

Forest Investment Forum

Outcome statement from Host Partners*

October 22 – 23, 2003

Washington, DC

The Forest Investment Forum brought together nearly 150 senior executives of domestic and multi-national forest product companies, private and public sector financial institutions, and leading conservation agencies around the world. The objectives of the Forum were to:

- explore opportunities for private sector companies, the World Bank, the IFC and other financial institutions to invest in environmentally, socially and economically sustainable forest enterprises in developing and economic transition countries;
- explore actions that the World Bank Group and Forum participants could take to create an enabling environment for responsible private sector investment; and
- explore the willingness of forum participants to support a process that beyond the Forum, would encourage companies, financial institutions, and the conservation community to develop clearly defined and mutually compatible social, economic and environmental investment guidelines.

The host partners of the Forum—The World Bank, World Business Council for Sustainable Development, WWF, Forest Trends, IFC and PROFOR view the Forum outcomes very positively. Specifically:

- Strong recognition was expressed on the primary importance of sustainable management of forests in order to realize their potential to contribute to poverty alleviation, sustainable development, protection of environmental services of both local and global importance, and products that improve the quality of life. There was also strong agreement that containing illegal logging operations and forest corruption are essential prerequisites to achieving sustainability. It was further recognized that sustainability would depend heavily on establishing effectively managed protected area networks, and on environmentally and socially responsible management and development of both natural forests and plantation resources. There was agreement that achieving genuine sustainability in forests would require considerable investment in policy reform and institutional development, as well as addressing cross-cutting issues at a landscape level.
- There was agreement that expansion of demand for forest products, especially in developing countries, indicates that there is considerable likelihood of expanded investment in the forests sector in many developing regions of the world; major prospects among these are Russia, China, Brazil, and India.
- There is a growing convergence of interest between leading forest enterprises, financial institutions—including commercial banks, investment funds, export credit agencies and the multilateral development banks—and conservation organizations, that investment in the sector must occur under a credible framework of safeguards and environmental assessment procedures, that can act as an incentive to responsible investment and a deterrent to unsustainable and destructive activities. Strong interest was also expressed in developing mechanisms for analysis and underwriting of political, social and environmental risks. The forum organizers welcome recent developments and progress in these areas.

There is a need to address issues such as the identification and protection of forests that are a high priority for biodiversity conservation; protection of the rights and resource interests of forest-dependent people; certification and other systems of independent verification of forest management performance; and the establishment and management of forest and agricultural tree-crop plantations.

It is clear that a great deal of work remains to be done in achieving consensus on the above issues, harmonizing the various safeguard initiatives presently under implementation or development, and also on the extension of the application of these to a broader range of investing groups.

- There was strong recognition that forest investment will involve large and small scale investments, and that considerable potential exists for these investments to deliver significant benefits to farmers, small forest owners, local communities, and indigenous peoples. Nevertheless the financing of smaller scale forestry and wood processing requires further strengthening.
- The importance of forest environmental services was recognized, and there was considerable discussion of problems and options for developing markets for these services and some recent examples of success and failures in this area.
- There was strong support for a multi-stakeholder process involving major groups as the most effective way to continue building consensus in the above areas. Initiatives already launched by the World Bank/WWF Alliance, The Forests Dialogue (TFD), and the Forest Trends Katoomba Group could provide appropriate platforms for advancing these processes. Specifically:
 - to assist in the establishment of investment guidelines and safeguards, the World Bank, WWF, WBCSD and Forest Trends will explore means to expand support to accelerate development of multi-stakeholder consensus and action on key sustainable forest management issues of high conservation forests, intensive forestry, illegal logging and forest crime, and certification;
 - to support cost-effective and credible third-party verification of performance, over the next 12 months the World Bank, WWF and WBCSD will catalyze creation of a core alliance of stakeholders to foster interaction and conflict resolution between certification systems.
 - To explore opportunities that would provide funding at small scales and mechanisms that would strengthen the supply chain for small- and medium-sized enterprises.
- This Forum has focused on opportunities and challenges to private sector investments and on how the Forum sponsors can help to support responsible investments. However, it is clearly recognized that as this collaborative dialogue moves to the country level, it will be crucial to involve both local communities and Governments to ensure that the initiatives being discussed contribute to National Forest Development Plans. There will clearly be a role for other organizations and intergovernmental groups such as FAO, UNFF, ITTO.

* Forest Investment Forum partners include: World Business Council on Sustainable Development (WBCSD), World Wildlife Fund (WWF), Forest Trends, Program on Forests (PROFOR), the World Bank, and the International Finance Corporation (IFC)