

**Economic  
Development**

Biodiversity

**Climate**

Protected areas

Conservation

livelihoods

**Forest values**

**Poverty reduction**

Global Environmental Services



**Global Forest Alliance (GFA) and the  
Forest Carbon Partnership Facility (FCPF)  
Presentation to ProFish Board**

**SDN Forests and Carbon Finance Teams**

**May 17, 2007**



## Why worry about deforestation?

- Lost income and deteriorating livelihoods for **1.2 billion people**
- **20% of global emissions**  $\Rightarrow$  2nd leading cause of global warming  $\Rightarrow$  “avoided deforestation”
- Forests contain **80% of the World’s biodiversity**; deforestation causes losses at rate of  $>0.5\%$  per year
- **Negative impact** on hydrological functions and other forest environmental services



- **Bank's 2002 Forest Strategy is forward looking and broadly endorsed**

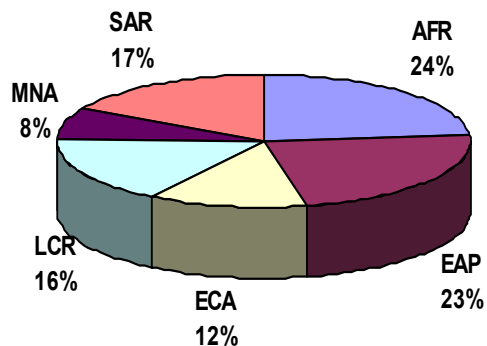
**... recent MTR points to main successes in:**

- Development of innovative instruments (e.g. carbon finance, forest certification)
- Forest governance
- Promoting cross-sectoral poverty reduction projects
- Stimulating public and private investments in sustainable forest management

**... but implementation has fallen behind**

- External reasons:
  - clients have limited interest in borrowing for forests
  - weak national forest institutions in client countries have a low absorption capacity
  - governance often a big issue
- Internal reasons
  - perceived as risky and costly
  - lack of awareness of potential gains and linkages to poverty and livelihoods etc.
  - need for better integration of partnership programs with Bank operations

Total Forestry Investments by Region from FY01-FY06



**SDN Forests**

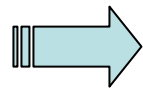
Forestry = ~0.7% of total Bank investments (avg. 135 million p.a.)



## Opportunities

### ***New opportunities are emerging:***

- public attention to climate change and the potential of forests to mitigate global warming
- explicit country demand for forest carbon partnerships
- growing markets for environmental services (e.g. clean water)
- increasing demand for legally and sustainably produced timber
- alternative energy: emerging markets for wood-based bio-fuels
- forest industry shift towards investments in Bank client countries
- emergence of company – community/smallholder partnerships



To be effective, we cannot go it alone ...



## **A multi-stakeholder partnership that aims to:**

### **The Global Forest Alliance (GFA)**

- ✓ Reverse forest loss in developing countries
- ✓ Contribute to poverty reduction
- ✓ Contribute to the mitigation of climate change
- ✓ Secure provision of other forest environmental services
- ✓ Create an inclusive partnership framework for joint action



# Scale-up with partners to achieve four bold targets by 2015

(MDGs 1&7, Bank Forest Strategy)

## GFA's Targets

- ✓ Improve and sustain the livelihoods of **500 million poor, forest dependent people** by supporting sustainable forest management and agro-forestry based farming systems
- ✓ Conserve **1 billion ton of CO<sub>2</sub>** by engaging in avoided deforestation initiatives
- ✓ Bring **300 million ha of production forests** under independently certified sustainable management
- ✓ Create **50 million ha of new protected areas** and bring **120 m ha of existing areas** under improved management

# The GFA — Investment — Impact Link

## Global Forest Alliance

### Technical Assistance

**\$100 million**

- Pilot initiatives: grants for analytical work, capacity building, build incentives for sustainable forest management
- Capacity building for REDD initiatives

### Carbon Finance

**\$200 million**

- Trustee for carbon purchases
- Linking buyers and sellers
- Reforestation and REDD

## Investments

### • Bank Investments:

- IBRD, IDA, IFC scale up current US\$0.4 billion to \$0.8 billion p.a. by 2015

### • Other investments by:

- Regional Development Banks
- Private, institutional investors, venture capital
- Amount TBD, but significant

### • Carbon Finance Projects:

- REDD: 250 million by 2012 and over \$1 billion by 2015
- Reforestation: \$75 million

## Leveraged Impacts on the Ground

- Improve and sustain the livelihoods of **500 million poor, forest dependent people**
- Conserve **5 billion tons of CO<sub>2</sub>**
- Sustainably manage **300 million ha of production forests**
- Expand **protected areas** network by **50 million ha**

# The GFA Work Program

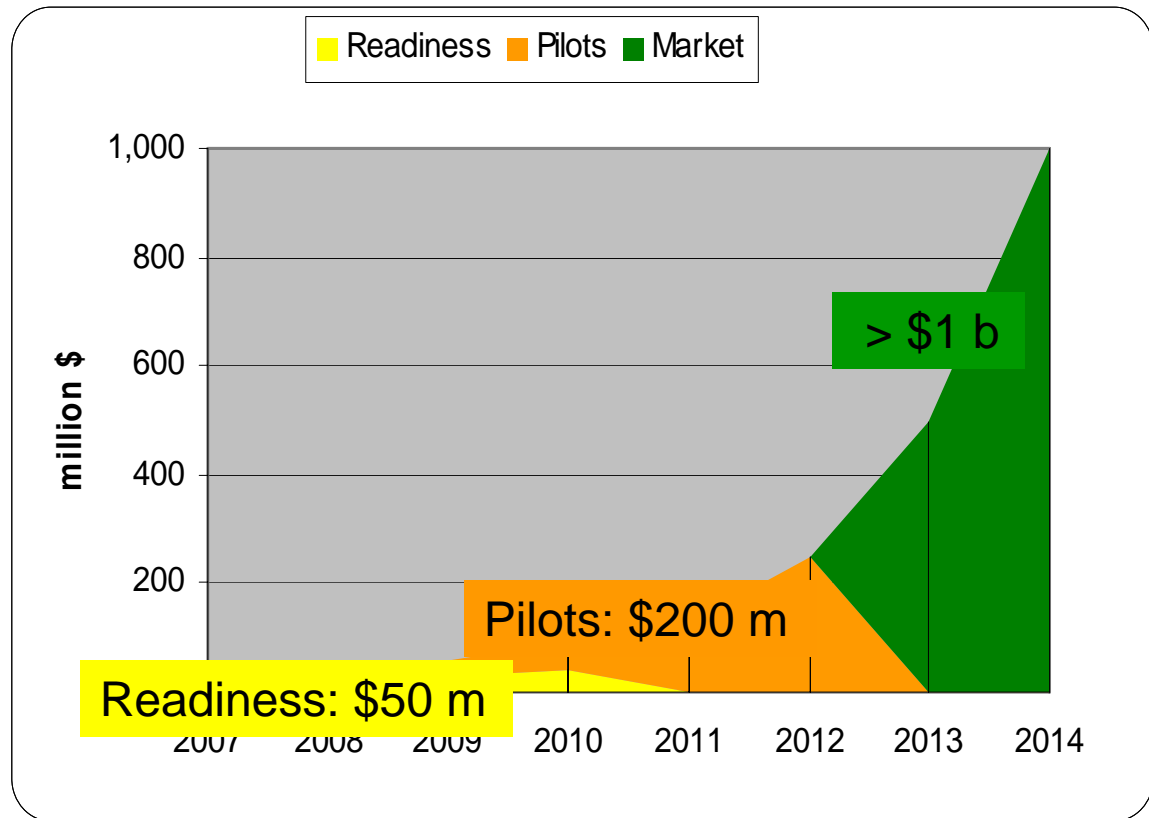
<p><i>The World Bank Forest Strategy</i></p>	<p>Harness Potential of Forests to Reduce Poverty</p>	<p>Integrate Forests in Sustainable Economic Development</p>	<p>Enhance Global Environmental Services</p>
<p><i>Implemented by 3 GFA Work Programs</i></p>	<p>Sustainable Rural Development</p>	<p>Sustainable Forest Management and Markets</p>	<p>Environmental Services and Innovative Financing</p>
<p><i>Engaging in Core Activities (examples)</i></p>	<ul style="list-style-type: none"> <li>▪ Ecosystem landscape-based approaches</li> <li>▪ Sustainable forest-based livelihoods</li> <li>▪ Increased adoption of agroforestry by smallholders</li> <li>▪ Access of local communities to markets</li> <li>▪ Community/smallholder partnerships with private sector</li> </ul>	<ul style="list-style-type: none"> <li>▪ Sustainable &amp; legal trade, independent certification</li> <li>▪ Exploit domestic and export market opportunities</li> <li>▪ Zoning, land tenure and land rights</li> <li>▪ Protected area and forest management planning</li> <li>▪ Community-based management</li> <li>▪ Sustainable plantation development</li> </ul>	<ul style="list-style-type: none"> <li>▪ Forest Carbon Partnership Facility =&gt; REDD</li> <li>▪ BioCarbon Fund (reforestation)</li> <li>▪ PES for services other than carbon</li> <li>▪ Alternative financing for protected areas</li> </ul>
<p><i>Supported by cross-cutting enabling and knowledge services</i></p>	<p style="text-align: center;"><b>Forest Law Enforcement and Governance (FLEG)</b> National and regional governance (FLEG) action plans and processes</p> <p style="text-align: center;"><b>Program on Forests – PROFOR</b> Analytical Products (ESW), Toolkits and Knowledge Management</p>		
<p><i>Governance</i></p>	<p>Governed by a multi-stakeholder council (WBG, Govs, GEF, NGOs, private sector, international organizations, other) with participation of recipient countries and beneficiaries</p>		



## *Prepare for a system of positive incentives post-2012 that includes REDD through*

- Capacity building: readiness for a future system
- Pilot performance-based payments

## FCPF Strategy

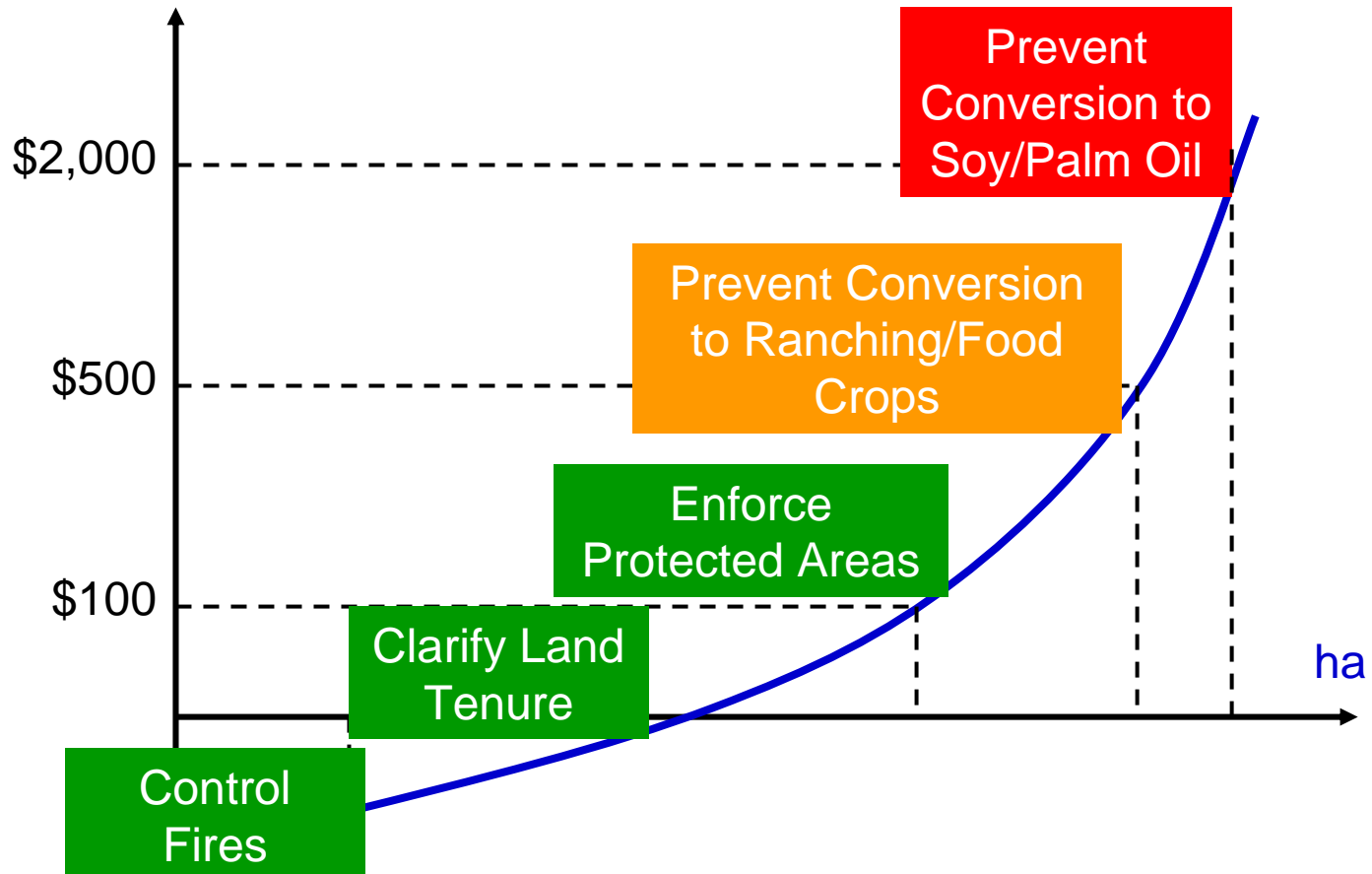


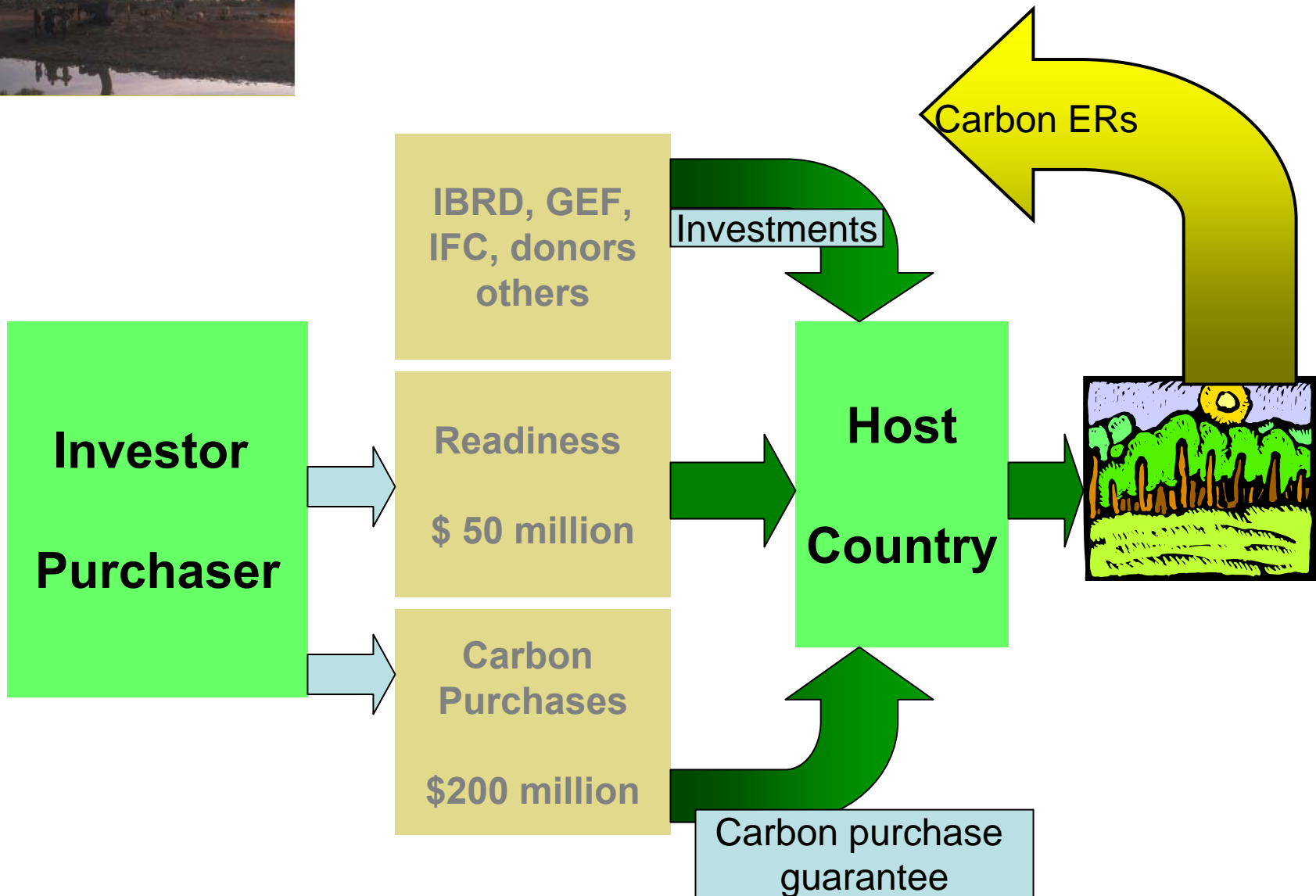


- **Price Carbon  $\geq$  Opportunity Cost of land**
- **Pick low-hanging fruit first**

## FCPF Pilot Purchases

Cost per ha of  
forest saved







## Main Messages

- We have an exceptional **window of opportunity** to increase investments through REDD to mitigate global climate change, promote environmental services and safeguard global public goods
- Upstream analysis and capacity building in client countries will **pave the way for meeting increased demand in investment**
- The GFA will help to **resolve limitations** that the multiplicity of existing, overly fragmented forest sector partnerships present
- GFA and its associated portfolio approach will catalyze new and **additional financial resources** that may eventually leverage the lending of WB and other financial institutions
- The World Bank is prepared to take a lead in the integration of efforts in the forest sector, but **we need many partners** to reach our strategic goals