

Economic
Development

Biodiversity

livelihoods

Protected areas
Conservation
Forest values
Poverty reduction

Southern Eastern Africa Region Forest Investment Forum June 13-16, 2006



Main Conclusions of Forum Discussions

TFD Scoping Dialogue on Poverty Reduction
Through Commercial Forestry
Gerhard Dieterle
Forest Adviser, The World Bank
South Africa June 19-21, 2006



Objectives and Goals of the Forum

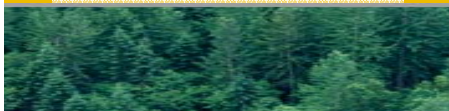
Objective

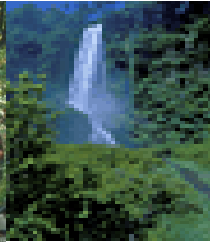
“To identify emerging investment project opportunities and to agree on actions that could be taken by Forum participants to create an enabling environment for socially, environmentally and economically sustainable private sector investment”

Goals of the Forum

- ***Learning from experiences gained so far in the Southern African Region and elsewhere***
- ***Providing a forum for discussion between all stakeholders, and***
- ***Identifying a set of “best practices” which have proven to work in various situations***

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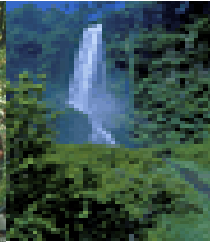




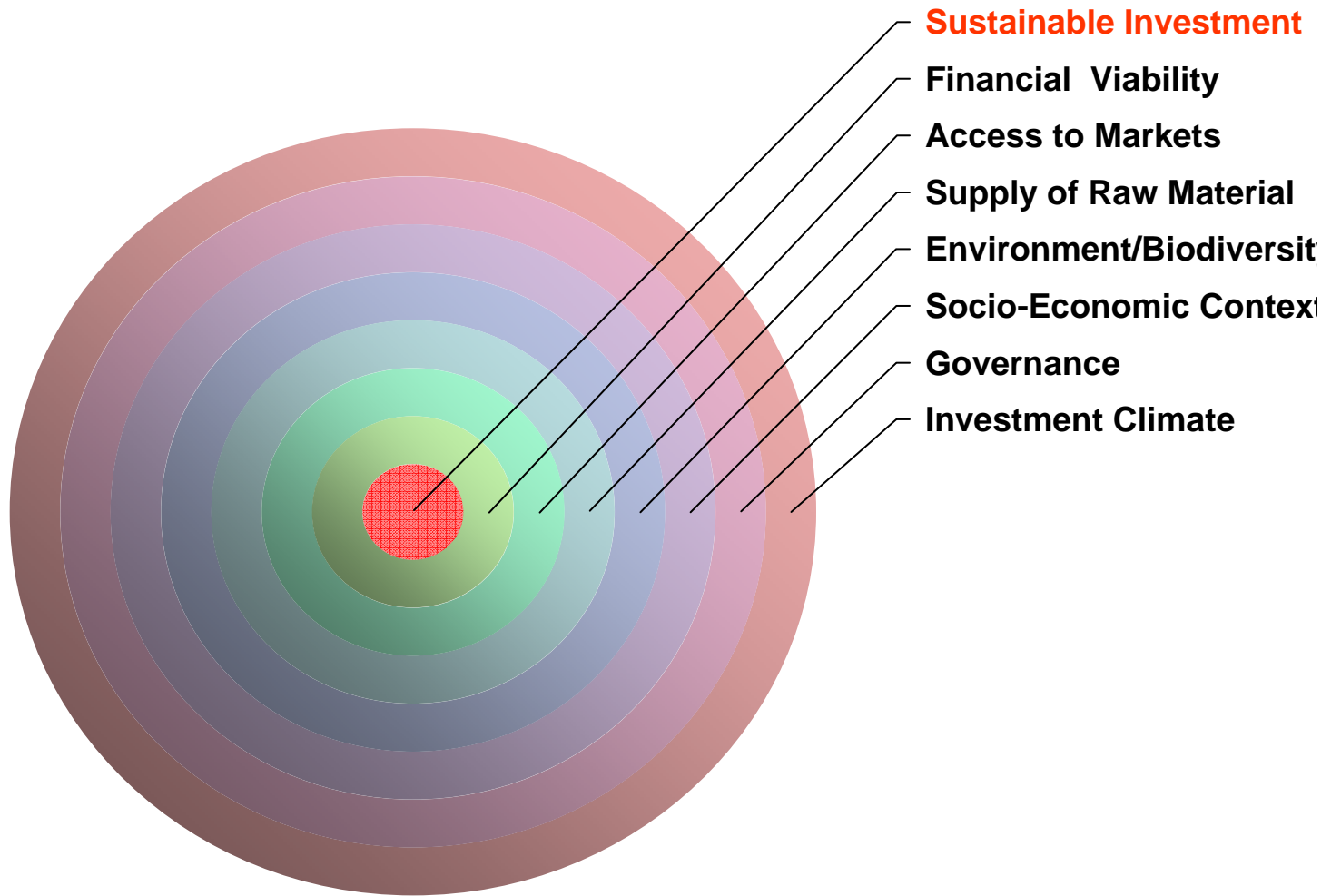
**Key
Questions
discussed by
the
Investment
Forum**

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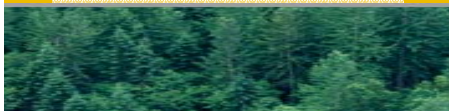
- What are the most obvious forest and forest industries investments in the Region?
- What are the main constraints to private sector investments?
- What are the roles of Governments, private sector, financing institutions in creating an enabling framework?
- Can partnerships between communities and companies or State forest administrations improve livelihoods through income generation?
- Can new and emerging markets for forest related environmental services sustain livelihoods?
- Can innovative financing mechanisms and arrangements be instrumental in creating a conducive investment



Factors Determining Sustainable Investment in Forest Industries



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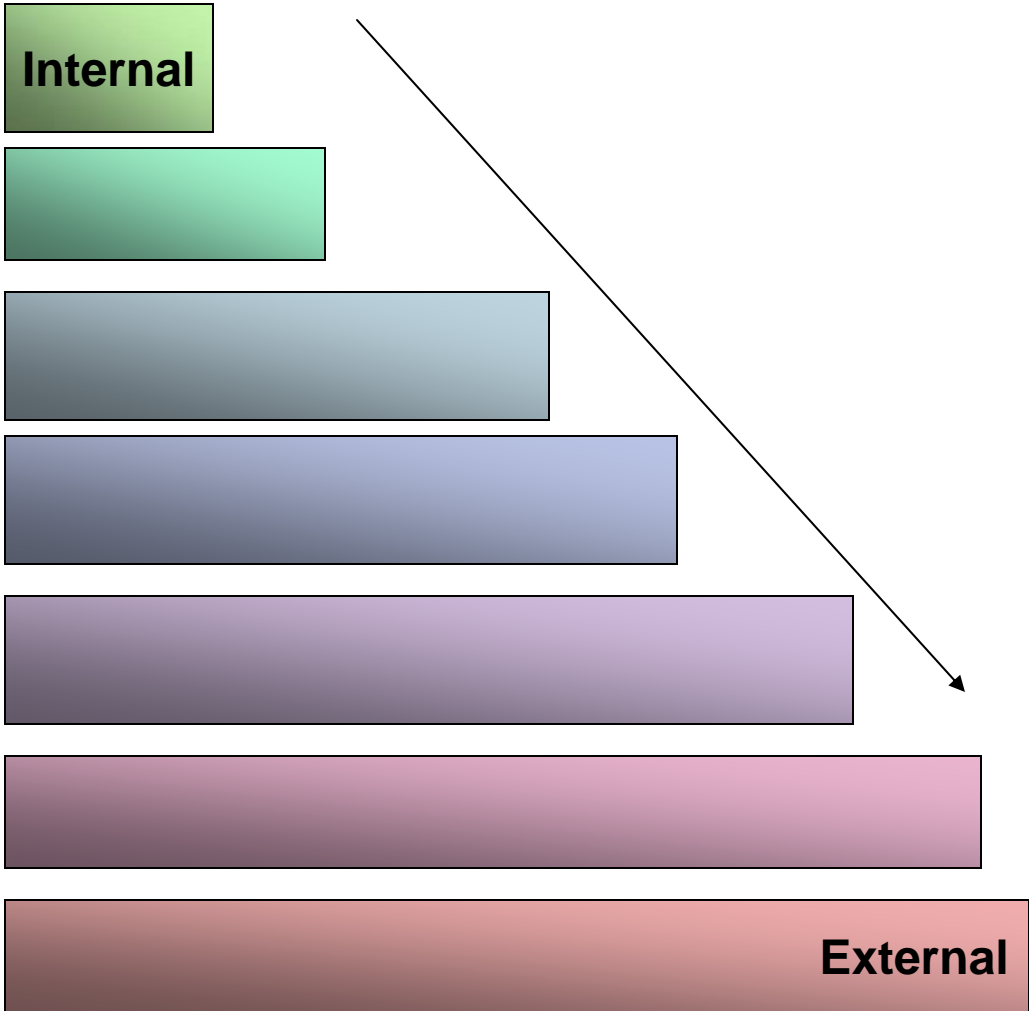


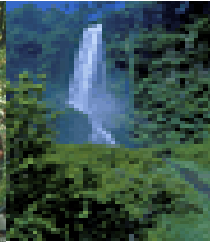
Investments in Forest Industries Require Broad Collaboration and Partnerships in Forest Industry

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Elements for Sustainability **Short Term** → **Long Term**

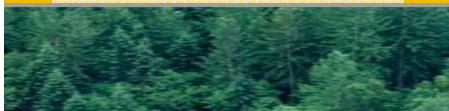
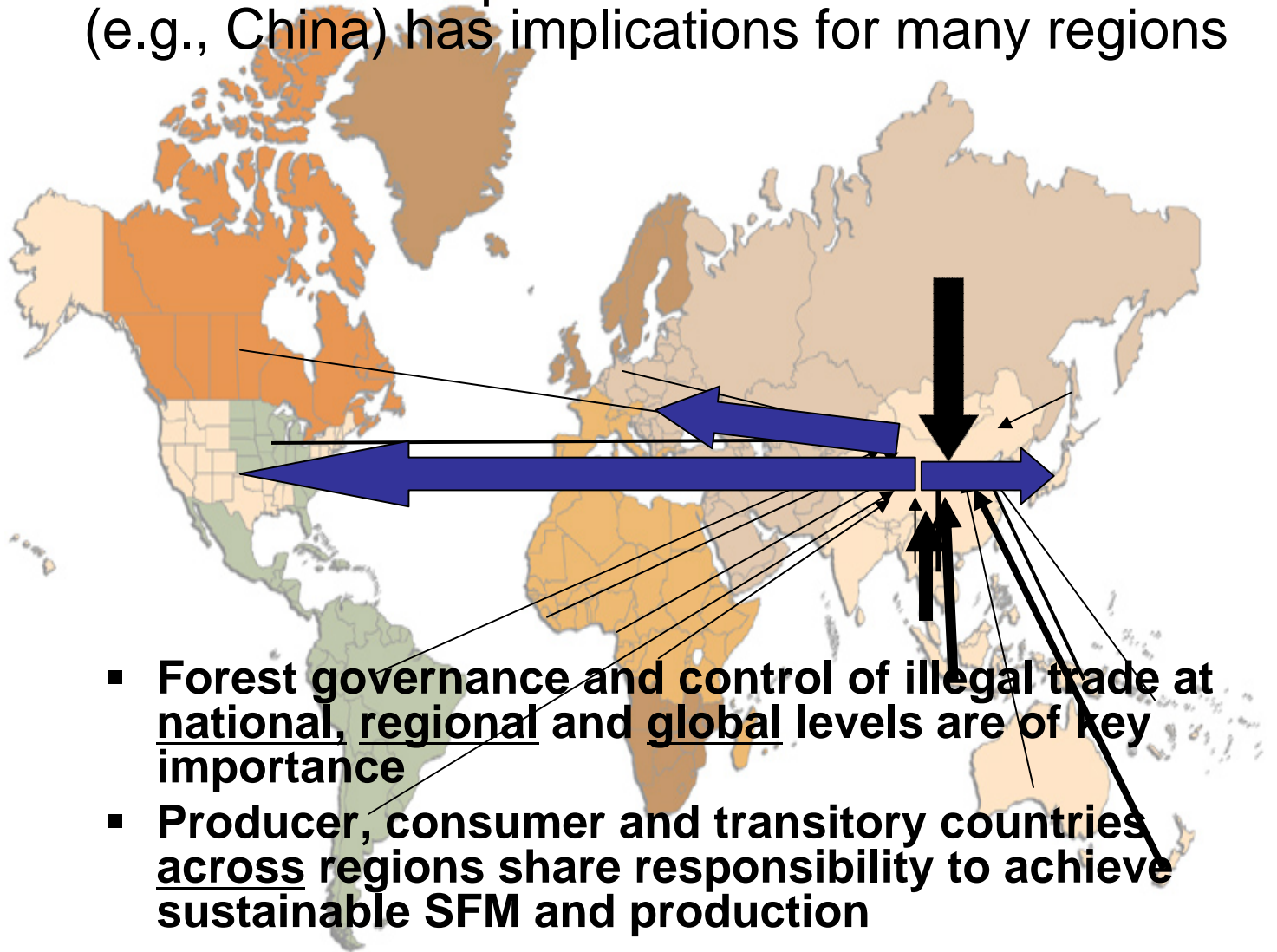
- **Financial Viability**
- **Access to Markets**
- **Supply of Raw Material**
- **Environment /Biodiversity**
- **Socio-Economic Context**
- **Governance**
- **Investment Climate**

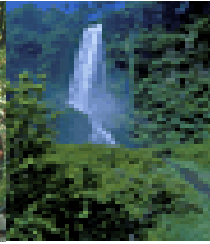




Demand for forest products in some countries (e.g., China) has implications for many regions

Rapid Globalization of Markets

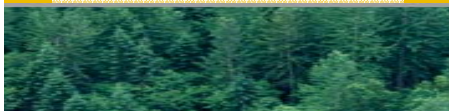


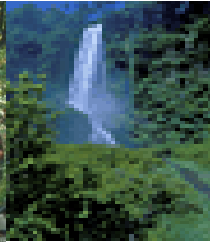


**Main
Constraints
for
Sustainable
Investments**

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- **Inadequate legal and meaningful forest concessional legislation**
- **Lack of reliable source of raw material**
- **Inadequate market intelligence to develop investment strategies**
- **Poor infrastructure and Government support for development**
- **Inadequate revision of forest policies and forest institutions**
- **Poor level of processing technology resulting in poor recovery**
- **Lack of skilled workers and training facilities, IT etc.**

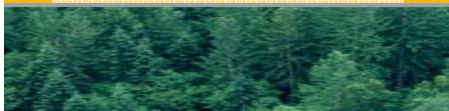




Forest Investment Opportunities

- **Process of “privatization” or commercialization or outsourcing of Government Plantations**
- **Company/Community partnership based outgrower schemes**
- **Promotion and investment in new plantation resources**

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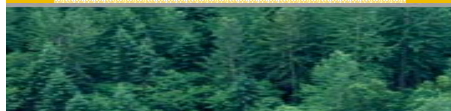




Emerging (new) Investments

- Plantations for industrial round wood to further grow (Mondi, Sappi, Global forest products etc)
- High demand for saw log plantations
- Bio-Fuel Plantations to compete with pulp wood plantation
- Carbon Financing to make Afforestation/Reforestation investments more viable
- Role of Payments for Environmental Services to increase (avoided deforestation?)
- Company-Community Partnerships to become more important (Africa and worldwide)
- Role of investment funds to grow: Global Env. Fund, Tree Farms, Actis, International Woodlands Company, Rift Valley Holdings, Church of Sweden, Harvard, GMO, Malondo Foundation

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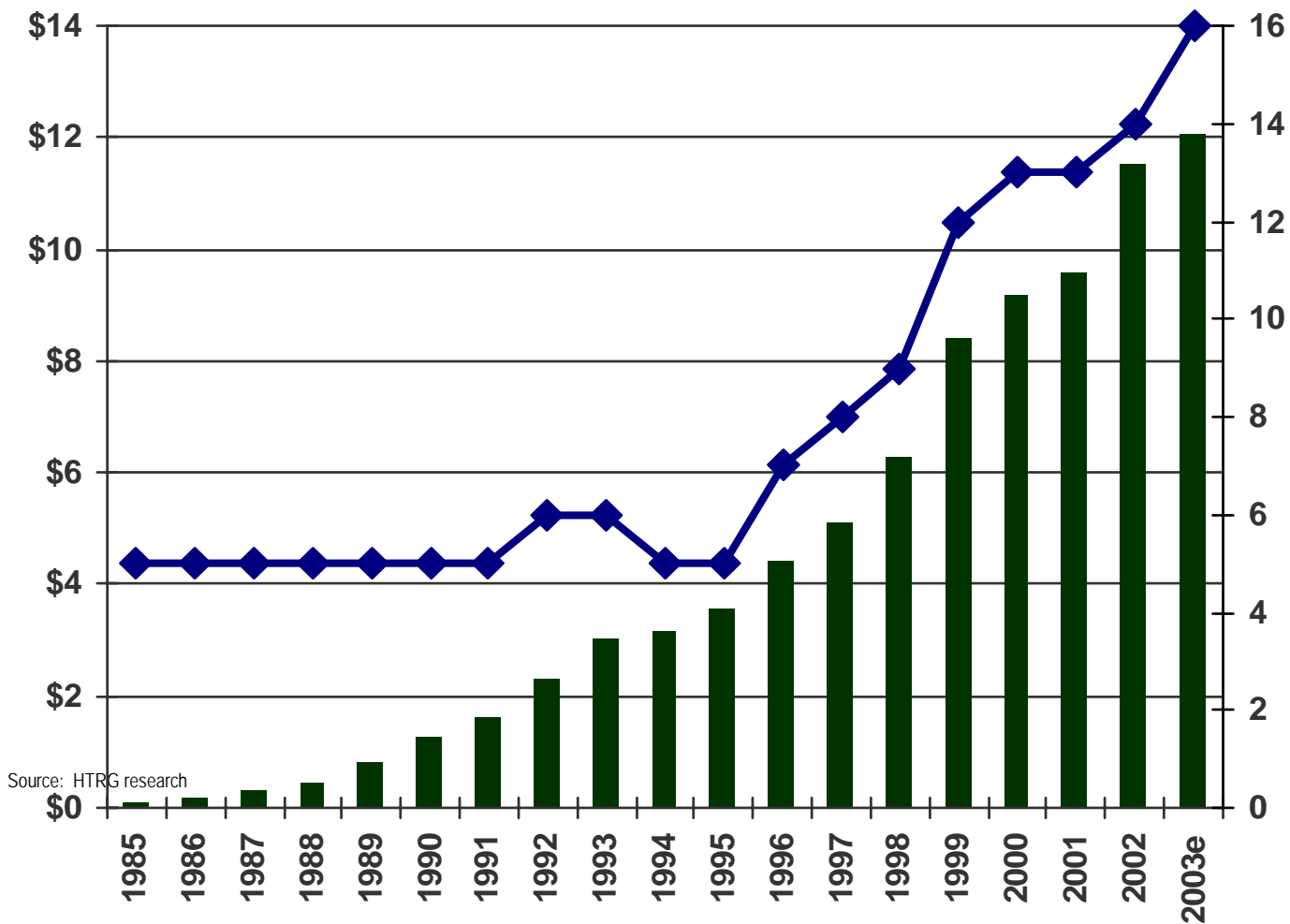
Institutional Investment in Timberland

Growth in Institutional Ownership of U.S. Timberland

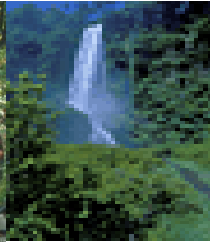
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Market value (\$ billions)

Number of Firms



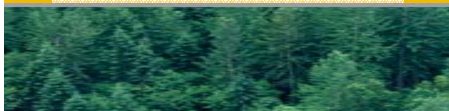
Source: HTRG research



Enabling framework for transfer of forests

- **Transfer of forests to local communities or small small-holders needs careful planning, managing and monitoring**
- **integrated approach which should be intersectoral and link stakeholders at national, sub-national and grass-root levels.**
- **Plantations represent only a small but economically important element in the management of forest resources in the Southern African Region.**
- **Involvement of rural populations in industrial tree growing schemes should be equitable and inclusive and provide opportunities for the most vulnerable groups of rural society.**
- **Creation of a climate of inclusiveness and to assurance of equitable access to land**

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Role of Governmental

- **Governments generally have limited capacities to implement complex programs of decentralization of management of natural resources to communities.**
- **Financial and assistance by donors, financing institutions non-governmental and other independent organizations are of key importance to assist decentralization processes.**
- **Regulation of land-use rights and the careful setting of the rules of the game are highly important pre-conditions for creating flourishing partnerships between smallholders and the private sector.**
- **Training and capacity building for government, beneficiaries and the private sector are necessary to understand new roles and responsibilities.**
- **Governments should seek opportunities to reward the “good players” through targeted incentives such as tax reductions for certified forests, removing obstacles for sustainable investments and establishing clear and transparent rules for economic players. Costs for sustainable forest management should not be higher than for unsustainable practices.**

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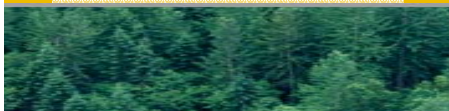




Access to International Markets

- Large private sector companies are playing in many situations an important role in securing access of smallholders and local communities to international markets.
- Such markets for timber and fiber are increasingly connected at global levels and require in many cases independent certification for accessing major consumer markets.
- Certification could also be used by resource constraint Governments as a tool to promote sustainable forest management by outsourcing monitoring functions to independent third parties.
- Governments and the donor community could help in achieving standards and reward certified player by creating financial (taxes) and other incentives.

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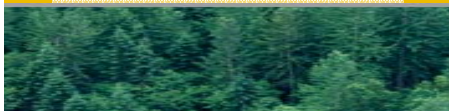




Innovative Payment Schemes

- **Innovative payments schemes for carbon or other environmental services are becoming an increasingly important source of funding for rural communities and forest operators.**
- **Developing countries could have significant development benefits from a broader recognition of CDM/Kyoto Protocol activities in Emission Trading Schemes. Governments should be actively involved in the ongoing discussion process on avoided deforestation under UNFCCC.**
- **Carbon financing can be a valuable additional financing source to improve the financial viability of afforestation projects.**
- **Payments for watershed protection service have been successfully introduced in some Latin American countries and could become an additional innovative funding source in the Southern African Region.**

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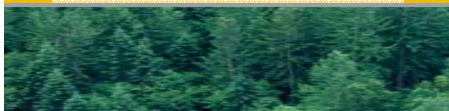


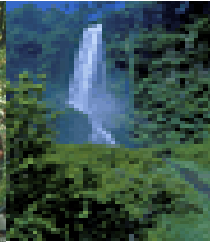


Integrated Landscape Based Approaches

- **Forest plantations in mostly dry Southern African landscapes require integrated approaches at watershed level.**
- **Careful management of water resources by integrating all types of land use and infrastructure as well as monitoring of water flow balances is required in all areas.**
- **However more research is required to better understand the role of forests in comparison with other land uses.**

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Forest Law Enforcement and Governance

- **Widespread illegal logging and corruption impacts negatively on local communities and indigenous forest-dependent people and contributes to weak governance and lawlessness in general.**
- **Money laundering and Corruption are weakening the rule of law in forest areas.**
- **Legitimate forest enterprises are subjected to unfair competition and discouraged from making socially and environmentally responsible investments into the sector.**
- **Fighting illegal logging and corruption is a key requirement to protect vulnerable smallholder groups and local communities and to manage their dependence from more powerful private sector actors.**

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END



Thank You!

www.worldbank.org/forestry

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