



# Global Environment Facility

## Summary of Document GEF/C.27/14

### GEF Activities Related to Forests

#### **Recommended Council Decision:**

The Council, having reviewed document GEF/C.27/14, *GEF Activities Related to Forests*, welcomes the ongoing support that the GEF has provided to sustainable forest management and endorses the approach presented in the paper for the GEF Secretariat and Implementing and Executing Agencies to jointly develop further operational guidance with the objective of further expanding GEF support to sustainable forest management. The GEF Secretariat is requested to report to the Council at its meeting in December 2006 on progress that has been made in developing such guidance.

#### **Introduction**

1. At its Meeting of June 3-8, 2005, the Council requested the Secretariat to prepare a report on GEF activities related to forests, including: (a) GEF's potential to enhance sustainable forest management objectives in GEF operational programs, including activities in OP3 and OP15, and an identification of difficulties and obstacles together with strategies to enhance support; (b) an indicative breakdown of the types of GEF funding for forests (e.g., protected areas, sustainable management of productive forests, including production, reforestation and forest rehabilitation); and (c) ways to enhance Project Development Facility (PDF) financing for the development of sustainable forest management, including through attracting matching financing from the Collaborative Partnership on Forests (CPF) members. The purpose of this working paper is to respond to all aspects of the Council request and provide both the context and substance of GEF support to forests since the inception of the GEF.

#### **Analysis of GEF Support to Sustainable Forest Management**

2. The sustainable management of forest ecosystems is a global concern and GEF has a key role to play in promoting sustainable forest management, consistent with its mandate, through a variety of operational programs and the strategic priorities of each relevant focal area. Over the past 15 years, the GEF has developed numerous instruments approved by Council that support sustainable forest management across the continuum of forests.

3. The analysis determining GEF support to sustainable forest management is based on a review of approved projects under the operational programs 1 (arid and semi-arid ecosystems), 2 (coastal, marine, and freshwater ecosystems), 3 (forest ecosystems) and 4 (mountain ecosystems)

of the biodiversity focal area, operational program 12 (integrated ecosystem management) as a multi-focal area program and operational program 15 (sustainable land management) of the land degradation focal area between 1991 and 2005.

4. Two-hundred thirty-six (236) GEF projects focus in one way or the other on sustainable forest management. The total GEF financing allocated to the 236 projects amounts to US\$1.21 billion. The GEF contributions to these projects leveraged co-financing from non-GEF sources in the amount of US\$3.45 billion. This represents about 14% of the overall funds pledged to the GEF

5. Of the 236 projects supporting sustainable forest management, 109 projects (46%) use protected areas and their buffer zones as the main management tool for promoting conservation of forests; 89 projects (38%) promote sustainable management of forests in the context of the wider production landscape, involving the interaction of at least two different land use systems; and 38 projects (16%) promote sustainable use of forests outside protected areas and primarily within the forest production landscape.

6. The GEF has increased financing for activities related to sustainable forest management during each successive replenishment period. In the pilot phase, the GEF financed only 18 projects related to sustainable forest management with US\$ 105.38 million of GEF resources which leveraged US\$ 91.38 million. During GEF- 1, 31 projects were financed to which the GEF contributed US\$ 251.56 million and which leveraged US\$ 608.98 million of co-financing. During the second replenishment period of the GEF, 85 projects were financed to which the GEF contributed US\$ 416.53 million and which leveraged US\$ 1.05 billion of co-financing. The ongoing third replenishment period of the GEF shows that 102 projects have already been approved with GEF contributing US\$437.78 million which leveraged US\$ 1.7 billion in co-financing.

### **Future Directions and Challenges**

7. This paper shows that extensive opportunities exist in the current practices and procedures of the GEF to promote sustainable forest management through strengthening protected area systems, fostering systemic changes in the sustainable management of forests (enabling environment and building technical capacity) and sustainably managing forests in the wider landscape through addressing the interaction between forests and other land use systems. The approval of operational program 12 on integrated ecosystem management and 15 on sustainable land management as well as the introduction of strategic objectives for focal areas completes the menu of tools and instruments GEF offers to promote sustainable forest management. Pursuing integrated approaches to natural resources management when possible, as proposed for GEF-4, provides opportunities to address forest management as a cross-cutting issue across focal areas.

8. Historically, the majority of GEF funding has been directed to support the conservation and sustainable use of forests, per the objectives of the CBD, through improving the management effectiveness of protected areas and protected area systems. However, over the course of GEF-3 and looking forward to GEF-4, increasing attention has and will be paid to enhance support to sustainable forest management outside the global protected area estate.

9. Were the GEF to expand its engagement in sustainable forest management beyond current practice, further operational guidance would be required. The GEF Council paper *GEF/C.24/6/Rev.2 "Scope and Coherence of the Land Degradation Activities in the GEF"*

touched upon some of the areas that will need further discussion within the context of enhanced GEF support to sustainable forest management.

10. Of particular importance are two issues that are closely inter-related and require further analysis. First, the concept of incrementality as applied in the forest production landscape. An analysis of the incrementality of selected activities is required where conservation goals, national economic development and sustainable livelihood objectives necessitate trade-offs between global and non-global (national and local) benefits. The incrementality, **if any**, of management activities related to, *inter alia*, forest rehabilitation, forest restoration, forest plantations, forest harvesting, and biodiversity conservation in production forests would require examination. In addition, the role of the GEF in encouraging private sector engagement in sustainable forest management in high biodiversity areas through incentive schemes or other approaches would likely require scrutiny.

11. The review of incrementality should not be strictly limited to forest management activities, but must also examine the role of the GEF as regards market transformation in the forest sector such that negative effects on the global environment are reduced and positive impacts are increased. This could include examining the incrementality of a wide array of possible interventions ranging from improving enabling environments to influencing consumer behavior.

12. The review of the incrementality of specific activities can not be conducted in isolation from the sites where the interventions take place and where the global environmental benefits accrue and this brings us to the second interrelated point on the degree of naturalness of forests, i.e., the origin of a particular forest, how it was established, and the degree of human intervention that it has undergone. Along a forest continuum that ranges from primary forest to secondary forest to plantation forest, the degree of global significance of the forest in question will vary thereby defining the role that GEF can or should play in its sustainable management and the incremental costs that would be incurred. In *general* terms, the potential to generate global environmental benefits is highest in primary forest and this potential decreases across the forest continuum as the level of intensity of human intervention increases. The estimation of a forest's potential to generate global environmental benefits will of course be determined by an array of factors that are site specific (e.g., management practices, biological factors etc.) .

13. The GEF Secretariat and Implementing and Executing Agencies propose to jointly develop further operational guidance with the objective of further expanding GEF support to sustainable forest management.