

# Broadening the Financial Basis for SFM

COFO/2012/6.3  
26 September 2012

FORESTS:  
A GREEN PATHWAY  
FOR HUMAN  
DEVELOPMENT

COFO 21  
WORLD FOREST WEEK



# 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

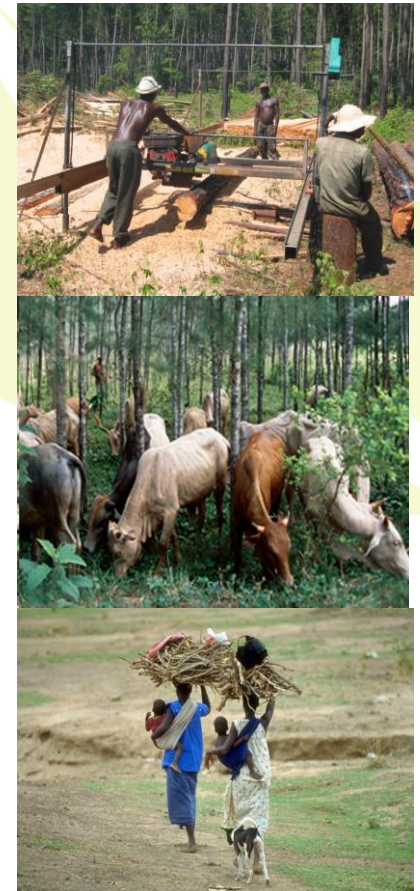
## Economic



## 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



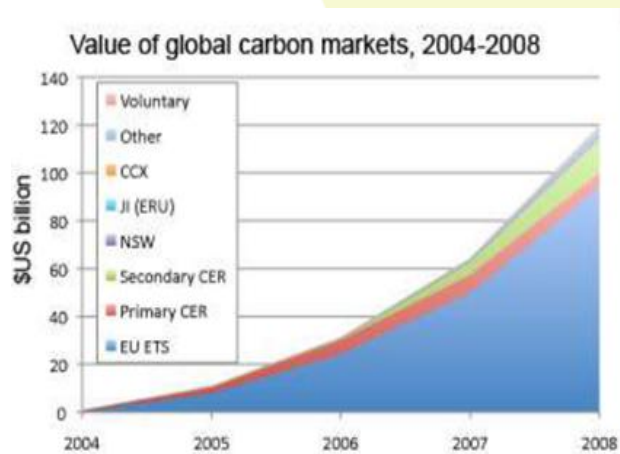
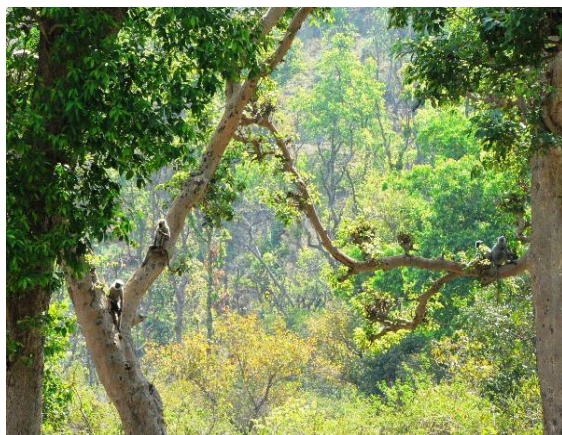


# Emerging investment needs & opportunities

- New revenue streams (forest PES etc)
  - Watershed, biodiversity, ecotourism, landscape/greenery
  - New products and services
- New alliances and partnerships
  - JFM, Public Private partnerships, and forest co-ops
- Innovative institutional strategies
  - National Forest Funds/Environmental Funds, “bundling”



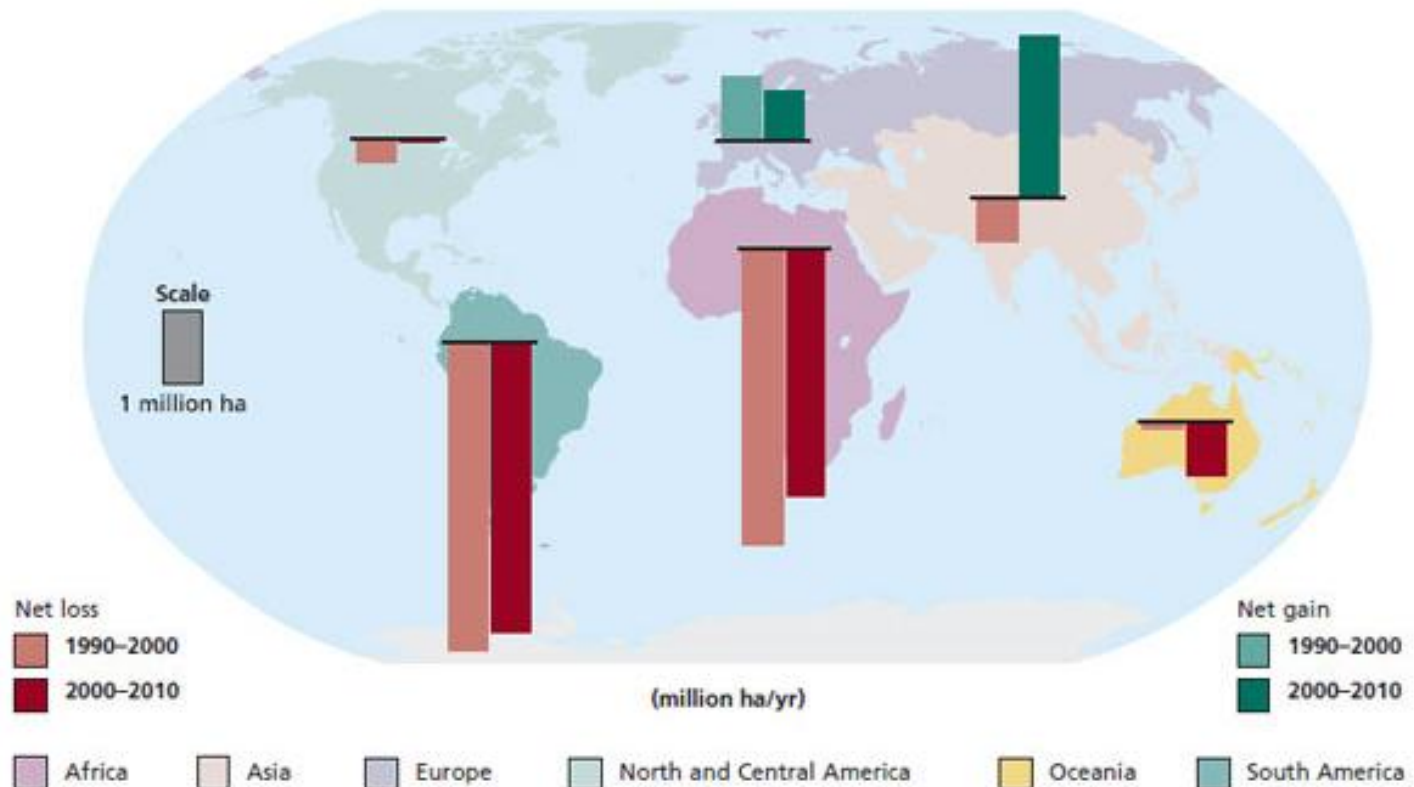
# Climate change finance: A turning point?



- Regulatory markets
  - Voluntary (significant and growing)
  - Bilateral/multi-lateral support
- REDD+ alone: \$US17-33 billion/Yr

# Continuing deforestation and forest degradation

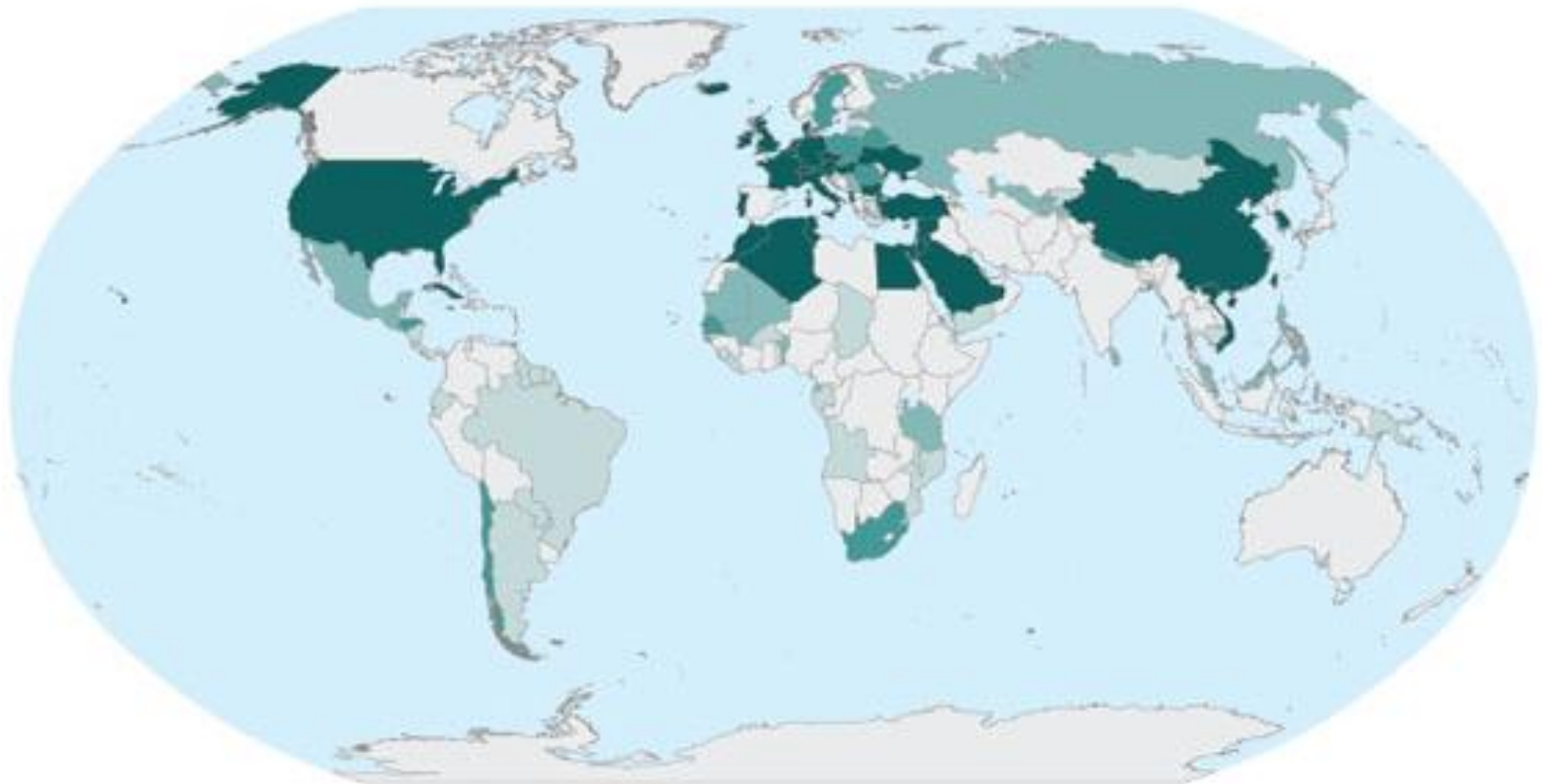
Annual change in forest area by region, 1990–2010



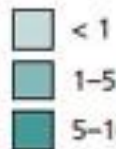
- Lost 16 mi.ha/year (1990-2000); 13 mi. ha/year (2000-2010)



# Low public expenditures on forests



(US\$/ha)



1-5

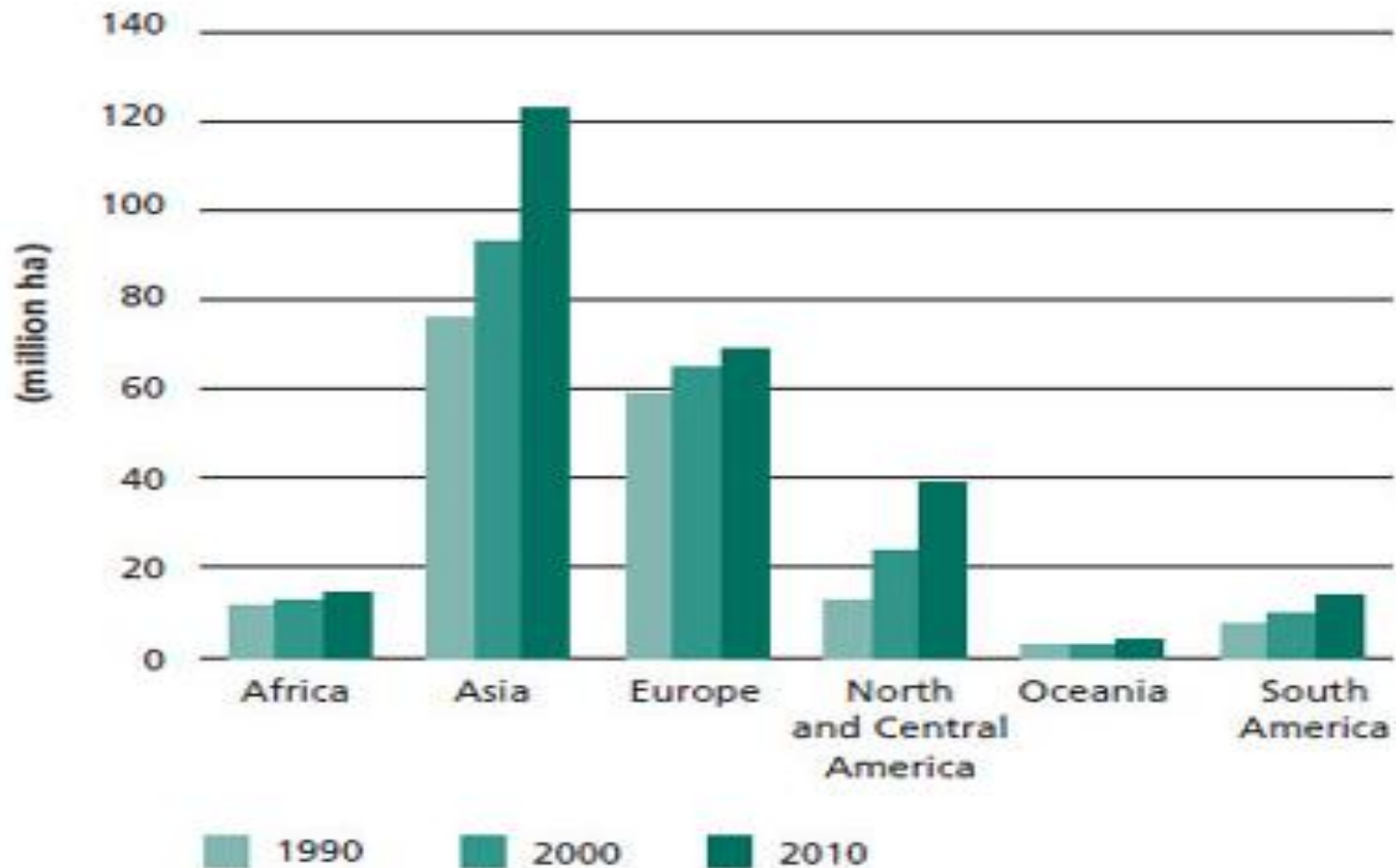
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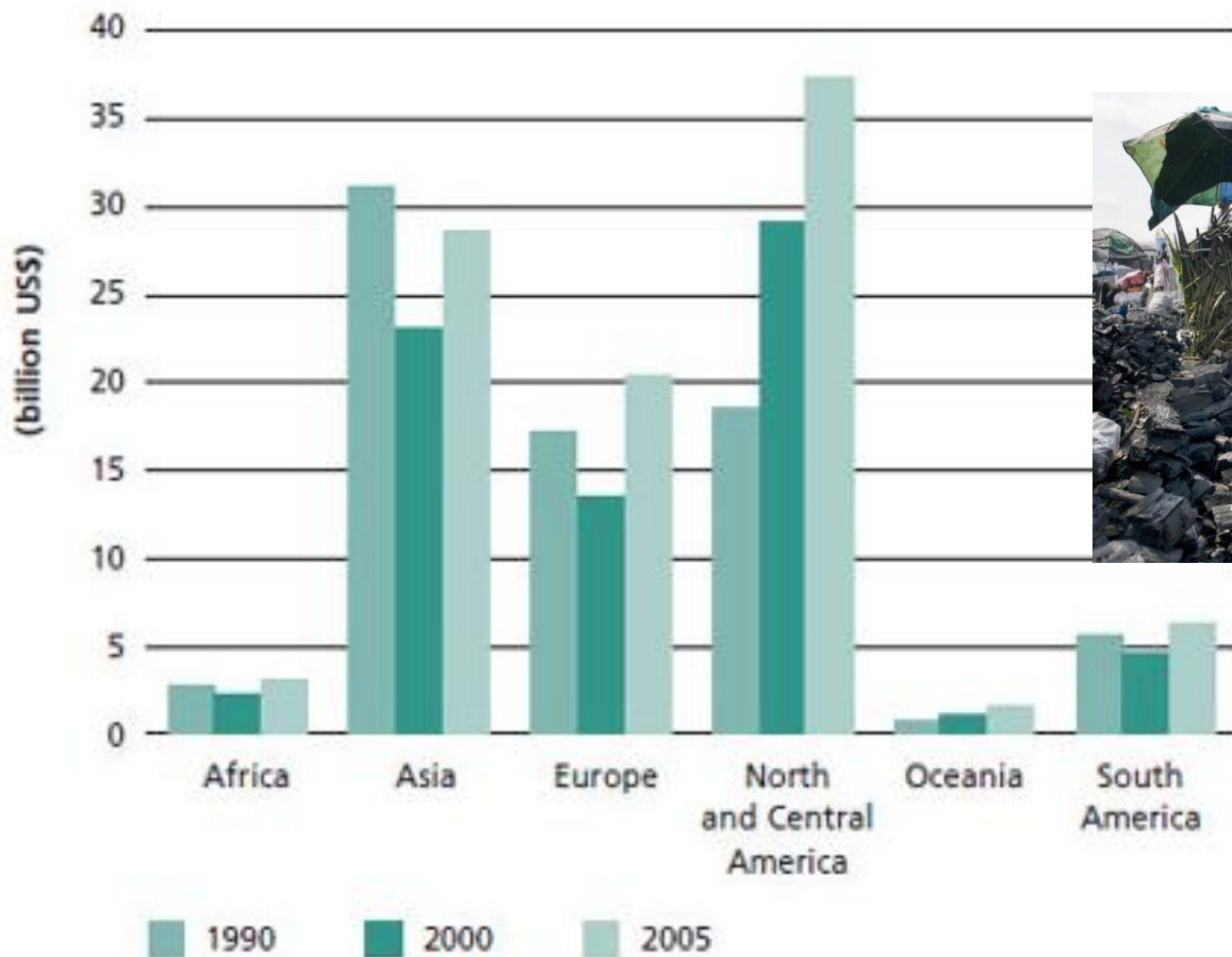
# Low investments in planted forests

Trends in area of planted forests, 1990–2010



# Low value of wood removals

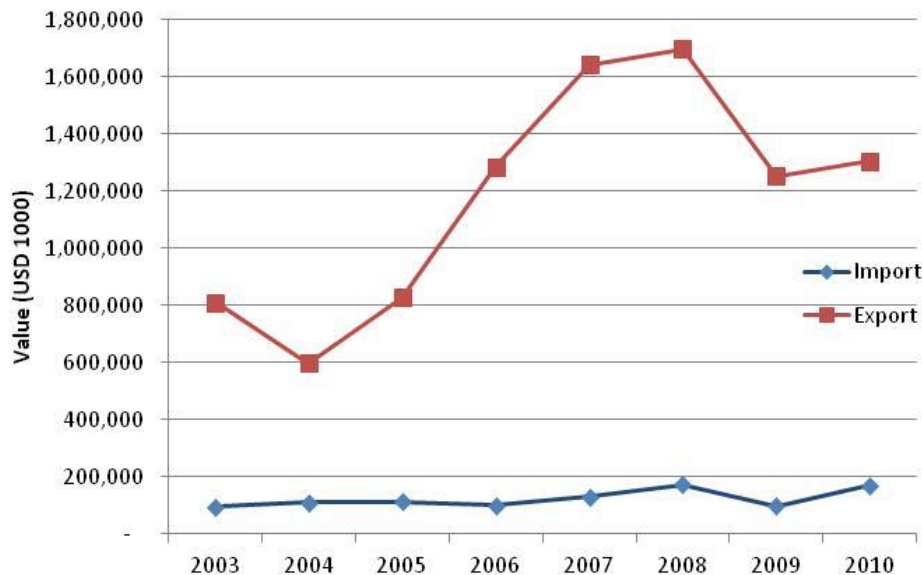
Trends in value of wood removals, 1990–2005



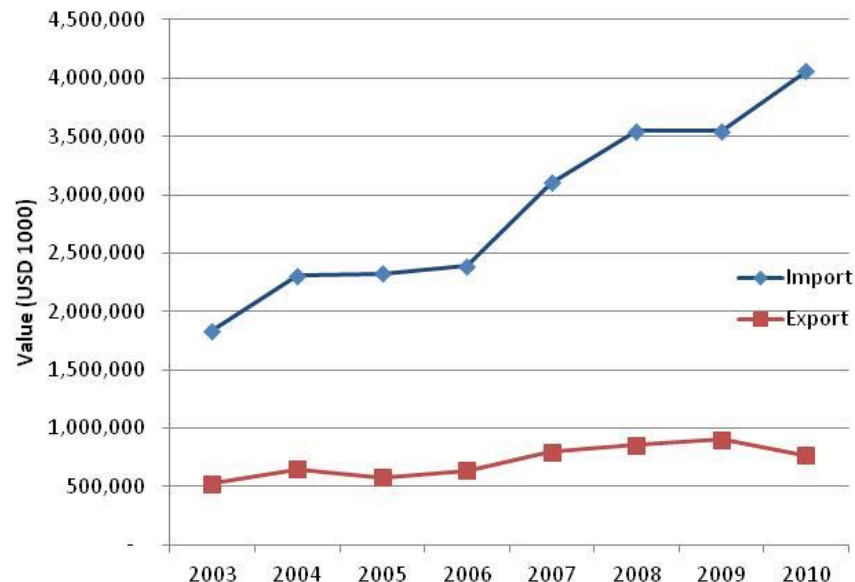


# Growing imbalance in forest products trade

Trade in Industrial Roundwood

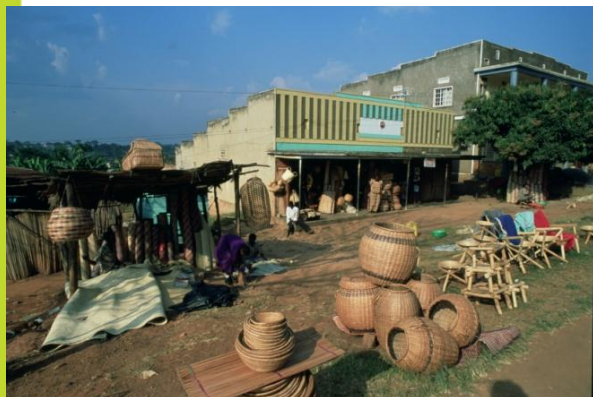


Trade in Paper & Paper Board



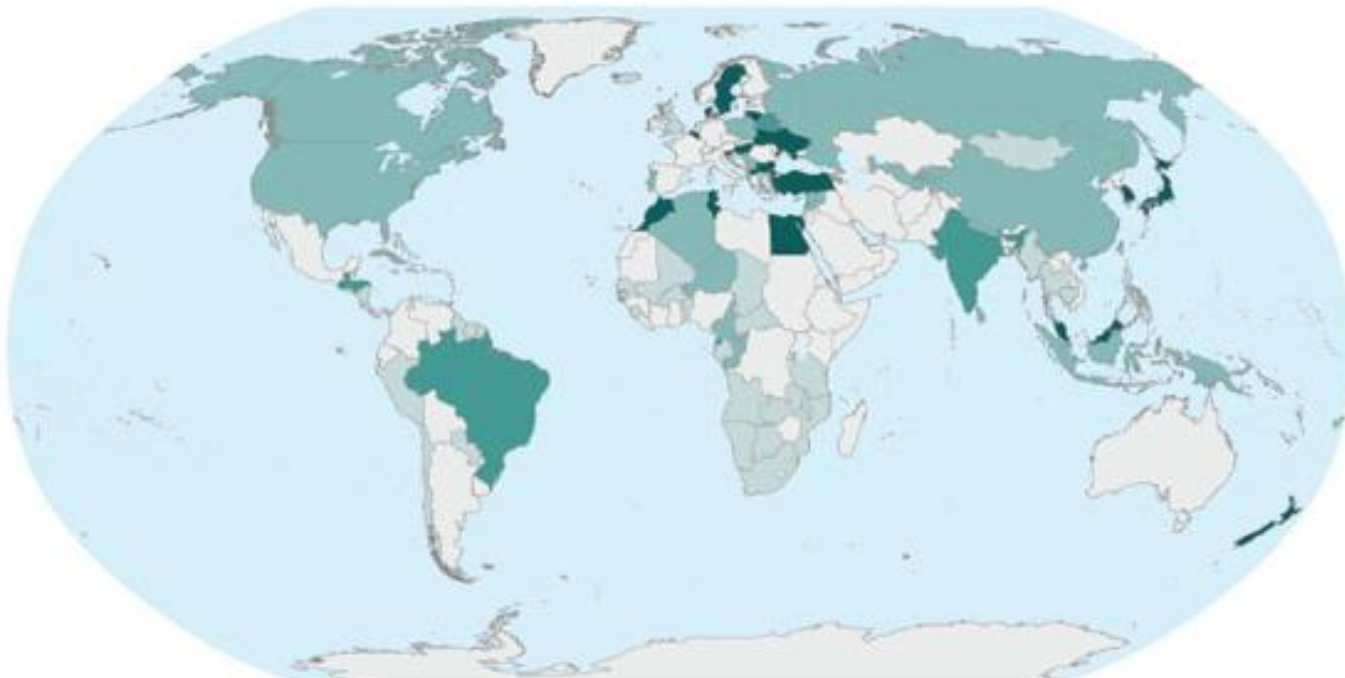
# Limited attention to promote forest- SMEs and agroforestry

- 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**

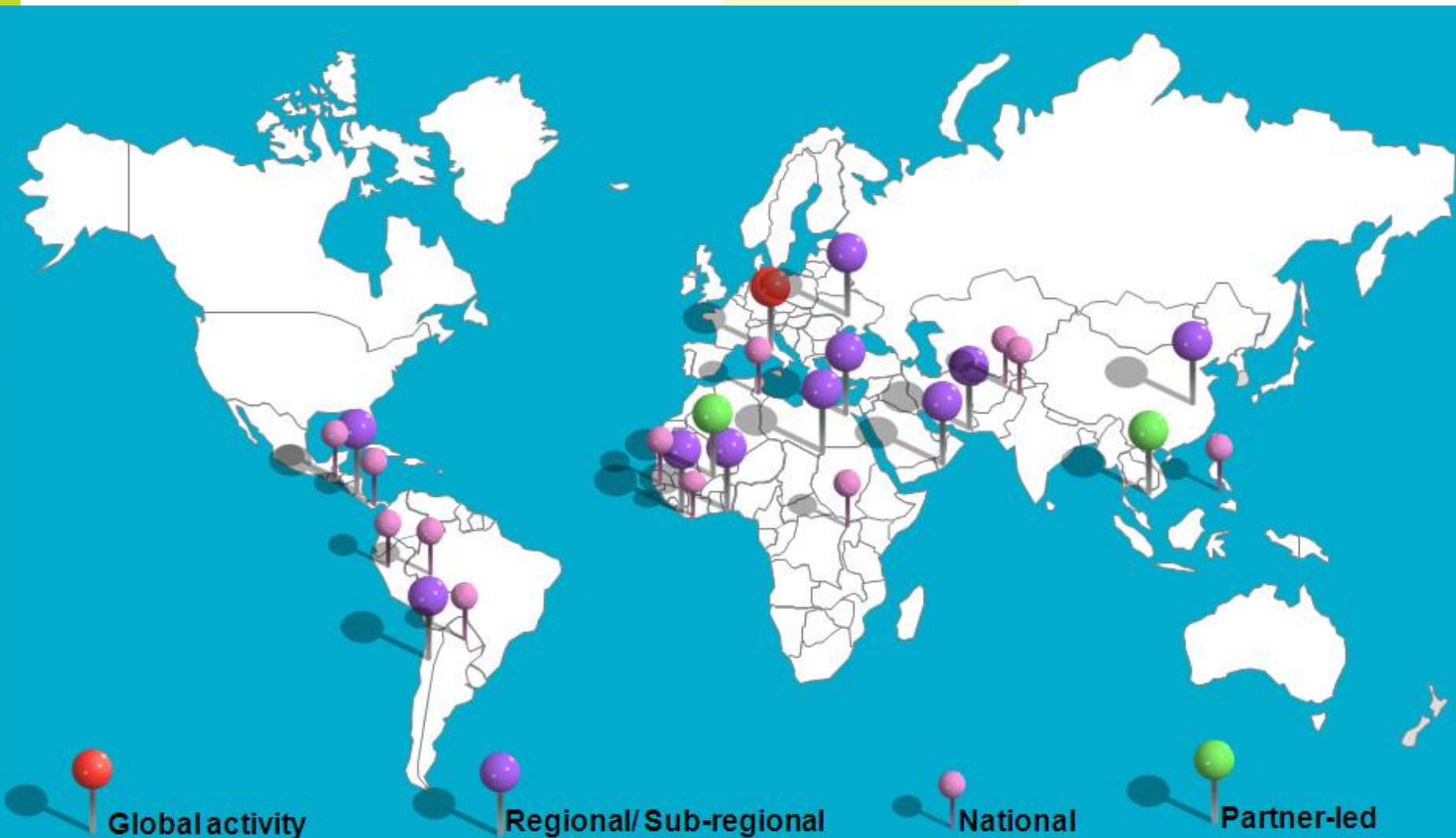
**Forest owners/  
managers  
/communities**



**Government**



# Recent FAO – NFP Facility activities





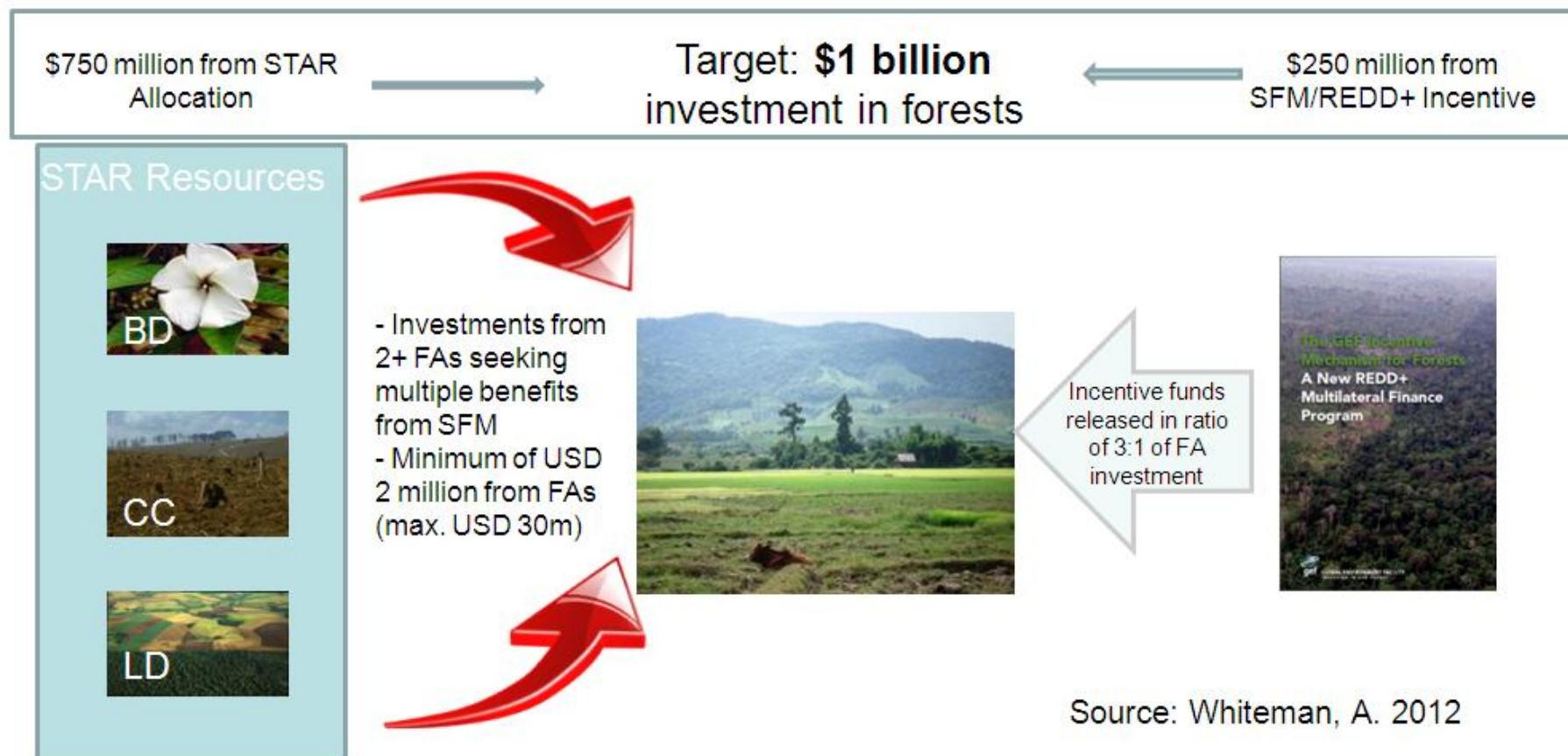
# Facilitating financing for SFM

- 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

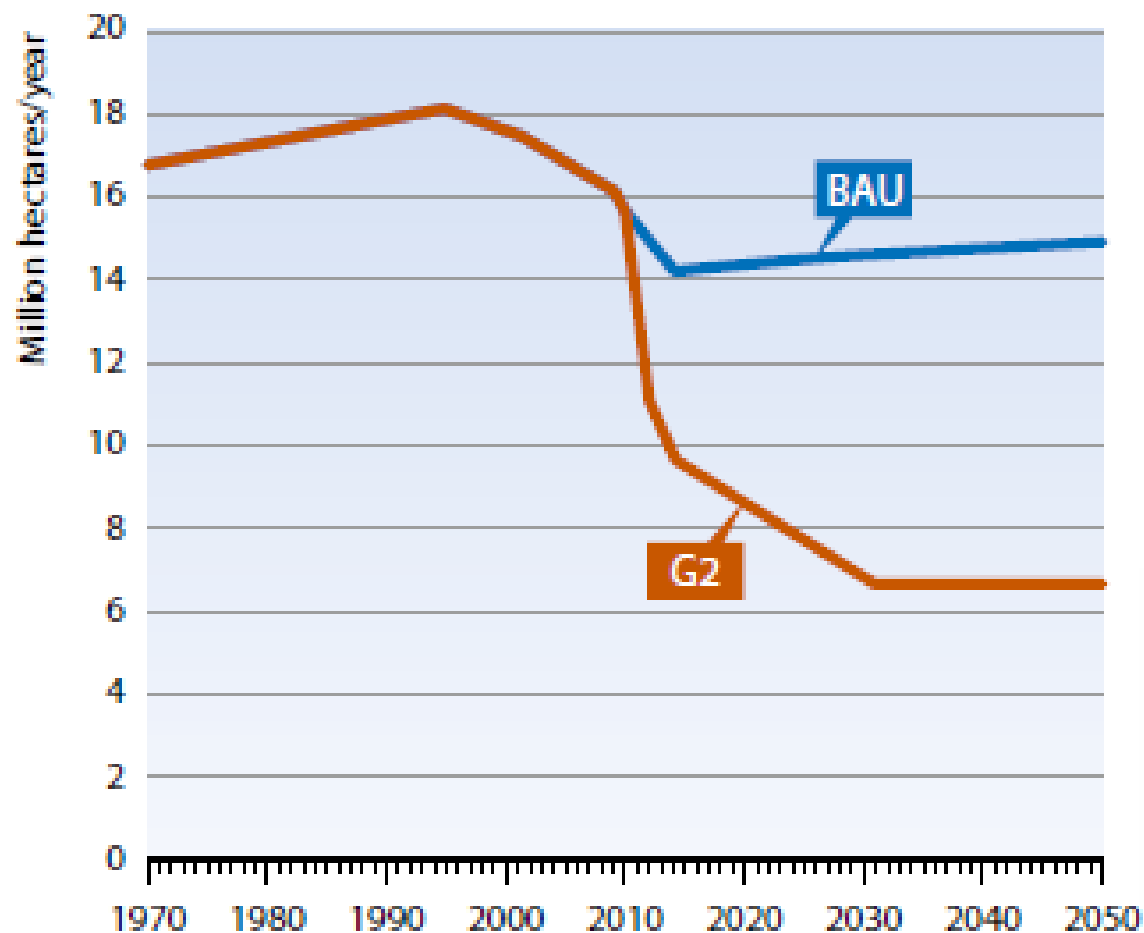
# FAO Forestry and GEF

GEF- 4: Eight projects (GEF USD 30m, CF USD 95m)

GEF- 5: Aiming for USD 100m, with 400m CF.



# 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:
  - Developing necessary institutional capacities and expertise
  - Demonstrating the multiple benefits of public investments in forests
  - Mainstreaming the contribution of forest ecosystem services in national planning and financial accounting
  - Creating new revenue streams and other innovative approaches to improve investment environment, and
  - Enabling better access to international finance

*Thank you!*

