"To have faith in the power of dialogue is to believe in the promise of humanity"

- Daisaku Ikeda

Welcome!

The Forests Dialogue @ UNFF 10
Realizing the Potential of Investing in Locally Controlled Forestry

Gary Dunning
Executive Director
The Forests Dialogue

UNFF 10
12 April 2013
Istanbul, Turkey
The Forests Dialogue

Purpose

- Established in 2000
- Created to reduce conflict among stakeholders in the forest sector
- International platform and process to discuss key SFM and conservation issues
- Focused on building mutual trust, enhanced understanding and commitment to change

To Date

- 13 Initiatives
- 45 International Dialogues
- Nearly 3000 engaged
- 25 SC members
- Secretariat based at Yale University
What is Investing in Locally Controlled Forestry (ILCF)?

Locally controlled forestry describes the local right for forest owner families and communities to make decisions on commercial forest management and land use, with secure rights, freedom of association and access to markets and technology.

Investment, in the context of ILCF, comes in two forms:

– Asset investment is seeking a tangible financial return
– Enabling investment, which does not expect a financial return, but is focused on securing rights, organizational development, capacity building and sustainable livelihoods
The Paradigm Shift in Investment

TRADITIONAL MODEL

Capital → seeks → Natural Resources → and needs → Labour

NEW MODEL

Rights Holders → manage → Natural Resources → and seek → Capital & Partnerships

Source: Elson (2011)
Why ILCF now?

• Growing trend towards local control and increased rights by communities

• Interest from investment funds, philanthropic foundations

• Ability to effectively mobilize increased funds for investment in forests – carbon & impact investment

• Opportunity to improve livelihoods while connecting communities to the local landscape
ILCF Initiative Support

Funders
- Growing Forest Partnerships
- Sida
- World Business Council for Sustainable Development

Initiative Partners
- IIED
- IUCN
- FAO
- Profor (World Bank)
- G3 – alliance of rightsholders
The ILCF Initiative: 2009-2012

400 stakeholders from 60 countries
Initiative Findings

TFD Review

Investing In Locally Controlled Forestry
A Review of TFD's Initiative on Investing in Locally Controlled Forestry, 2009–2012

The Forests Dialogue

Guide to investing in locally controlled forestry
Dominic Elson
Benefits of ILCF

- **Investors** – Balance social and environmental goals with need for return
- **Right Holders** – Meet investors needs, build capacity, livelihoods and partnerships
- **Governments** – Help reduce poverty, increase economic competitiveness and social progress
- **Donors and NGOs** – Create conditions for sustainable investment and assist community enterprise
## Investment Framework

<table>
<thead>
<tr>
<th>Type</th>
<th>Enabling Investment</th>
<th>Asset Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investor</td>
<td>Government Donors Philanthropists Rights-holders Product investors Philanthropists</td>
<td>Private sector companies Philanthropists SWFs Rights-holders Banks Private investors and equity funds</td>
</tr>
<tr>
<td>Vehicle</td>
<td>Projects NGOs Research institutions SMEs Intermediaries</td>
<td>Product purchase Capital investment Financial services Capital investment</td>
</tr>
<tr>
<td>Goal</td>
<td>Private sector development Fill the 'Pioneer Gap', Sustainable supply chain, quality product</td>
<td>Return on capital plus social / environ-mental impact Payment of interest and return of principal Risk-adjusted return on capital</td>
</tr>
<tr>
<td>Means</td>
<td>Public expenditure, e.g.: Infrastructure Fiscal reform Regulatory reform Subsidies Grants, e.g. Organizational development, Institutional reform Enterprise Philanthropy: Grants and seed funding, e.g. demonstrating validity of business model Product investment via Purchase order, pre-payments Impact investment via equity, loans Loans secured against company or personal assets (e.g. land) Value investment via: equity, loans</td>
<td></td>
</tr>
<tr>
<td>Output</td>
<td>Public goods</td>
<td>Private assets</td>
</tr>
</tbody>
</table>
Enabling ILCF

1. Rights-based advocacy
   - Commercial forest rights

2. Enterprise support
   - Business capacity

3. Organisation-building
   - Enterprise-oriented organisation

4. Brokering deals
   - Fair and balanced asset investment

Locally Controlled Forestry
Roadmap to success

Enterprise Development
- Proposition
- Establishment
- Validation
- Preparation
- Negotiation
- Performance Management
- Scale-up

Incubation
- Enabling Investments
  - grants
  - seed capital
- Asset Investments
  - equity
  - loans

Impact Investment
Mainstream Investment
Enabling Conditions

- Clarity of tenure and rights
- “Good enough” governance
- Partnerships
- Business development services
- Intermediaries and brokers
- Transparency and accountability
- Agreed goals and expectations
- Checks and balances
- Respect for different values but embracing change
Advancing ILCF

Next steps to scale up

• Forest and Farm Facility aims to develop institutions at local level.

• Further understanding of opportunities for asset investment – understanding the value chain and policy frameworks at national level.

• Develop partnerships (international, regional, national & local) with private sector and enabling investors to mobilize investment.
Thanks!

TFD Documents and Publications

Available electronically at:
www.theforestsdialogue.org

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The Forests Dialogue Secretariat
Yale University
New Haven, CT, USA

+1 203 432 5966
tfd@yale.edu
www.theforestsdialogue.org
Panelists:
Ghan Shyam Pandey – Global Alliance of Community Forestry
Peter deMarsh – International Family Forest Alliance
Björn Merkell – Swedish Forest Agency
Diji Chandrasekharan Behr – PROFOR
Patrick Wylie- International Union for Conservation of Nature (IUCN)

Moderator
Xiaoting Hou – The Forests Dialogue