

KEY MESSAGES

- **A strong need as well as a lot of potential for mobilizing resources to support SFM**
- **Some efforts are being made but much needs to be done.**
- **Need for facilitating the process, knowledge sharing, and capacity building**
- **The time to do is right now**

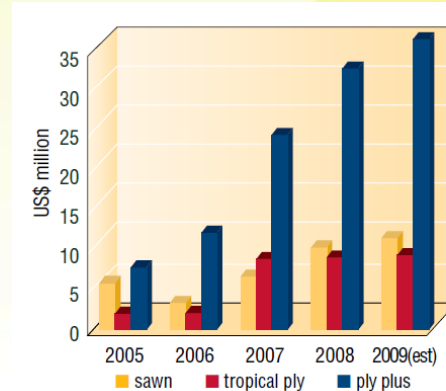
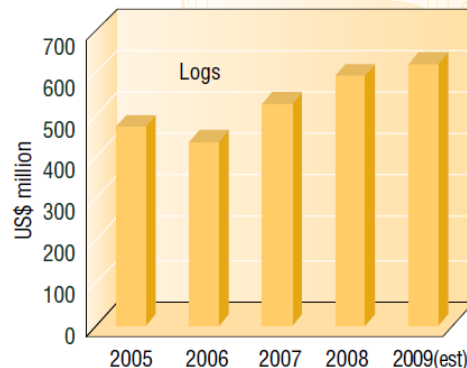
Both Push and Pull Mechanisms

- **Regulatory**
 - FLEGT, EU ban of illegal timber/US Lacey Act
 - Green energy mandates in Europe etc
 - American Clean Energy and Security Act- potential for a multi-billion carbon market
 - Certification schemes
- **Loss of forests**
 - Conversion and degradation (ban on logging in natural forests)
 - Loss of livelihoods for the poorest of the poor
- **Loss of invaluable ecosystem services**
 - Loss of biodiversity (Unique and endemic spp)
 - Soil fertility, ability to fight climate change

Increasing Demand for Forest Products and Services

- More than tightening the supply, it is the growing demand
 - China: Urban population from 530 million to 875 million by 2030 (50 cities the size of greater London)
 - India: 15% annual growth in wood imports

Moving up: Indian log and forest product import trends



Source: ITTO

Increasing Demand for Forest Products and Services

- **More than tightening the supply, it is the growing demand**
 - New Urbanism and Green Economy movements
 - Global economic crisis
 - Forestry is the only low-risk, high-return asset: 6.5% a year for the last century- counter cyclical
 - Expansion of middle class and urbanization
 - Absentee landowners
 - FDI

	1989–1991	2003–2005
FDI Flows (US\$ millions)		
<i>Inward</i>		
Agriculture, forestry, and fishing ^a	602	1,855
Wood, pulp, and paper products	237	516
<i>Outward</i>		
Agriculture, forestry, and fishing ^a	45	221
Wood, pulp, and paper products	74	30

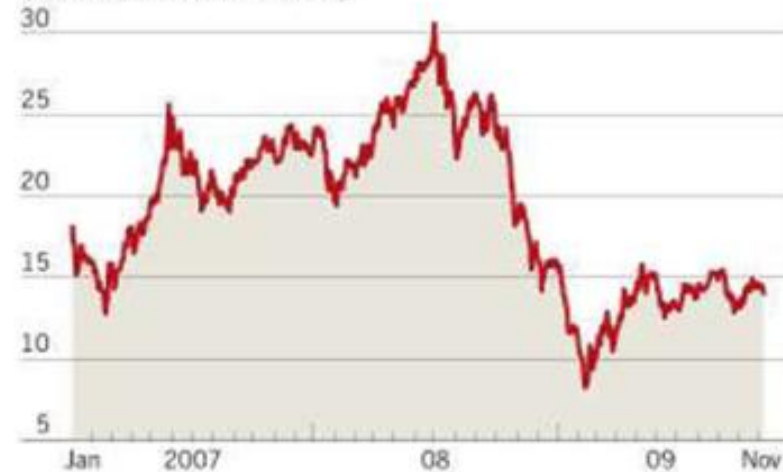
Source: Markku Simula, 2008

New Revenue Streams

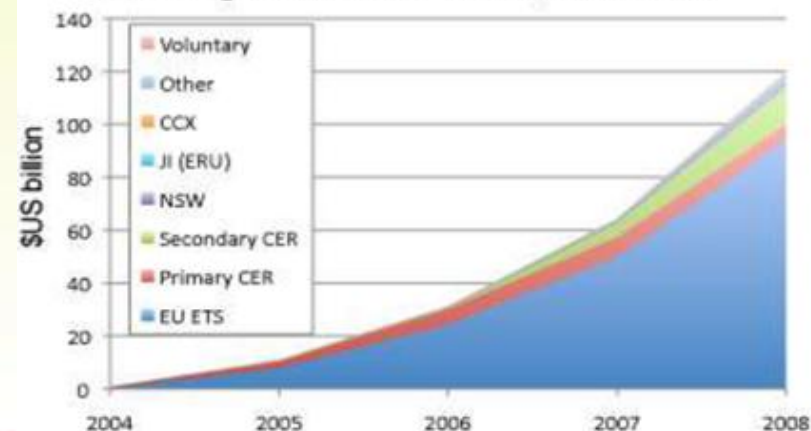
- **Global**
 - Carbon (REDD voluntary, bi/multi-lateral, volatile ?)
 - Biodiversity/bio-prospecting
- **Regional/Local**
 - Watershed
 - Landscape/greenery
 - Ecotourism
 - NTFP
 - Medicinal/cosmetic
 - Cultural

The recession has pushed down carbon prices . . .

Price of EU carbon permits in Emission Trading System
(Dec 2009 contract, €/tonne)



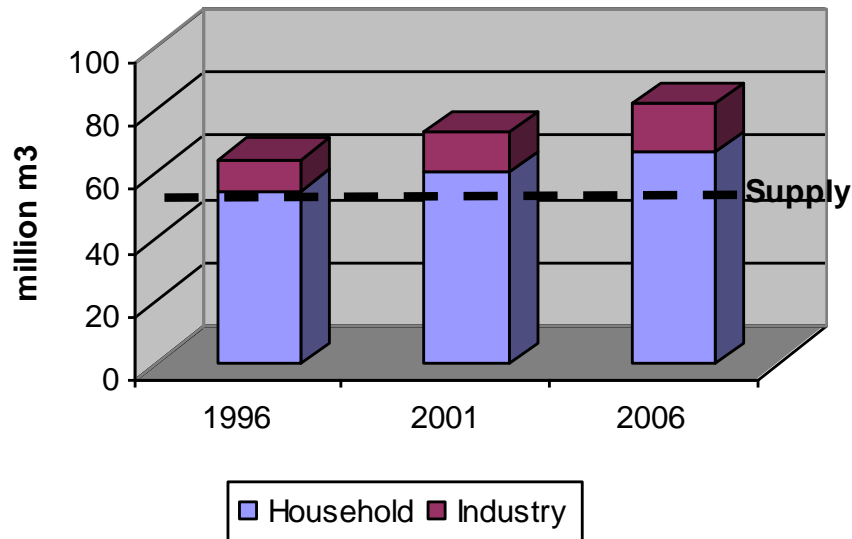
Value of global carbon markets, 2004-2008



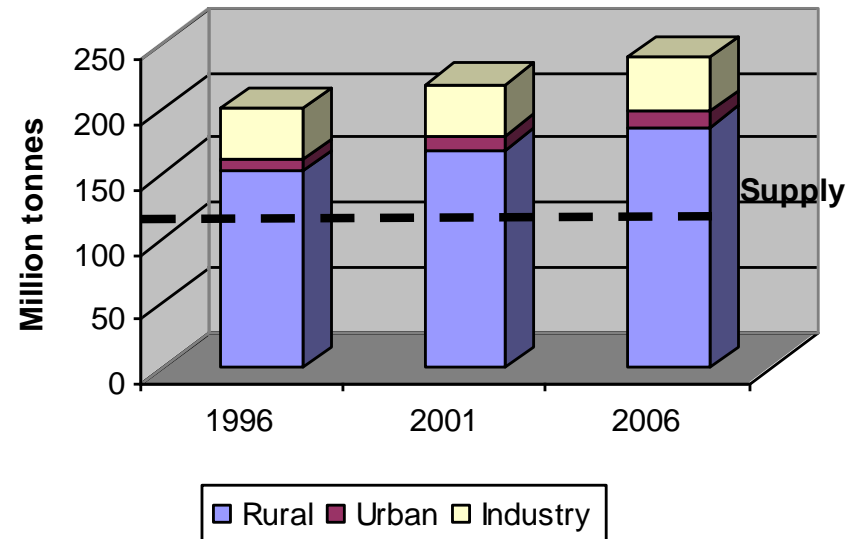
Glaring Gaps Between Demand & Supply

Sustainability is still a concern

Timber Supply and Demand



Fuelwood Supply and Demand



Source: National Forest Commission 2006, India

Constraints to Investment

**Institutional
Investors
Mainstream Bankers**

- Lack of capacity/ sector knowledge
- Large investments only
- Low risk investments only
- Very few business cases

- High risk & uncertainty
- High transaction costs, bureaucracy
- Low visibility investment
- No independent information

**Forest owners
Forest farmers
Forest industry
Forest communities**

- Economies of scale
- Low revenues (?)
- Uncertainty in returns
- Collateral /liquidity
- Limited access to capital
- Lack of entrepreneurial capacity
- Limited documentation (cash flows/financial analyses)

Government

- Laws/enforcement
- Property rights

Facilitating Financing

- Match-funding
- Risk-sharing
- Market promotion
- Certification
- Monitoring
- Knowledge sharing

**Institutional
Investors
Mainstream Bankers**

**Intermediary/facilitator/
forum**

**Forest owners
Forest farmers
Forest industry
Forest communities**

- Lack of capacity/ sector knowledge
- Large investments only
- Low risk investments only
- Very few business cases



- Economies of scale
- Low revenues (?)
- Uncertainty in returns
- Collateral /liquidity
- Limited access to capital
- Lack of entrepreneurial capacity
- Limited documentation (cash flows/financial analyses)

Government

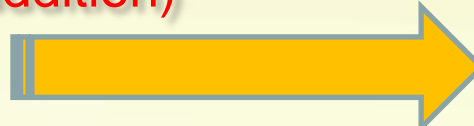
- Laws/enforcement
- Property rights

Forestry Enhancing Opportunities for Additional Income



Realize full potential value

- New products and services (~75% wood removal as fuel)
- Moving up the value chain, (processing, storage and value addition)



- Skill up-gradation
- Market access and intelligence
- Streamlining existing revenues (imbalances in rent capture, forest charges)



Investments- Mechanisms

- **Hard investments/ Direct intervention**

- **Financial**: Incentives: subsidy (**cash/kind**), grant, reduced interest rates, tax concessions, min. support price fixation,
- public-private (**leases**), private- private partnerships (banks and TG federations), wood industry
 - Microfinance, institutional investors,
- **Risk & uncertainty**: insurance, guarantee, registration, tenure clarity, buy-back/ purchase agreements (Paper mills)
- **Procedural**: modify/ eliminate/simplify permit rules & procedures
- **Transaction costs**: forest co-ops(**NTFP**), Woodlot Owners Fed

- **Soft investments**

- Manpower and capacity (training, skills, motivational incentives)
- Infrastructure (vehicles, communication equipment)
- Research (silvicultural, trade and market, finance intelligence)
- Information analysis and provision (to public/investors)
- Export/ import regulations

Investments- Mechanisms

- **Cross-sectoral linkages (mainstreaming)**
 - Poverty alleviation, employment generation (India, Nepal)
 - Soil and water conservation (**China SLCP**)
 - Tourism (Vietnam) **FES**
 - Energy (Wood energy)- **Uganda** , agriculture (agroforestry)
 - Medicinal plants, and other forest based small enterprises
- **Sustainable development based**
 - Power projects and other major development investments
 - Target rural and forest-based communities (equity)
 - Development activities that conflict with forest/envi. services
 - Forest conversion (Compensatory afforestation), Mining, roads
 - Carbon/fossil fuel taxes/ eco-taxes, levies, surcharges
 - Dedicated forest funds/ investment mechanisms (**bundling**)
 - Amazon Fund in Brazil, Re-greening Fund in Indonesia
 - Trust Funds, Working Groups, Task Forces

Market-based Approaches

Key Elements

- Clearly defined product or service
- Property rights
 - Tenure, enforceability
- Demand
 - High demand that is easy to organize (scarcity of resource, environmental awareness, small areas, good relationships between up and downstream populations)
- Supply
 - Leadership and support to process
 - Good understanding of market – underselling?
- Market
 - Science and information based
 - Low transaction costs

Main Areas of Work on FF

Goal: To stimulate further investments and enhance additional income opportunities from SFM

- Support to international processes
 - UNFF, REDD, HoF (COFO, APFC), WFC, GFP
- Contribute to conceptual / analytical work
 - Valuation, cost benefit analyses, revenue, forest fund
- Development of **National Forest Financing Strategies** (NFFS) and financing instruments
- Information provision and awareness generation
 - Website, policy briefs, Sourcebook on FF..

NFFS - Experiences

- **Latin America**

- Guatemala (November 2007)
- Peru (December 2008)*
- Suriname (June 2008)*
- El Salvador (September 2008)
- Paraguay (February 2009)
- Costa Rica (May 2009)
- Ecuador (September 2009)
- Bolivia (in pipeline)

- **Africa**

- Namibia (October 2007)
- Uganda (2010)
- West Africa 7 nations (March 2011)
- Ruanda (in pipeline)

- **Asia Pacific**

- The Philippines (August 2009)

* Module implemented by partners

Objectives

1. Establish a **mechanism/knowledge base** for systematic collection, analysis and dissemination of information and experiences on innovative financing mechanisms and strategies for SFM in AP region.
2. Promote **knowledge sharing**, making it available to potential users, and facilitating informed-decision making.
3. **Build capacity** for country led development of strategies and mechanism to finance SFM.



Partners

a) Institutions:

- Forestry/natural resources institutions
- GTZ
- ADB
- GM-UNCCD
- RECOFTC
- RUPES
- TROPENBOS
- FAO/NFP Facility
- ASEAN
- others...

b) Other key partners:

- APFC
- Universities
- Research inst.
- Development org.
- Donors
- Private sector
- others...

ขอบคุณ!

