

Recommendations of the Ad-hoc Working Group on Financing Architecture and Fundraising

55th Session of the International Tropical Timber Council

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Mandate of the working group

Decision 5 (LIV) - Enhancing the Financing Architecture and Fundraising of the Organization

Extension of the WG by one-year to:

- ▶ Closely collaborate with the Secretariat to develop a proposal for a new “streamlined project cycle” concept to be presented at the 55th Council Session
- ▶ Assist in the development of appropriate themes to be used in fundraising proposals

Composition and Working Modalities of WG

Mr. Thomas Baldauf (EU)

Mr. Barney Chan (TAG)

Mr. Francis Colee (Liberia) - co-Chair

Ms. Jennifer Conje (US) - co-Chair

Mr. Boniface Bounoungue Fouda (CSAG)

Mr. Che Yeom Freezailah (Malaysia)

Mr. Shigeki Hata (Japan)

Mr. Jorge Malleaux (Peru)

Reference Documents: AKG Consultant Report, Results of Member Survey, Past financing related decisions, Background Document by the Secretariat

Underlying factors of decreasing finances:

- ▶ Global trend in declining un-earmarked voluntary contributions/grants and increases in the use of other financing mechanisms to deliver ODA (i.e. competitive tenders /contracts /solicitations, etc.)
- ▶ Increasing competition for donor funds among a growing number of international organizations (e.g. many new treaties post the Rio Summit)

Underlying factors of decreasing finances:

- ▶ The establishment of large funding vehicles, such as the GEF and GCF, which draw significant resources away from other areas perceived to be linked to sustainability issues
- ▶ Structural impact of the 2008 Great Financial Crisis on donor finances and financial policy
- ▶ Mismatch between producer and donor expectations

Underlying factors of decreasing finances:

- ▶ Impact of the financial impairment (with the caveat that the decline commenced and continued well before the impairment)
- ▶ Disconnect with the broader international development and climate agenda
- ▶ Overall negative perception of tropical timber production, and tropical timber as a cause of climate change and biodiversity loss
- ▶ Lack of awareness of the role and contribution of productive forests
- ▶ Lack of core indicators which did not allow for effective reporting of ITTO's global impact

The New Programmatic Approach

A. Theoretical / Policy Framework:

- ▶ Programmatic Lines

B. Operational Framework:

- ▶ Streamlined project cycle

- ▶ Diversified Financial Architecture /Mechanisms

Why the need for Programmatic Lines?

- ▶ Build synergies between broader development agenda and ITTO's mandate
- ▶ Strategic way of communicating ITTO's niche
- ▶ Creation of indicators under each Programmatic Line to better communicate the aggregated activities from BWP, activities, and projects in order to better measure and communicate ITTO's impact
- ▶ Easier way to market ITTO to donors who prefer to fund "programmatic themes"

ITTA

SAP
Priority
1

SAP
Priority
2

SAP
Priority
3

SAP
Priority
4

SAP
Priority
5

SAP
Priority
6

Biennial Work Program

Monitoring, Evaluation, Market Data, Recurrent Activities
Piloting, Fund Raising,
Secretariat

New Programmatic Approach

Legal &
Sustainable
Supply Chains

Biodiversity in
Productive Forests

Landscape
Restoration &
Resilient Livelihoods

Emerging Issues

Capacity Building / Education / Technical Training / Comms. / Governance / Data Collection

How does the Programmatic Lines differ from the Thematic Programmes?

- ▶ No budget threshold to initiate activities
- ▶ More flexibility in the method of attributing different activities undertaken by ITTO to a specific programmatic line
- ▶ Characterization of the programmatic lines is more aligned with current funding opportunities

Implications of Programmatic Lines and New Financial Architecture on the SAP, BWP, and a future ITTA

- ▶ Current SAP and BWP is due to be renewed by the end of 2019. If this new approach is to be adopted, Council may want to consider extending the current SAP and BWP until the end of 2020 to reflect upon the outcomes of the new approach.
- ▶ Council may want to consider the continued relevance and effectiveness of the Thematic Programmes and the Bali Partnership Fund in any potential future ITTA renegotiation.

The New Programmatic Approach

A. Theoretical / Policy Framework:

- ▶ Programmatic Lines

B. Operational Framework:

- ▶ Streamlined project cycle
- ▶ Diversified Financial Architecture /Mechanisms

Elements of the Streamlined Project Cycle

- ▶ Future proposal ideas would come in the form of streamlined project concept notes (CN)
- ▶ “Calls for CN under selected Programmatic Lines will be made by the Secretariat once a year and will be limited to 2 prioritized CN per country per call”
- ▶ The CNs would be housed in a funding database that will be utilized by the donors to identify projects for financing and by the Secretariat as building blocks to be combined with other activities when Secretariat seeks out competitive tenders, contracts, solicitations and other funding opportunities.

Elements of the Streamlined Project Cycle

- ▶ When a project concept note is identified by the donor for potential financing, a full proposal is then developed by the implementing agency in consultation with ITTO secretariat, and the donor through a co-development process.
- ▶ In transitioning to new process, the proposals that have not yet been sunset as of Jan 2020 and those ranked Category 2 (revision requested) by the 2019 Expert Panel and resubmitted would automatically be included within the online database.

Elements of the Streamlined Project Cycle

- ▶ The CN will be reviewed by the Secretariat to ensure its compliance with the agreed template, ITTO's mandate and guidelines.
- ▶ There will be no longer be a need for an Expert Panel. Given the co-development process, assessing the technical merits of the project design and compliance with safeguards would be the joint responsibility of the donor, ITTO, and the project developer.
- ▶ All CNs will still be subject to the normal sunset rules and framework of compliance with ITTO monitoring, evaluation, auditing, and reporting, and conform with ITTO's mandate, operational and policy decisions, and ESM guidelines.

The New Programmatic Approach

A. Theoretical / Policy Framework:

- ▶ Programmatic Lines

B. Operational Framework:

- ▶ Streamlined project cycle
- ▶ New Financial Architecture and Diversified Financial Mechanisms

Why the need for a new Financial Architecture?

- ▶ Recognized need to balance expectations and the efforts put in initial proposal development with the flow of incoming funds.
- ▶ Greater expectation that the Secretariat should be playing a greater / proactive role in convincing potential donors of the importance of ITTO's projects by developing flexible programmatic proposals which meet the funding policies and priorities of the donor, while also addressing the needs expressed by the producers.

Diversified Financial Mechanisms

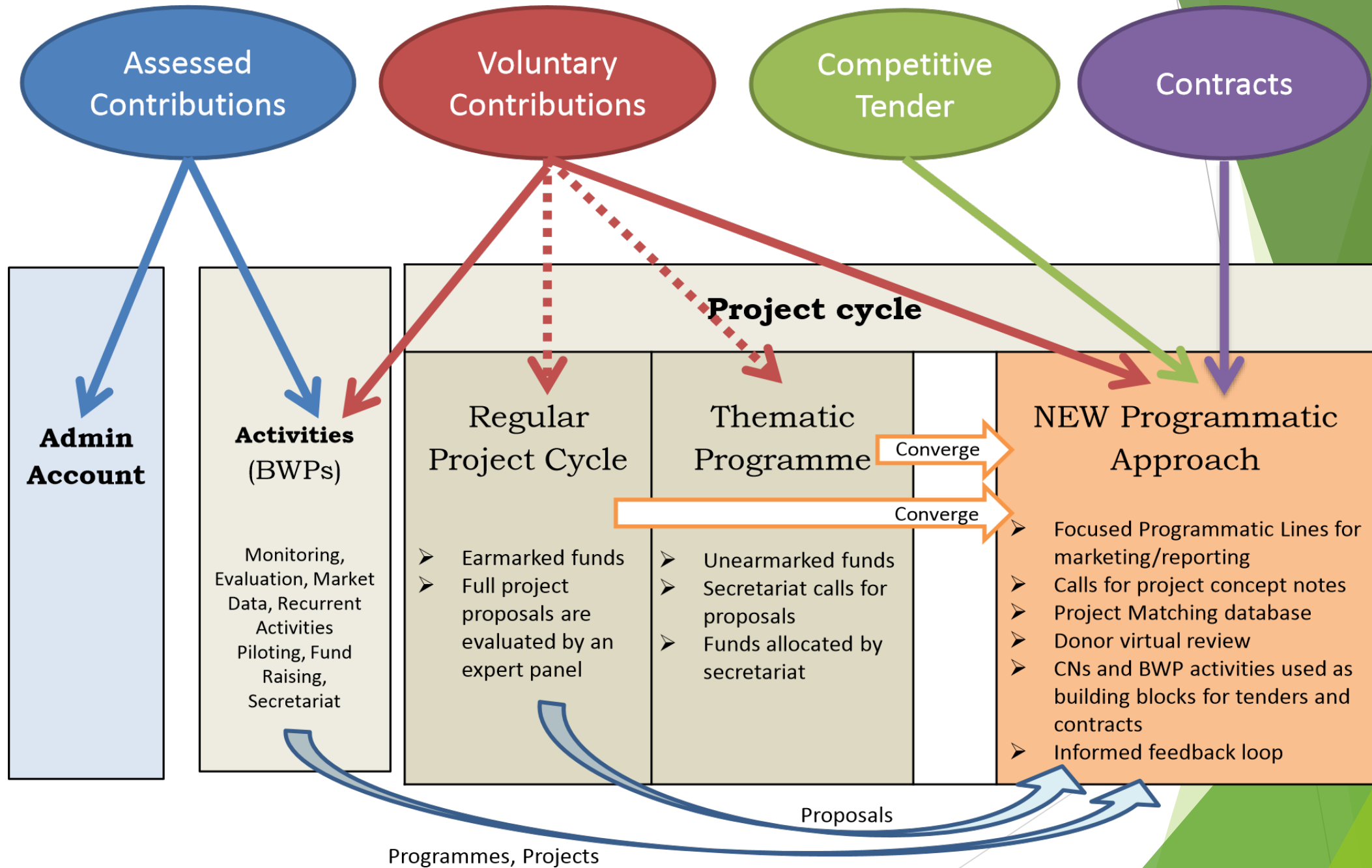
- ▶ Partnering with Global Environment Facility (GEF)
- ▶ Continue accreditation efforts with Green Climate Fund and GEF
- ▶ Seeking out funding synergies between donor funding opportunities, expressed producer country needs and programmatic lines (i.e. LSSC and Germany funding)
- ▶ Cultivate relationship with major contractors bidding on competitive tenders/contracts that are of relevance to ITTO's mandate with a view to be a sub-contractor, as appropriate
- ▶ Hire a marketing/fundraising member of staff

Ensuring transparency and communication

- ▶ A virtual informed Feedback loop where all members are informed about potential project agreements before they are formalized by the Organization.
- ▶ All projects and financial arrangements, despite having varying legal requirements and formats, according to the agreement will maintain the same high standards of the ITTO for project monitoring, evaluating, auditing, and reporting, and conform with ITTO's mandate, operational, and policy decisions, and ESM guidelines.

Ensuring transparency and communication

- ▶ Invite GCF, GEF, and other funding entities to speak during plenary session in future council sessions, and consider holding an informal information sharing on funding opportunities on the margins of Council.



Assessed Contributions

Voluntary Contributions

Competitive Tender

Contracts

Admin Account

Activities (BWPs)

- Monitoring, Evaluation, Market Data, Recurrent Activities
- Piloting, Fund Raising, Secretariat

Regular Project Cycle

- Earmarked funds
- Full project proposals are evaluated by an expert panel

Thematic Programme

- Unearmarked funds
- Secretariat calls for proposals
- Funds allocated by secretariat

Project cycle

Converge

Converge

NEW Programmatic Approach

- Focused Programmatic Lines for marketing/reporting
- Calls for project concept notes
- Project Matching database
- Donor virtual review
- CNs and BWP activities used as building blocks for tenders and contracts
- Informed feedback loop

Proposals

Programmes, Projects

A lot of information to absorb and discuss....



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