

## Expert Group on valuation of and payments for forest ecosystem services

### 1. Background

Following the outcomes of the Seventh Ministerial Conference (Madrid, Spain, 20-21 October 2015), the Expert Level Meeting (ELM) held in Bratislava, Slovakia on 11-12 May 2016 approved FOREST EUROPE Work Programme (FE WP) for the period 2016-2020.

The FOREST EUROPE Expert Group (EG) on valuation of and payments for forest ecosystem services is established according to the FE WP Action 4.4 “*Incorporating the value of forests ecosystem services in a green economy*” and its two activities 4.4.1 and 4.4.2 “*Promotion of the Pan-European practices on valuation of and payments for forest ecosystem services.*”

At the Madrid Conference, the ministers responsible for forests expressed their commitment to recognise the key role of forest ecosystem services (FES). In the Madrid Ministerial Resolution 1 “*Forest sector in the center of a green economy*”, the ministers committed themselves to:

- *Recognise the key role of forest ecosystem services in the contribution of forests to a green economy.*
- *Promote the exchange of information on methodologies and practices on the valuation of and payments for forest ecosystem services as well as policy approaches to this end.*
- *Support the development and possible application of common methodologies for the valuation of forest ecosystem services.*
- *Make further efforts to have the full value of forest ecosystem services better reflected in forest related policies and tools inter alia national forest programmes or equivalents, guidelines, market based instruments and payments for ecosystem services.*

Prior to the Madrid Resolution 1 “*Forest sector in the center of a green economy*” (2015) essential benefits provided by forests and the importance of the value of forest goods and services had already been recognised in Vienna Living Forest Summit Declaration “*European Forests – Common Benefits, Shared responsibilities*” (2003), and Oslo Decision “*European Forests 2020*” (2011). Water related services were addressed in Warsaw Declaration (2007) and Warsaw Resolution 2 “*Forest and Water*” (2007).

Noting the importance of recognizing the role of FES, the Expert Group will continue exploring different approaches to valuation of and payments for FES existing within the pan-European region in order to identify possible methodologies and replicable experience.

In the pan-European region, high importance of this issue is emphasised by the former and ongoing work carried under the guidance of different international organizations and initiatives, e.g. joint effort of UNEP/UNECE/FAO on payments for ecosystem services in a green economy<sup>1</sup>; study on valuation and payment approaches for water related FES conducted by UNECE/FAO Forestry and Timber Section; findings from the large EU project NEWFOREX<sup>2</sup>; outcomes of the FORVALUE<sup>3</sup> project coordinated by EFI-EFIMED;

<sup>1</sup><https://www.unece.org/fileadmin/DAM/timber/publications/SP-34Xsmall.pdf>

<sup>2</sup><http://www.newforex.org/>

<sup>3</sup><http://www.efimed.efi.int/portal/projects/>

COST Action E45 EUROFOREX on valuation of externalities produced by different types of forest in Europe; activities of the Joint Research Centre of the European Commission (EC JRC) on analysis of FES and its implementation into Forest Information System for Europe<sup>4</sup>; studies of DG AGRI and DG ENVIRONMENT of the European Commission on valuation and assessment of ecosystem services; The Economics of Ecosystems and Biodiversity (TEEB) aimed to mainstream values of biodiversity and ecosystem services<sup>5</sup>; Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) focusing on global and regional assessment of biodiversity and ecosystem services;<sup>6</sup> and many others.

The activity will build on the outcomes of the above mentioned work of organizations, initiatives, former FOREST EUROPE work (e.g. outcomes of the work of the former FOREST EUROPE Expert Group on valuation of FES<sup>7</sup>) and the experience of signatory countries.

## 2. Detailed activities of the Expert Group

Detailed activities of the EG are based on the Action 4.4 of the approved FE WP 2016-2020:

Activity	Time frame	Related Goals & Targets <sup>8</sup>
<b>Promotion of the Pan-European practices on valuation of and payment for forest ecosystem services</b>		
<p>4.4.1.  <i>An <u>analysis</u> shall be carried out on different approaches, methodologies and best practices examples on valuation of and payments for FES particularly in the signatory countries. Subsequently, recommendations for implementation of valuation approaches of and payment for FES shall be proposed to better reflect them in forest related policies and tools for practical usage. This activity will be delivered in close cooperation with the Joint UNECE/FAO Forestry and Timber Section.</i></p>	2017-2018	G1, G2 T4, T8
<p>4.4.2.  <i>Based on the outcomes of activity 4.4.1., a <u>web-based portal</u> shall be established to serve as a platform for knowledge and information exchange on valuation methodologies of and payments for FES as well as sharing best practices in this field. Recommendations for policy makers will be an integral part of the portal with the aim to facilitate the implementation of valuations methods for the FES. The draft of common methodologies for valuation of FES shall include the case studies in which payments for FES present a useful tool for transition to a green economy.</i></p>	2018-2019	G1, G2 T4, T8

<sup>4</sup><http://forest.jrc.ec.europa.eu/activities/forest-ecosystem-services/>

<sup>5</sup><http://www.teebweb.org/>

<sup>6</sup><http://www.ipbes.net/regional-global-assessments>

<sup>7</sup><http://foresteurope.org/themes/#1470732368727-ffd4e8f9-fb95>

<sup>8</sup> [http://foresteurope.org/wp-content/uploads/2016/11/MC\\_oslo\\_decision.pdf](http://foresteurope.org/wp-content/uploads/2016/11/MC_oslo_decision.pdf)

### 3. Scope and objectives

Expert Group is an *ad hoc* mechanism established with the purpose of advancing implementation of the Work Programme on specific subjects of technical, scientific or political nature.

The EG is initiated to share expertise, exchange experience and formulate recommendations for policy makers on the thematic issues and challenges related to valuation of FES and implementation of PES schemes.

The objective of the work of the EG is to provide policy and expert advice to the ELM and guidance to the Liaison Unit Bratislava (LUB) in their work related to the activities 4.4.1 and 4.4.2 of the FE WP. More specifically, the EG will carry out tasks as described below:

#### 1. Analysis of different approaches and methodologies on valuation of and payments for FES

- Valuation methods are used as tools to assess the overall contribution of forest ecosystems to social and economic well-being; to understand how and why (and where) the stakeholders use forests as they do; as well as can provide useful information to policy-makers by highlighting the economic consequences of an alternative action. A number of different economic valuation approaches and methods have been developed so far to determine the value of FES. The EG will continue analysing different approaches and methodologies on valuation of FES in the pan-European region (using e.g. project outcomes, studies, reports, literature etc.). The EG will take into account the outcomes of the previous work done by FOREST EUROPE in this area i.e. “Toolbox with different valuation approaches” as well as “Means of overcoming difficulties in valuation of FES, which shall be further develop and complemented (for more information, please see the Final report<sup>9</sup> of the former EG on valuation of FES p. 19-21, and 41-42).
- Valuation may help to design mechanisms to capture the benefits of the services and in establishing finance/incentive systems such as payments for FES. PES covers a variety of financing arrangements through which the beneficiaries of FES pay the providers of the services. The second part of the analysis will comprise main approaches to payments for FES and types of PES schemes or financial arrangements. For purposes of the analysis, emphasis will be given on three basic schemes: (i) public schemes or government-financed PES (Pigouvian type), (ii) private schemes or user-financed PES (Coasean type), and (iii) public-private schemes (mixed type).

#### 2. Review of case studies/best practice examples of valuation methods and PES schemes implemented in signatory countries

- Review of case studies/best practice examples of valuation of FES and PES schemes will be carried out based on case examples provided by countries or organizations and other available resources such as online databases, portals, project outcomes, study papers etc.
- The EG will collect case studies illustrating application of different valuation methods for FES in various signatory countries. A series of selected case studies will describe (i) case study area, (ii) type of forest ecosystem service valued, (iii) data collection/data sources, (iv) valuation method/approach applied incl. type of measure, (v) results of valuation study, (vi) references.
- The EG will collect and review best practice examples of PES schemes implemented in different signatory countries. The review will follow a common background: (i) country/region (ii) type of PES scheme, (iii) type of compensated or improved forest ecosystem service (iv) description of environmental problem or issue that is addressed, (v)

---

<sup>9</sup> [http://foresteurope.org/wp-content/uploads/2016/11/Report\\_Valuation\\_FES\\_ForestEurope.pdf](http://foresteurope.org/wp-content/uploads/2016/11/Report_Valuation_FES_ForestEurope.pdf)

identification of stakeholders (provider/seller and consumer/buyer of FES), and (vi) description of the PES scheme applied.

### 3. Proposal of recommendations for policy makers

- The EG will elaborate Final report to be presented at ELM, comprising results of the analysis, review of case studies/best practice examples and proposed recommendations for policy makers.
- The EG will propose recommendations for implementation of valuation of FES to better reflect the value of FES in forest related policies and tools (including national forest programmes, guidelines, market based instruments and payments for FES). Within the recommendations a draft of common methodologies for valuation of FES shall include the case studies in which payments for FES present a useful tool for transition to a green economy.

Outputs of the EG work will serve as a base for establishment of a **web-based portal** in order to promote exchange of information, experience including best practice examples as well as recommendations for policy makers on the thematic issues on valuation of and payments for FES in the pan-European region. Members of the EG will be invited to comment on the scope, structure and content of the portal.

The EG might reconsider the given scope of their tasks and may propose modifications, if necessary, however they should be in line with the ministerial commitments and FE WP adopted for the period 2016-2020.

## 4. Composition of the EG

The EG is to be composed of relevant experts nominated by signatory countries and observer organizations/countries. Each signatory/observer can nominate its experts according to interest and availability to contribute to the Action. The EG is open-ended. In case of need other relevant independent experts or relevant organizations can be invited to provide their expertise on specific subject.

## 5. Mode of operation and outputs

The need for establishment of the EG on valuation of and payments for FES results from activities included in the FE WP 2016—2020 adopted by ELM held in Bratislava, in May 2016. The EG is established for the period January 2017 – December 2018.

**Mode of operation** of the EG comprises **two face-to-face meetings** combined with **continuing work between the meetings** *e.g.* analysis of documents, preparing drafts of documents, etc. The **first meeting** of the EG will tentatively be arranged in September 2017 in order to exchange experience and lessons learned on the work done so far and to discuss thematic focus and further steps of the EG work. The **second meeting** is scheduled for autumn 2018 with the aim to finalise the outputs of the EG. Opportunities will be actively sought to organize the meetings in partnership with relevant international organizations working on the topic, and in conjunction with other events wherever possible.

If there is a need to discuss particular issues between the face-to-face meetings, **online consultations** will be arranged. Moreover, other appropriate forms of work can be considered by the EG, considering their effectiveness, efficiency and transparency.

Liaison Unit Bratislava will provide technical, administrative and logistics support to the EG as well as will serve as contact point for communication between EG members.

## Expected outputs of the EG

The EG will elaborate **Final report** summarizing its findings including:

- results of the analysis of different approaches and methodologies on valuation of and payments for FES,
- a set of case studies/best practice examples of valuation methods and PES schemes existing in FOREST EUROPE signatory countries, and
- recommendations for policy makers including a draft of common methodologies for valuation of FES.

The Final report will be submitted to ELM for its consideration and adoption.

## 6. Indicative time schedule

Activity	Date
Establishment of the Expert Group <ul style="list-style-type: none"> <li>• commenting the draft of the background document by EG members</li> <li>• provision of information on the work done by previous EG on valuation of FES</li> </ul>	January 2017
Preparation of the first part of the analysis – Valuation of FES <ul style="list-style-type: none"> <li>• first draft of the literature review on different approaches and methods on valuation of FES (prepared by Slovak experts)</li> <li>• further development of the draft of literature review on different approaches and methods on valuation of FES (involvement of all EG members)</li> <li>• collecting of case examples of FES valuation in signatory countries</li> <li>• finalizing of the first part of the analysis</li> </ul>	13 February – 17 March 2017  17 March – 30 June 2017  March – December 2017  December 2017
First meeting of EG members	second week of September 2017
Preparation of the second part of analysis – Payments for FES <ul style="list-style-type: none"> <li>• literature review on payments schemes and financial mechanisms for FES</li> <li>• collecting of success examples of PES schemes implemented in signatory countries</li> </ul>	January – July 2018  January – July 2018
Final meeting of EG members	September 2018
Formulation of conclusions and recommendations for policy makers	September – November 2018
Finalizing of the final report	November - December 2018