Broadening the Financial Basis for SFM

COFO/2012/6.3
26 September 2012
Two major observations

• The forest community needs to do much more to fully avail the immense investment opportunities
• Even with some moderate efforts, big gains can be made
Outline

• Growing importance of forests and woodlands
• New and emerging opportunities for investments in forests and trees outside forests
• Persisting challenges to augment resources for SFM
• FAO’s current work on forest finance, and
• Points for consideration by COFO
Forests are vital to sustainable development

Economic

Environmental

Social
Emerging investment needs & opportunities

- Economic growth, rapid urbanization
- Forestry as a source of investment diversification
- Mainstreaming forestry in other sectors of development
- Forestry as a vital means in our transition to greener economies
Emerging investment needs & opportunities

• New revenue streams (forest PES etc)
  o Watershed, biodiversity, ecotourism, landscape/greenery
  o New products and services

• New alliances and partnerships
  o JFM, Public Private partnerships, and forest co-ops

• Innovative institutional strategies
  o National Forest Funds/Environmental Funds, “bundling”
Climate change finance: A turning point?

- Regulatory markets
- Voluntary (significant and growing)
- Bilateral/multi-lateral support

REDD+ alone: $US17-33 billion/Yr
Continuing deforestation and forest degradation

- Lost 16 mi. ha/year (1990-2000); 13 mi. ha/year (2000-2010)
Low public expenditures on forests
Low investments in planted forests

Trends in area of planted forests, 1990–2010

- Africa
- Asia
- Europe
- North and Central America
- Oceania
- South America

(million ha)

1990: Light green
2000: Medium green
2010: Dark green
Low value of wood removals

Trends in value of wood removals, 1990–2005

(billion US$)

Africa | Asia | Europe | North and Central America | Oceania | South America

1990 | 2000 | 2005
Growing imbalance in forest products trade
Limited attention to promote forest-SMEs and agroforestry

- Forest-based small and medium enterprises
  - 13 to 35% of rural non-farm employment
  - Up to 22% of household income
- Agroforestry
  - Trees are a vital component of agriculture
  - Key to addressing several pressing global challenges
Inefficient forest revenue systems

Forest Revenues $US/Ha, 2005
Major barriers to investment

- High risk and uncertainty
- High transaction costs/bureaucracy
- Economies of scale
- Lack of collateral/liquidity
- Lack of entrepreneurial capacity
- Lack of standards and safeguards, and transparency
- Limited communication among key stakeholders
- Limited access to market and financial information
Enabling environment: Key

- Good governance, secure property rights
- Strengthened capacities
- Improved cross-sectoral linkages
- Appropriate incentives
- Enhanced visibility

Investors

Facilitation/
Multi-stakeholder forum

Forest owners/
managers /
communities

Government
Recent FAO – NFP Facility activities
Facilitating financing for SFM

• Country level
  – Mobilizing domestic resources (through NFFS)
  – Capacity building (finance, MA & D)
  – Technical assistance (GEF, Climate change finance)
  – Promoting the importance of forests and forestry

• Global/Regional level
  – Contribute to the work of CPF
  – Developing guidelines and other support material
  – Sharing of information and best practices
  – Highlighting the importance of forest financing
FAO Forestry and GEF

GEF- 4: Eight projects (GEF USD 30m, CF USD 95m)
GEF- 5: Aiming for USD 100m, with 400m CF.

Target: $1 billion investment in forests

$750 million from STAR Allocation

$250 million from SFM/REDD+ Incentive

Incentive funds released in ratio of 3:1 of FA investment

Potential green investment scenario (G2)- 2050

To move away from Business As Usual (BAU) scenario: US$40 billion/year

Source: Investing in Natural Capital, UNEP (2011)
Key issues for consideration

Committee may wish to recommend that:

• Countries develop suitable strategies for financing SFM
• Note the accomplishments of CPF in support of forest financing
• Request FAO to support national efforts with emphasis on:
  o Developing necessary institutional capacities and expertise
  o Demonstrating the multiple benefits of public investments in forests
  o Mainstreaming the contribution of forest ecosystem services in national planning and financial accounting
  o Creating new revenue streams and other innovative approaches to improve investment environment, and
  o Enabling better access to international finance
Thank you!