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COLLABORATIVE PARTNERSHIP  
ON FORESTS

# Challenges and opportunities of domestic financing

Earmarked fees/taxes, over-compensation and zero-deforestation initiatives



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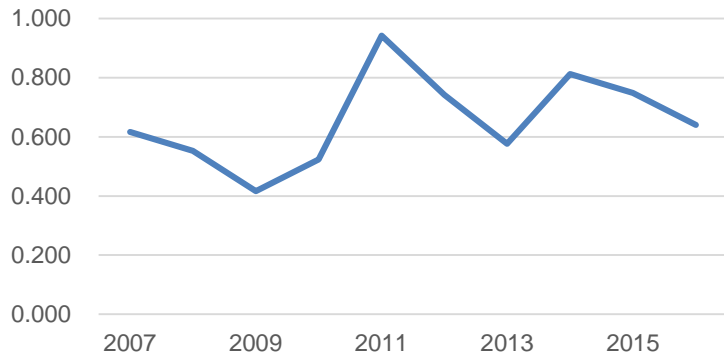


United Nations  
Convention  
to Combat  
Desertification



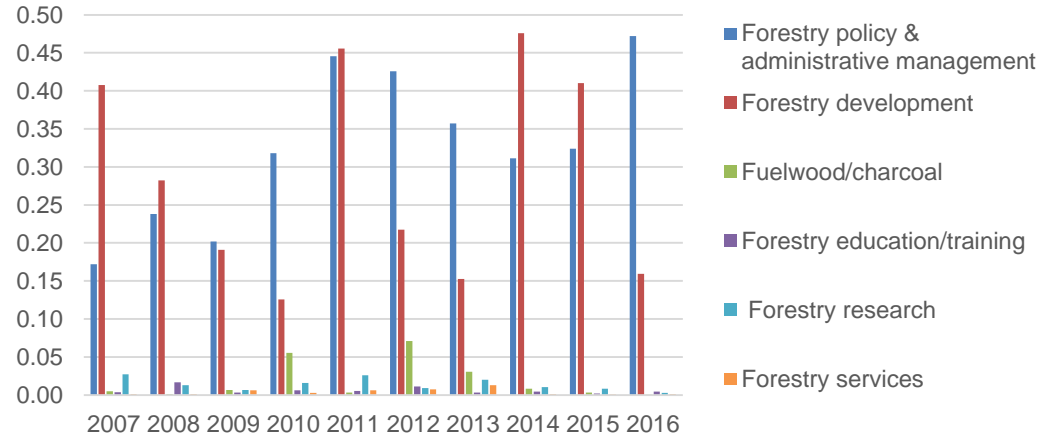
# Forestry ODA: around \$700m/y

Forestry ODA  
(Million USD 2015 constant prices)



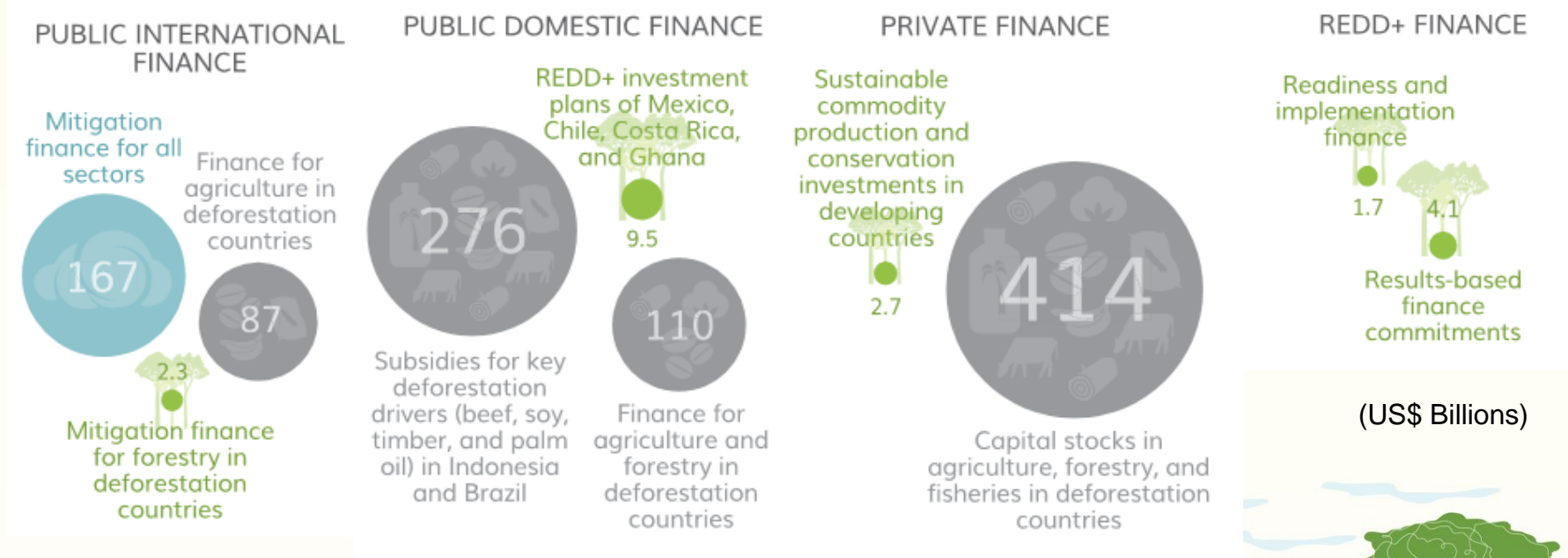
Around 2/3 of the financing is targeted to forest plantations

Forestry ODA by theme  
(Million USD 2015 constant prices)



Source: OECD.stat

# Finance flows identified (cumulated 2010-2015)



Source: Climate Focus (2017). Progress on the New York Declaration on Forests: Finance for Forests - Goals 8 and 9 Assessment Report.



# Sustainable domestic funding for the environment

- Volatility of international aid and inadequate timeliness of the project cycle
- Interesting solution for conservation in protected areas: trust funds, sometimes capitalized through debt for nature swaps
- In Madagascar, example of FAPBM with US\$70m endowment
- Need a sustainable financial instrument for conservation outside protected areas, agroforestry, restoration of degraded lands...
- Credibility for countries: potential leverage effect on international financing



# Changing behaviour through incentives: the potential of Payments for Environmental Services (PES)

- Distinguishing, by convention:
  - Ecosystem services (services provided to humans by nature)
  - Environmental services (services that humans render to each other... leading to the maintenance or improvement of one or more ecosystem services)
- Ecosystem services are public or collective goods by nature: they cannot be appropriated (no market for ecosystem services is possible)



# Ecosystem Services as public/collective goods

- Carbon sequestration service (ecosystem service) enabled by photosynthesis (support service)
- Natural water filtration service made possible by superposition of clay, limestone and sandy layers
- Regulation of runoff by plant root system
- Soil fertilization through activity of micro-organisms and earthworms
- Pollination service provided by bees and other insects
- Biological diversity itself can be seen as an ecosystem service that is enabled by changes in organisms



# Environmental Services as practices

- *Ex: the farmer who produces hives, plants a certain type of vegetation and/or gives up pesticides, provides an environmental service, which will enable bees to increase the ecosystemic pollination service.*
- PES are proposed to actors who have **rights** over the space and the resources of which they are the users.
- PES in practice: conditional remuneration to maintain or introduce a certain type of land use (micro-zoning)
- Conservation PES (often collective) to be combined with investment PES (individuals)



# PES in Burkina Faso (ongoing FIP initiative)

- Collective PES with Village Committees: “*Bushfire control in gazetted forests*”
- Investment (hiring forest stewards in neighbouring villages, etc.), renewed budget + bonus if burned areas drop by 25% or 50%
- Initial 5-year contracts
- Individual PES: “Remuneration for planting NTFP trees”. Prices may be higher for particularly sought-after "target species" (Néré, Moringa, *Faidherbia albida*, Neem...).
- Growing annual remuneration per living tree over 5 years. Then, the investment becomes promising.
- Planting of hedgerows (“*embocagement*”)





# How to finance long-term PES programmes

- Recipients of services (e.g., water distributors) sometimes willing to pay locally ("short circuit")
- Nature of the public good of the main ESs (biodiversity, carbon...): need for public funding
- Large-scale programmes in China (eco-compensation for conservation): US\$37.1 billion from 2001 to 2012 out of national budget
- National programme in Costa Rica: 60% financed by fees allocated to FONAFIFO (fuels, water supply), 38% by ODA
- Mexico: levy on water (2.5%), supplemented by international financing



# Earmarked fees, large base and low rate

- Budgetary financing poses the risk of adverse trade-offs (risk of not being able to honour contracts concluded with farmers)
- The fees affected are not “ecotaxes” but the opposite: very large base to be able to apply low rates to consumers.
- High sensitivity in Africa on fuel
- Potential candidates (collection by companies):
  - Cellphone units
  - Beverages in bottles
  - Sports bets
  - Tourist overnight stays (in certain countries)



# Preliminary assessment of potential in Côte d'Ivoire

- Telephone units (from partial data)
- Approximately 33 billion units (seconds) are consumed by residents in Côte d'Ivoire each year.
- On average, the unit consumed (second) costs consumers FCFA 2.
- A 2% increase in the price of the unit would raise the cost of the second unit to FCFA 2.04.
- Assuming unchanged consumption (rigidity of demand), the licence fee on telephone units would bring in almost FCFA 1.3 billion each year (US\$2.6 million).
- For a 5% increase (to 2.10 FCFA), the yield of the royalty could be 3.2 billion FCFA (US\$6.4 million)
- Need for feasibility studies to start policy dialogue

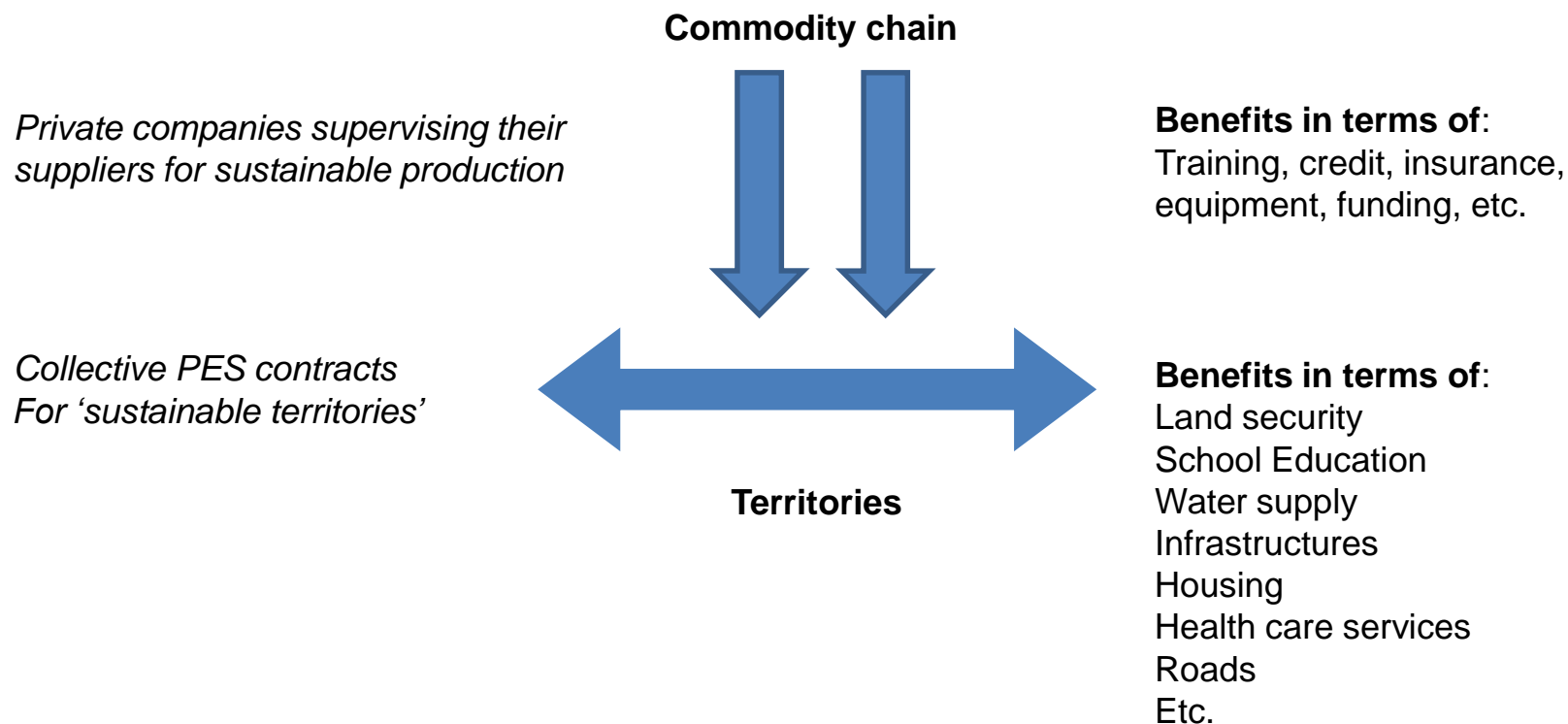


# Biodiversity offsetting: from voluntary commitments to binding regulation

- Biodiversity offsetting: voluntary practice of extractive industries adhering to the Equator Principles
- In industrialized countries, compensation for biodiversity as a legal obligation (e.g., USA)
  - Ability for companies to meet part of their obligations in cash
- On the Permanent Forest Estate, introduce obligations of overcompensation: long-term payments in addition to the obligations of the sequence "Avoid, Reduce, Compensate" (in-kind)
- Target all economic activities impacting ecosystems (including agro-industry)



# Using the 'zero deforestation' dynamic for building public-private partnerships combining 'horizontal' and 'vertical' approaches





Merci de votre  
souriante  
attention...

