

National Forest Funds: mechanisms adapted to today's challenges

*Overview of the situation of 4 Southern
and Eastern Mediterranean countries:
Lebanon, Morocco, Tunisia and Turkey*

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Funding the sustainable development of forested and woodland areas is a key issue and challenge in the struggles against climate change, ensuring food supplies and in reducing poverty. National forestry funds are one of several possible devices. In this article, concrete examples taken from four countries around the south and the east of the Mediterranean Rim highlight their importance and scope.

Introduction

With the role played by forests in dealing with global challenges such as climate change, food security and poverty reduction being acknowledged as fundamental, sustainable forest management (SFM) must be supported: that is why its funding constitutes a key and significant challenge.

In this context, National Forest Funds (NFFs) play a key role in funding SFM. NFFs are also mechanisms that support targets related to climate change, biodiversity conservation, and reduction of forest degradation. That is the reason why today NFFs cannot be considered as mere funding mechanisms as they play roles beyond receiving and transferring money. In fact, NFFs can also play a key role in the implementation of national and international forestry policies and programs.

It is estimated that in 2011 NFFs held or managed 12 to 13 billion USD in developing countries, which is almost 5 times the funding allotted to sustainable forest management in developing countries since 1992 by the Global Environment Facility (GEF). NFFs thus represent a significant and somewhat unexploited resource for the development of SFM as well as serve as a clear evidence of national contributions to forest funding.

In this context, and in dealing with several challenges affecting Southern and Eastern Mediterranean countries in terms of anthropogenic stress (degradation) and climate change (desertification, withering), an NFF can turn out to be a particularly important tool. We suggest here to take stock of what exactly is an NFF, assess its potential to attract funds, as well as an overview of their situation in 4 Southern and Eastern Mediterranean countries: Morocco, Tunisia, Lebanon, and Turkey in terms of development (or reinforcing) of opportunities, structuring, the cross sectoral approach, objectives and schedule for the implementation or the reinforcement of a national forest fund.

What exactly is an NFF?

National forest funds (NFFs) are dedicated institutional mechanisms with earmarked funding streams to meet broader national forestry objectives/policy/programme (unlike short-term project based funding). They are established with the main objective of supporting the conservation and sustainable use of forest resources with a goal to achieve self-sustainability in the long run. The source of funding for NFF may be earmarked taxes and other domestic income and through bilateral or multilateral development assistance mechanisms, including donations. Unlike traditional government budgetary funding, NFFs exist for more than a single government budget cycle and offer flexibility in management. Worldwide, NFFs vary greatly in their structure and governance, the sources of their funding, and the range of actors and activities they support. Thus the term “national forest fund” does not refer to a specific model but instead describes a constellation of approaches.

What are the opportunities to harness international financing possibilities?

The financing of Sustainable Forest Management (SFM) is getting increasingly complicated by the continued emergence of new mechanisms and institutions to support climate change, biodiversity, REDD+ and forest restoration. The magnitude of funding is increasing but there has also been both a proliferation and a fragmentation of financing modalities. For example, the Adaptation Fund and the Green Climate fund, have created their own sets of accreditation standards for national entities eligible to receive funding. This changing financial landscape demands not only improved financial governance and fiduciary standards for accessing funding but also adequate and efficient means for channelling and distributing the funds received. Social and environmental safeguards built into mechanisms involving large public payments also underline the need for good financial governance at the national and subnational levels. The role of private finance and how to leverage it particularly requires more detailed analysis of instruments, business models, and implications for accountability and equity. Even after successfully making the case for funding, countries often struggle to put in place the necessary institutional structures and systems to distribute the funds mobilized.

It is in this context dedicated mechanisms such as NFF can serve as tool for financial and governance reforms in the forest sector. Carefully designed funds can help harmonize investment streams from multiple donors, for example in the framework of national REDD+ schemes. Several national and regional forest funds such as FONAFIFO (National Forestry Financing Fund in Costa Rica), Congo-basin Forest Fund, and Amazon Forest Fund demonstrate this possibility. In countries where schemes for forest-based payments for environmental services (PES) are in operation, NFFs have become tools for pooling money from various forest users and distributing it to the providers of environmental services. NFF-based financing also enables payments for multiple benefits (e.g. carbon, water and biodiversity) in PES schemes, known as bundling.

Having necessary policy and institutional frameworks in place for robust financial

architecture and governance through NFFs facilitates better access to international funding. For example, it is more likely to secure funding for REDD+ from Forest Carbon Partnership Facility and other international sources if there is an institutional mechanism such as NFF entrusted with such a responsibility. NFFs, if sufficiently empowered, have proven to develop mechanisms for cost-effective and verifiable reductions in greenhouse gas emissions help and meet the requirements of the funding agency. They will be also able to link with stakeholders to undertake activities that reduce emissions from deforestation and forest degradation, conserve forests, promote SFM, and enhance forest carbon stocks.

Why are Southern and Eastern Mediterranean countries particularly affected?

Southern and Eastern Mediterranean forests are now more than ever subject to increasing stress: anthropogenic stress, withering phenomena, desertification, and degradation. Hence the urgency of developing innovative financial mechanisms such as the payments for ecosystems-related services or REDD+ as well as compensation mechanisms to reverse the trend of degradation: in this context, an NFF can offer flexible and adaptable solutions to implement tailored funding approaches for sustainable forest management.

In this context, setting up an NFF can constitute a true leverage and a catalyst for the mobilisation of financial resources to benefit Southern and Eastern Mediterranean countries (SEMC). Some of them already have significant experiences with NFFs. In fact, in Morocco and Turkey, NFFs exist and operate; nonetheless, requests in terms of operability, assessment and reforms have been expressed; besides, in Turkey and Lebanon, NFFs are mentioned in legislative texts but are not yet operational. That is the reason why it is interesting to have an overview of the situation in these countries in order to assess the needs, the challenges and the perspectives.

Why the implementation or the reinforcement of a national forest fund



appears more important, more relevant in your countries? How would you best perceive it in terms of conception, governance, use and supervision?



In Lebanon: the idea of a National Forest Fund isn't new.

It was mentioned in the Forestry Code of January 7, 1949, which is still in effect. For this reason, the implementation of a National Forest Fund adapted to new challenges related to fundraising, agencies involved in the forestry sector, communication and partners has become necessary.

Moreover, actors operating in the forestry sector (NGOs, local authorities, and local

Picture 1:
Forests reduce dam sedimentation: Barbara watershed, Ain Draham (Tunisia).
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Picture 2:
Reforestation to fight against forest degradation in Morocco.



populations) have become increasingly numerous in the last years. Actors that have their own relationship with fundraisers, which considerably disperses the activities carried out in the country makes it extremely difficult for good organisation and coordination by the Ministry of Agriculture responsible for forests.

In order to follow through international treaties and commitments such as the Convention on Biological Diversity and the United Nations Conventions on the Combat against Desertification (UNCCD), that have been ratified by the Lebanese Government and coordinating and organising forest activities in the context of the National Forestry Plan in Lebanon a new NFF is necessary.

In Morocco: the Moroccan National Forestry Fund currently represents 70% of the budget allotted to the High Commissioner for Water, Forests and combating Desertification (HCEFCLD) and has permitted the reforestation of over a million of hectares since the 1950s. One of the main advantages of an NFF stems from its characteristics as a tool to guarantee the stability of funding availability, which enables better budget planning, as opposed to a general budget in which drawbacks can be several.

The NFF is first and foremost a tool, which has proven its relevance compared to traditional means, especially for fundraising and management flexibility. Therefore, bearing in mind the challenges faced by the forest management in terms of global changes (climate change and social pressure), it has

become necessary to adapt the rules and procedures of these Funds to meet the needs on the field, that follow the periodicity of season and rainfall and not a financial schedule! Also, opening up to different fundraisers (private or public, national or international) can only reinforce an NFF.



In Tunisia: Tunisia has experience with NFFs: in fact, during the 1980s, a Sylvo-Pastoral Development fund was established and appeared in articles 70, 71, and 72 of the 1988 Forestry Code. Nonetheless, a new vision of the State as well as the lack of promotion of provisions related to this fund have led to the elimination of the articles related to its creation.

Nevertheless, the legal base for such a fund exists. A special Treasury account would be the most suitable format. Stakeholders would be the Ministry of Agriculture, the Ministry of Water resources and Fisheries, the Ministry of Finance, the Ministry of Environment and Sustainable Development, the Ministry of Tourism, and Commerce and the Ministry of local affairs as well as the private sector, NGOs, and civil society. The governance structure could be composed of two entities: a decision-making structure made of a committee restricted to the Ministry of Agriculture and Water Resources and another structure tasked with the elaboration and the monitoring of strategic orientations.

The fund could be financed at national level through taxes on imported wood, and through the revenue generated by forest and pastoral products, through taxes on environmental services provided by forests and forest range lands (water, agricultural products), but also through private contributions at an international level through collaboration projects and international financing mechanisms.

Such funding managed by the NFF would be used to increase forest cover (reforestation of public lands), improve forest range lands, preserve forest ecosystems (protected areas, etc.), water resources and soils, rehabilitate pastoral and forest ecosystems, combat against silting, sustain the population (micro-financing), and preserve and develop the local wild fauna.

A restricted decision-making structure would be responsible for supervising this Fund while an enlarged structure would be responsible monitoring and evaluating the

Picture 3:

Cedar Forest in Lebanon.
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Fund with the participation of external structures.



In Turkey: with the exception of a very few areas (20,000 hectares) all forest belong to the State. According to the Turkish constitution, the government is responsible to protect, manage, restore, rehabilitate, afforest and harvest the forest with forest management plans. According to the official data there are 7 million people living inside or close to the forest areas. These are called “forest villagers”. These people are not tribes or local communities as in the international terminology but these are villages with people living there with strong connections to cities or towns. The forestry agencies provide them wood for building, cooking and warming. Every Ministry and Agency like the General Directorate of Forestry has “Strategic Plans” under their guiding legislations. They are being renewed when the Cabinet changes. The entire budget required for the above mentioned activities and to manage the agencies, salaries etc. come from the National Budget and revolving capital. These are not called National Forest Fund but the implementation is alike.

What is (or what could be) the main purpose of these forest funds? What are (or could be) its links to the current forest strategies and projects implemented in your country?



In Lebanon: The Ministry of Agriculture in Lebanon has started a reforestation program named “40 Million Trees”. Accordingly, the national forest program was updated. That is why the National Forest Fund is now required to accomplish the Ministry’s new forest policy. As a consequence, it must answer to both private and public initiatives related to the forest sector. The National Forest Fund aims at financing projects whose main objective is increasing and preserving forest cover in the country while taking into account sociocultural services provided by forests to the population. In concrete terms, the projects financed by this fund are related to reforestation activities, forest development, the preservation and valorisation of forest resources including medical plants and wild animals, the restoration of lands degraded by sand and rock quarries, and the preservation of socio-cultural heritage. Each project aims at mitigating the greenhouse effect and global



warming. Projects contributing one way or another to carbon sequestration must also be considered.



In Morocco: the forest fund is mainly intended for reforestation and reconstruction of forest ecosystems: this component, a central pillar of the 2015-2024 decade plan, represents over 60% of the NFF’s revenue.

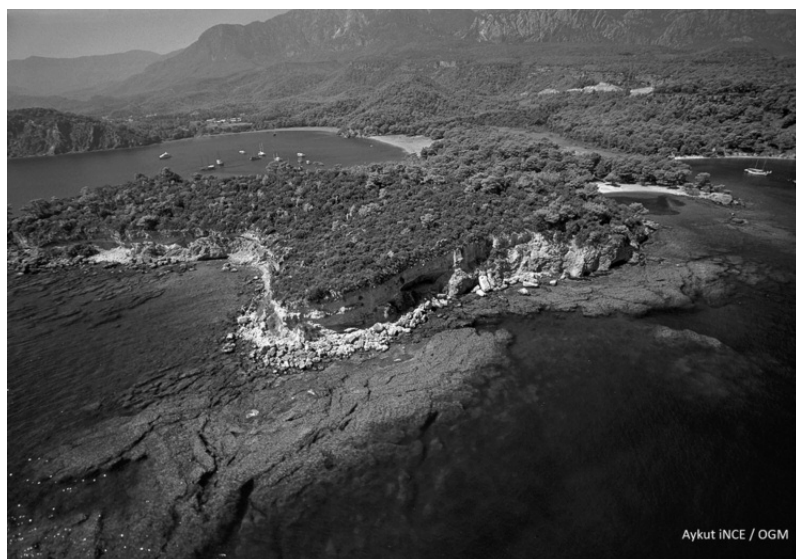


In Tunisia: a National Forest Fund could enable Tunisia to mobilise national and international funds, to diversify investments in the forest sectors, to involve the private sector and to reinforce the organisation of the forest and pastoral sector for access to funding.

In Tunisia, the goals of a National Forestry fund would be the preservation and the valorisation of functions and services of forest and pastoral ecosystems, the mobilisation of actors (partners) around the development of the pastoral and the forest sector, encouraging the private sector to participate to promote the sylvo-pastoral sector and the improvement of the living condition of the forest population.

Aware of the importance of these challenges, the General Directorate of Forests of Tunisia has clearly highlighted, in its Sustainable Forest and forest range lands National Management Strategy for 2015 to 2024 especially in the 5th component: “Mobilising resources for the funding of the sector” of the first objective, the necessity of “creating a National Fund for forest and pastoral development through the elaboration

Picture 4: Michel Bassil, leader of Aforestation and Harvesting Service (Lebanon), and Fatima Cheikh-Jaffal, Ministry of Finances (Lebanon). Workshop on National Forests Funds - Rabat (Morocco) 2015. © Abdelouhab-Ait-Ghejdi.



Picture 5:
Along seashore near
Antalya (Turkey).
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and the implementation of a payment scheme for Environmental Services provided by forest and pastoral Ecosystems (PSE)”.



In Turkey: Apart from the legislations and other internal documents, the Turkey’s National Forestry Program has been prepared for the years 2004-2023 with a project supported by FAO. Beside this program, under the general responsibility of the Ministry of Development “The National Development Plans-NDP” have been prepared. The existing one is for 2014-2018.

Picture 6:
Tonga Forest, El Kala
wilaya El Tarf (Algeria)
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NDPs are subject to be approved by the Cabinet and published at official gazette. As a part of this NDP, working group’s reports are prepared with the participation of different stakeholders. So, “The Sustainable Forest Management Working Group’s Report of the Tenth Development Plan, 2014-2018” is the existing national guiding one. The General Directorate of Forestry is the main body for forestry issues. It has also Strategic Plan for 2013-2017. The Strategic Goals defined at this plan are as follows: Protection of forests, development and expansion of forests, utilization from forests resources, and institutional capacity development.

Does a cross sectoral approach for the elaboration and the implementation of an NFF, especially the collaboration between ministries responsible for forests and the ministries of finance seem necessary to you? (Which other sectors?)



In Lebanon: a forest fund with such a wide array of activities should generate significant funding. That is the reason why it is absolutely necessary that ministries and partner institutions are represented in the fund governing bodies, for example, the ministry of finance, the environment, the ministry of interior and municipalities (local authorities). Besides, the governing structure of such fund should be independent and should meet certain criteria such as transparency, professionalism, and also clear accountability for these funds.



In Morocco: from a regulatory perspective, the Ministry of Economy and Finance is an essential partner. For other departments such as Agriculture, Interior, Energy or Environment, cooperation and coordination must be implemented according to the situations and the characteristics of each department and in the context of integration of public spending.



In Tunisia: a close collaboration between the Ministry of Agriculture, Fisheries and Water Resources would provide opportunities for NFF development. The involvement of other partners, such as the Parliament, the Presidency of the Government, the Ministry of Justice, the Ministry of Environment and Sustainable Development, the Ministry of Commerce, the Ministry of Local Affairs, and professionals, is necessary.



In Turkey: The Ministry of Forest and Water Affairs is the ministry in charge of forestry. Under this Ministry there are three General Directorates namely: General Directorate of Nature Protection and National Parks (GDNPNP), General Directorate of Combating Desertification and Erosion (GDCDE) and General Directorate of Forests (GDF). GDF has independent legal entity with regard to its budget from the Ministry. The Ministry of Development and the Ministry of Finance are the main partners with regard to budget. Ministry of Development is responsible and has the right of approving annual programs. Ministry of Finance is responsible to find adequate money.

The system works like this way: for annual programs the Ministry of Forest prepares its plans then negotiates with the Ministry of Development. When they agree the Ministry of Finance joins to negotiate. When the three Ministries agree, then they apply to the Parliament for final approval.

Which is the NFF's upcoming agenda in your country?



In Lebanon: the idea of setting up a National Forest Fund was very clear in the Ministry of Agriculture responsible for forests: bilateral meetings have already taken place with some potential partners such as the Banking Association or the Bank of Lebanon. A joint project with FAO will enable the mobilization of law and financial experts in order to conduct an evaluation of the current situation and to advise a relevant and independent administrative, professional and financial structure to ensure the management of the fund. Policy-makers have yet to be made aware in order to start such a project, which benefits the public interest, and allow the country to respect the commitments made to international conventions.



In Tunisia: the National Development and Sustainable Forest and Range Lands Management Strategy for 2015 through 2024 provided the implementation of a National Forest and Pastoral Development Fund. The review of the legal and institutional (framework) is a pre-requisite for the creation of such a fund, which should be established in the first five years of the implementation process of the strategy.



In Turkey: For the year of 2016, the annual budget for forestry issues is roughly 2 billion USD. It includes the three Directorates above mentioned. Approximately 50 million USD is for the General Directorate of Nature Protection and National Parks and the General Directorate of Combating Desertification and Erosion. The other amount is for General Directorate of Forests (1,950 million USD). It includes the personal fees, fire, afforestation, supporting the forest villages, international programs, etc..

How to move forward in the Mediterranean?

One of the levers to obtain significant progress in terms of the implementation and

Picture 7:

Cedar Forest, Ikharadhen, Djurdjura, Tizi Ouzou Wilaya (Algeria)
© DGF Algérie.

Picture 8:

Magali Maire (NFF's training team) and Souad Assaous, Deputy Director of studies and planification, General Directorate of Forests (Algeria), Workshop on National Forests Funds - Rabat (Morocco) 2015.
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Picture 9:
Workshop dedicated to
National Forest Funds,
Rabat (Morocco),
november 2015
(co-organized
by GIZ and FAO).
© Abdelouhab-Ait-
Ghejdi.

Picture 10:
Group work with
Morocco Team,
NFFs Workshop,
Rabat (Morocco), 2015
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operationalization of National Forest Funds in the Mediterranean is the reinforcement of the capacities of the countries: this could be achieved through the creation of events centred around this question during which countries could learn the founding principles of the creation and the implementation of an NFF in terms of governance, utilisation, capitalisation and supervision; this could also be an opportunity to share experiences and lessons learned by other countries which have started such an initiative.

For this purpose, in November 2015, a training seminar organised by the German Cooperation for Development Agency together with FAO, has provided the opportunity to participants from five countries members of the collaboration partnership on

Mediterranean forests (PCFM) —which includes: Algeria, Lebanon, Morocco, Tunisia and Turkey— to reinforce their capacities on national forest funds. Ever since, the main objective was not to recommend a ready-made solution but to draw lessons from the experiences and to benefit from a number of recommendations: in fact, the analysis made by FAO in 2015 has revealed that there was no such a thing as a “typical” NFF: the structure, the extent of the activities, the priorities and the procedures of NFFs change according to their respective targets, the evolution of opportunities, the challenges they face in extremely dynamic environments and the socio-political context of their respective countries. In addition, NFFs operate in extremely dynamic environments and are themselves subject to constant transformations and changes. As such, identifying the success factors of existing NFFs is a very interesting step to implement or reform an NFF. That is precisely the topic of this training seminar intended to provide to member countries the relevant information regarding the way in which NFFs work and the best way in which they can be created and managed.

The idea of the training seminar was also to develop and compare perspectives concerning the establishment or reforming an NFF. Participants organised into country working groups with representatives from ministries responsible for forests, the environment and finance have therefore had the opportunity to think of and come up with what could be a roadmap regarding NFFs: when the output of the group work was turned in on the last day of the seminar during a high level session, concrete plans were suggested in terms of governance, capitalisation, utilisation and evaluation of NFFs and were presented to policy-makers who were invited to discuss the feasibility of these suggestions. It was a fruitful and enriching experience, which could, in some cases, represent the first step for these countries particularly interested in this topic.



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Picture 11:
NFFs Workshop,
Rabat (Morocco), 2015,
from left to right : Driss
Baba (HCEFLCD Maroc),
Ludwig Liagre
(Consultant GIZ), Soudos
Klibi (researcher, Tunisia),
Souad Assaous, (General
Directorate of Forests
(DGF) Algeria), Magali
Maire (FAO), Slim Jarradi
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Summary

National Forest Funds (NFFs) are mechanisms that could be adapted to address today's many challenges: in their role as funding instruments, they can also act as catalysts to harness international funding such as the REDD+. If properly set, an NFF can also be an efficient tool to rationalize the use of these funds in a context of good governance and to ensure, for example, a redistribution to environmental service providers such as through payments for ecosystem services. Well equipped to deal with global changes such as increasing anthropogenic stress with poverty in Southern and Eastern Mediterranean countries, which are experiencing increased wooded area degradation and desertification due to climate change. An overview of the situation of 4 Southern and Eastern Mediterranean countries (Lebanon, Morocco, Tunisia, and Turkey) was compiled in order to take stock of the context and of the purpose of the establishment or reinforcement of a national forest fund with regard to development opportunities, structuring, cross sectoral approach, objectives and upcoming agenda.

The views expressed in this publication are those of the author(s) and do not necessarily reflect the views or policies of the Food and Agriculture Organization of the United Nations.

Résumé

Les fonds forestiers nationaux (FFN) sont des mécanismes adaptés aux défis d'aujourd'hui : en plus d'être un instrument de financement, ils peuvent également être un catalyseur en appelant des financements internationaux tels que la REDD+ par exemple. Correctement habilité, un FFN peut également être un outil efficient pour rationaliser l'utilisation des fonds dans le cadre d'une bonne gouvernance et assurer par exemple une redistribution vers les fournisseurs des services environnementaux dans le cadre de mécanismes de paiements pour services écosystémiques. Autant d'atouts pour mieux faire face aux changements globaux, tels que les pressions anthropiques croissantes et les phénomènes de pauvreté dans les pays du sud et de l'est de la Méditerranée, qui accroissent les dégradations aux espaces boisés mais également les phénomènes de dépérissements et de désertification inhérents au changement climatique. Un tour d'horizon de la situation de quatre pays du sud et de l'est de la Méditerranée (Liban, Maroc, Tunisie et Turquie) est réalisé afin de faire le point sur le contexte dans chaque pays et l'intérêt de la mise en place ou du renforcement d'un fonds forestier national en termes d'opportunités de développement, de structuration, d'approche intersectorielle, d'objectifs et de calendrier.

Resumen

Los fondos forestales nacionales (FFN) son mecanismos adaptados a los desafíos de hoy : además de ser un instrumento de financiación, pueden ser también un catalizador de reclamo a financiaciones internacionales como REDD+ por ejemplo. Correctamente autorizado, un FFN puede también ser un útil eficaz para racionalizar la utilización de los fondos en el marco de un buen gobierno y asegurar por ejemplo una redistribución a los proveedores de servicios medioambientales en el marco de mecanismos de pago por servicios de ecosistemas. Numerosas ventajas para hacer frente a los cambios globales, como las presiones antropicas crecientes y los fenómenos de pobreza en los países del sur y del este del Mediterráneo, que aumentan el deterioro de los espacios arbolados, así como los fenómenos de deforestación y desertificación inherentes al cambio climático. Se lleva a cabo una perspectiva de la situación de cuatro países del sur y del este del Mediterráneo (Libano, Marruecos, Tunez y Turquía) con el fin de proporcionar información sobre la situación en cada país y el interés de establecer o de consolidar los fondos nacionales forestales en términos de oportunidades de desarrollo, de estructuración, de enfoque intersectorial, de objetivos y de calendario.