Building Capacities for the restoration of tropical forest landscapes and the enhancement of their ecosystem goods and services

Discussion Forum
Global Landscapes Forum 2017
Bonn, Germany
Incentive Mechanisms for Forest Landscape Restoration

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Global Landscape Forum, Bonn
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INTERNATIONAL TROPICAL TIMBER ORGANIZATION (ITTO)
Outline of the Presentation

• Short reflection on GLF day 1

• Fresh look at deforestation and forest degradation and the need for landscape restoration

• Restoration for what – carbon, biodiversity, timber, energy?

• Building capacities for landscape restoration and management

• Green growth is essential for landscape restoration
Geography of carbon density change

A. Baccini et al. Science 2017;science.aam5962
Increasing Global Wood Demand

Increasing global demand for wood

Demand in woodfuel and charcoal continues to increase
- 2.8 billion people will depend on traditional fuels in 2030
- Massive increase in demand for energy wood in industrialized countries

Dieterle et al. 2015
Projected HWP Supply Gap in 2040 under current conditions

- Supply gap in six case countries -

*Note:* HWP = harvested wood products; m = meter.
Employment Benefits of the Green Growth Scenario

- Six Case Countries -

Note: FTEs = full-time equivalent workers.
Mitigation Potential of the Green Growth Scenario

- Six Case Countries -

*Mozambique*

*Ethiopia*

*Colombia*

*Peru*

*Mexico*

*Vietnam*

*Note: HWP = harvested wood products; t CO2 e = tons of carbon dioxide equivalent.*

World Bank, 2017
Mitigation Benefits of Sustainable Forestry Value Chain

A

Metric tons carbon per hectare

Soil carbon
Tree biomass
Substitution effect

Time (years)

B

t C ha⁻¹

Time (years)
Potential of Forests for Achieving NDCs
- Schematic View for Green Growth Scenario -

Reducing Emissions through:
- Afforestation/reforestation
- Restoration
- Sustainable Forest Management
- Substitution
Business Cycle for Woodfuels
- Schematic View -

Substitution of energy intensive materials (e.g., efficient cook stoves to reducing emissions)

Increasing sustainable supply through Plantation/sequestration (achieving carbon neutrality)
Key takeaways

• Productive forest landscapes are essential for fulfilling basic needs of growing populations and providing global, national and local services: must be supplied like food

• Emerging supply deficit in developing countries might lead to increased deforestation/degradation or use of non-renewable materials

• Productive forests have a huge potential for development, green growth, climate change mitigation/adaptation: the “triple win”

• Substitution of non-renewable materials is an additional key benefit of productive forests

• Landscape restoration efforts must be economically viable and must be considered back from the markets into the forests
Strategic approaches to harness the role of productive forests in landscape restoration

- Protect essential high-biodiversity and protection forests for national and global public good purposes
- Restore degraded multi-purpose forest landscapes
- Invest in highly productive forests for mass products (timber, pulp, energy)
- Manage and use existing forests sustainably and efficiently (sustainable intensification, reduce waste)
- Green supply chains and trade: Legality and Sustainability in domestic and international markets
Factors affecting Investment Decisions*

• **Supra and inter sectoral factors affecting landscape restoration decisions, including:**
  – Landscape planning and information
  – Cross-sectoral coordination
  – Land tenure and land use rights
  – Governance and rule of law
  – Incentive mechanisms and investment climate

• **Intrasectoral factors affecting corporate investment decisions, including:**
  – Forest policies and regulations
  – Markets and market access
  – Technology/Expertise/Logistics
  – Information and transparency
  – Limitations/restrictions
  – Transaction costs and infrastructure

*Tomaselli (2017)*
Different forms of incentive mechanisms in the policy mix

Financial Incentives
(e.g. soft loans and grants, taxes, access to finance)

Administrative Incentives
(e.g. extended permitting, favourable thresholds for obligations)

Reputational Incentives
(e.g. voluntary certification, voluntary disclosure, natural capital accounting)
Financial Incentive Mechanism towards deforestation-free commodity value chains

- **Donor**
  - Results-based Payment
  - Reporting

- **Pilot Country Government**
  - Agreements

- **Value Chain**
  - Upstream Value Chain Actors
  - Private Companies across multiple sectors / landscape
  - Certification
  - Incentives

- **Downstream Value Chain Actors**
- **Consumers**

- **Technical Assistance Provider**
  - Capacity Building
  - Contracting
  - Reporting

- **Creating a Coalition for Forest-Smart Actors**
  (e.g., Producer Governments, private sector, retailers, consumers)

- **Funding Mechanism**

- **Increased Access to Finance**

- **Complementing REDD+?**
Green supply chains: Pathway to landscape restoration

International and National Legality and Sustainability Frameworks
SDGs, UNSPF, National Policies, Intl. Agreements, Proofs of Legality (Certification Schemes, Timber Tracking Systems, DNA Fingerprinting, ........)

Need for Capacity Building

- Landscape Planning, Policy & Regulatory & Institutional Frameworks, Capacity Building, Analysis, ....
- Market Information, Guidelines, Capacity Building Self-organization, Access to Markets ....
- Data Base, Intl. Connectivity, Expert Advice, Market Monitoring, Capacity Building ....
- Market Information, Intl. Outreach, Training and Capacity Building, Networks ....
- Analysis, Information, Monitoring ...

Green Supply Chain Initiatives

- Tropical Timber Producing Governments
- Tropical Timber Traders
- Tropical Producers & Exporters
- Importers & Traders
- Processors & Exporters

National, Regional and International Markets;
Consumers; Advocacy Groups ......
Addressing specific capacity building needs (Examples)

- Analyze underlying causes of illegality and informality
- Building user associations and marketing mechanisms
- Training on protected species (CITES)
- Company to company training programs
- Promoting civil society engagement, gender
- Training on tracking and monitoring tools; certification
- Market information and statistics
- Basic education and training tools
- ......
# Example for capacity building needs in integrated green supply chain approach

## Enhancing Teak Management in Mekong Forest Landscapes

<table>
<thead>
<tr>
<th>Intervention Area</th>
<th>Capacity Building Activity (examples)</th>
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</table>
| **Forest management**              | • Land use/forest management plans; regulations, coordination  
                                 | • Silvicultural practices  
                                 | • Seed improvement  
                                 | • Regeneration practices  
                                 | • Certification, legality  
                                 | • Community forest management, land tenure, gender  
                                 | • Non-timber forest products                                                                                                                                             |
| **Forest Production**              | • Reduced impact interventions, logging, workers rights ....  
                                 | • Grading, avoiding waste, processing technologies  
                                 | • Transport with chain of custody certification                                                                                                                                 |
| **Supply chain and marketing**     | • State of the art tracking technologies  
                                 | • Proof of legality, documentation  
                                 | • Market information, auctioning  
                                 | • Access to “green” markets                                                                                                                                                 |
Thank You!

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Tropical countries’ forest endowment: Distinct situations, different approaches needed

- **80%**
  - Most tropical countries
  - E.g. Gabon, Suriname, PNG, Estado do Amazonas

- **20%**
  - Many forest-poor countries

**Time sequence**

- **SFM: conserving existing carbon stocks**
  - E.g. Tropical China, Some states in India, Philippines, Costa Rica, South Africa, Cuba, Dominican Republic

- **Reducing deforestation and forest degradation; Landscape restoration**

- **Land Management:** afforestation and reforestation, Forest restoration

- **SLM: A/R: increasing carbon pools**
Building restoration readiness
Creating capacities to restore

Wageningen Centre for Development Innovation
Cora van Oosten, Global Landscape Forum, December 2017
Landscape
Landscape restoration
Governing landscape restoration
Creating the capacities to restore

Think and act integrated landscape

Choose right restoration management options

Achieve coherence in landscape diversity

Make institutions work for the landscape

Create landscape market value

Past, present, future

Landscape

Internal

External

Internal

External
Approaches to successful participatory landscape assessment and planning

Christine Fürst
Martin Luther University Halle
Germany
What means participation in LA&P?

- “process through which **stakeholders** influence and share control over priority setting, policy-making, resource allocations and access to public goods and services” (The World Bank)

- “… means that **people** ... are **involved** in economic, social, cultural and political processes that influence their lives”. (UNDP)

- “**partnership** based on **dialogue** between the different **partners** involved.... This requires **negotiation** rather than the dominance of a project agenda that has been defined from outside.” (OECD)
What is needed? – get to know your actors!

- **Who**
  - Who is the actor?

- **Role**
  - What role does (s)he play and which contributions does (s)he make?

- **Power**
  - Capacity to change something?

- **Interest**
  - ...in the problem/participation?

- **Involvement**
  - active / decisive
  - passive / participatory

FAO, 2004, modified
What is needed? – get to know your actors!

**Expert**: person that holds special knowledge that exceeds that of an average person; (ideally) not personally concerned / interested in the decisions. *Examples*: Scientists / researchers; indigenous and local knowledge holders

**Stakeholder**: individuals, groups or organizations that represent a specific / typical interest or concern, not necessarily specialized knowledge holders. *Examples*: (N)GO employees, representatives of land owner associations, tourism, nature conservation

**Laymen**: individuals that are (in-)directly affected by a FLR project, no group interest; consulted to represent the “public view / opinion” and insights on how the latter may vary dependent from age, gender, profession, etc. *Examples*: local / regional citizens
How to? – implementation in LA&P

The participatory LA&P cycle

- TOR, Process structure
- Targets / Problems
- Scenarios / Solution alternatives
- Integrated assessment (Benefits, Trade-offs)
- Decisions
- Implementation
- Monitoring
- Data analysis and processing

The participatory LA&P cycle
Some conclusions

- Successful participation in LA&P means **involving each actor type where it (bene-)fits best to the process**

- There is **no single „best method“**, but participatory planning / actor involvement must be based on a sequence of case-specific (technological / infrastructural / cultural suitability) methods or tools along the planning process

- Essential is a **continuous moderation / facilitation** of the process from the beginning on, and the formation of **structural (institutionalized) responsibilities** for putting the plan(s) into action
Evaluating innovative options and financial risks

Bonn, 20 December 2017
Key question: What are the underlying financing issues in FLR?

- Financing the substantial challenges faced and commitments made by governments, FLR cannot be financed solely with increasingly scarce public funds.
- Despite the fact that the private sector has currently pledged up to USD 1.5 billion for FLR activities, very little has actually happened so far.

- What is needed to initially pilot and then scale up private investment in FLR?
- Are there approaches and concepts from other climate finance activities that could be replicated or adapted to FLR?
- Are there private players already out there today that can be enticed to show-case that FLR projects can attract triple bottom line investors?
Where are financiers along the project cycle
the case of Renewable Energy

Early Stage Financing Gap

Capital Markets
(generally driven by P/E and other comparables rather than return)

Carbon Finance
(20-25+)

Debt Finance (Project Finance)
(Indicatively, e.g., 7-8% in US$; 11-13% in INR)

Mezzanine Capital
(12-15%, somewhere between debt and equity return)

Private Equity & Infrastructure Funds
(18-25+)

Sponsor / Developer
(30-40+)

Corporate & Compliance Investors
(15-20%)

Development/Transaction Costs

Source: UNEP, Aequero
Reasons for limited private investment in FLR

- Early-stage development risk
- Lack of portfolio of investable projects
- Lack of assistance for project development – lack of seed capital
- Frequently: lack of capacities
Incentive mechanism for existing funds to engage in FLR

Facility to set incentives for existing funds to engage in FLR project development

Support in the early stage phase of project development on a project-by-project basis

Private Equity Fund 1

Private Equity Fund 2

Private Equity Fund n

Investment 1
Investment 2
Investment n

Investment 1
Investment 2
Investment n

Investment 1
Investment 2
Investment n

Other Investors
Other Investors
Other Investors

Other Investors
Other Investors
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Other Investors
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Concept
Thank you for your attention!

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FLR as a Learning Process/Adaptive Management

**Planning**
- Monitoring integral to the FLR project
- Explicit objectives (criteria/indicators/thresholds)
- Data management plan and assigned responsibility

**Conducting**
- Collaborative monitoring
- Adequate funding
- Training appropriate and on-going
- Data on effectiveness analyzed and unintended effects identified

**Communicating**
- Communities and stakeholders informed of progress
- Management decisions influenced
**Transforming Landscapes**

“Moving from Point A to Point B”

- FLR begins with an ecological baseline and a social/economic/cultural context
- Technology on how best to restore/manage a forest landscape is indispensable
- But integrating into a specific social and economic context requires negotiations

### Contextual Complexity

<table>
<thead>
<tr>
<th></th>
<th>Simple</th>
<th>Complex</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stakeholders</td>
<td>Few</td>
<td>Many</td>
</tr>
<tr>
<td>Objectives</td>
<td>Clear</td>
<td>Conflicting</td>
</tr>
<tr>
<td>Priorities</td>
<td>Agreed</td>
<td>Contentious</td>
</tr>
<tr>
<td>Technical Capacity</td>
<td>Adequate</td>
<td>Lacking</td>
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</tbody>
</table>
FLR Needs a Flexible Planning/Implementation/Monitoring Process

- FLR Goals
- FLR Objectives
- FLR Project Plan
- FLR Activities
- FLR Monitoring
- FLR Results achieved

Initial FLR Ideas ➔ FLR Objectives ➔ FLR Project Plan ➔ FLR Activities ➔ FLR Monitoring ➔ FLR Results achieved

Decision-making

Project Identification / Concept Phase ➔ Project Implementation Phases

Point A ➔ Initial FLR Ideas ➔ FLR Goals ➔ FLR Objectives ➔ FLR Project Plan

Point B ➔ FLR Monitoring ➔ FLR Results achieved ➔ FLR Goals

Activities ➔ Monitoring ➔ Decision-making ➔ FLR Goals ➔ FLR Objectives ➔ FLR Project Plan ➔ FLR Activities ➔ FLR Monitoring ➔ FLR Results achieved

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FLR Activities ➔ Monitoring ➔ Decision-making ➔ FLR Goals ➔ FLR Objectives ➔ FLR Project Plan ➔ FLR Activities ➔ FLR Monitoring ➔ FLR Results achieved
Capacities and Competencies

• Broad understanding of FLR
• Specific technical skills
• Local knowledge
• Negotiation and/or facilitation
• Participatory project management
• Communication
Building Capacities for the restoration of tropical forest landscapes and the enhancement of their ecosystem goods and services

Panel Discussion