

World Bank Group

# Forest Action Plan FY16–20

April 2016

## Focusing on Sustainable Forestry and Forest-Smart Interventions

### Introduction

Through the Forest Action Plan FY16-20, the World Bank Group aims to boost the potential of forests to lift people out of poverty and generate lasting social, economic, and environmental returns in our client countries. It supports countries to define development pathways that take the importance of their forest capital into account.

It builds on and strengthens the World Bank Group's 2002 Forest Strategy (Sustaining Forests: A Development Strategy) and identifies two focus areas for our engagement for the next five years: sustainable forest management and forest-smart interventions in other sectors. These two focus areas are supported by three themes that aim to strengthen the foundations for positive forest outcomes: climate change and resilience, rights and participation, and institutions and governance.

### Forests and Sustainable Development

As the world warms and its population grows, forests and trees stand at the intersection of many decisive challenges: sustaining agriculture; reducing the impact of droughts, floods, and storms; regulating water and climate; protecting infrastructure; providing timber, paper, and energy; and housing critical biodiversity. Some of the world's most vulnerable people live in or near forests. Actions taken to enhance the governance and sustainable management of forests contribute directly to developing opportunities and protecting ecosystem services that benefit the poorest.

Globally, forests remain under significant threat. Although the pace of global deforestation has slowed since the 1990s, it still affects an area larger than Costa Rica each year. Deforestation, forest degradation, and land use change contribute about 12 percent of the world's greenhouse gas emissions, eroding the capacity of forests to store carbon and slow climate change.

Pressures on forests are likely to continue for the next several decades. Population

growth—along with rapid urbanization and changes in consumption patterns in middle-income countries—is expected to sharply increase the demand for food, fiber, energy, and minerals that often drive large-scale land use changes at the cost of forest and tree cover.

Because threats to forests are manifold and often interdependent, addressing them requires a coordinated multi-sectoral approach. This approach should ensure that activities in other sectors such as agriculture, transport, mining, or hydropower are undertaken in ways that limit negative impacts on forest integrity while maximizing development benefits.

To address the global forest challenge, forests need to become an integral part of national development agendas and better recognized for the many opportunities they offer. Globally, about 2 billion hectares of degraded forest land could be restored to functional, productive ecosystems that help fight climate change.

Sustainable forest management also calls for enhancing community involvement in

decision-making processes related to the use of forests, increasing investments in planted forests, working in partnership with the private sector to make their business models forest-smart, and strengthening forest governance to foster responsible investments and combat illegal logging.

### The WBG Contribution to the Forest Agenda

The 2002 WBG Forest Strategy continues to frame the institution's work in the forest sector and remains very robust. It is organized around three interconnected pillars. Bank support should:

- (1) harness the potential of forests to reduce poverty in a sustainable manner,
- (2) integrate forests effectively into sustainable economic development,
- (3) and protect the vital local and global environmental services and values of forests.

The preparation of the Forest Action Plan (FAP) for the next five years was guided by an in-depth assessment of the WBG forest portfolio over the FY02-15 period, as well as a detailed analysis of emerging client demands. It focuses on two areas:

#### Focus Area 1: Sustainable Forestry

Forests in many developing countries support the livelihoods of hundreds of millions of people, mostly the poor and vulnerable, who are often remote from market opportunities.

The FAP aims to support investments in sustainable forestry with a particular focus on optimizing the potential of natural forests to provide cash and non-cash income and to generate jobs and economic opportunities for forest-dependent people. It supports tree planting and plantations to respond to growing demand for timber, fiber, and fuelwood while reducing pressures on natural forests. It also supports investments in rehabilitating degraded lands and promotes sustainable value chains through small and medium-size forest enterprises and responsible investments in forests.

#### Focus Area 2: Forest-Smart Interventions in Other Economic Sectors

The WBG aims to support its clients' pursuit of a forest-smart development trajectory through an integrated landscape approach. This approach clarifies the dynamics between various land uses, including

forests. Supporting forest-smart interventions will not only ensure that adverse impacts on forests and their biodiversity are avoided or minimized, but also identify opportunities for increasing the productivity and resilience of other sectors. (For example there are enormous opportunities tied to agroforestry for agriculture, forest-based watershed management for hydropower and clean water, or mangrove protection for flood control.)

These two focus areas are supported by three themes that aim to strengthen the foundations for positive forest outcomes: climate change and resilience, rights and participation, and institutions and governance.

### Implementation

The FAP outlines a number of ways in which the WBG will deliver on the forest agenda over the next five years.

**Upstream assessments.** We aim to ensure that investments in other sectors are undertaken in a forest-smart way. To do this, interventions in forests and other economic sectors will be guided by comprehensive and robust information on potential trade-offs for forests as well as opportunities for restoration. The World Bank's Systematic Country Diagnostic (SCD) and Country Partnership Framework (CPF) instruments offer useful platforms to identify the challenges and opportunities related to forests in a strategic and integrated manner. To support this effort, *Country Forest Notes* (and subnational Notes as appropriate) will be prepared for priority countries and will present an upstream analysis of threats to forests in individual countries or regions, as well as opportunities for socioeconomic growth in the forest sector. The notes will aim to inform SCDs and CPFs.

**Programmatic approach.** The operational centerpiece of the FAP is a more programmatic approach that strategically positions the WBG to support countries willing to pursue a forest-smart development trajectory. It is based on four features: a country-owned program, an appropriate mix of financial instruments, a cohesive financial architecture, and long-term engagement.

A programmatic approach will take into account the specific forest challenges and opportunities that a country has identified. It will support country-owned strategies that seek synergies and minimize trade-offs between interacting land uses (including agriculture, energy, transportation, extractives, ecosystem services, and biodiversity). This will be piloted in selected countries where

Tap the potential of forests and trees to contribute to the WBG goals of ending extreme poverty and boosting shared prosperity in a sustainable manner	
Rationale for WBG Engagement	WBG Approach
<b>Focus Area 1: Sustainable Forestry</b>	
<p>In many developing countries, forests support the livelihoods of hundreds of millions of people, mostly the poor and vulnerable, who are remote from market opportunities. Beyond sustaining livelihoods, sustainably managed forests also offer opportunities to lift people out of poverty where alternatives do not exist. Even in the most advanced economies, some pockets of poverty remain in forested areas.</p> <p>At the same time, population growth and associated changes in consumption patterns are increasing demand for forest products (wood-based energy, construction, poles, etc.) and placing more pressure on natural forests. Responding to the growing demand while preserving natural forests is an enormous challenge.</p>	<p>The FAP aims to ensure that investments in the forestry sector protect and optimize the use of forests (both natural and planted) to sustain livelihoods and create jobs and economic opportunities in rural areas.</p> <p>Together, the entities of the WBG are able to foster wealth generation and employment opportunities along forest-sector value chains: the World Bank can help establish investment environments conducive to small and medium forest enterprises as well as large-scale investors; the International Finance Corporation can partner with responsible private sector investors to expand investment in plantations, enterprises, and value chains; and the Multilateral Investment Guarantee Agency can mitigate potential risks associated with investments in the forestry sector.</p>
<b>Potential Interventions under Focus Area 1</b>	
<p>Protect and optimize the management of natural forests, through:</p> <ul style="list-style-type: none"> <li>• Participatory forest management</li> <li>• Sustainable management of production forests</li> <li>• Sustainable production of Non-Timber Forest Products</li> <li>• Forest biodiversity protection</li> <li>• Nature-based tourism</li> <li>• Payment for Ecosystem Services</li> </ul>	<p>Encourage sustainable plantations and tree planting, through:</p> <ul style="list-style-type: none"> <li>• Responsible investments in large-scale commercial reforestation</li> <li>• Smallholder plantations and tree planting</li> </ul> <p>Support sustainable forest value chains, through:</p> <ul style="list-style-type: none"> <li>• Small and Medium Forest Enterprises</li> <li>• Private investments in forest value chains</li> </ul>
<b>Focus Area 2: Forest-Smart Interventions in Other Economic Sectors</b>	
<p>Increasing demands for food, fiber, fuel, and minerals often drive large-scale land use changes at the cost of forest and tree cover.</p> <p>Addressing pressures on forests requires an integrated landscape approach, which provides the organizing principle for investing in and managing land, based on rational spatial planning and socioeconomic considerations. Forests and trees can also sustain, through the provision of ecosystem services, economic sectors such as agriculture, energy, and transport.</p> <p>For such an approach to work, decisions on development trajectories need to be informed by comprehensive, ex-ante, and robust information on potential trade-offs for forests, as well as opportunities for restoration.</p>	<p>The WBG aims to promote interventions in other sectors (such as agriculture, hydropower, extractives, and transport) that are “forest-smart” and that consider avoiding or minimizing their potential adverse impact on forests. To do so, the WBG will aim to support clients to promote growth that does not come at the expense of their natural assets, particularly forests, and that properly values and recognizes the contribution of forest services to economies.</p> <p>The WBG organizational structure, based on sectoral Global Practices and Cross-Cutting Solution Areas, can enable effective delivery of multi-sectoral solutions tailored to country-specific needs.</p>
<b>Potential Interventions under Focus Area 2</b>	
<p>Support informed decision making on land uses by:</p> <ul style="list-style-type: none"> <li>• Introducing forest considerations as a key element of the Sustainable Development agenda</li> <li>• Promoting land-use planning as a key tool for that purpose</li> </ul>	<p>Deliver on forest-smart operations in sectors, such as:</p> <ul style="list-style-type: none"> <li>• Agriculture and Water</li> <li>• Infrastructure (Transport, Dams and Hydropower, etc.)</li> <li>• Energy</li> <li>• Extractive Industries</li> </ul>

the WBG has significant involvement in the forest sector.

**Results and impacts.** Strengthening the monitoring and reporting of the performance of the WBG forestry portfolio will help build a strong evidence base on results from investments. The FAP supports actions at two levels: (i) improving the capacity of the WBG to monitor progress toward

achieving results, report on these, and evaluate impacts of forest-relevant interventions and (ii) supporting client countries’ efforts in building robust systems to monitor and report on the status of their forests.

**Knowledge base.** Knowledge generation (through analytical work and operations) and dissemination will be a key focus area. The Bank’s portfolio of forest-related analytical

**Cross-Cutting Themes:  
Climate Change and Resilience, Rights and Participation, Institutions and Governance**

<p><b>Climate Change and Resilience</b> Forests and their biodiversity play a crucial role in sustaining the planet's balance. Forests are uniquely placed in the climate change agenda as they can deliver on both mitigation and adaptation: they have the capacity to store and sequester carbon as well as to provide ecosystem services that enhance the resilience of natural systems.</p>	<p>Through the climate change trust funds – the Forest Carbon Partnership Facility, the Forest Investment Program, and the BioCarbon Fund, the WBG will continue working on innovative solutions for forest-based mitigation to climate change. Additionally, more focus will be given to forests' contribution to the adaptation agenda and their contribution to resilient ecosystems: through the landscape approach, the WBG will contribute to enhanced resilience of rural economies and societies, in particular to climate shocks.</p>
<p><b>Rights and Participation</b> Clarification of rights related to access to forests and use of forest products is critical, and yet the world's most carbon-rich and biodiverse forests are often found in regions where ownership is ill defined, contested, or insecure.</p>	<p>The World Bank will support clients willing to clarify forest access and user rights, improve land tenure (with a special focus on the rights and roles of indigenous peoples and forest-dependent communities), and modernize land administration systems. In addition, the WBG has established strong platforms that foster enhanced participation of various stakeholders.</p>
<p><b>Institutions and Governance</b> Good forest governance and strong institutions are core conditions for sustainably managed forests so that current and future generations can benefit from forests in the long term.</p>	<p>The WBG will support clients willing to strengthen their institutional capacity and adjust their policy/regulatory framework to sustainably manage their forests and the interfaces with other economic sectors. Use of new technologies will be promoted. The WBG can help countries tackle the pernicious and widespread effects of illegal logging.</p>

and knowledge work will be aligned with the focus areas identified in the FAP. Through project cycle, performance and learning reviews of forest-related interventions, an operational knowledge base will be developed. This will be systematically captured and disseminated so that it can inform project/program design, and help determine midcourse corrections if appropriate.

***Institutional and operational arrangements.*** The programmatic approach will seek to consolidate and streamline preparation and implementation processes of operations. The WBG will also work with partners and donors to improve the effectiveness of forest-related funds, to reduce transaction costs and increase impact.

***Partnerships.*** The WBG works with a wide range of forest stakeholders and partners at the country, regional and global levels. To support its new business model, the WBG will place special emphasis on partnerships that can deliver operational support to client countries through coordinated efforts. Platforms established under the Forest Carbon Partnership Facility and the Forest Investment Program (and its associated Dedicated Grant Mechanism for Indigenous Peoples and Local Communities) have deepened the Bank's engagement with a variety of stakeholders involved in the forest sector. Continuing dialogue and exchange with civil society and other groups will remain central to the implementation of the FAP.

