

Putting up the money

ITTO and partners have initiated a round of forums aimed at encouraging new investments in tropical forest enterprises engaged in sustainable forest management

FLOURISHING forest enterprises based on a sustainable supply of forest raw materials and services are essential for achieving sustainable forest management (SFM). The development of such enterprises requires investment but, unfortunately, significant investments in enterprises based on the sustainable management of natural tropical forests are rare. There are several reasons for this, including: poor investment climates created by local or national governments with laws that are too restrictive, administrative requirements that are overly bureaucratic, and a lack of incentives; political instability; limited possibilities for (micro-) credit and insurance against risk; and insufficient market knowledge and links between producers and market opportunities.

Attempts have been made at many levels to encourage more investment in SFM. At the international level, for example, the World Bank and its partners convened a Forest Investment Forum in October 2003 in Washington, DC (www.profor.info). However, there is still an urgent need to promote more private investment in natural tropical forest-based industrial development in developing countries.

Therefore, on 26–27 April 2006, ITTO and two partners—the non-government organization, Forest Trends, and the Mexican National Forestry Commission, CONAFOR—convened the International Tropical Forest Investment Forum in Cancun, Mexico. This brought together representatives of major stakeholders, including governments, local communities, large-, medium- and small-scale tropical timber industry enterprises, conservation agencies and financial institutions, to identify major constraints to investment in natural tropical forests, devise strategies for overcoming these, and pursue consensus on priority areas for future work. About 30 presentations were made by representatives of stakeholders, including the International Finance Corporation, a forestry insurance company, a forest investment adviser, a forestry equipment supplier, governments, and civil society groups. The articles on pages 4–11 in this edition are drawn from presentations made at the Forum.

The forum made a significant contribution to increasing the level of understanding on opportunities and constraints for investments in natural tropical forest-based enterprises, and on the kind of information and types of tools available or needed to promote more responsible investment. Questions that were addressed included:



Where did they get the money? A portable sawmill in Guyana.

Photo: J. Mentore, Farfan & Mendes Ltd

- who are the potential investors in natural forest-based enterprises in the tropics?
- how do they 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, and particularly of natural tropical forest-based enterprises?
- how can governments or firms attract more investments for natural tropical forests and what are they currently doing?
- how can an investment promotion strategy improve both international and domestic investment? and
- what other mechanisms can be used to make investments for tropical natural forests more attractive?

ITTO and its partners are now planning three regional investment forums—one each in Latin America and the Caribbean, Africa, and Asia and the Pacific—to follow up on the initial global forum. The regional forums will focus on the specific constraints and opportunities within each region and will aim to promote more investment in natural tropical forest-based enterprises in ITTO producer member countries.

More information on these regional forums will be posted on the ITTO website as soon as their venues, dates and programs become available. All presentations and background materials of the International Tropical Forest Investment Forum in Cancun are available at <http://www.itto.or.jp/live/PageDisplayHandler?pagelD=223&id=1213>