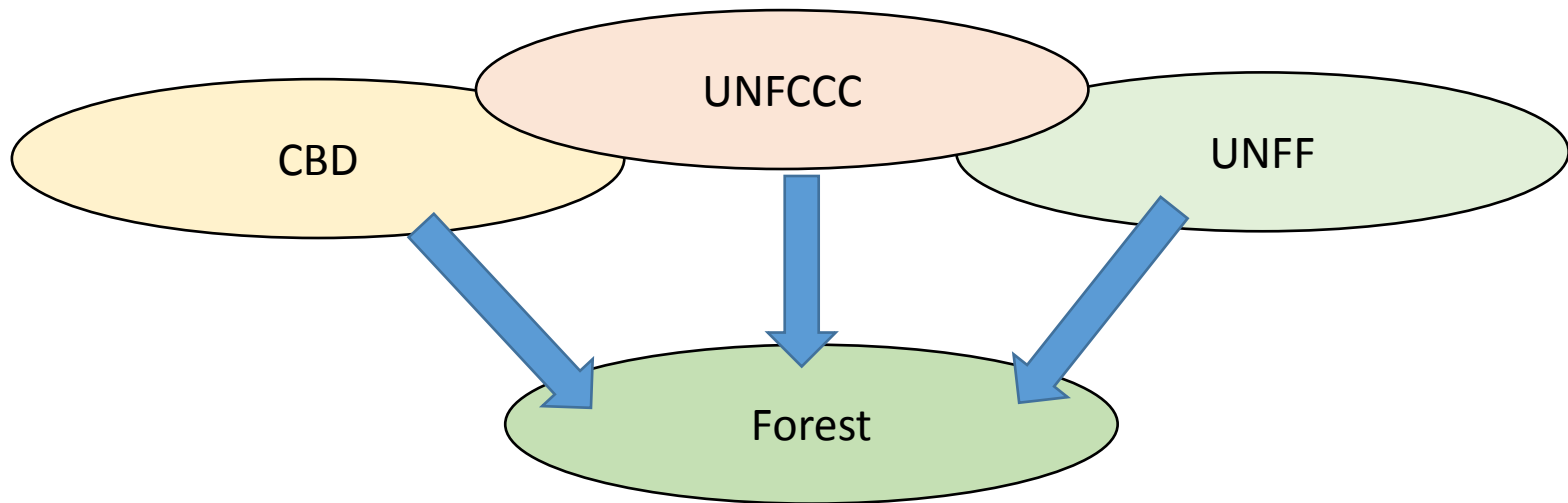
12-14 October, 2016

9th International Scientific Conference on Energy and Climate Change, Athens

This research was supported by grants from S-14 of the Environment Research and Technology Development Fund.

# Background to this Study

- Forest conservation and management are an important agenda not only under the United Nations Forum on Forests (UNFF) but also under the major international environmental conventions, such as the U.N. Framework Convention on Climate Change (UNFCCC) and the Convention on Biological Diversity (CBD).



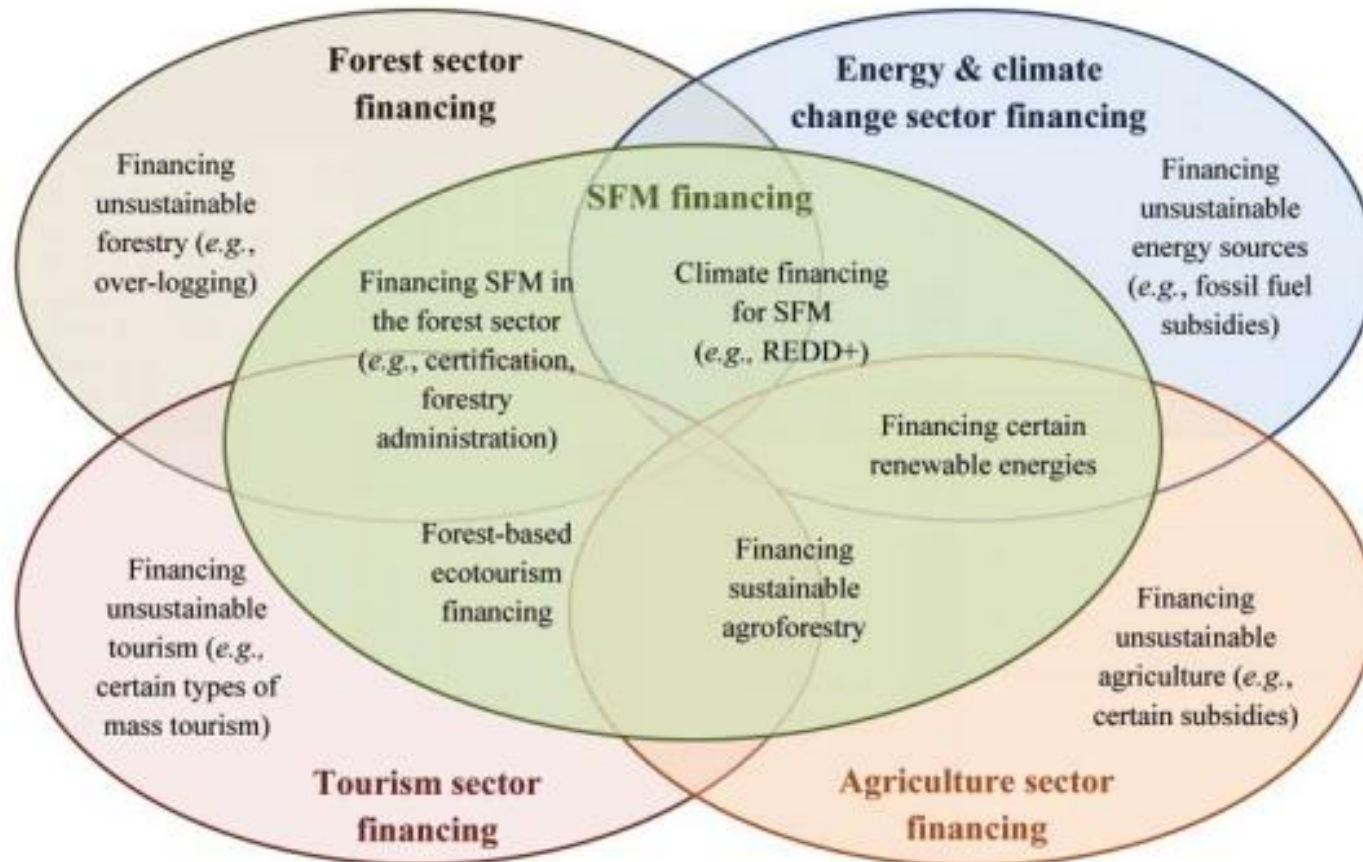
- Forest conservation and management could produce multiple benefits, including benefits in climate change mitigation, adaptation, and biodiversity conservation.
- Effective institutions for forests are necessary to enhance those benefits.

## Research Purpose

- This research focuses on financing systems for the forest sector, which are key to enhancing the multiple benefits of forest conservation and management in developing countries.
- By drawing lessons from the Global Environment Facility (GEF), we explore in this research effective finance systems in developing countries for forest conservation and management measures that enhance benefits in climate change mitigation, adaptation and biodiversity.

# Forest Finance

- Currently, forest finance is fragmented, and there is a growing need to understand the big picture in forest finance (UNFF, 2016; Singer, 2016).



Sustainable Forest Management Financing (Singer, 2016)

# Research Approaches

- We focus on the GEF, which is serving as a financial mechanism for the UNFCCC and the CBD, and it is actively cooperating with the UNFF (GEF, 2010).
- To discuss the effective allocation of funds to maximize these benefits, and to explore the effective way to mobilize forest finance, we use two approaches:
  - 1) Analysis of trends of focal areas, implementing and executing agencies of GEF forest-related projects.
  - 2) Analysis of co-funders' trends in GEF forest-related projects.

# GEF

- Established in 1992 at Rio Earth Summit
- GEF is a financial mechanism for five major international environmental conventions: the UNFCCC, CBD, Minamata Convention on Mercury, the Stockholm Convention on Persistent Organic Pollutants (POPs), the United Nations Convention to Combat Desertification (UNCCD).
- GEF has partnerships among agencies, including United Nations agencies, multilateral development banks, national entities and international NGOs.
- GEF has provided \$14.5 billion in grants and mobilized \$75.4 billion in additional financing for almost 4,000 projects (GEF, 2015).



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# GEF and Sustainable Forest Management

- GEF is the only multilateral funding institution with mandates deriving from all the three principal international accords dealing with forests: UNFCCC, CBD, and UNCCD.
- Supporting an integrated approach to managing forest ecosystems, GEF aims to achieve multiple global environmental benefits, including those related to the protection and sustainable use of biodiversity, climate change mitigation and adaptation, and combating land degradation (GEF, 2015).



# GEF Finance for Forest

- To date, the GEF has supported over 380 forest-related projects, with \$2.1 billion in grants that leveraged an additional \$9.5 billion.
- In GEF-5 (2010-2014), GEF funded 69 projects in 80 countries with over \$700 million in grants.
- GEF Strategy in Forest Field
  - From GEF-1 to GEF-3 (until 2006), early efforts are largely single focal area (e.g. biodiversity).
  - GEF-4 (2006-2010): Launched a pilot incentive scheme, Tropical forest account. Implemented multi-focal area projects yielding REDD+ benefits.
  - GEF-5 (2010-2014): Launched SFM/REDD+ incentive mechanism. Implemented multiple environmental benefits from the improved management of all types of forest.
  - GEF-6 (2014-2018): Launched a SFM Program. Strengthening support to maintain, manage and restore forests.



# GEF Project Database

Use data from GEF project database (accessed 11 July, 2016). Sorted data by "Forest".

<u>GEF ID</u>	<u>Country</u>	<u>Project Name</u>	<u>Focal Area</u>	<u>Agency</u>	<u>Project Type</u>	<u>GEF Grant</u>	<u>Cofinancing</u>	<u>Status</u>
<a href="#">2</a>	Philippines	Samar Island Biodiversity Project: Conservation and Sustainable Use of the Biodiversity of a Forested Protected Area	Biodiversity	UNDP	FP	5,759,470	7,198,420	Project Completion
<a href="#">218</a>	Central African Republic	A Highly Decentralized Approach to Biodiversity Protection and Use: The Bangassou Dense Forest.	Biodiversity	UNDP	FP	2,500,000	1,000,000	Project Closure
<a href="#">356</a>	Mauritius	Restoration of Highly Degraded and Threatened Native Forests in Mauritius	Biodiversity	UNDP	FP	200,000	0	Project Completion
<a href="#">368</a>	Guyana	Programme for Sustainable Forestry (Iwokrama Rain Forest Programme)	Biodiversity	UNDP	FP	3,000,000	780,000	Project Completion
<a href="#">490</a>	Uganda	Kibale Forest Wild Coffee Project	Biodiversity	World Bank	MSP	750,000	3,400,000	Project Closure
<a href="#">539</a>	Poland	Forest Biodiversity Protection	Biodiversity	World Bank	FP	4,500,000	1,700,000	Project Closure
<a href="#">642</a>	Malaysia	Conservation and Sustainable Use of Tropical Peat Swamp Forests and Associated Wetland Ecosystems	Biodiversity	UNDP	FP	5,990,000	6,670,000	Project Completion
<a href="#">661</a>	Suriname	Conservation of Globally Significant Forest Ecosystems in Suriname <del>Acá, ãs</del> Guayana Shield	Biodiversity	UNDP	FP	9,240,000	8,800,000	Project Closure
<a href="#">793</a>	Benin	Program for the Management of Forests and Adjacent Lands	Multi Focal Area	World Bank	FP	6,000,000	22,000,000	Project Completion
<a href="#">815</a>	Grenada	Dry Forest Biodiversity Conservation	Biodiversity	World Bank	MSP	723,000	404,580	Project Closure
<a href="#">818</a>	Sri Lanka	Conservation of Globally Threatened Species in the Rainforests of Southwest Sri Lanka	Biodiversity	UNDP	MSP	724,713	226,000	Under Implementation

GEF project database <http://www.thegef.org/projects>

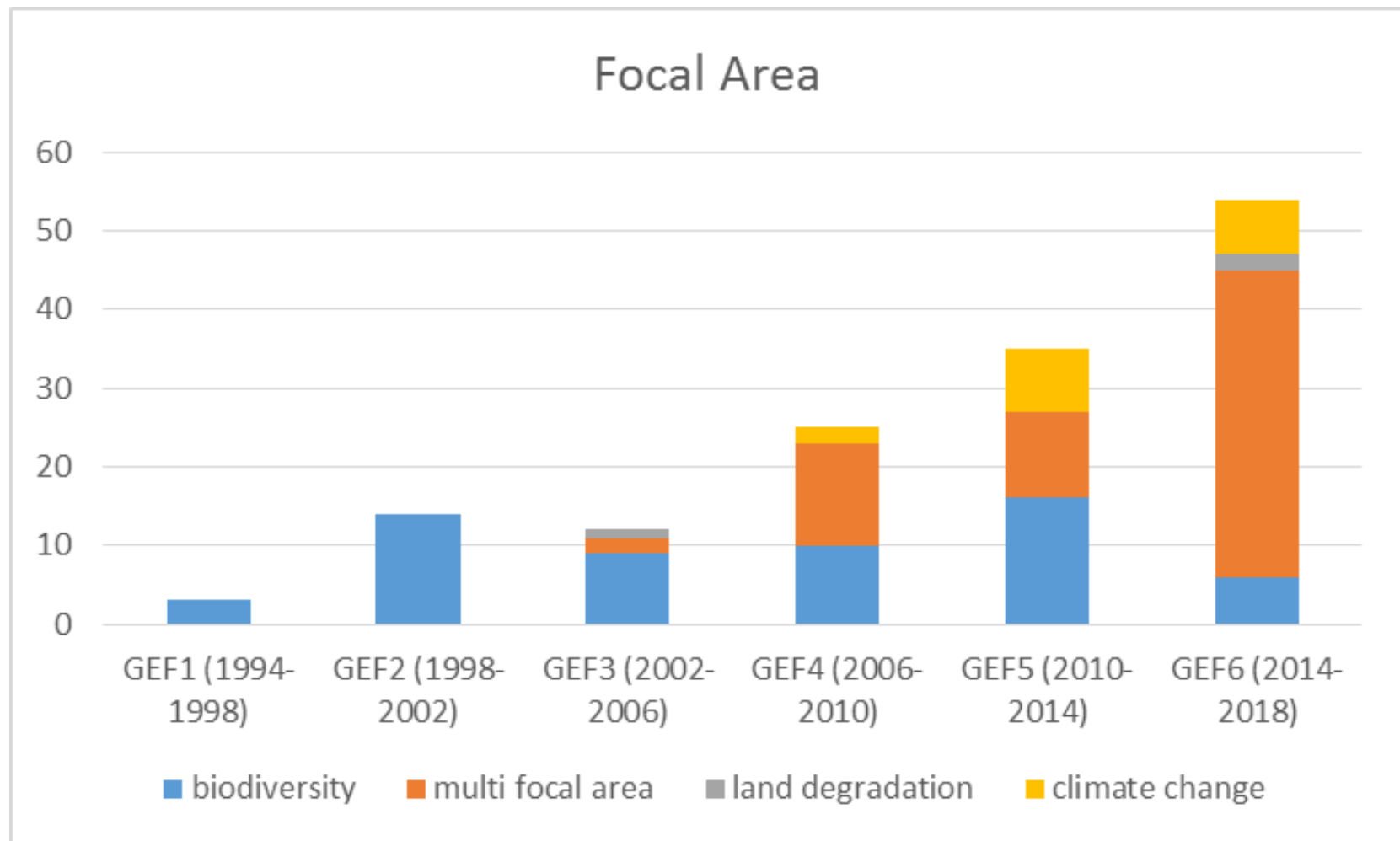
# Data

- 149 approved national projects, and 29 approved global and regional projects. (From GEF database, sorted by “Forest”)
- Analyze the following two items by using the information available from the GEF project database and project reports.
  - 1) Analysis of trends of focal areas, implementing and executing agencies of GEF forest-related projects.
  - 2) Analysis of the co-funders and the amount of co-funding.
- Excluded projects that do not provide above information.

## Highlight of the Results

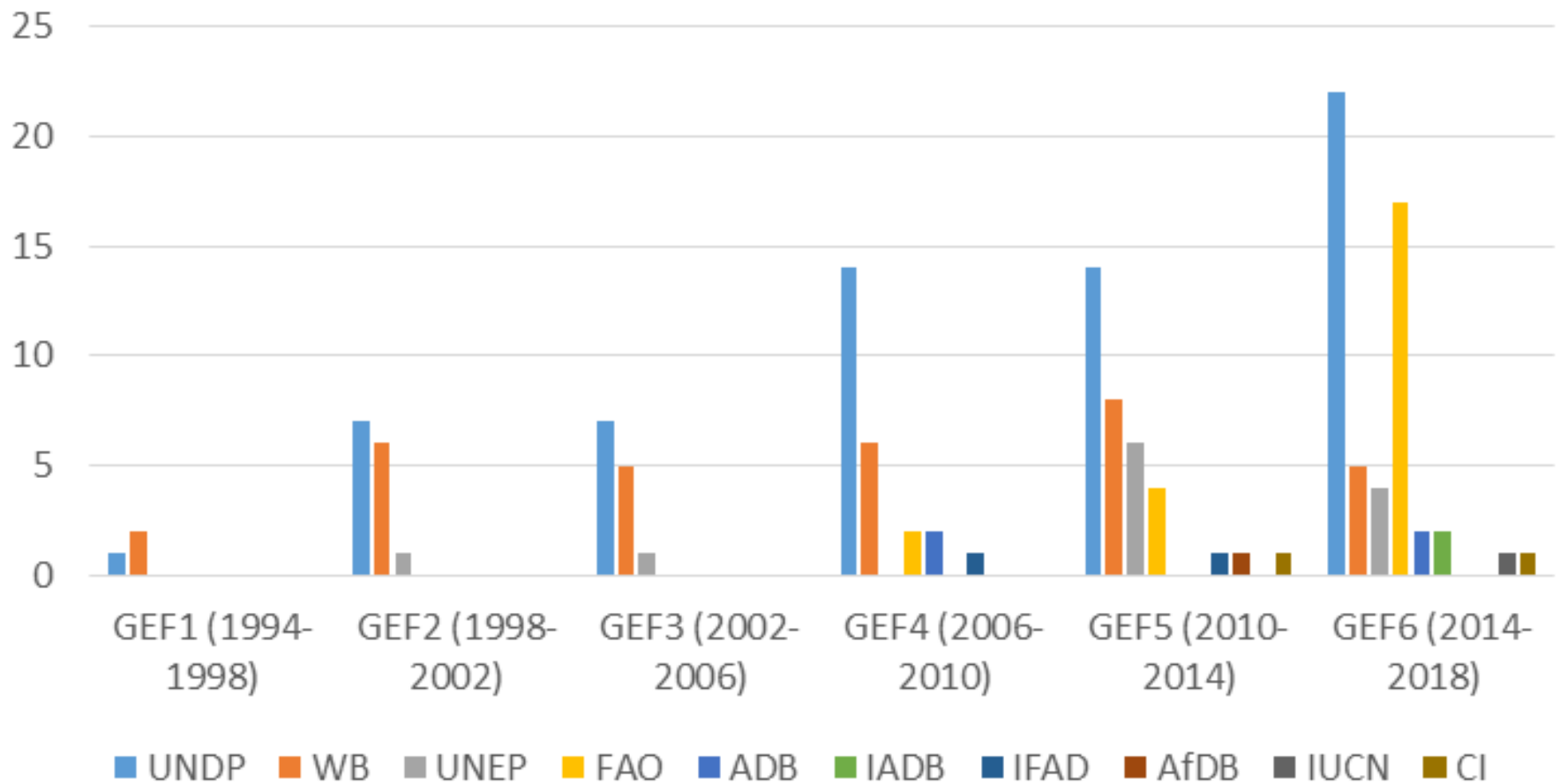
- This research shows that the GEF is increasing the support for forest-related projects, especially multi-focal area projects, that produce multiple benefits, including climate change and biodiversity.
- By analyzing the trends of funds and actors (funders, implementing, executing agencies) that engage in GEF forest-related projects, although the GEF has enabled to mobilize finance from multiple donors and to engage diverse actors in implementing forest-related projects, it is important to establish institutions that not only mobilize finance from multilateral and bilateral public funds, but also mobilize more private funds for the forest sector.
- Research also shows the needs to create indicators that are able to maximize the benefits of different forest conservation and management measures, such as measures focusing on sustainable forest management, biodiversity conservation, and emissions reduction from deforestation and forest degradation, and to integrate different programs and initiatives related to forest conservation and management.

# Approved National Forest-related Projects: Project number and Focal Area

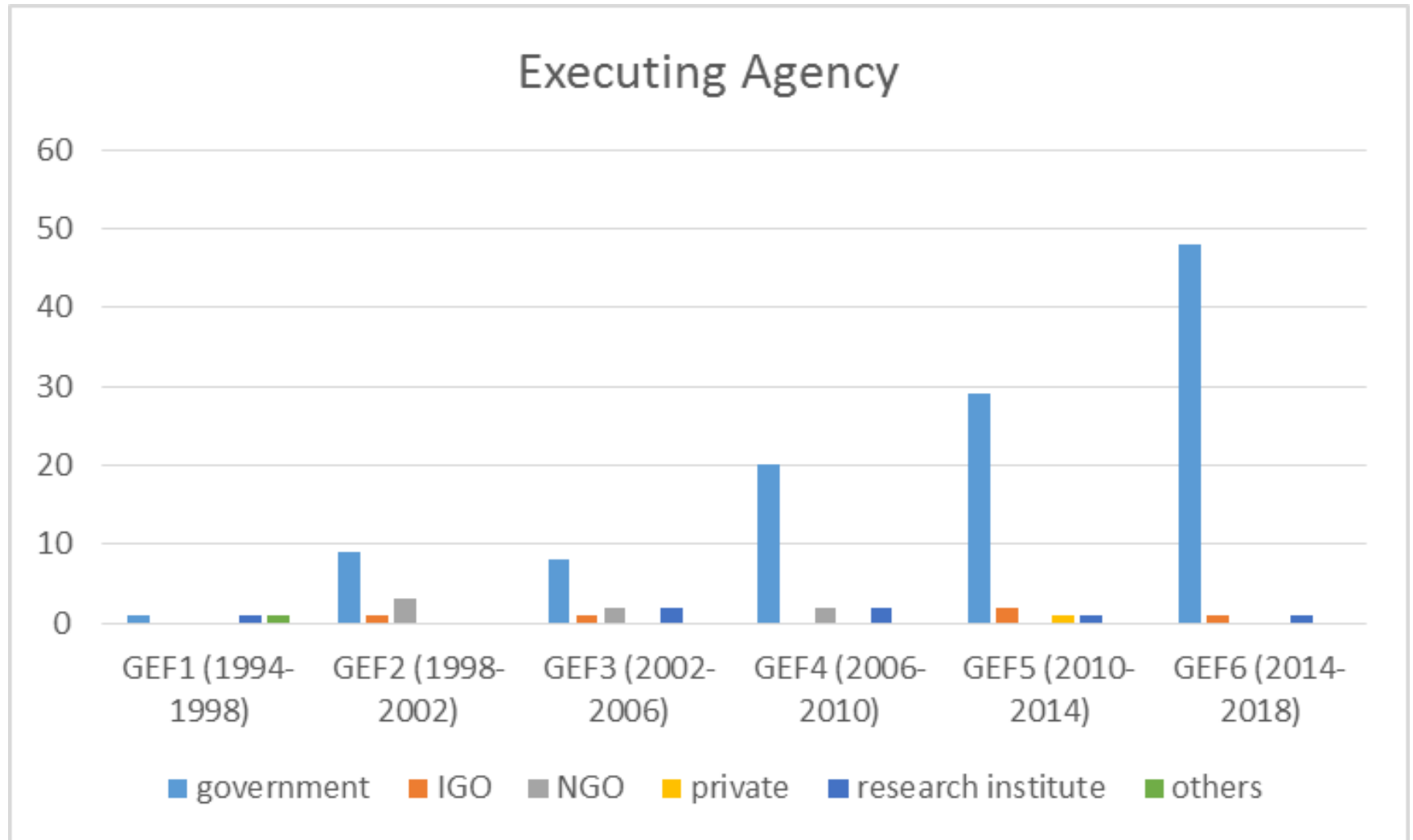


# Approved National Projects: Implementing Agency

Implementing Agency



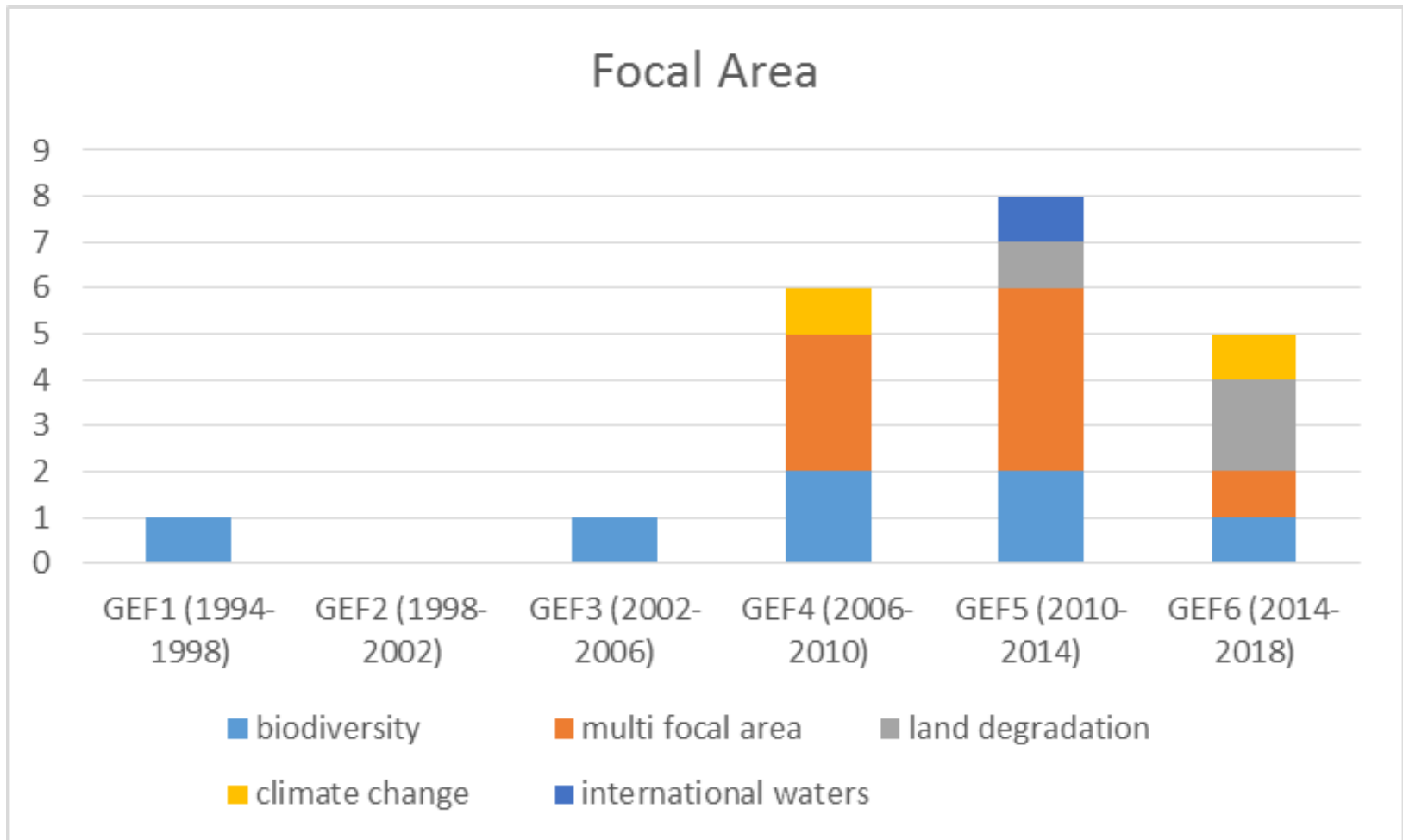
# Approved National Projects: Executing Agency



# Approved National Projects: Co-finance

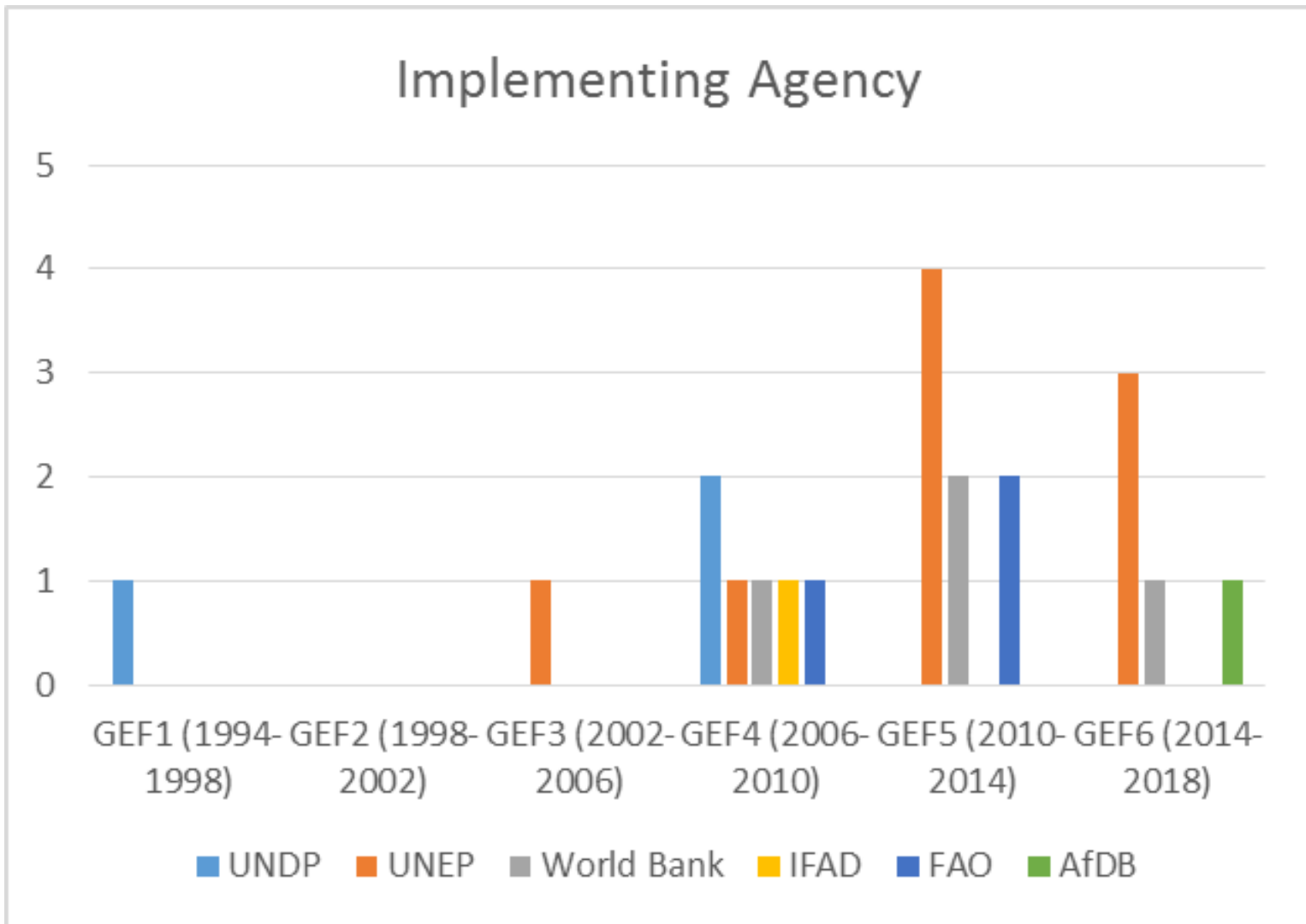
- Share of co-funding of each project is increasing.
  - Average of GEF fund and share of co-funding of each project
  - GEF-1: 807,333 USD; 60.8%
  - GEF-2: 3,379,009 USD; 63.4%
  - GEF-3: 3,229,565 USD; 63.7%
  - GEF-4: 3,551,287 USD; 72.6%
  - GEF-5: 4,989,884 USD; 64.0%
  - GEF-6: 6,517,805 USD; 80.8%
- Co-funders include multilateral aid agencies (e.g. UNDP and FAO), bilateral aid agencies (e.g. USAID and GIZ), government in developing countries (mostly in-kind), NGOs (e.g. WWF and CI) and private sector (e.g. national forestry company).

# Approved Regional Forest-related Projects: Project Number and Focal Area



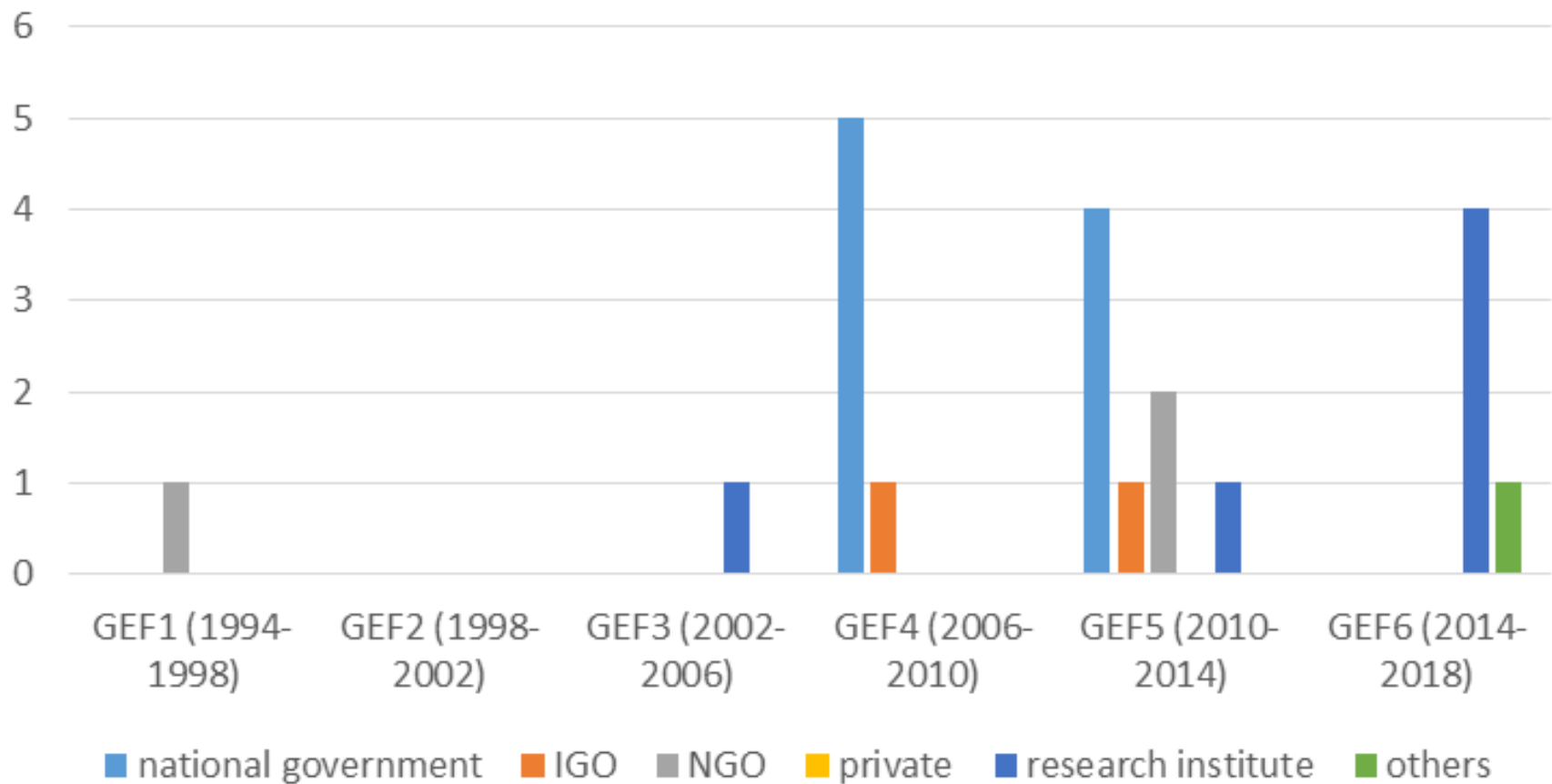


# Approved Regional Projects: Implementing Agency



# Approved Regional Projects: Executing Agency

## Executing Agency



# Approved Regional Projects: Co-finance

- Average of GEF fund and share of co-funding of each project
  - GEF-1: 74200 USD; 21.8%
  - GEF-3: 962,000 USD; 32.7%
  - GEF-4: 3,622,584 USD; 70.2%
  - GEF-5: 3,275,642 USD; 62.8%
  - GEF-6: 4,628,493 USD; 77.0%
- Co-funders include multilateral aid agencies (e.g. World Bank), bilateral aid agencies (e.g. GIZ), government in developing countries, NGOs (e.g. WWF) and private sector (e.g. coffee company).

## Summary of Results of Analysis: Approved Forest-related National Projects

- Number of forest-related national projects is increasing.
- Until GEF-3 (until 2006) main focal area of forest-related national projects was biodiversity, however, currently the main focal areas of the projects are multi focal area, biodiversity, and climate change.
- Until GEF-4 (until 2010), main implementing agencies of the projects were UNDP and World Bank, but currently the main agencies of projects are UNDP and FAO.
- Most of the executing agencies of the projects are national government of host countries
- Share of co-funding of each forest-related project is increasing.
- Co-funders include multilateral aid agencies (e.g. UNDP and FAO), bilateral aid agencies (e.g. USAID and GIZ), government in developing countries (mostly in-kind), NGOs (e.g. WWF and CI) and private sector (e.g. national forestry company).

# Summary of Results of Analysis: Approved Forest-related Regional Projects

- Number of forest-related regional projects is limited.
- Focal areas of regional projects are diverse.
- Most of the regional projects are implemented by the UNEP.
- Executing agencies are diverse not only governments but also NGOs and research institute.
- Share of co-funding of each forest-related project is increasing.
- Co-funders include multilateral aid agencies (e.g. World Bank), bilateral aid agencies (e.g. GIZ), government in developing countries, NGOs (e.g. WWF) and private sector (e.g. coffee company).

## Summary

- GEF is increasing the support for the forest-related projects, especially multi-focal area projects, that produce multiple benefits, including climate change and biodiversity.
- Although the GEF has enabled to mobilize finance from multiple donors and to engage diverse actors in implementing forest-related projects, it is important to establish institutions that but not only mobilize finance from multilateral and bilateral public funds, also mobilize more private funds for the forest sector.
- Needs to create indicators that are able to maximize the benefits of different forest conservation and management measures, such as measures focusing on sustainable forest management, biodiversity conservation, and emissions reduction from deforestation and forest degradation, and to integrate different programs and initiatives - related to forest conservation and management.

Thank you!

# GEF Institutional Framework

## Institutional Framework

