



Food and Agriculture
Organization of the
United Nations



Leveraging Finance for a wood-based bioeconomy

Marco Boscolo
Forest Governance and Economics, FAO

Outline

- Rationale
- Facts and Figures
- Challenges and opportunities to finance sustainable forest value chains
- Markets and finance in the SW4SW initiative
- Open questions

Why work on forest finance?

- “Nature-Based Solutions could provide over one-third of the climate mitigation needed between now and 2030 to stabilize warming to below 2°C”
- Sustainable forest value chains present multiple opportunities to contribute to local development, SDGs and climate change mitigation



Insight from companies
Interviews, analysis of SDG value chain mapping, corporate disclosure

External research
Literature review and other external information



This potential is only partly realized because of lack of finance

Facts and figures

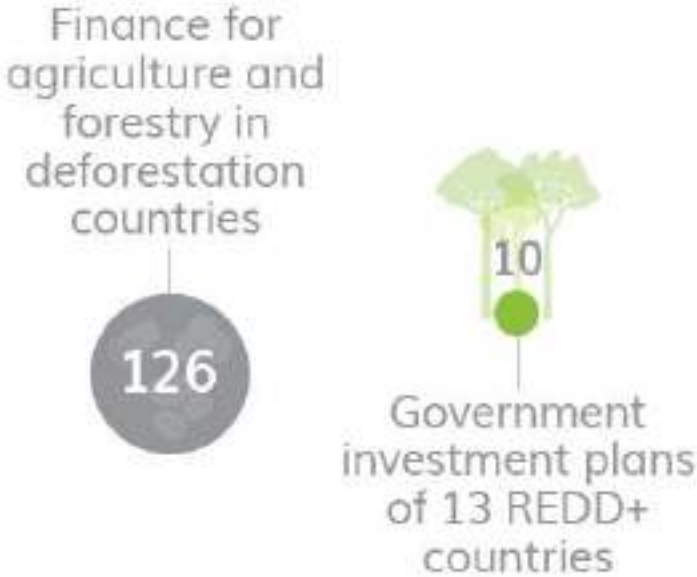
- FLR annual requirements estimated to meet the Bonn Challenge and NYDF targets: \$35-49 billion (FAO and GM 2016)
- Climate finance annual requirements estimated: \$350-640 billion (Climate Focus 2019)
- Less than 3% of climate and conservation finance is for AFOLU sector (Climate focus 2019)
- Forest Finance: \$2-3 billion/year

Estimates of green and grey finance flows captured in report (USD billions since 2010)

Public International Finance



Public Domestic Finance



Private Finance



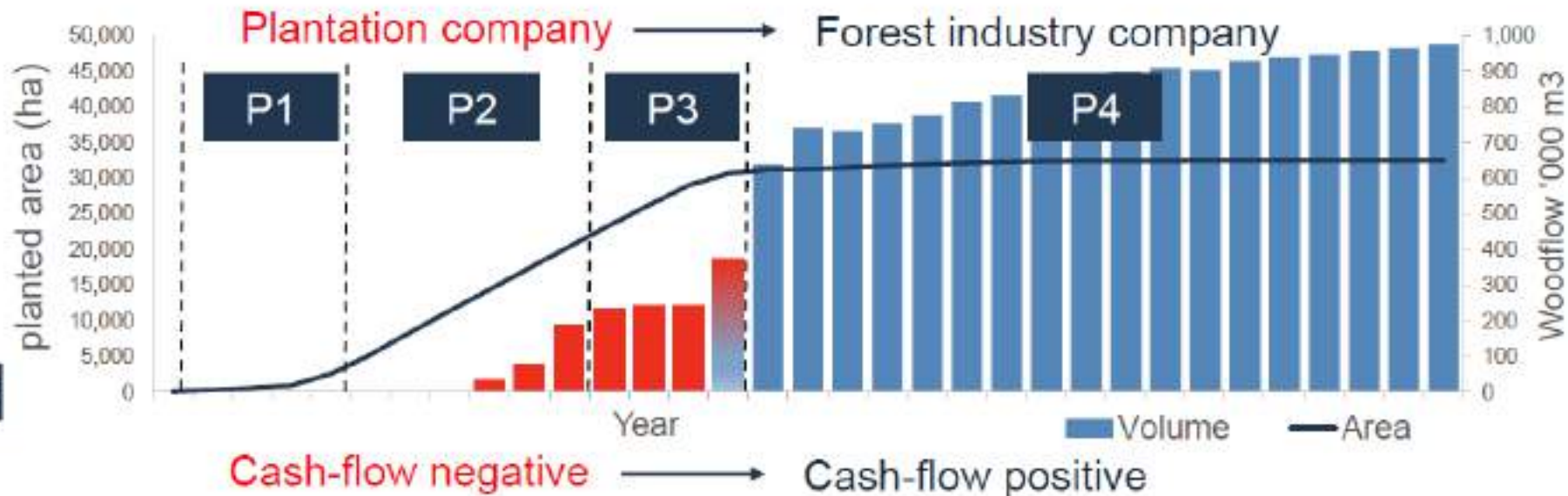
Source: Climate focus 2019. pp. 67-73

Avenues to mobilize finance for sustainable forestry value chains

- Sources: Revisit/expand role of **public finance** to more effectively play a catalytic role (de-risk, besides provision of public goods and services, capacity development, and demonstration)
- Instruments: Match supply/selection of **instruments** (type, scale, timeframes) and risk appetite of different investors with demand

Sources and instruments along the value chain (fund perspective)

P1: Proof of concept	P2: Plantation expansion	P3: Industrial development	P4: Industrial expansion
Management competence Land security Tree planting started Value chain strategy	Scale-up of planting R&D; proven growth Smallholder expansion Market visibility	Value chain development Markets, products Infrastructure Processing facilities	Significant investments to industrial processing (vertical integration or JVs?) Sales and marketing
Founders Family offices, HNWs Philanthropic (Grants)	Development financing Impact investors (Climate funding) (Private funding)	Development financing Impact investors (Financial investors)	Financial investors Strategic investors Project financing Banks
Critical phases with insufficient funding			



Source:
finnfund

Avenues to mobilize finance for sustainable forestry value chains

- Enabling conditions for investments (tenure, markets, infrastructure, policies, information, governance, etc.)
- Capacities to develop and implement bankable projects (human and organizational) + **guarantees/collateral, informality**
- Address perceptions of forestry as a high-risk business
- Fragmented value chains (weak links along chain and to end market)

With right approaches and partnerships it is possible to overcome these obstacles

What's needed to catalyse private finance for inclusive and sustainable forestry value chains?



- enhanced **communication** among the forest and the finance sector,
- processes and instruments to **match needs** and **reduce the risks** associated with these investments,
- increased **availability and transparency of information** regarding forestry value chains, and
- an improved **investment environment** (also for local investors/entrepreneurs)
- Strengthen **capacities** of value chain participants (esp. SP, SME, POs, IPs)

Markets and Finance for SWVC

Capacity building and mentoring

- How to prepare **bankable projects**
- The **due diligence** in investment projects
- **Contractual arrangements**
- Understanding, adapting and selecting **financial instruments**
- Assessing the **investment environment**
- Understanding product and sustainability **standards**

Tools, information and analysis

- Finance **intelligence briefs** (VC specific)
- **Investment decisions support tools**
- Value chain **assessments**
- **Outlook studies**
- **Business models**
- Success stories/case studies
- **Guidelines**
- **Datasets**

Dialogues and partnerships

- **Dialogues:** Cameroon, RSA, China, national
- **Partnerships:** WB, WWF, CIFOR, ITTO, TBI, IIED (external); FFF, FLR, REDD+, PSP, CBC (internal)
- **Communication** (Webinars, articles)



Forest Investments Resource Centers at national/regional level supported by HQ coordination, KS, mentoring and support

How to increase the attractiveness and competitiveness of sustainable wood-based bioeconomies?

HOW?

- Avoid a development trajectory dependant on non-renewables and unsustainable?
- Increase demand for sustainable products in low income countries (e.g., sustainable fuelwood)?
- Promote investments that reduce/transform waste, improve efficiencies?
- Improve the narrative around wood products, reframe perceptions (e.g., Australia's "ultimate renewable" campaign)?
- What policies, incentives can promote a sustainable bioeconomy in developing countries?



Food and Agriculture
Organization of the
United Nations

Thank you

Marco.Boscolo@fao.org