



Summary session 3b – Innovative financing mechanisms

Session 3b brought together several speakers

Mr Stefano Pagiola (World Bank) presented an overview of all payments made for environmental services.

Mr John Clement, DFID Consultant, gave a presentation on prospects for innovative financing mechanisms.

Mr Henry Van Gael (Business Development Energy, Fortis Bank) outlined the Fortis initiative aimed at improving opportunities for clean development projects in Central Africa.

Mr Simon Petley, Chief Executive Officer and Director of EnviroMarket, spoke about research carried out by his company into securitisation as a way of financing sustainable development projects connected with natural resources.

Mr Christophe Besacier (Ambassador of France to Gabon) and **Mr Denis Koulougna Koutou** (Cameroon Ministry of the Environment and Forests) gave a presentation on a model action for cancellation of debt by France for Cameroon as part of the forest/ environment sectoral programme.

The debate highlighted the following points:

- The session showed that a range of instruments and mechanisms currently exist and are at the launch or experimentation stage. Each offers certain benefits according to the problems needing to be addressed and specific contexts but none currently offer a universal solution.
- With regard to clean development mechanisms (CDM), participants noted that, although the mechanism is interesting in itself, there is a problem in the fact that the only currently functional carbon market (the European market) cannot take account of temporary/ non-permanent credits such as those granted to forest projects. There is no demand, therefore, in the private sector for this type of project, a development that has nonetheless been expected by 2010.
- Currently, less than 10% of carbon projects are forest projects and very few of them are located in Africa.
- Mechanisms for payment for environmental services were also covered and examples were given in the water supply sector in Latin America. Whilst it is relatively easy to identify water users (and therefore the recipients of environmental services), it is as straightforward for forests that offer a more diffuse range of services (e.g. CO₂ capture, air quality, biodiversity or recreation).
- The EnviroMarket instrument was presented. It offers a system whereby investors can invest not only timber (extraction) but also in other environmental forest services in order to improve their investment portfolio. It would be difficult, however, to implement this system in DRC where the concession holders are not the owners.
- The example of the action taken by France and Cameroon that aimed to reduce debt in exchange for better management of forests could also be applied in the DRC. For this to happen, the forest sector would need to be listed as one of the DRC's strategic development priorities (included in the Strategic Poverty Reduction Document). The



cancellation of debt could also constitute a fund with a view to implementation of longer term instruments (e.g. creation of a foundation for transnational protected areas).

- Avoided deforestation, for which mechanisms calculate the value of forest that was not removed remain complex but should continue to be discussed and researched.
- A final point that emerged was that there is no miracle cure but all of these instruments have a role to play and that they should continue to be tested. It was also noted that responsibility for better management of forests is shared: the responsibility of populations and individuals (respect for and well thought-out use of resources), the responsibility of development partners (e.g. allocation of resources, support for research and training and international mechanisms), the responsibility of the private sector (e.g. compliance with codes of conduct and good practices), the responsibility of investors (to continue investing in Africa) and the responsibility of local and national authorities. Investors can only respond once the legal and governance foundations have been laid, ownership rights are clear and stable, control and sanction mechanisms are in place and the standing of policies is sufficient to allow private investors to enter this market.