



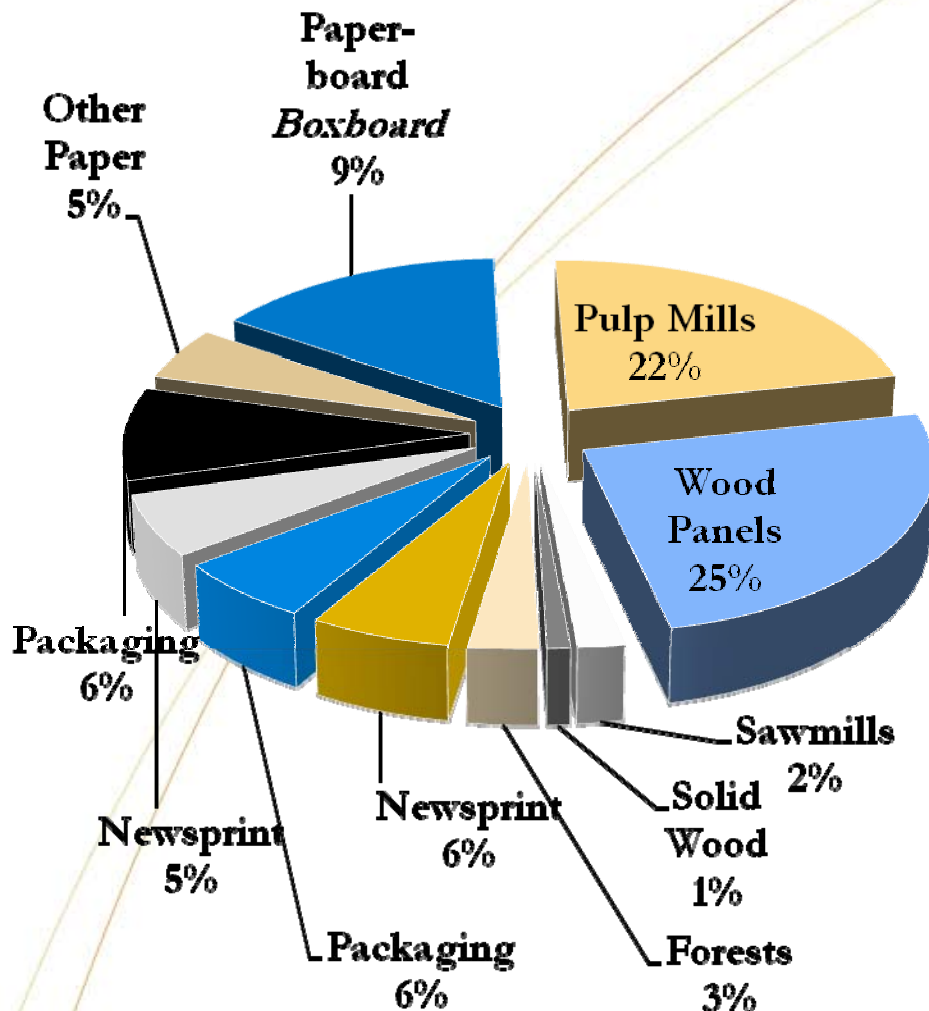
# Managing Environmental & Social Risk in Forest Plantations

ARD Week 2009

March 2, 2009

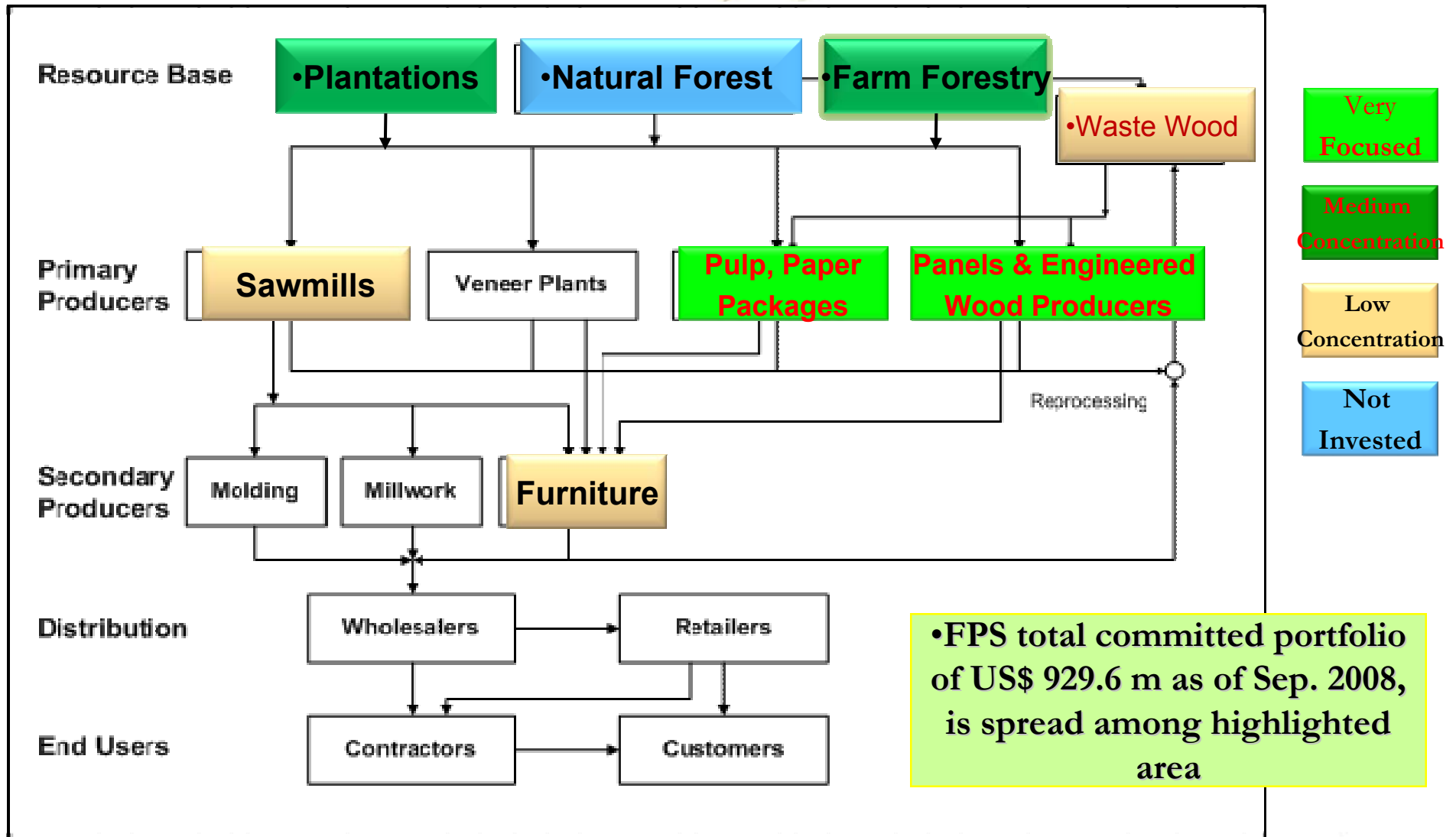
Dave Gibson, Senior Environmental Specialist

# FPS Cumulative Commitments

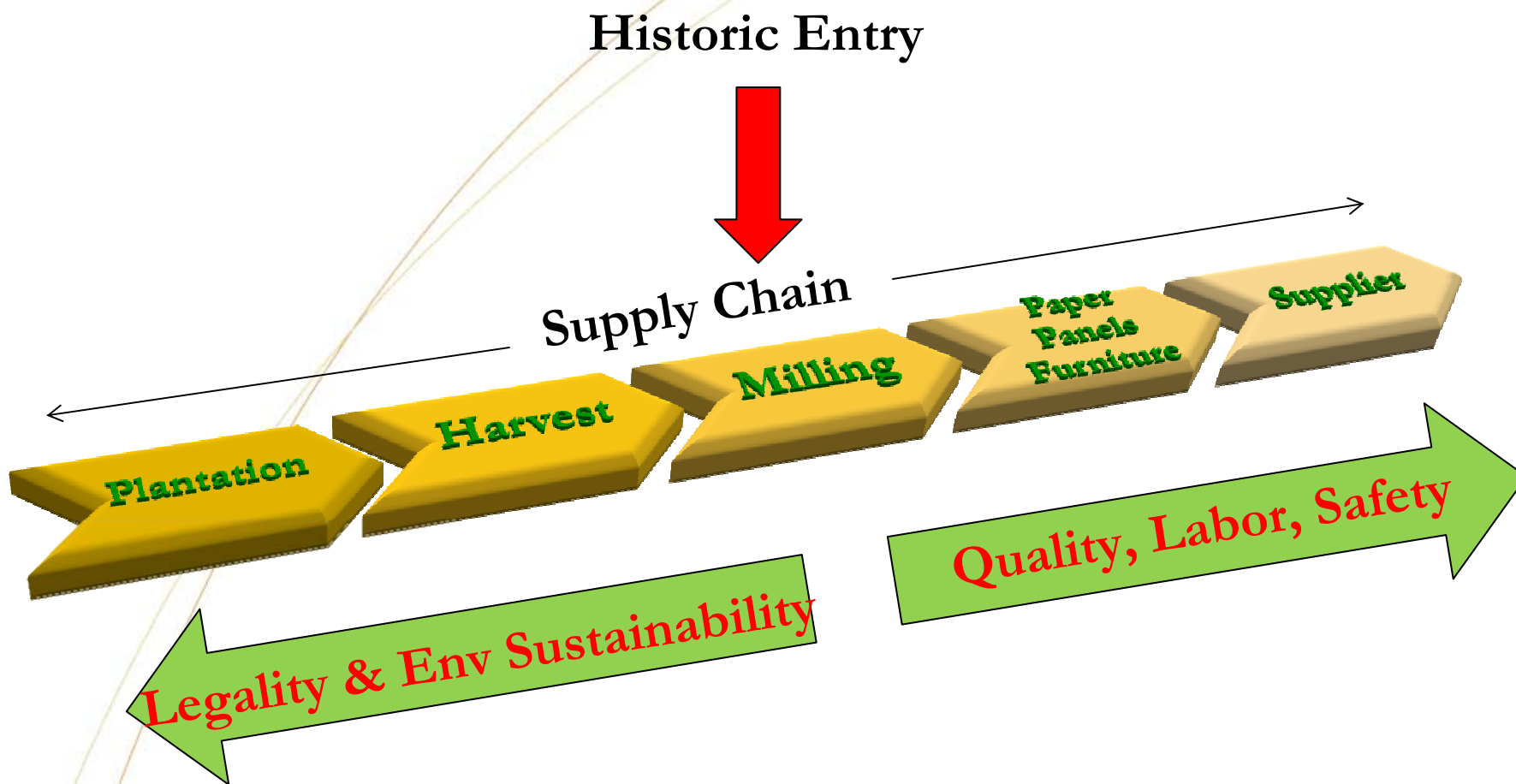


- Centered on paper products and milling
- WB 2004 forest policy & 2006 IFC PS pushing attention up stream
- Expanding interest in SME and VAP
- No investment projects in natural forests in 30 yrs

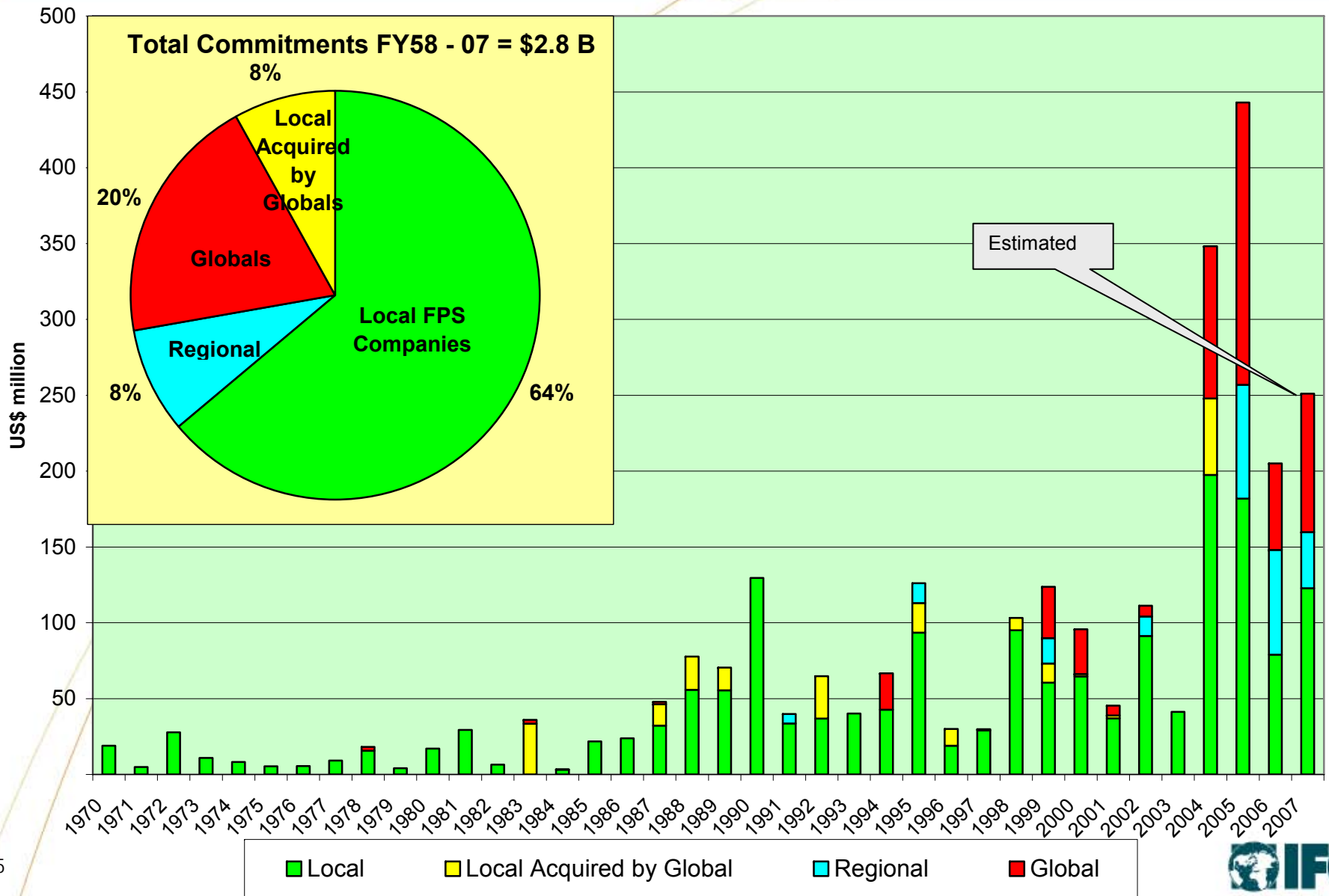
# Forest Product Sector Investment Options



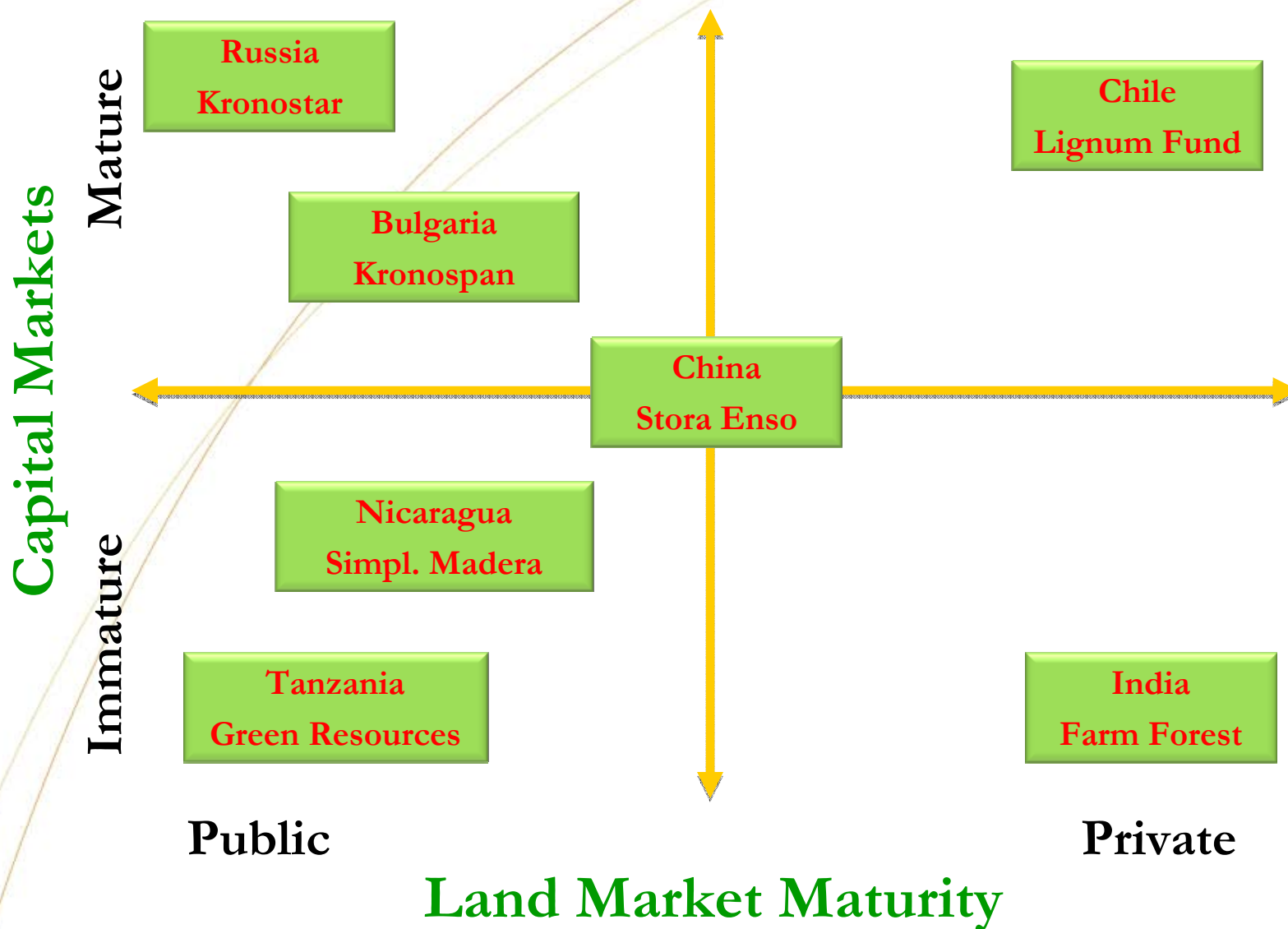
# Traditional Entry Point: Milling



# FPS Commitments and Sponsorship



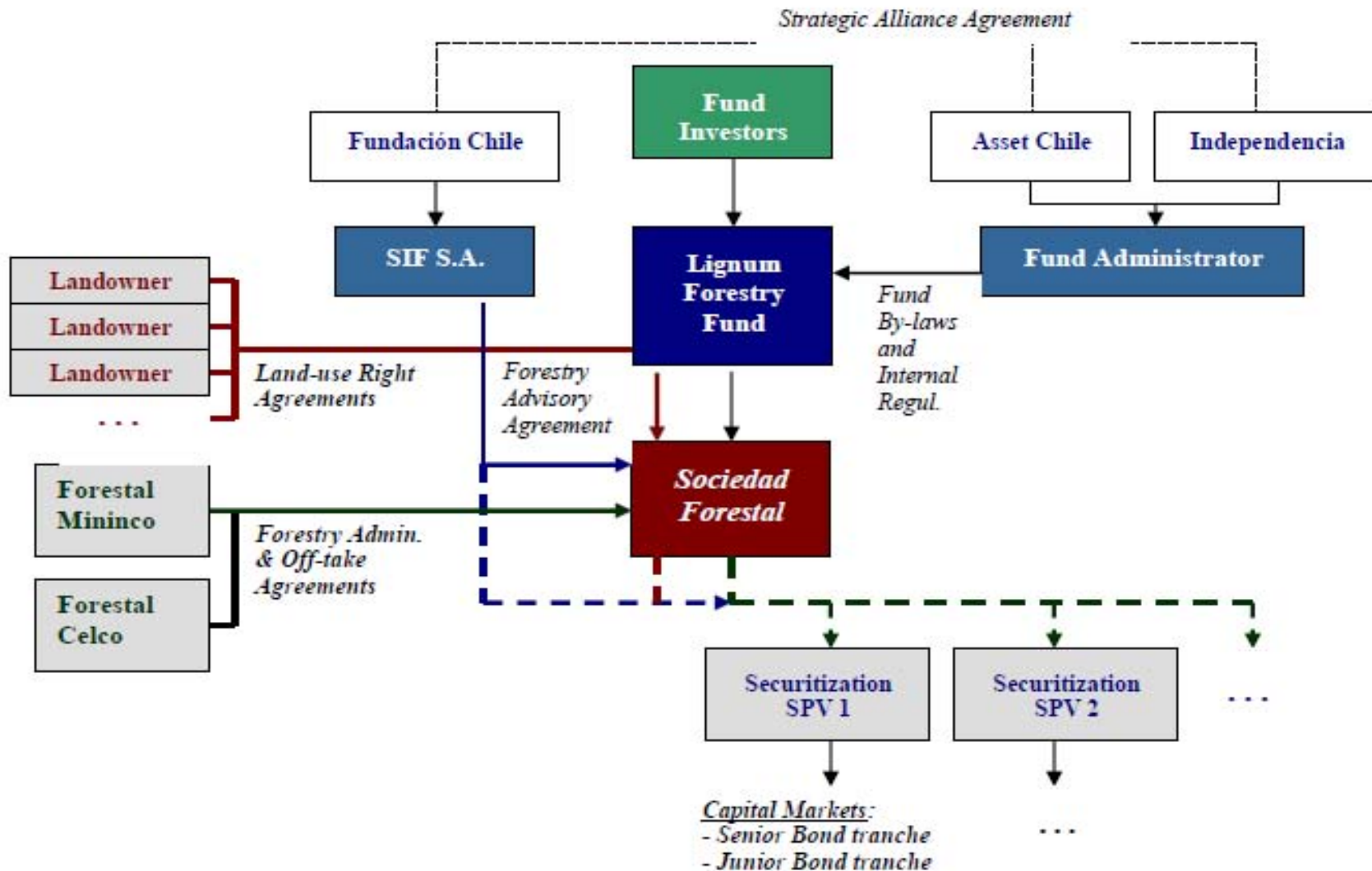
# Land and Capital Market Maturity



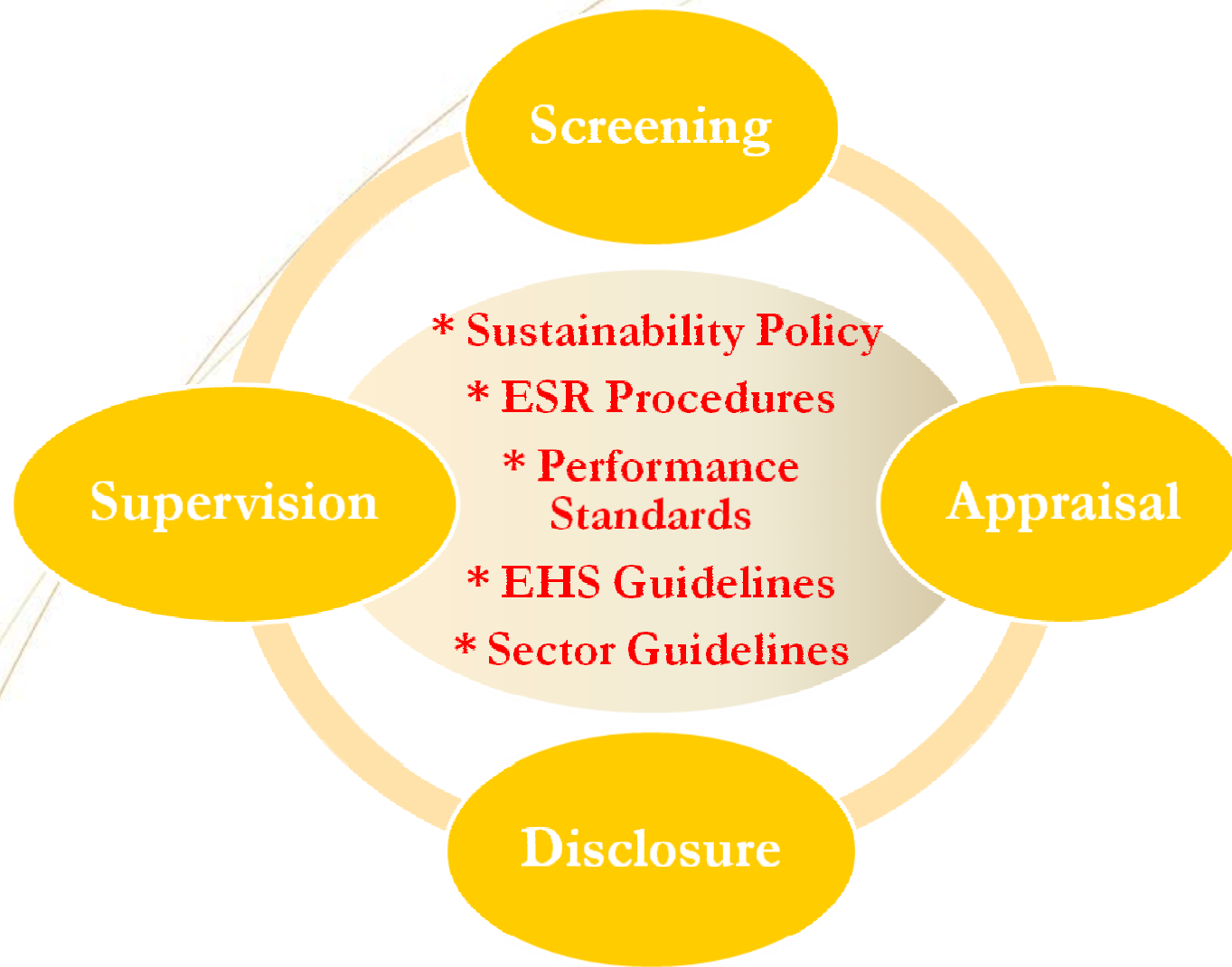
# Example: Guangxi, China



# Example: Lignum Fund, Chile



# Managing Risk Within Forest Investments



# Balancing Financial & Economic Risks: IFC Performance Standards

- PS 1: Social and Environmental Assessment and Management Systems (ESMS)
- PS 2: Labor and Working Conditions
- PS 3: Pollution Prevention and Abatement
- PS 4: Community Health, Safety and Security
- PS 5: Land Acquisition and Involuntary Resettlement
- PS 6: Biodiversity Conservation and Sustainable Natural Resource Management
- PS 7: Indigenous Peoples
- PS 8: Cultural Heritage

# Common FPS Standards

	Forest Product Value Chain Segments						
Attributes	Forest	Mgt	Harvest	Transit	Milling	Product	Supplier
Legal Origin	FSC-CW		Lacey Act	EU Directives		ISO 17025	
Biodiversity	FSC	CertFlor	CertFor	PEFC	FSC/CoC		
Occupational Health/Safety	OHSAS 18001			BS 880			
P2/CP/EMS	FSC			ISO 14001		EMAS	
Social/Labor	ILO		SA 8000	ISO 26000			
Community	VLO	FM	CoC	CoC		FairTrade	
Climate/Carbon	VCS		CCBA	LEED		NCASI	
Product Safety	FSC			E1		FF	ISO
Quality				ISO 9001		ASTM	

# Mapping of IFC PS and FSC FM

Forest Stewardship Council Principles & Criteria											
FSC		1	2	3	4	5	6	7	8	9	10
IFC Performance Standards	1						XX	XXX	X		XX
	2	X			XXX						XX
	3						XX				XX
	4		XXX	XX	XXX	XX					
	5		XXX	XX	XX						
	6							XXX	XX	XXX	XX
	7			XXX		XX			XX		XX
	8			XX		XX				XX	

# Transparent Forest (use) Acquisition

## Public Sector Attributes

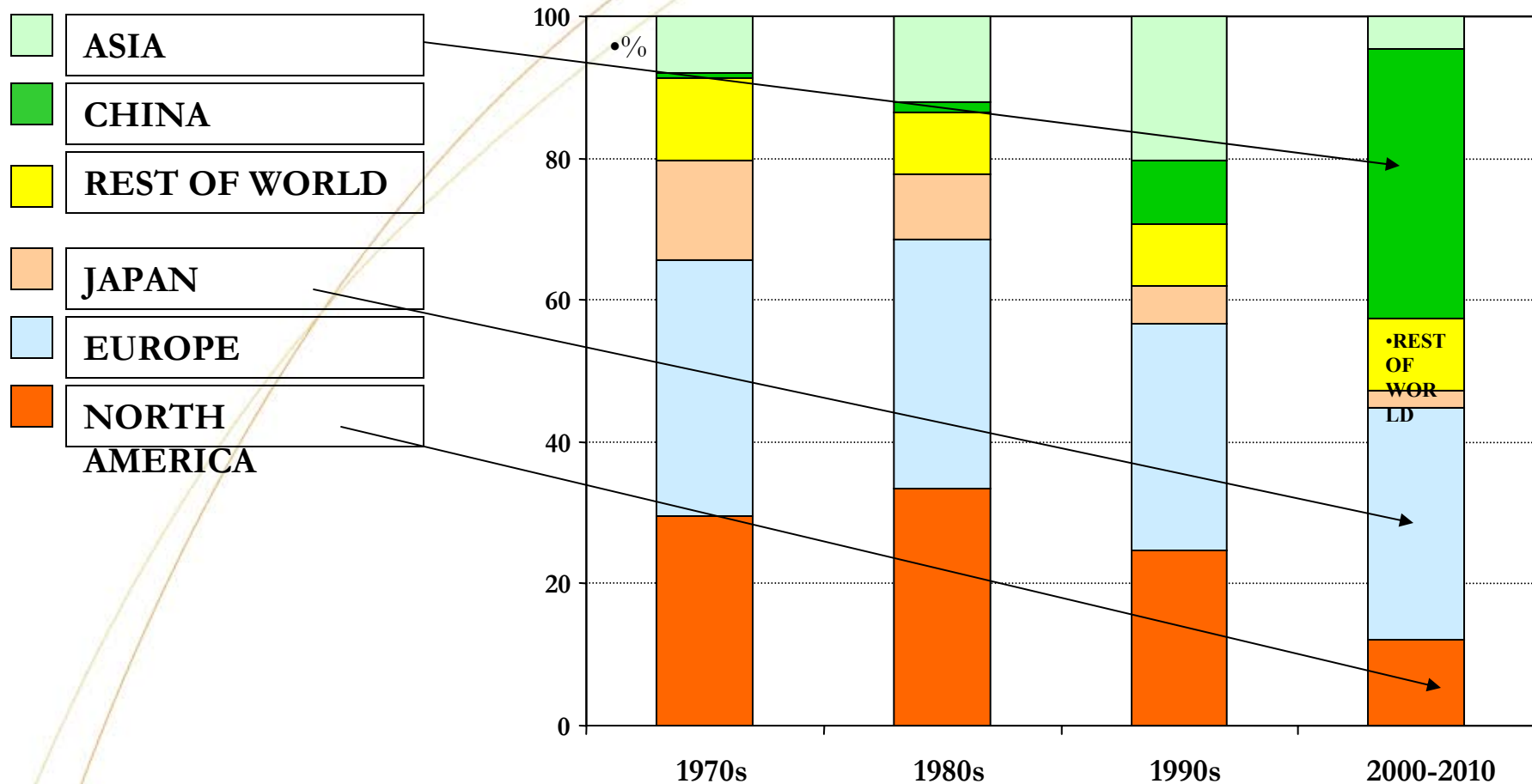
- Functional land title registry and cadastral system
- Enforceable contract provisions for purchase agreements
- Fiscal policies that promote forest sustainability
- EIA requirements transparent and enforced

## Private Sector Role

- Strong anchor processors willing to purchase futures
- Established firm with some processing capacity
- Independent certification system for woodlands & mills
- Organized contractor capacity
- Insurance availability

# Supply Shift (Paper) => Emerging Markets

- *Emerging Markets represent > 50% of paper capacity investments after year 2000*



# Regional Distribution of Plantations

Region	Total forest area (million ha)	Natural forest area (million ha)	Forest plantation area (million ha)	Plantations as % of the region's total forest	% of total plantation area
Africa	650	642	8	1	4
Asia	548	432	116	21	62
Europe	1 039	1 007	32	3	17
North and Central America	549	532	18	3	9
Oceania	198	194	3	2	2
South America	886	875	10	1	6
World total	3 869	3 682	187	5	100