Global Environment Facility support for sustainable forest management through GEF-5 SFM/REDD+ Incentive Mechanism

Introduction

1. Within the United Nations Forum on Forests' tenth session, *Resolution 10/2 Emerging issues, means of implementation and the United Nations Forum on Forests Trust Fund* invited the Global Environment Facility Secretariat to provide information to the Forum on the mobilization of financial resources and funds dedicated to the sustainable management of all types of forests. This report highlights the programming of GEF support to sustainable forest management-related projects and programs under the GEF-5 SFM/REDD+ Incentive Mechanism during the period 2010-2014 and indicative programming for GEF-6 for the period 2014-2018.

GEF – supporting sustainable forest management for multiple benefits

2. The GEF recognizes the importance of forests for their ability to provide a range of important environmental services and their potential to contribute to many countries' sustainable development plans. Since 1992 the GEF has become a key supporter of developing countries' efforts to sustainably manage their forests, supporting over 380 forest-related projects, investing over $2.1 billion in GEF funds. This GEF investment has brought together many stakeholders and more than $9.5 billion in co-finance from a range of partners. The ambition for multiple benefits derives from GEF's unique position to support countries in implementation of the three Rio Conventions (UN Convention on Biological Diversity, UN Framework Convention on Climate Change and UN Convention to Combat Desertification).

3. GEF's approach is fully aligned with current global efforts that address forests in a holistic manner and recognize the links between poverty alleviation and the sustainable management of forest resources. The GEF advocates an integrated approach at the landscape level embracing ecosystem principles and including livelihood objectives in the management of forest ecosystems. The GEF offers support for a wide range of SFM tools such as protected area establishment and management, integrated watershed management, certification of timber and non-timber forest products, payment for ecosystem services schemes, financial mechanisms related to carbon, development and testing of policy frameworks to slow the drivers of undesirable land-use change and work with local communities to develop alternative livelihoods to reduce emissions and sequester carbon.

Recent experience from the GEF-5 SFM/REDD+ Incentive Mechanism (2010-2014)

4. Within the 2009 special session of its ninth session the United Nations Forum on Forests the *Resolution Means of implementation for sustainable forest management* invited the Global Environment Facility Council to fully consider the potential for strengthened support of the Facility for sustainable forest management.

5. The GEF-5 SFM/REDD+ strategy was developed to expand on the experience with the financial incentive mechanism pioneered under the GEF-4 with the Tropical Forest Account, to include all countries with forests of global importance. For this purpose, the GEF-5 replenishment established a separate funding window of $250 million operated as an incentive mechanism for countries to enhance financing of their forests.

6. The mechanism operated at two levels. First, it encouraged countries to invest resources in improved forest management thereby enhancing finance for forests overall. Secondly, by incentivizing countries

to bring together significant fractions of their country STAR[1] allocations from biodiversity, climate change and land degradation, it provided the necessary financial means for more comprehensive SFM/REDD+ projects and programs to generate multiple global environmental benefits. This model reinforces the GEF's mandate and role as the only financial mechanism serving the three Rio Conventions most relevant to forests globally.

7. The portfolio of projects and programs implemented was driven by two key objectives:

    - To reduce pressures on forest resources and generate sustainable flows of forest ecosystem services; and,
    - To strengthen the enabling environment to reduce greenhouse gas emissions from deforestation and forest degradation and enhance carbon sinks from land use, land use change and forests (LULUCF) activities.

8. By the close of GEF-5 in June 2014 over 80 countries took advantage of the SFM/REDD+ Incentive Mechanism within 69 projects and programs. This provided support to developing multiple benefits in a range of forest types around the world. These investments have leveraged $4.6 billion in co-finance from a range of other sources. These are supported by $700 million of GEF investments of which $136 million is derived from the incentive envelope.

Table 1 The SFM/REDD+ portfolio

	Number	GEF Grant Amount ($)	Co-finance Amount ($)
Programs	4	221,214,794	2,447,506,052
Projects	65	478,866,986	2,215,789,020
Total		**700,081,780**	**4,663,295,072**

9. The four programmatic approaches account for 32% of GEF funding and 53% of co-finance. The co-finance associated is influences particularly by one program, the Great Green Wall initiative (GGWI) which alone accounts for $1.8 billion in co-finance .This highlights the ability of programmatic approaches to harness and direct significant SFM/REDD+ funds, particularly to regions and countries which individually may be less able to access the incentive.

10. Projects supported through the SFM incentive have an average grant value of $7.3 million, the range of project grants is shown in Figure 2. The top five largest projects account for 20% of the total SFM grant. The four programs supported through the SFM incentive had an average grant value of $55.3 million.

Figure 2 Individual Project Grant Funding

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[1] STAR is the System for Transparent Allocation of Resources through which the GEF allocates resources in an indicative way to its eligible countries in a replenishment period. STAR covers three focal areas biodiversity, climate change and land degradation.
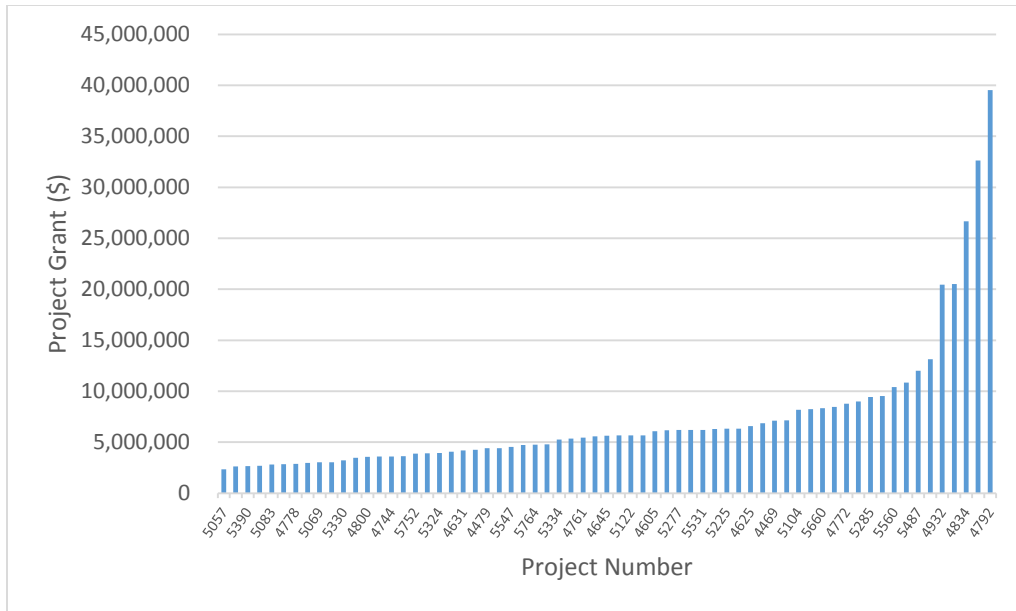
11. Within the three eligible focal areas (biodiversity, climate change mitigation and land degradation) the bulk of funding is drawn from a select number of strategic objectives within each focal area. Resources have concentrated in a subset of these objectives, with BD-1, CCM-5 and LD-3 dominating the thematic orientation of the approved projects. Together these three objectives make up 64% of the total funding for projects accessing the incentive envelope and over 90% of the focal area funding eligible to trigger the addition of incentive mechanism funds. Additional non-STAR funding was also drawn climate change adaptation and international waters focal areas.

*Fig 1 GEF-5 SFM/REDD+ Project Funding from Focal Areas*
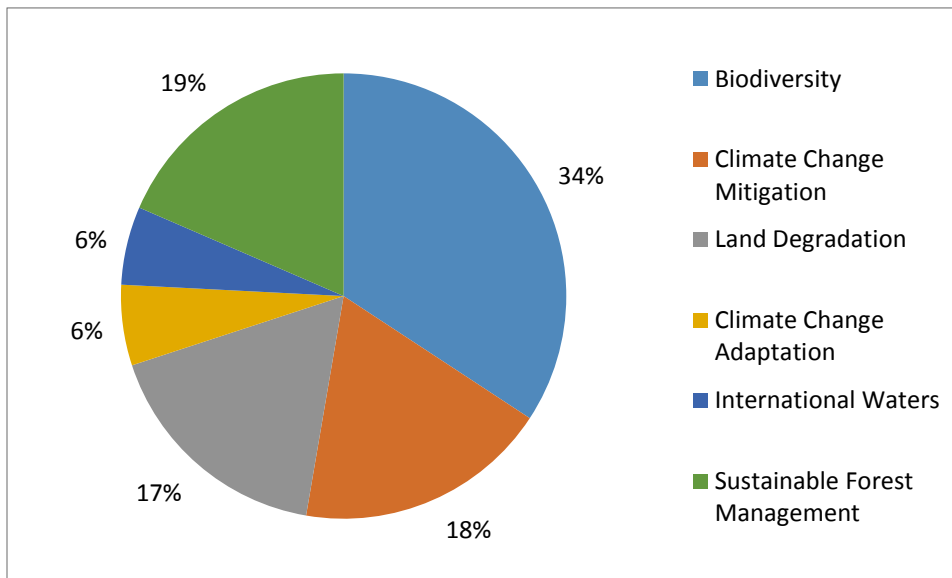
12. Regionally, GEF grant funds directed to forests through the SFM/REDD+ Program are as follows: Africa $232 million, Asia $191 million, Europe and Central Asia $43 million, and Latin America and the Caribbean $232 million.

Figure 3 Allocation of SFM Funding by Region
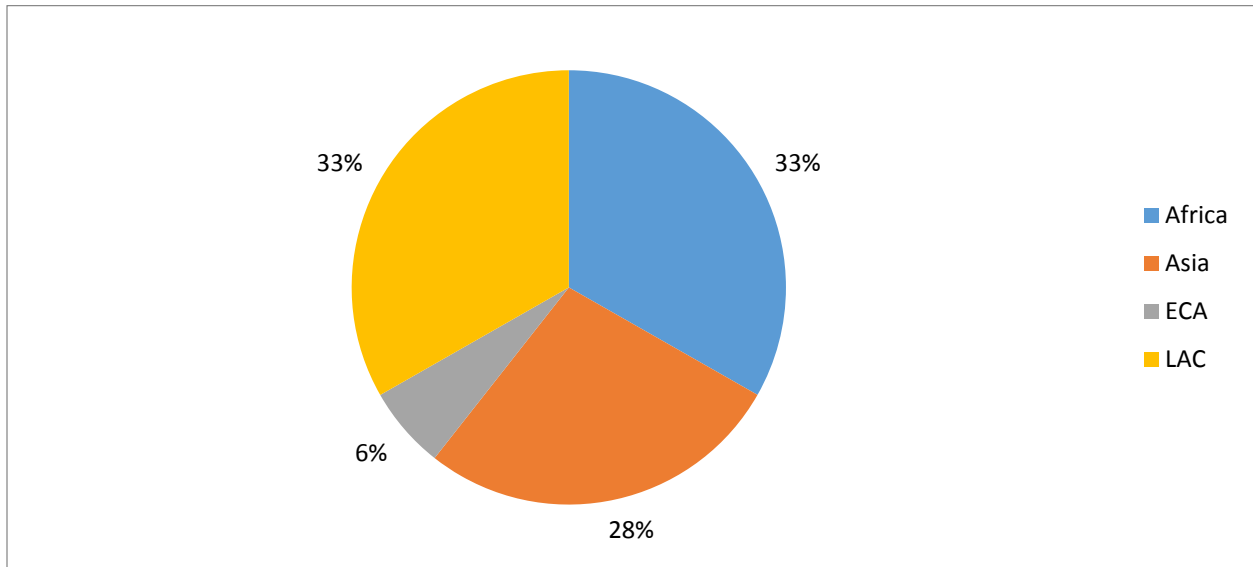
13. Within the GEF-5 STAR resources available countries within the regions directed 40% of STAR in Africa, 32% of STAR in Asia, 14% of STAR in ECA and 36% of STAR in LAC to SFM project and programs (Figure 4). A total of 26 SIDS and 33 LDCs accessed the SFM/REDD+ Incentive Mechanism directing a total of $143 million and $230 million respectively to SFM projects and programs.

*Figure 4 SFM Spending Within the Regions*
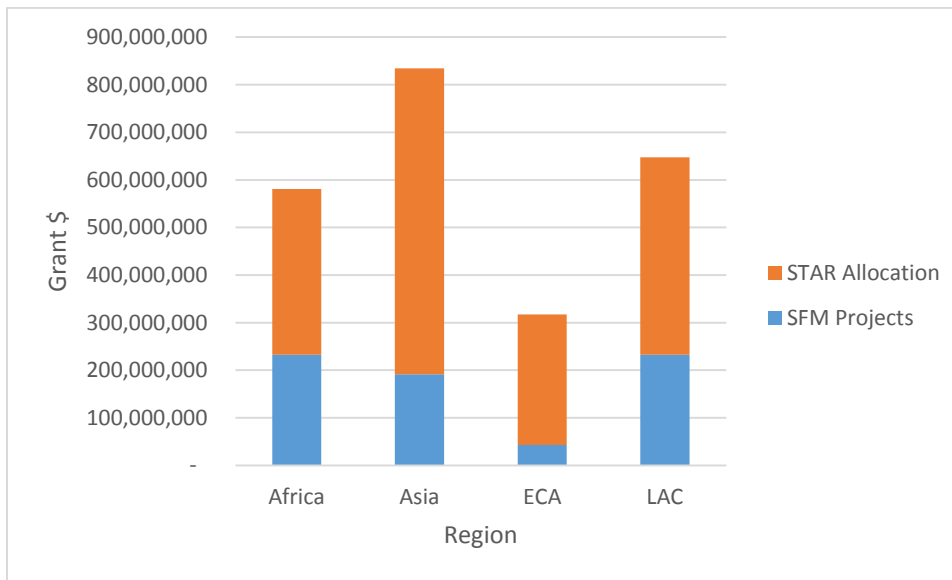
14. To provide a detailed analysis of the type of projects the GEF invests in, an exercise has been carried out to map the investment against the seven SFM themes as identified in the United Nations Forum on Forests (UNFF) Non Legally Binding Instrument (NLBI) were used as a framework for analysis. The seven themes are:

   i.   Extent of forest resources: having significant forest cover and existence of forest types;

ii. Biological diversity: conservation and management of biodiversity at ecosystem, species and genetic level;

iii. Forest health and vitality: management of forests to reduce risks and disturbances such as wildfires, pollution, invasive alien species, pests and disease;

iv. Productive functions of forest resources: production of wood and non-wood forest products;

v. Protective functions of forest resources: safeguarding the role that forests and trees play in moderating soil, hydrological and aquatic systems. This is linked to ecosystem goods and services provided by forests and the contribution of forests to ecosystem conservation;

vi. Socio-economic functions: contribution of forests to economic well-being and to cultural, spiritual, and recreational values and uses; and

vii. Legal, policy and institutional framework: the enabling environment required to support the six aspects of SFM.

15. As the seven SFM themes do not correspond directly to the GEF's focal area objectives, to enable a mapping of GEF-5 investment against the themes it was necessary to adopt a simple method to ascertain how much funding was being invested under each of the seven themes. To maintain simplicity of the process, up to three themes were identified for each project and investment amounts apportioned as follows: where only one theme was identified 100% of funding was apportioned to it; where two themes were identified funding was apportioned 60/40 giving the higher ratio to the theme where most of the project activity was occurring; and where three themes were identified funding was apportioned 40/30/30 with the slighter higher proportion going to the most dominant theme in the project. The purpose of presenting this analysis as depicted in the tables and graphs below is to demonstrate the overall trends of investment as they relate to the elements of SFM as defined by the UNFF in the NLBI as well as the regions that are making use of the SFM REDD+ program at GEF. This is not an exact accounting, and is only meant to illustrate the basic trends of GEF's forest investment and how these investments contribute to the achievement the objectives of the NLBI.

16. As indicated in Figure 5 below, funding for three SFM themes - forest biological diversity, protective functions and the enabling framework amount to 24%, 19% and 18% respectively, which is in excess of 60% of overall GEF investment in SFM REDD+ projects. This would reflect the concentration of funding basis for projects tied to the three focal area objectives as identified above. While thematic area iii) on forest health and vitality this is considered to be a result of the simple mapping method used rather than a real absence of consideration of this thematic area as efforts to maintain and improve forest health were evident but as a lower objective in many projects.

Figure 5 GEF-5 support for SFM thematic areas
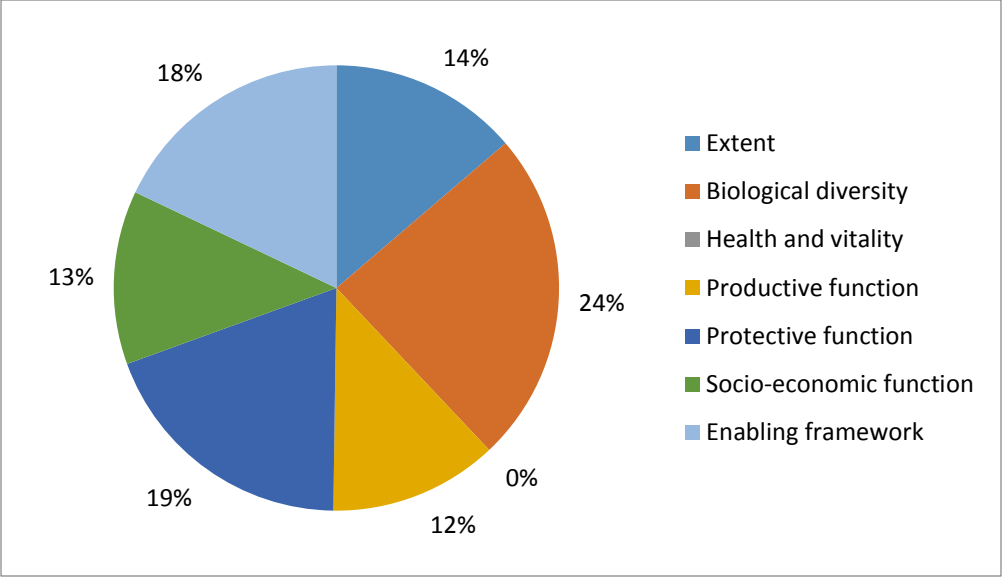
Anticipated Results

17. At the close of GEF-5 the majority of projects and programs are still under implementation however the following outcomes are being predicted:

- Improved management over 8 million ha of forest landscapes for multiple benefits and services;
- More than 500,000 ha of forest lands restored;
- GHG benefits of at least 128 million tCO2e over the project period through the avoidance of GHG emissions from deforestation and forest degradation, and improved forest management,
- Over 28 million ha of new and improved management of protected areas in forest landscapes.

Ongoing efforts: the GEF-6 SFM Program (2014-2018)

18. The GEF-6 SFM Strategy builds on the successes of the GEF-5 pilot. It simplifies access and gives special consideration to Least Developed Countries and Small Island Developing States by streamlining access to the $250 million envelope and providing effective incentive to those countries facing the greatest challenge in programming investments in SFM at an ecologically and operationally significant scale with a target of over $700 million total spending on forests.

19. The goal for the new GEF-6 SFM strategy is to achieve multiple environmental benefits from improved management of all types of forests, supporting the shift from governance with single sector focus towards management across institutional, sector and commercial boundaries. It contributes to the GEF's enhanced focus on addressing the drivers of environmental degradation in line with the GEF 2020 Vision.

20. The strategy acknowledges that countries vary significantly in their current development pathway, technical and institutional capacity, and the extent and nature of the forest resources with which they are endowed. Also recognized is the importance of integration with and support for existing efforts developing national strategies, programs, and frameworks relevant for SFM, including those focusing on biodiversity, climate change adaptation, and REDD+ readiness. Our strategy also notes the importance of multi-stakeholder approaches for SFM and encourages wide stakeholder engagement and involvement including indigenous communities, civil society, the private sector, and local communities.