

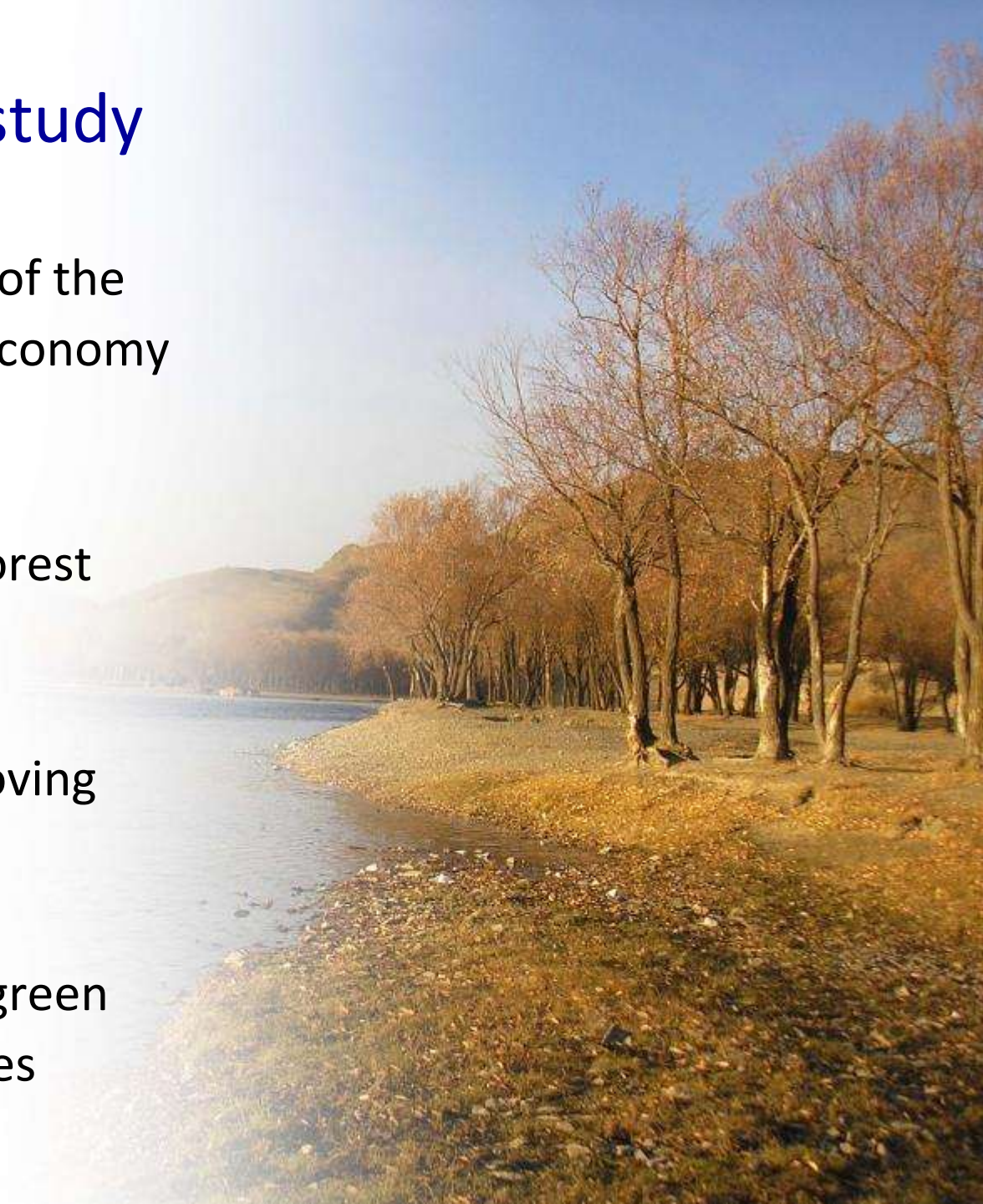
understanding forest  
sector financing flows  
and economic values

approach and findings

Lucy Emerton &  
Enkhtsetseg Bat-Ochir

# objectives of the study

- show the importance of the forest sector for the economy and green growth
- track funding to the forest sector
- identify ways of improving forest financing flows
- feed into REDD+ and green development strategies



# key questions

A scenic landscape of rolling green hills and valleys. The hills are covered in lush green grass and scattered trees. In the foreground, there is a small white building with a dark roof, possibly a farm or a small settlement. The background shows more hills and a clear blue sky.

1. what is the **economic value** of forest goods and services?
2. what are the main sources of **financing** for the forest sector?
3. what kinds of **policies and instruments** can be used to increase forest funding, its effectiveness and impacts?

# approach & methodology

## FINANCING

## VALUES

### FOREST SECTOR

#### Financing flows

Public budget

Development assistance

Private investment

Community cost-sharing

#### Economic goods & services

Pasture

Tourism

Agriculture

Energy

Water supply

Industry

#### Sectoral output

Market income

Public revenues

Non-market values

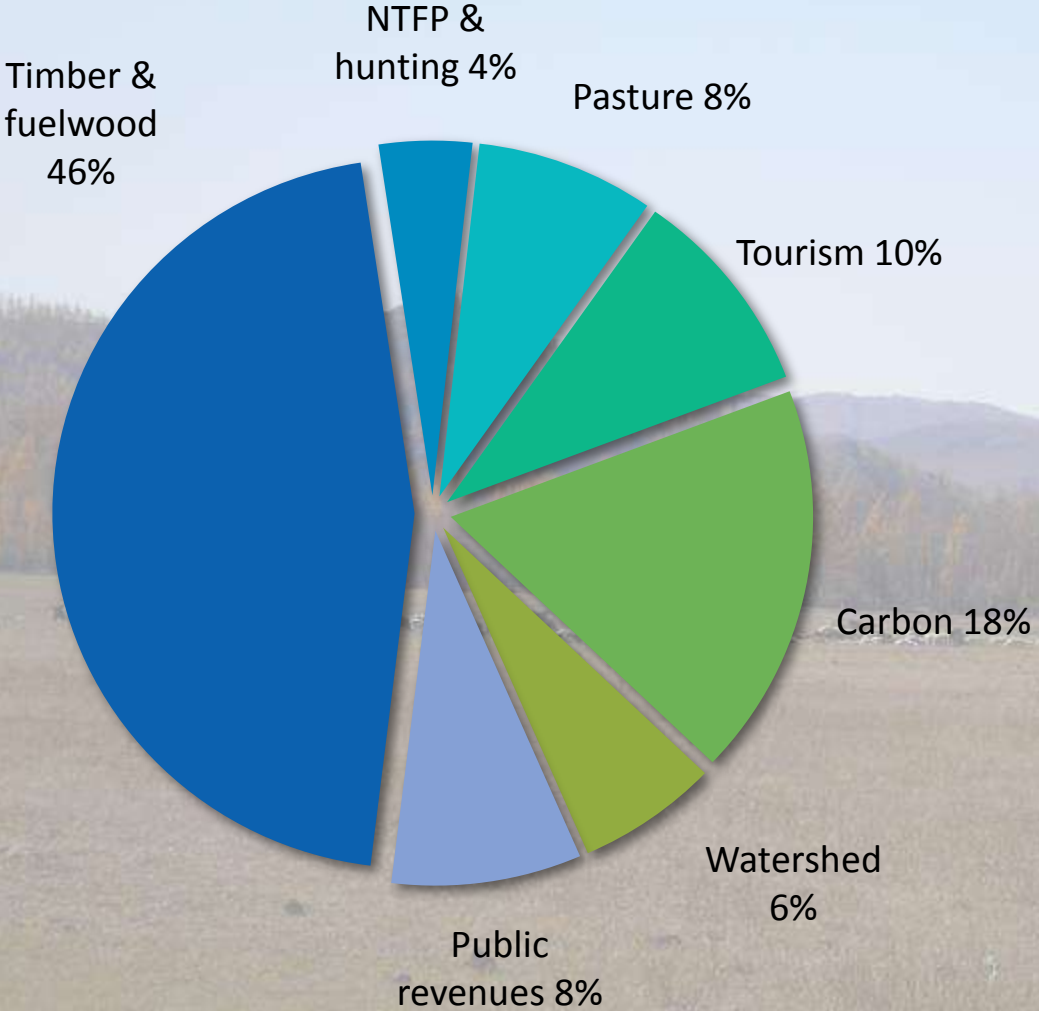
Foreign exchange

Employment

Rural livelihoods

#### Economic & development indicators

# forest values



Timber & fuelwood	MNT 197.10 bill
NTFP & hunting	MNT 17.92 bill
Pasture	MNT 34.36 bill
Tourism	MNT 41.04 bill
Carbon	MNT 77.29 bill
Watershed	MNT 27.23 bill
Public revenues	MNT 36.60 bill
<b>Total</b>	<b>MNT 431.53 bill</b>

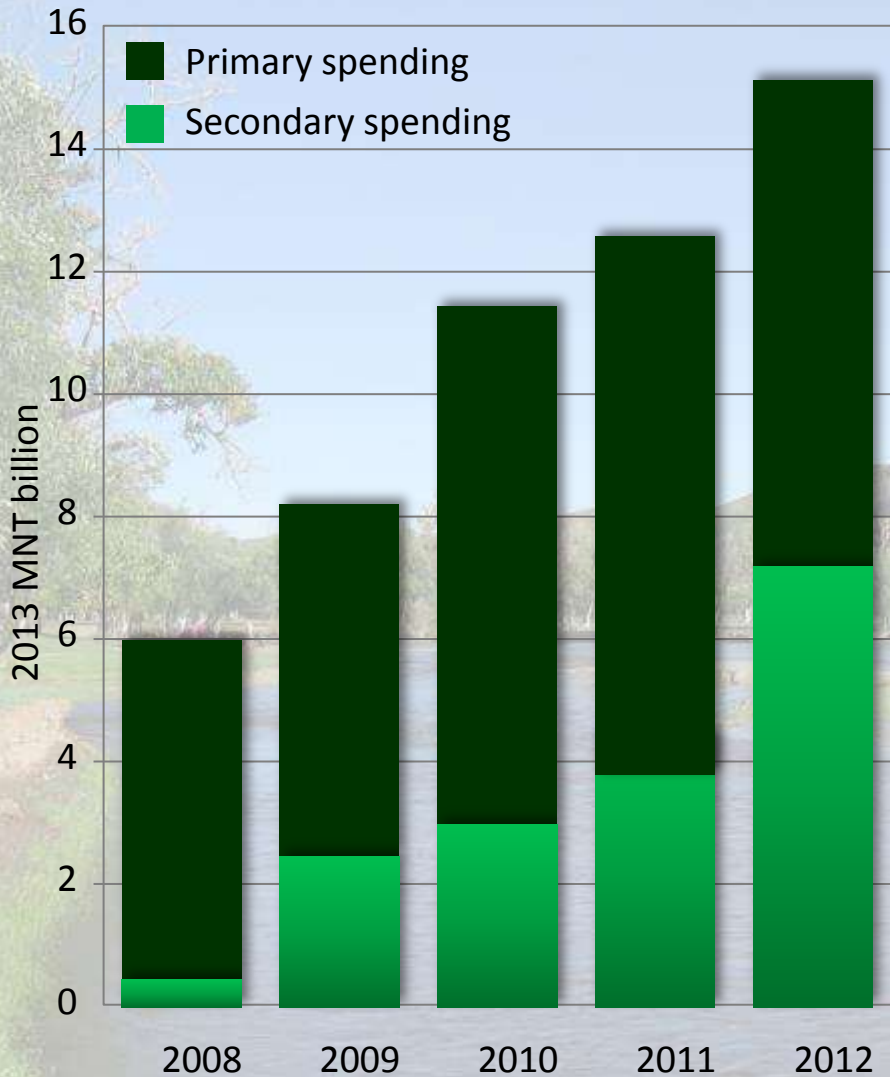


# forest values

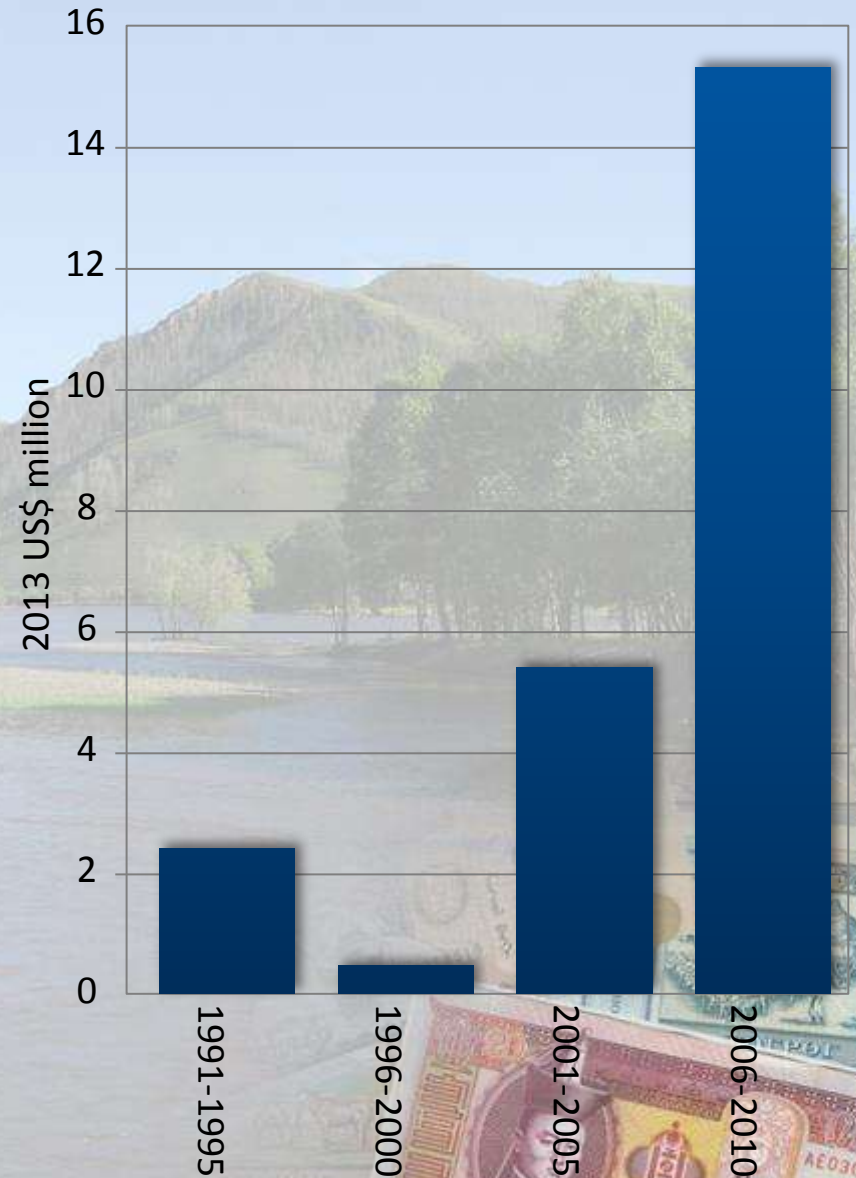
- User value: MNT 395 billion  
(MNT 40,000/ha/year)
- Public revenues: MNT 36 billion  
(MNT 3,600/ha/year)
- Net value-added to rural households:  
12.5% of per recorded capita GDP
- Carbon & water: 7 X greater than gross  
industrial output from wood sector
- Total annual direct value-added:  
3.1% of GDP value, 1.4% of tax revenues



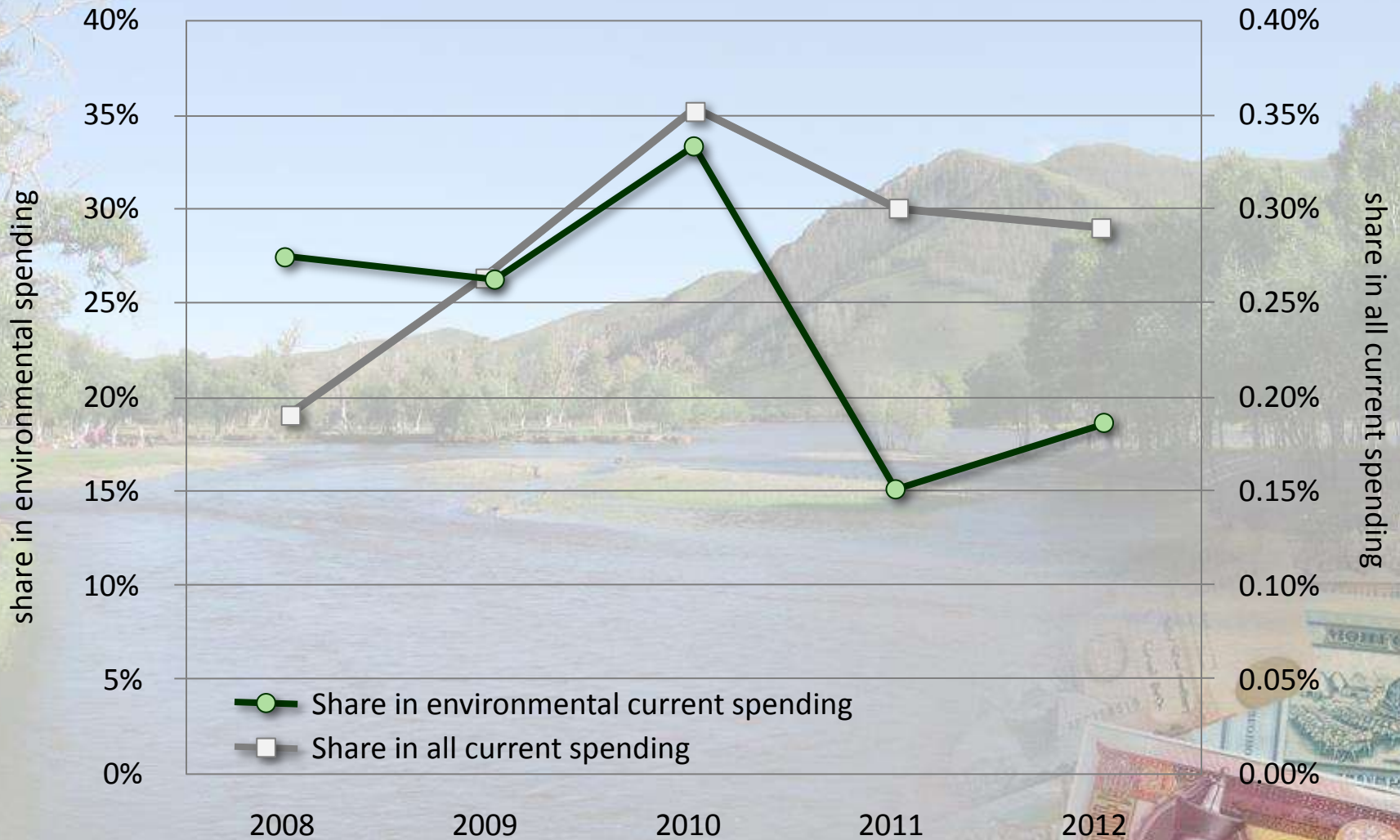
# Government funding



# Donor funding

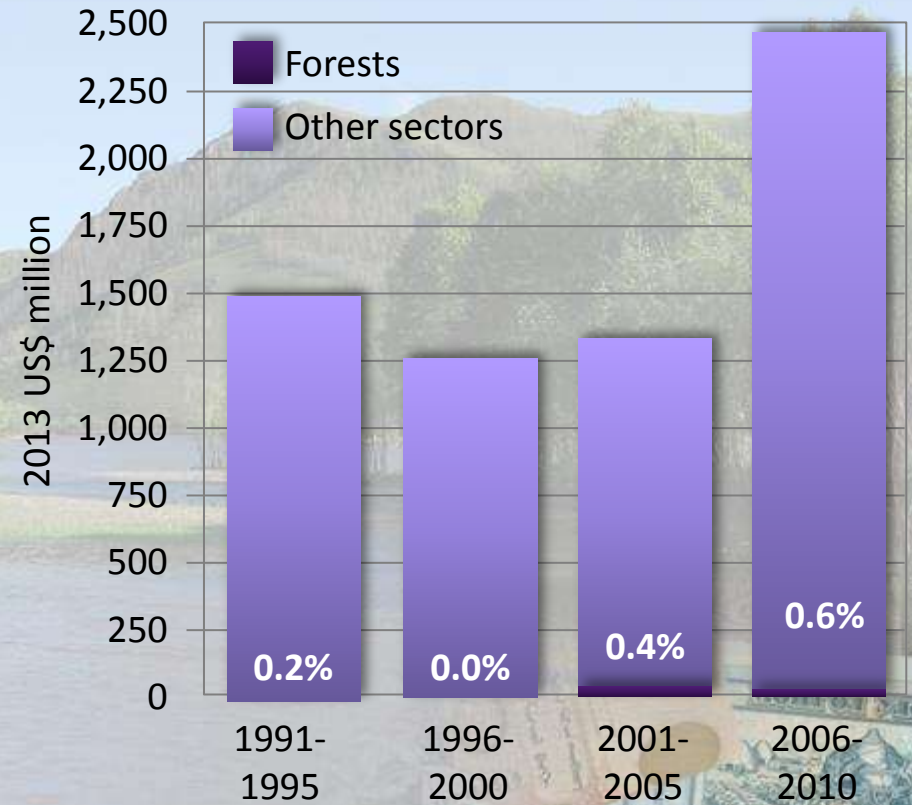
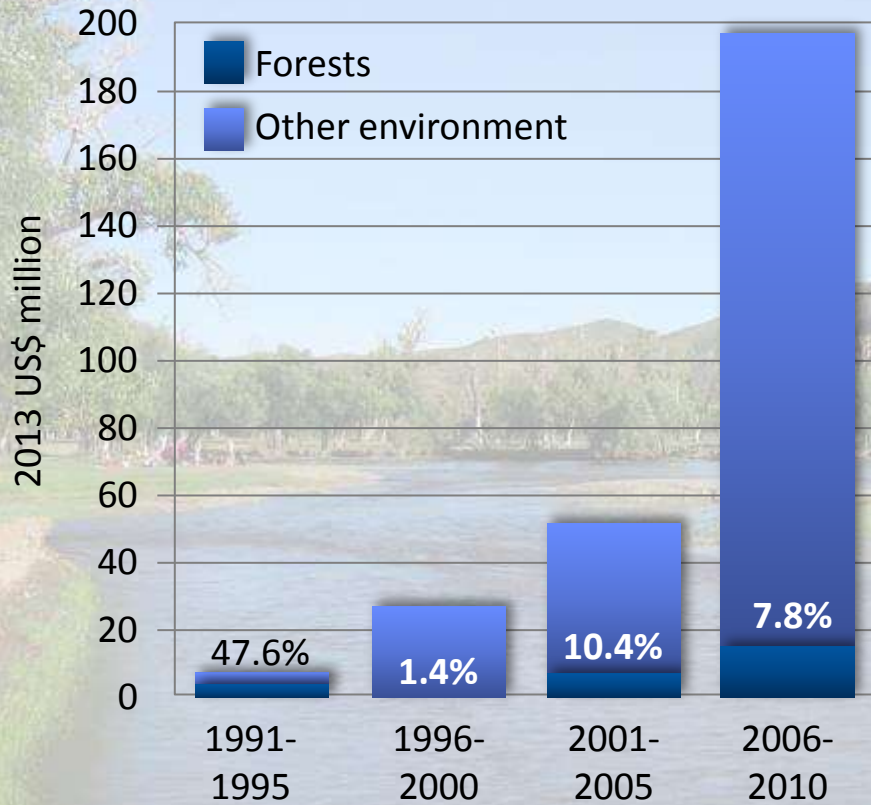


# forest financing (government)



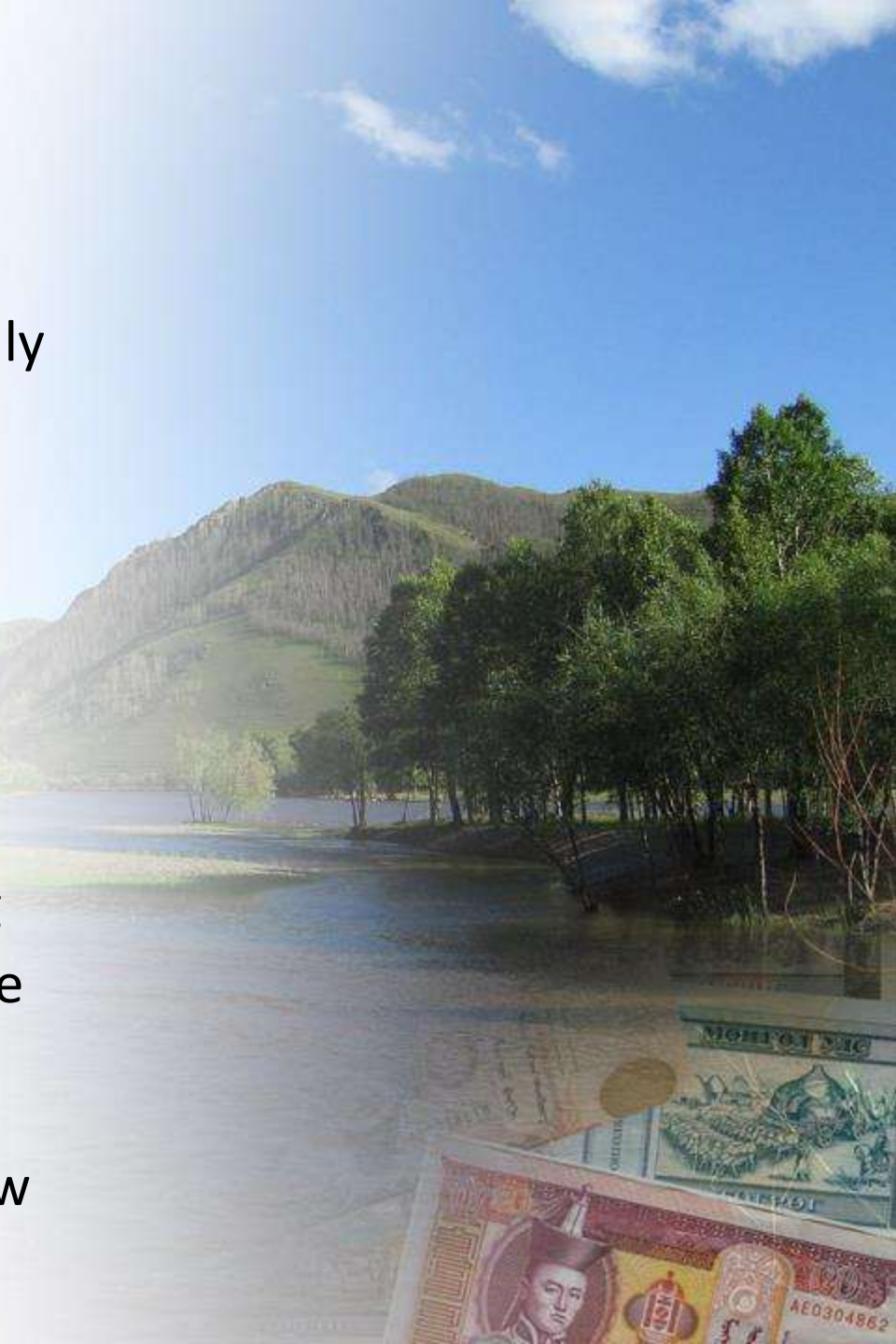


# forest financing (donor)



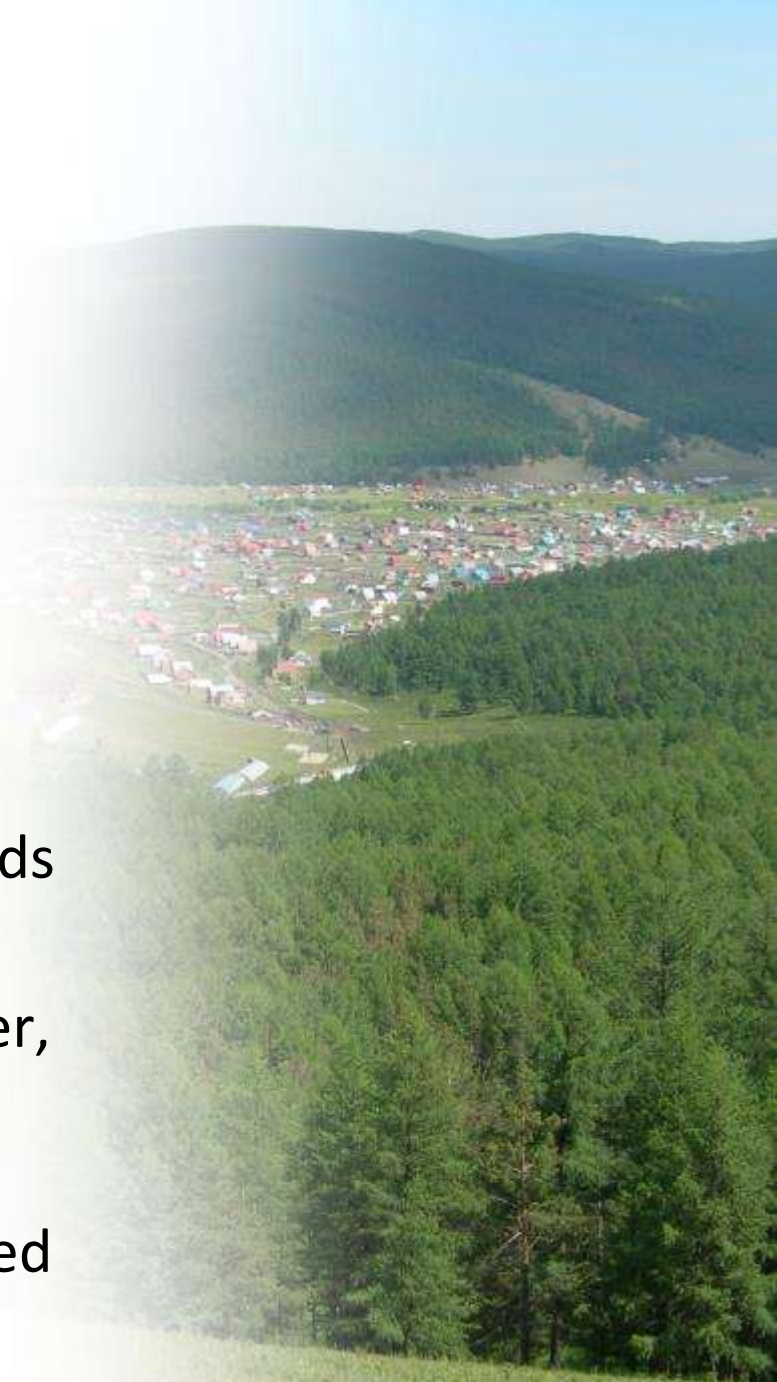
# forest financing

- primary + secondary public spending MNT 15 billion: mainly focused on production forest management and restoration
- donor funding MNT 4 billion: mainly focused on species and ecosystem protection
- both public and donor funding have been increasing over time
- but private investment and market instruments remain low



# coverage & effectiveness

- values = MNT 430 billion  
funding = MNT 20 billion
- every MNT 1 helps to generate MNT 22 for the economy, and MNT 2.5 public revenues
- many sectors benefit from forest goods and services: agriculture, industry, manufacturing, tourism, energy, water, climate, disaster risk reduction, etc.
- but forest funding is not being targeted to, or sourced from, these sectors



# key constraints to funding and value-addition



narrow and risky  
funding portfolio

weak application of user pays  
and cost recovery principles

weak financial and economic incentives for  
stakeholder engagement and investment

uneconomic pricing  
and costing calculations

disconnect between financial planning  
& actual operational management needs

# financing needs and opportunities

narrow and risky  
funding portfolio

sectoral  
mainstreaming

weak application of user pays  
and cost recovery principles

market  
development

weak financial and economic incentives for  
stakeholder engagement and investment

stimulating  
investment

uneconomic pricing  
and costing calculations

strengthening  
planning

disconnect between financial planning  
& actual operational management needs

# financing needs and opportunities

1. Integrate forests into sectoral spending
2. Integrate sectoral values into forest budgets

sectoral  
mainstreaming

3. Forest PES
4. Forest biodiversity offsets
5. Value-added & processing

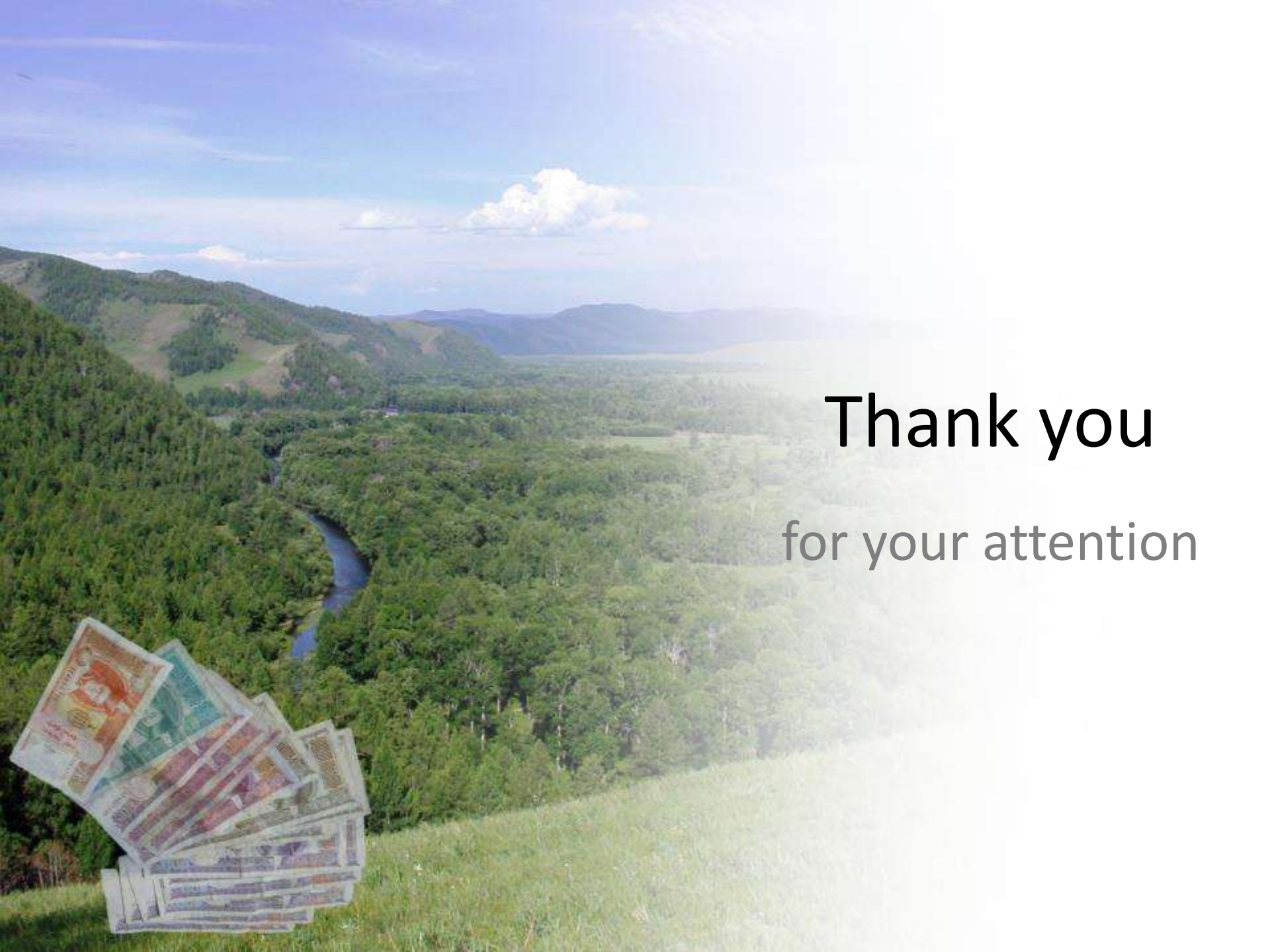
market  
development

6. Mobilise credit & capital
7. Create enabling incentives

stimulating  
investment

8. Rationalise price & cost norms
9. Improve earmarking & retention
10. Harmonise financial & management planning

strengthening  
planning



Thank you  
for your attention