

Getting more money for forests

ITTO promotes responsible investment in tropical forests

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Fund me: Despite their many goods and services, natural tropical forests have been slow to attract investment *Photo: H. Castro (Conservation International)*

In 2006 ITTO launched a process aimed at encouraging investments in natural tropical forests. As part of this process it convened six forums—one at the global level, three at the regional level (for Latin America, Asia and the Pacific, and Africa) and two (in Bolivia and Republic of the Congo) at the national level.

All forums pointed out that current levels of investment in natural tropical forests fall well short of ensuring their sustainable management and the avoidance of conversion to other land uses.

Forum outcomes

The first of the forums, held at a global level in Mexico (ITTO 2007), addressed the following questions:

- Who are the potential investors in natural-forest-based enterprises in the tropics?
- How do such investors make investment decisions, and what kind of information do they need?
- What characteristics of natural tropical forest-based enterprises are particularly attractive to investors?
- How does the overall country-level business climate affect the attractiveness of forest-related investment, particularly of natural tropical forest-based enterprises?
- How can governments and companies attract more investment for natural tropical forests, and what are they currently doing?
- How can an investment promotion strategy improve both international and domestic investment?
- What other mechanisms can be used to make investment in tropical natural forests more attractive?

The Mexico forum led to a series of three regional forums (one each in the three ITTO producer regions of Africa, Asia Pacific, and Latin America/Caribbean), which examined the strengths and weaknesses of investments in forest-based enterprises in each region. They also identified possible ways forward and specific actions to be taken by the stakeholders involved.

The forums were organized in collaboration with a range of partners, including the Food and Agriculture Organization of the United Nations, the World Bank, the Interamerican Development Bank, the African Development Bank, industry associations, national forestry chambers and non-governmental organizations (NGOs). Collectively they brought together more than 600 people representing private investors, private and development banks, fund and asset managers, forest industries, forest communities and owners, brokers and traders, governments, and NGOs.

Investment forums held to date

International tropical forest investment forum: issues and opportunities for investment in natural tropical forest, Cancun, Mexico, April 2006

Latin America tropical forest investment forum, Curitiba, Brazil, November 2006

Asia-Pacific tropical forest investment forum, Bangkok, Thailand, August 2007

West-Central Africa tropical forest investment forum, Accra, Ghana, August 2007

Bolivia tropical forest investment forum, La Paz, Bolivia, March 2008

Congo Tropical Forest Investment Forum, Brazzaville, Republic of Congo, February 2009

All forums pointed out that current levels of investment in natural tropical forests fall well short of ensuring their sustainable management and the avoidance of conversion to other land uses (which are more remunerative in the short term). Nevertheless, the forums agreed that economic interests can be aligned with forest sustainability and poverty alleviation by improving conventional financial mechanisms such as taxation and by adopting innovative approaches such as payments for environmental services, as well as by introducing or strengthening government incentive policies and programs.

Forum recommendations

The forums made a number of recommendations for the main stakeholder groups, including national and local governments, small and large-scale enterprises, private-sector organizations, regional and international organizations, NGOs, and local communities. They can be summarized as follows:

To create an enabling environment for investment in natural tropical forests, actions should be take to:

- secure land tenure and access rights (including, where applicable, through transparent and secure concession contracts);
- strengthen forest governance;
- develop less complex and more equitable taxation;
- simplify bureaucratic and regulatory procedures;
- provide financial incentives for the adoption of sustainable forest management (SFM) in natural forests over other land uses;
- develop appropriate public procurement policies for timber, taking into account the needs of SFM in natural forests; and
- promote accessible credit lines for small-medium forest enterprises.

Link forest operations to capital markets by:

- managing forests for multiple uses (ie the supply of wood, non-timber forest products—NTFPs, environmental services, etc) within their ecological limits;
- developing alternative business models for NTFPs and environmental services, linking supply with demand;
- investing in technology, infrastructure, innovation and productivity improvements;
- creating a balance between small and large-scale enterprises through vertical integration;
- in order to facilitate market access, providing capacity building to improve managerial business skills in the forest sector;
- improving the marketing of certified forest products;
- incorporating social responsibility principles;
- developing risk insurance mechanisms; and
- considering new financial mechanisms, such as those related to the carbon sequestration services of forests.

The forums also recommended the further promotion of investment in natural forest management through national approaches. ITTO is already following up on this recommendation by supporting a series of national-level forums during 2008 and 2009. These have been tailored to the needs of individual countries with the aim of assisting them to strengthen policies that create a conducive environment for forest investment, develop action plans and identify opportunities for investment.

Other financing mechanisms such as payments for environmental services are just being conceptualized in local policies and need to be strengthened at national level.

The Bolivian National Forum in March 2008, for example, concluded that Bolivia has good investment opportunities in the processing of value-added products (eg furniture, doors and flooring), particularly given that the sector already has strong links to export markets. Moreover, there is considerable potential for investment in forest plantations because land is available and conditions are favorable for species such as teak, serebo and eucalyptus that have steady market demand. The forum suggested that incentives for the establishment of plantations together with technical assistance are needed in order to boost such potential. Other financing mechanisms such as payments for environmental services are just being conceptualized in local policies and need to be strengthened at national level. The forum was followed by a series of business roundtables organized by the Bolivian Chamber of Forestry (*Cámara Forestal de Bolivia*); these clearly demonstrated the potential for investment, recording business investment intentions valued at US\$27.6 million.

Forum follow-up

A similar forum has recently been convened in the Republic of the Congo, and others are planned during 2009. While these forums have been 'planting a seed' in the different countries and regions that will, it is hoped, stimulate new investments in natural forest management in the tropics, it is important to recall that all such investments must be made on the basis of SFM. This, in turn, requires participatory decision-making processes that imply dialogue, negotiation and agreement among the stakeholders involved. It also requires that forest-based development take into account and respect the multifunctionality of the forest ecosystem, the cultural diversity of its inhabitants, and national laws and policies.

ITTO will continue facilitating the promotion of investment in tropical forests and the development of financial mechanisms for SFM, including through actions now under way, in association with a range of partners, as part of its 2008–09 biennial work program.

References

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