

**Economic Development**

Biodiversity

**Climate**

Protected areas

Conservation

livelihoods

**Poverty reduction**

**Forest values**

Global Environmental Services

**Global Forest Alliance (GFA) and the Forest Carbon Partnership Facility (FCPF)**

**SDN Forests and Carbon Finance Teams**

**May 2007**

**Why worry about deforestation?**

**Global dimensions in relation to WB activities**

- Lost income and deteriorating livelihoods for **1.2 billion people**
- **20% of global emissions** ⇒ 2nd leading cause of global warming ⇒ “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


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**Recent Advances**

- Extensive consultations with developing and industrialized countries on GFA and FCPF
- Capacity building and piloting received mandate by UNFCCC
- Two technical workshops with G8 in February and April
- Briefings to Bank's Management
- Technical discussions with selected stakeholders (esp. NGO community and international organizations) and potential donors
- DGF Grant approved:
  - framework stakeholder consultations and development of governance structure
  - monitoring, communications strategy etc., financing options
- Recognition of "Portfolio Approach" in UNFF

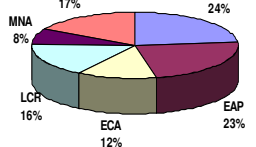
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**Is WB Doing Enough?**

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



Region	Percentage
AFR	24%
EAP	23%
LCR	16%
ECA	12%
SAR	17%
MNA	8%

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Forestry = ~0.7% of total Bank investments (avg. US\$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 ...

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**The Global Forest Alliance (GFA)**

**A multi-stakeholder partnership is being discussed that would aim to:**

- ✓ 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

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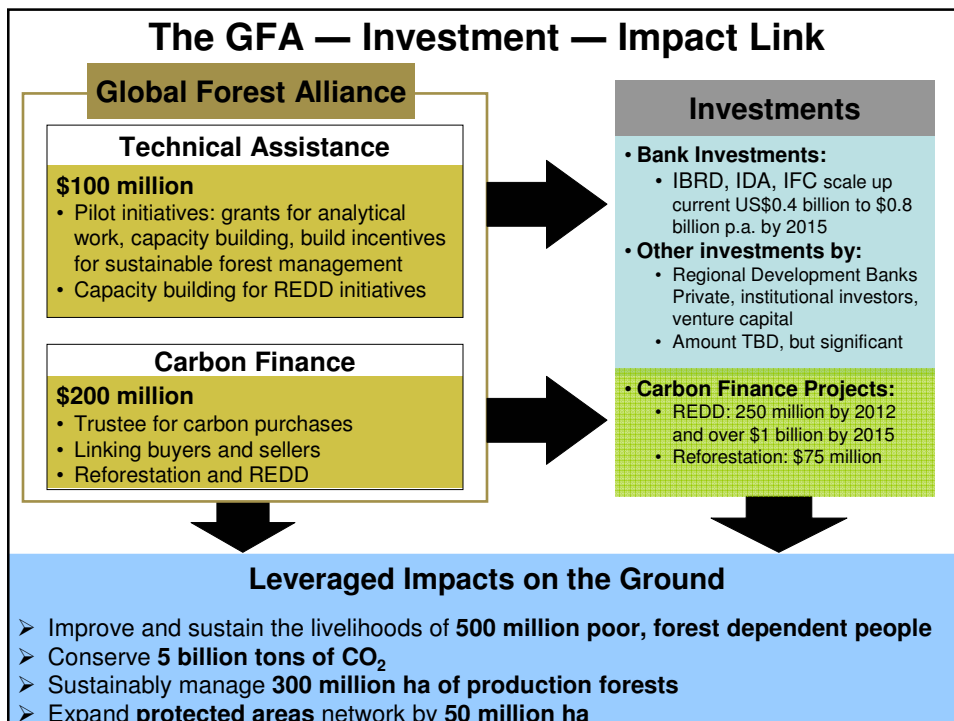
## Scale-up with partners to achieve four bold targets by 2015

(MDGs 1&7, Bank Forest Strategy)

**The Global Forest Alliance'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 Work Program			
<i>The World Bank Forest Strategy</i>	Harness Potential of Forests to Reduce Poverty	Integrate Forests in Sustainable Economic Development	Enhance Global Environmental Services
<b>Implemented by 3 GFA Work Programs</b>	<b>Sustainable Rural Development</b>	<b>Sustainable Forest Management and Markets</b>	<b>Environmental Services and Innovative Financing</b>
<b>Engaging in Core Activities (examples)</b>	<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>
<b>Supported by cross-cutting enabling and knowledge services</b>	<p style="text-align: center;"><b>Forest Law Enforcement and Governance (FLEG)</b> National and regional governance (FLEG) action plans and processes <b>Program on Forests – PROFOR</b> Analytical Products (ESW), Toolkits and Knowledge Management</p>		
<b>Governance</b>	Governed by a multi-stakeholder council (WBG, Govs, GEF, NGOs, private sector, international organizations, other) with participation of recipient countries and beneficiaries		



The Forest Carbon Partnership Facility (FCPF)

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- The objective is to demonstrate and pilot mechanisms that generate lasting forest emission reductions and that can be scaled up for REDD
- The objective is not to save the world's forests with \$200-300 million
- Several developing countries have expressed interest in a World Bank initiative to provide financial incentives for REDD
- BioCarbon Fund: Pioneers the Forest Carbon Market since 2004, including for avoided deforestation at project level
- “Avoided deforestation” excluded from the Clean Development Mechanism



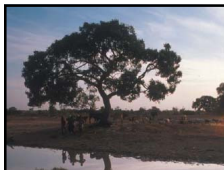
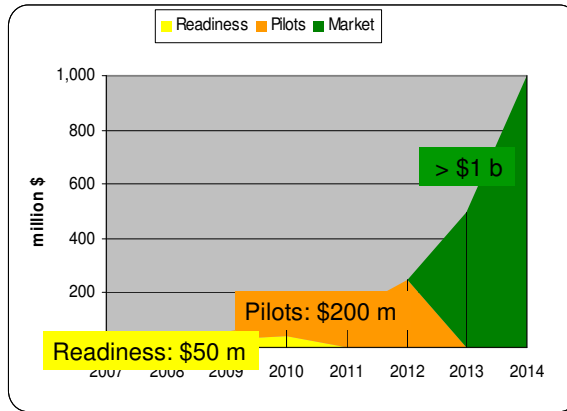


The Forest Carbon Partnership Facility Strategy

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

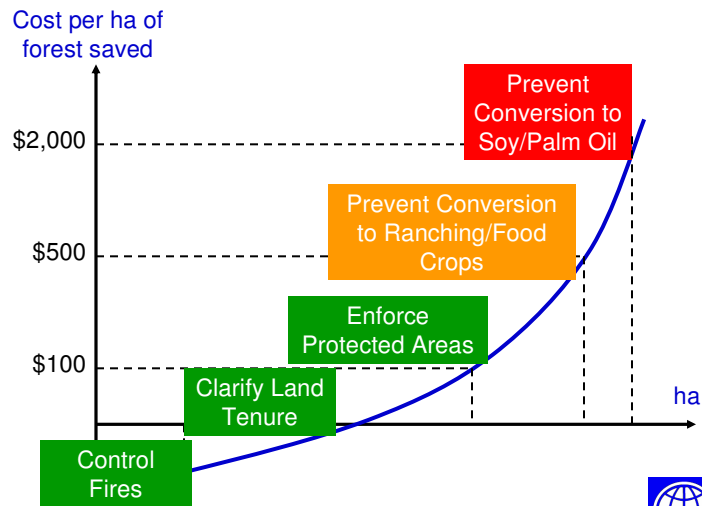
- Capacity building: readiness for a future system
- Pilot performance-based payments




The Forest Carbon Partnership Facility Pilot Purchases

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







**Fire Management Actions Alliance:**

**WB Approach**

**World Bank**

**The World Bank decided to be among the founding members of the Fire Management Actions Alliance:**

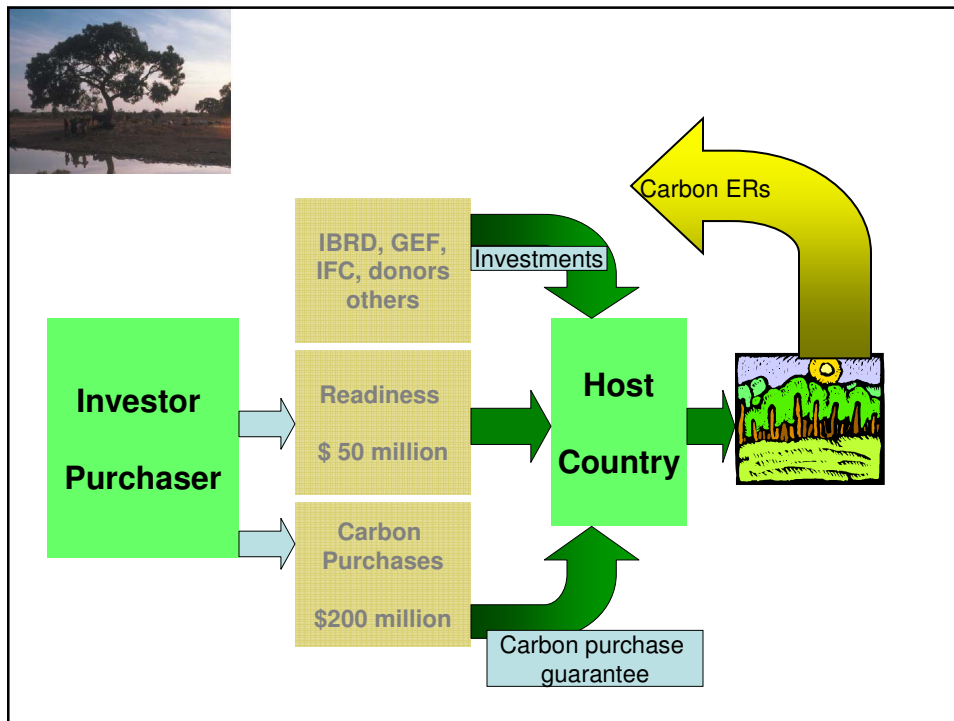
- The Bank already has a significant involvement in fire management in Russia, Indonesia, Brazil and other countries. Consistent and informed implementation of “Voluntary Guidelines” at the national and subnational levels would further improve quality of our lending and technical assistance in fire management.
- The Bank will not be able to be a leader or the motor in this Alliance. This is not our core business nor do we have major resources available for these purposes (at least until GFA and FCPF are launched).
- It is however important for the Bank to be informed about current thinking and new developments, especially in the field of monitoring and early responses to fire outbreaks.
- The Bank’s comparative advantage is to link the fire issues to governance, institutional capacity, cross-sectoral issues etc. In this regard we could provide good input.

**FCPF Some Principles**

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- **Several sellers**
- **Several buyers**
- **The market may not be the only way to set the price**
  - Is there a “market” (with private sector competition)?
  - Countries may be more interested in using ODA at first, then rely on market
- **Test various incentive systems in different countries with similar rigor, e.g.**
  - Costa Rica: market, PES
  - Brazil: donations
  - Congo Basin: forest certification, conservation concessions
- **Incentives for avoided deforestation and degradation**
- **Payment on delivery (some upfront)**



**FCPF Governance**

- **Developing countries must have meaningful role**
- **Other stakeholders must also be represented**
  - Civil society, private sector, international organizations
- **Proposal:**
  - **Trustee (World Bank)**
  - **Partners' Committee**
    - **Developing countries, contributors, civil society, private sector, international organizations**
  - **Investor's Meeting (contributors)**
  - **Advisory Group**
- **Nesting into GFA governance structure**


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**Mutual support of GFA and FCPF**

- **A successful implementation of FCPF requires**
  - Capable institutions and good governance
  - A favorable legal and regulatory environment
  - Answers to concerns about distribution and equitability issues
  - Reliable baselines
- **GFA addresses these issues by creating and enabling environment through**
  - Capacity building
  - Analytical work
  - Piloting initiatives in support to sustainable management of natural resources
  - Promoting law and governance issues
  - ... and by reinforcing the Bank's focus on rural poverty

<b>Milestones</b>	<b>May 17</b>	Bank Board briefing on GFA/FCPF
	<b>June 4</b>	Globe International G8 Illegal Logging and Climate Change Dialogue
	<b>June 8</b>	G8 Summit
	<b>June 16</b>	External Advisory Group meeting
	<b>June 30</b>	GFA Concept Note publicly available with initiation of e-consult process
	<b>July</b>	Bank hosts technical meeting in Washington on analytical work
	<b>September</b>	First GFA Governance Council meeting
	<b>September</b>	GFA/FCPF Bank Board discussion
	<b>November</b>	GFA/FCPF launch at UNFCC/CoP13





## 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

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