

# ■ Mr. Jerry Velasquez

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Director, Division of Mitigation and Adaptation,  
GCF Secretariat

## The topic of presentation is

- Keynote presentation 4: Securing FLR financing



## ■ Mr. Cris Angelo Vispo

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Senior Forest Management Specialist  
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# FINANCING FOREST LANDSCAPE RESTORATION

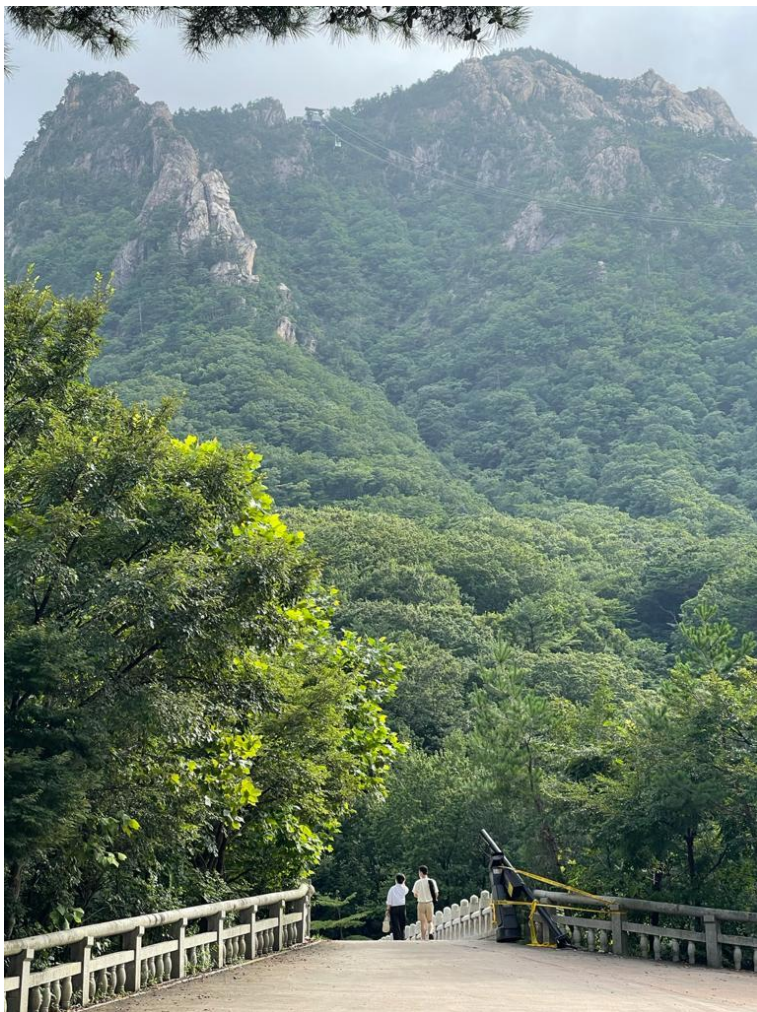


GREEN  
CLIMATE  
FUND

Jerry Velasquez, Director  
Division of Mitigation and Adaptation (DMA)

AFoCO-ITTO Capacity Building Workshop on FLR  
30 Aug-3 Sep2021

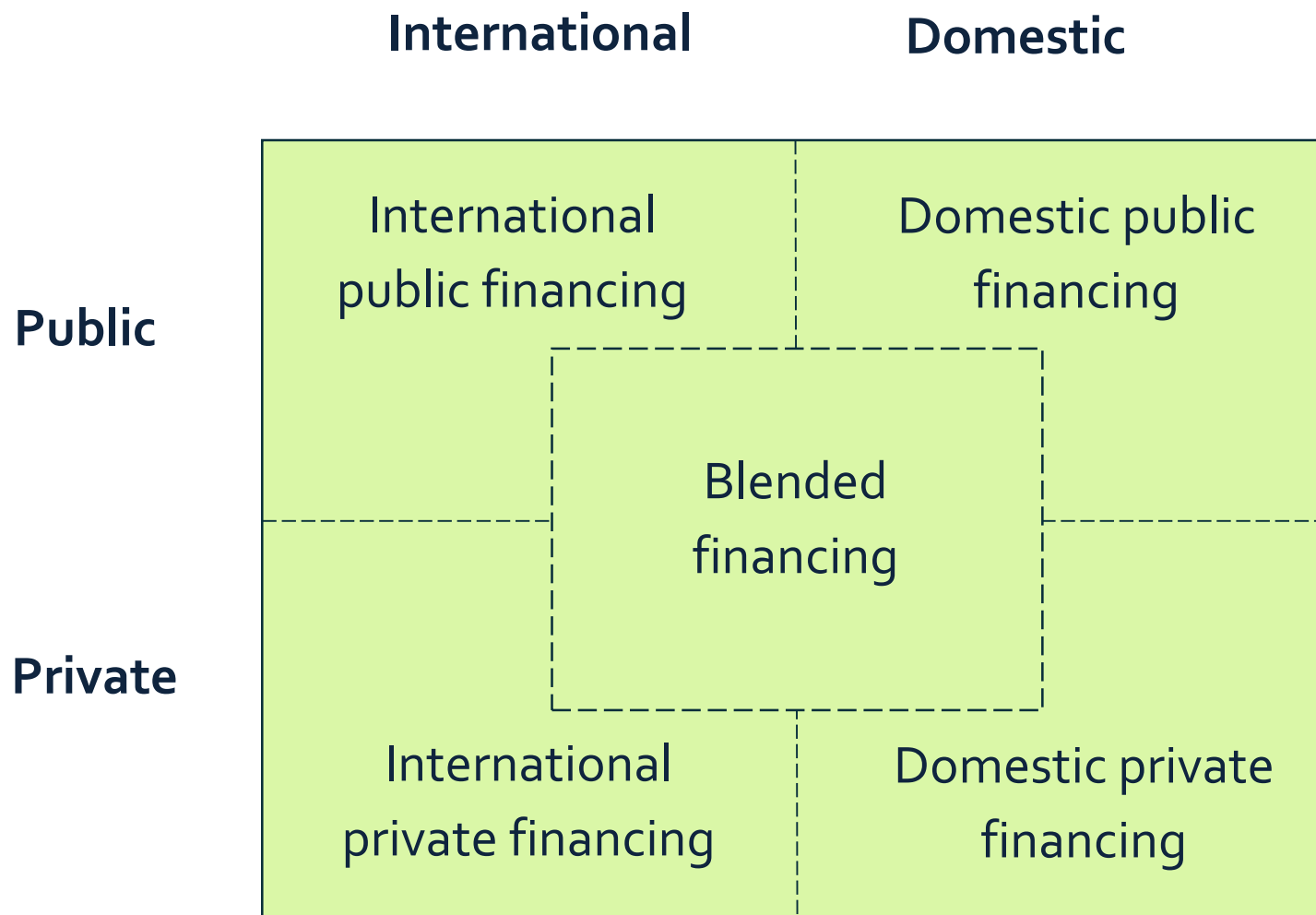
# FLR FINANCING: A FEW FIGURES



- Almost  $\frac{1}{4}$  of the world's land area degraded in 50 years. **Total cost: US\$ 6.3 trillion a year** (8.3% of global GDP in 2016)
- Restoring degraded forests generates **US\$ 7–30 for every dollar invested**
- **Funding gap of US\$ 300 billion/year**
- Achieving the Bonn Challenge of restoring 350 mha by 2030 could sequester up to **1.7 GtCO<sub>2</sub>eq/year**
- Land set aside for natural forests to return would hold **40 times more carbon** than plantations and **6 times more** than agroforestry

Sources: WRI, 2017. Roots of Prosperity; Verdone and Seidl 2017; Lewis and Wheeler, 2019; IUCN 2018. Barometer.

# OVERVIEW OF FLR FINANCING SOURCES



- **Derived from revenue (taxes)**
  - Advantage: greater stability and predictability
  - Taxes can encourage/discourage behaviour
- **Redistribution of tax revenues for FLR**
  - Subsidies
  - Results-based payments
  - Replenishing a national reforestation or adaptation fund, etc.
- BUT the squeeze on fiscal space due to COVID-19 has restricted availability of domestic public finance

# PRIVATE FINANCING



- **Operational level (*e.g.*, timber companies): motivations**
  - Consumer awareness
  - Improved access to the capital market
- **Institutional investors: financial intermediaries**
  - Pension funds, insurance companies, mutual funds
  - Portfolio diversification
  - Attractive returns over the medium- to long-term
  - Shift in focus from North America to “new” regions
- BUT aversion to low returns, risk, unclear policies/laws/tenure



# PUBLIC INTERNATIONAL FINANCING



- Created at **national or supranational level**
- Mostly **concessional** (grants, guarantees, concessional loans)
- Require **extensive coordination** among stakeholders and donors





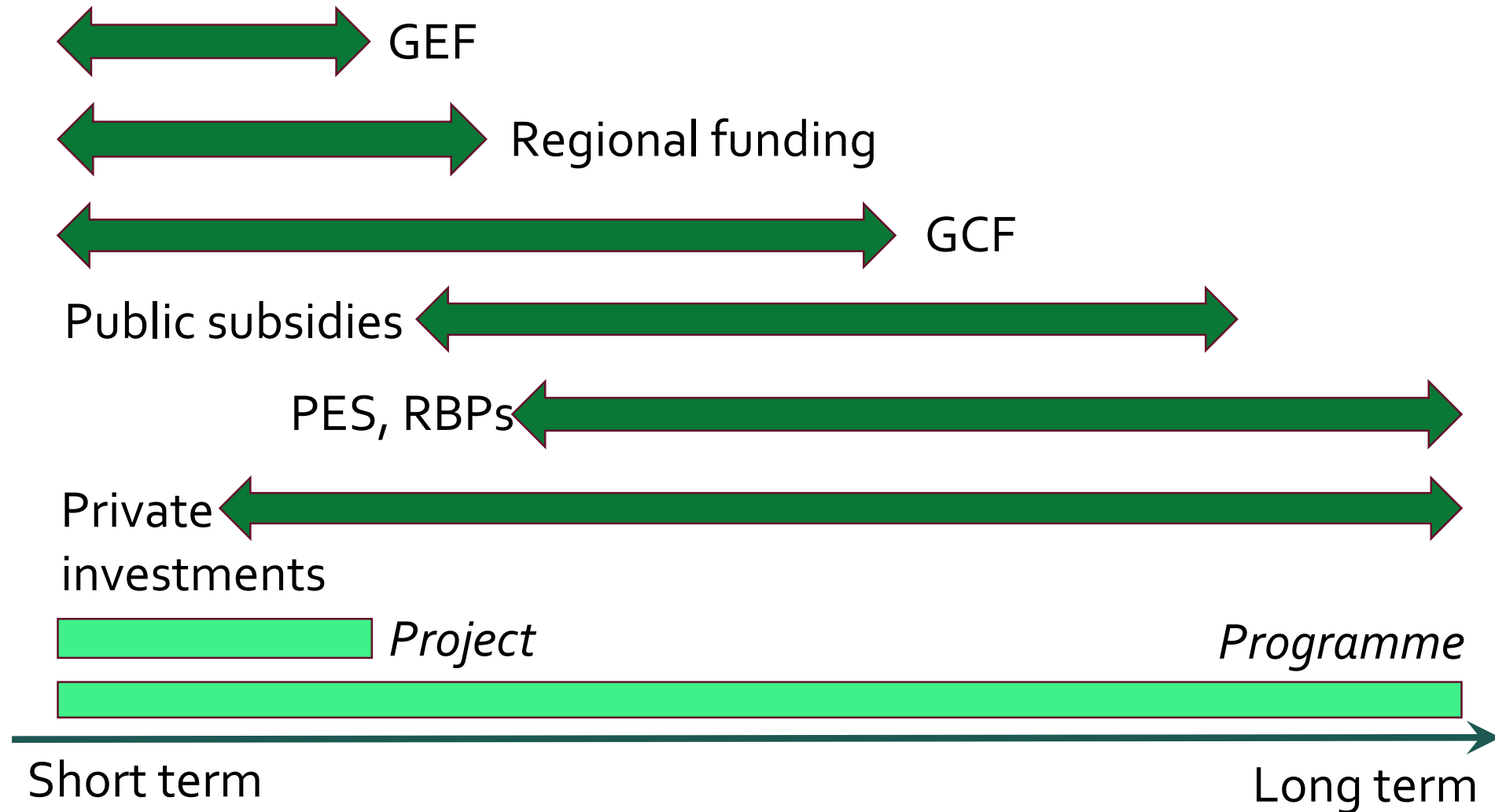
# WHICH IS THE BEST SOURCE?



## It depends...

Countries w/ high financial capability	→	Public domestic, private
Countries w/ limited financial capability	→	Bilateral, multilateral
Activities store carbon/increase resilience	→	GCF, Adaptation Fund
Activities are part of government mandate	→	Public domestic finance
Activities are transformative/innovative	→	Bilateral, multilateral (GCF)
Activities generate income	→	Private finance
Need money short term	→	Public international
Need long-term financing	→	PES, carbon markets, private

# SHORT VERSUS LONG-TERM FINANCE

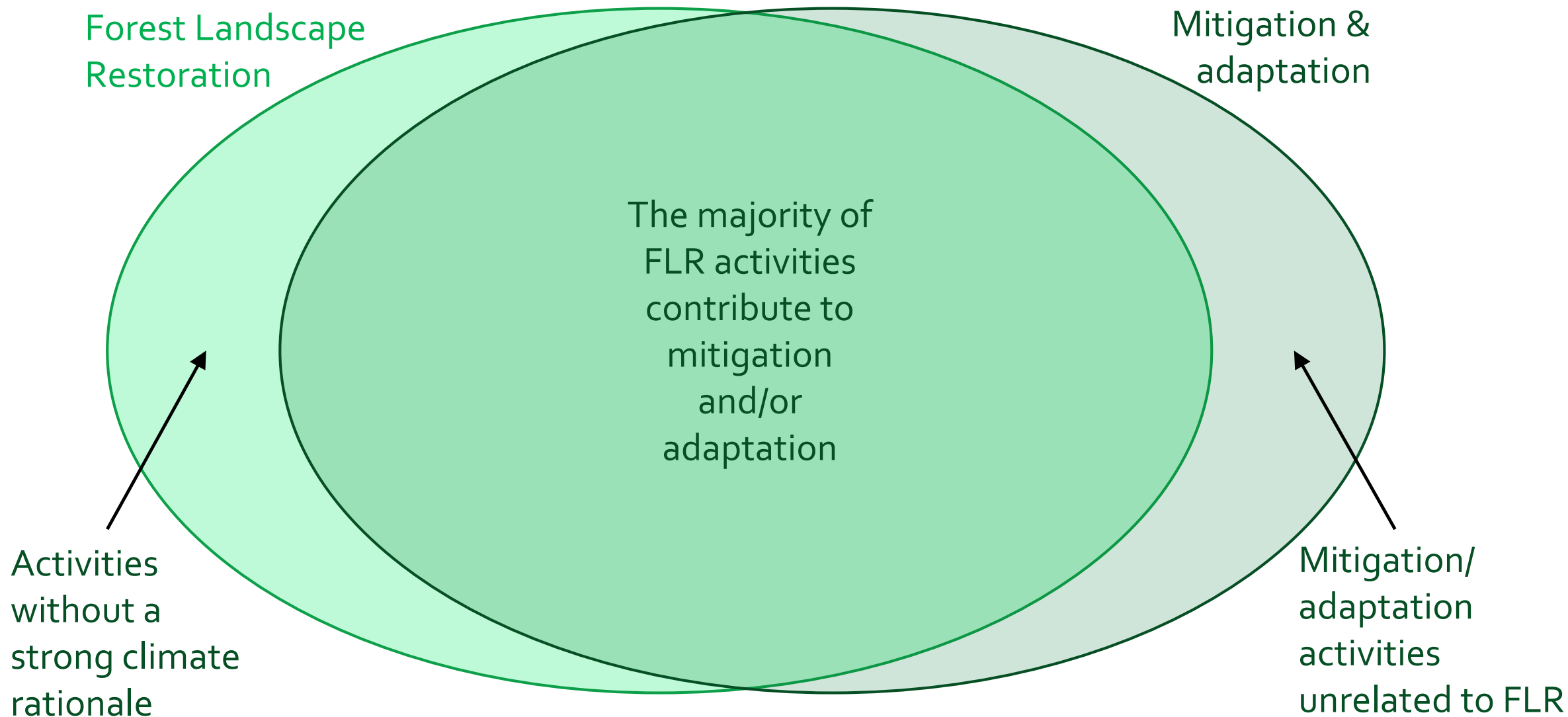


# SYNERGIES AND COMPLEMENTARIES



- **Co-financing and blended financing**
  - Public finance as a leverage for private finance (guarantees, equity, creating enabling environment)
  - Co-financing as a condition for multilateral finance
- **National financing strategies: a “basket” approach**
  - Tailor-made solutions
  - Maps different sources of financing for FLR
  - Includes roadmap to unlocking and/or designing financing sources

# THE OVERLAP BETWEEN FLR AND CLIMATE



# WHAT IS THE GREEN CLIMATE FUND?



As an operating entity of the UNFCCC financial mechanism



We help **developing countries** take ambitious action on climate change



To promote a **paradigm shift** to low-emission and climate-resilient sustainable development

# GCF KEY FEATURES



- Country Driven Approach
- Climate Impact Focus
- Paradigm Shift Potential
- Dedicated Private Sector Facility



# INVESTMENT IMPACT AREAS



GCF makes investments within **8 strategic result areas**, in line with country priorities.

## Reduced Emissions From:



Energy generation and access



Transport



Buildings, cities, industries and appliances



Forests and land use

## Increased Resilience of:



Livelihoods of people and communities



Health, food and water security



Infrastructure and the built environment



Ecosystems and ecosystem services



# GCF'S TRANSFORMATIVE APPROACH



GCF employs a four-pronged approach to achieve our financing objectives

## **Transformational planning & programming**

- Promoting integrated strategies to maximise the co-benefits

## **Catalysing climate innovation**

- Investing in new technologies, business models & practices

## **De-risk investment to mobilising finance at scale**

- Using public resources to crowd-in private finance

## **Mainstreaming climate risks & opportunities into investment decision-making**

- Aligning finance with sustainable development

# A FEW EXAMPLES: BHUTAN FOR LIFE



- Aim: Conserve Bhutan's protected areas (51% of territory)
- Paradigm shift: achieving carbon neutrality at national level
- Nature: cross-cutting
- Total value: US\$ 118m (GCF grant: US\$ 26.5m)
- Accredited entity: WWF
- Approved: 2017
- Lifespan: 14 years

## A FEW EXAMPLES (2): REDD+ IN LAO PDR



- Aim: Enhance forest policy and deforestation-free agriculture for REDD+ readiness
- Paradigm shift: integrated, cross-sectoral approach to forests and agriculture
- Nature: mitigation
- Total value: US\$ 77m (GCF grant: US\$ 18m)
- Accredited entity: GIZ

# ... AND A FEW POINTERS



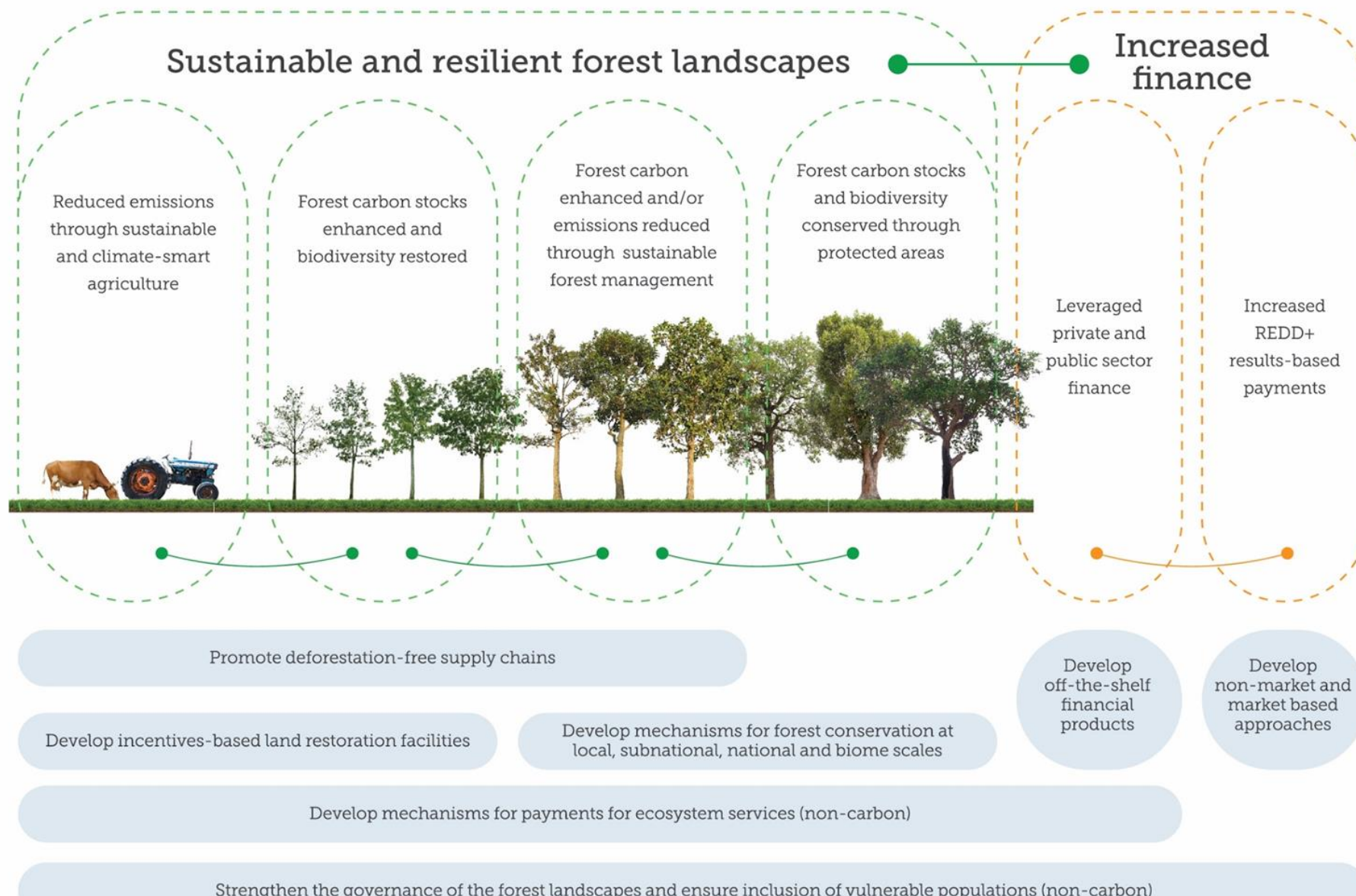
## Where to start

- Participate in updating your country's NDC
- Participate in origination (GCF country programming) through the NDA
- Reach out to a GCF accredited entity to help you develop a project idea (FAO, UNDP, UNEP, ADB, JICA, GIZ, KfW, etc.)

## Ask yourself

- What would be the purpose of restoring? (flood control, timber harvest, etc.)
- Wouldn't it be cheaper to conserve than to restore?
- Is the landscape large enough? (issue of scale)
- How to maintain landscapes once they are restored?

# FOREST LANDSCAPES ARE FUNDAMENTAL TO LOW EMISSIONS AND CLIMATE-RESILIENT DEVELOPMENT PATHWAYS OF DEVELOPING COUNTRIES





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**Raising  
ambition.  
Empowering  
action.**