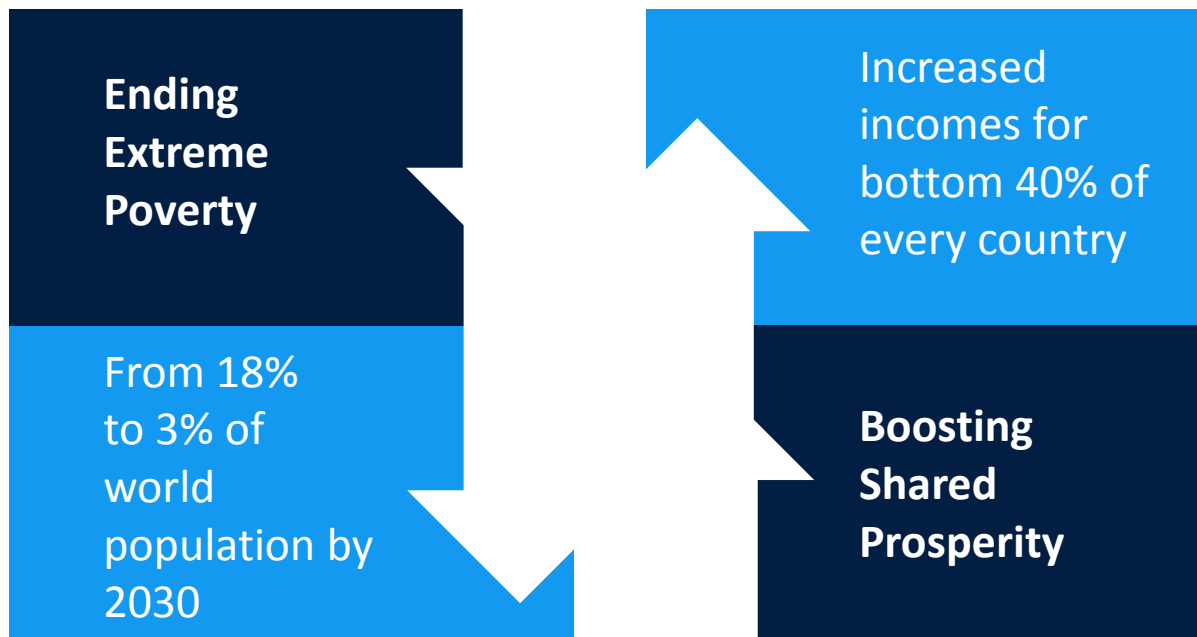


**PRIVATE SECTOR
INVESTMENTS AND ENGAGEMENT
IN SUPPORT OF REDD+**



Dr. Michael Brady
Regional Knowledge Exchange on
REDD+ Financing
Bangkok, 25-27 May 2016

THE WORLD BANK GROUP'S TWIN GOALS



WB/IFC Forestry Strategy supports these goals:

1. Harnessing the potential of forests to reduce poverty
2. Integrating forests in sustainable economic development
3. Protecting vital local and global environmental service values

INTEGRATED SOLUTIONS, INCREASED IMPACT

3 Focus
Industries:

MANUFACTURING
AGRIBUSINESS &
SERVICES

FINANCIAL INSTITUTIONS

INFRASTRUCTURE AND
NATURAL RESOURCES

3 Product
Areas:

INVESTMENT

(Debt, Equity, Trade Finance, Syndications, Securitized
Finance, Risk Management)

ADVICE

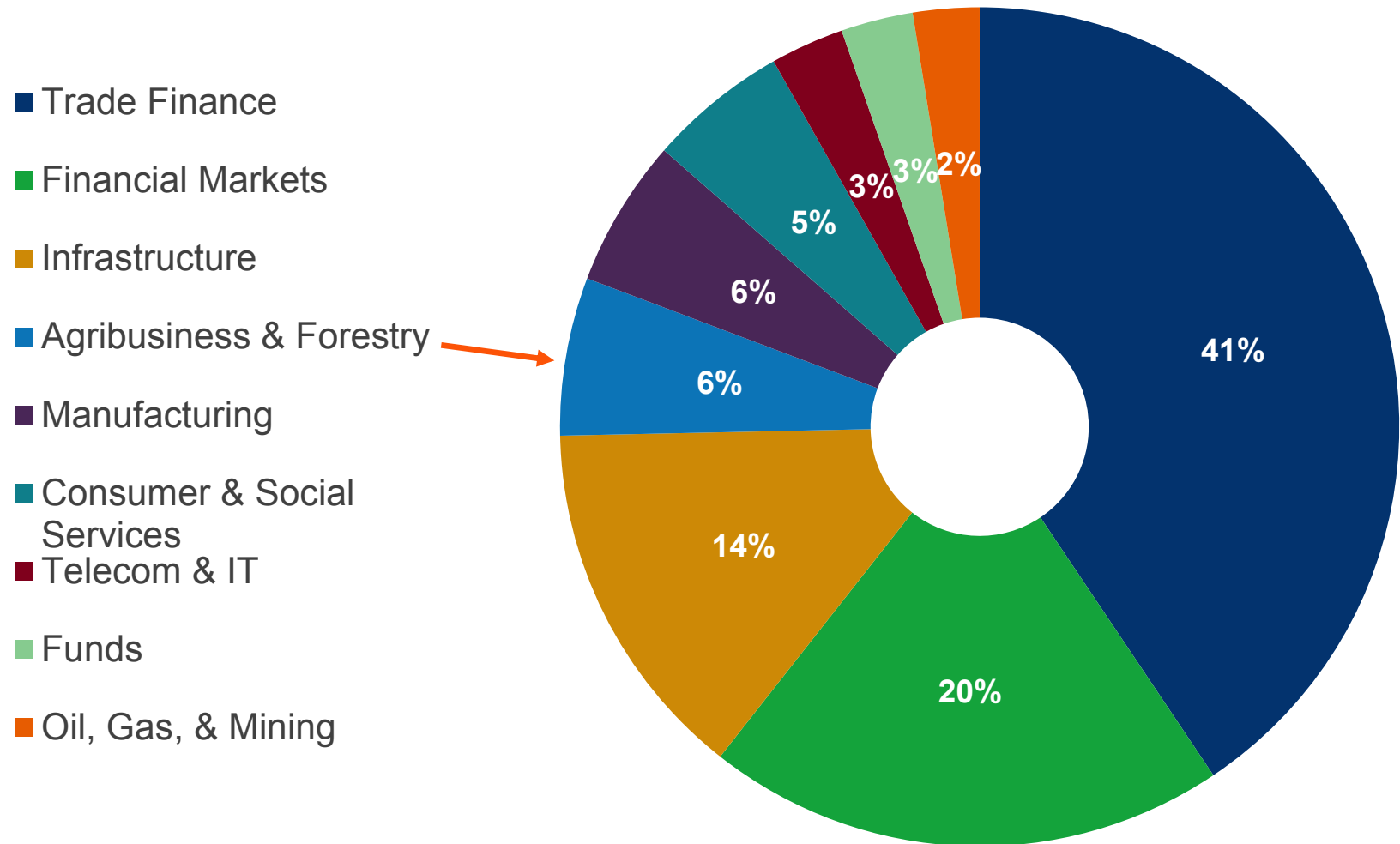
(Integrated with IFC Investment)

IFC ASSET MANAGEMENT COMPANY

(Mobilizing and Managing Capital for Investment)

INVESTMENTS BY INDUSTRY, FY15

CUMULATIVE FOREST SECTOR COMMITMENTS SINCE 1958: US\$5.2 BILLION



WHAT WE DO

Needs:

- Pre harvest finance
- Inputs
- Operations
- Trade credit/export credit
- Term lending
- Infrastructure development

IFC Provides:

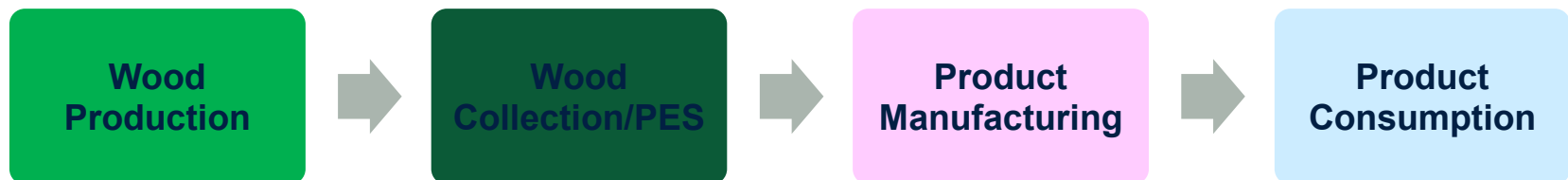
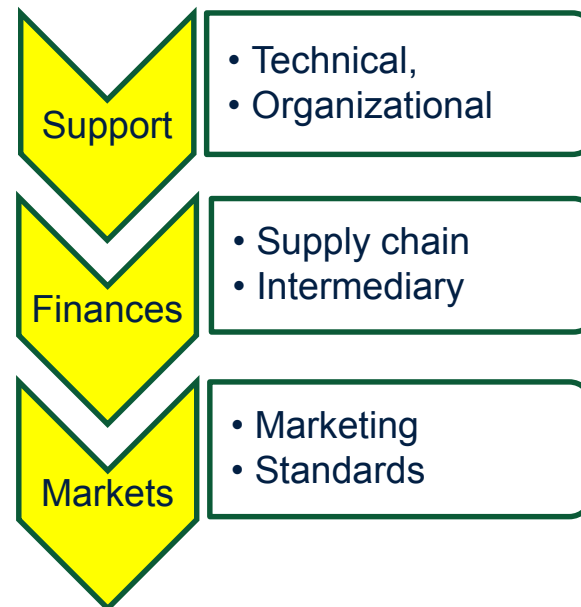
- Supply chain finance involving off-taker lead firms
- Direct financing through financial intermediaries
- Other farm and off farm revenues, including carbon
- Concessional loans, risk sharing
- Strengthen financial infrastructure (registries, moveable assets)



IFC APPROACH: FOREST INVESTMENT PROGRAM

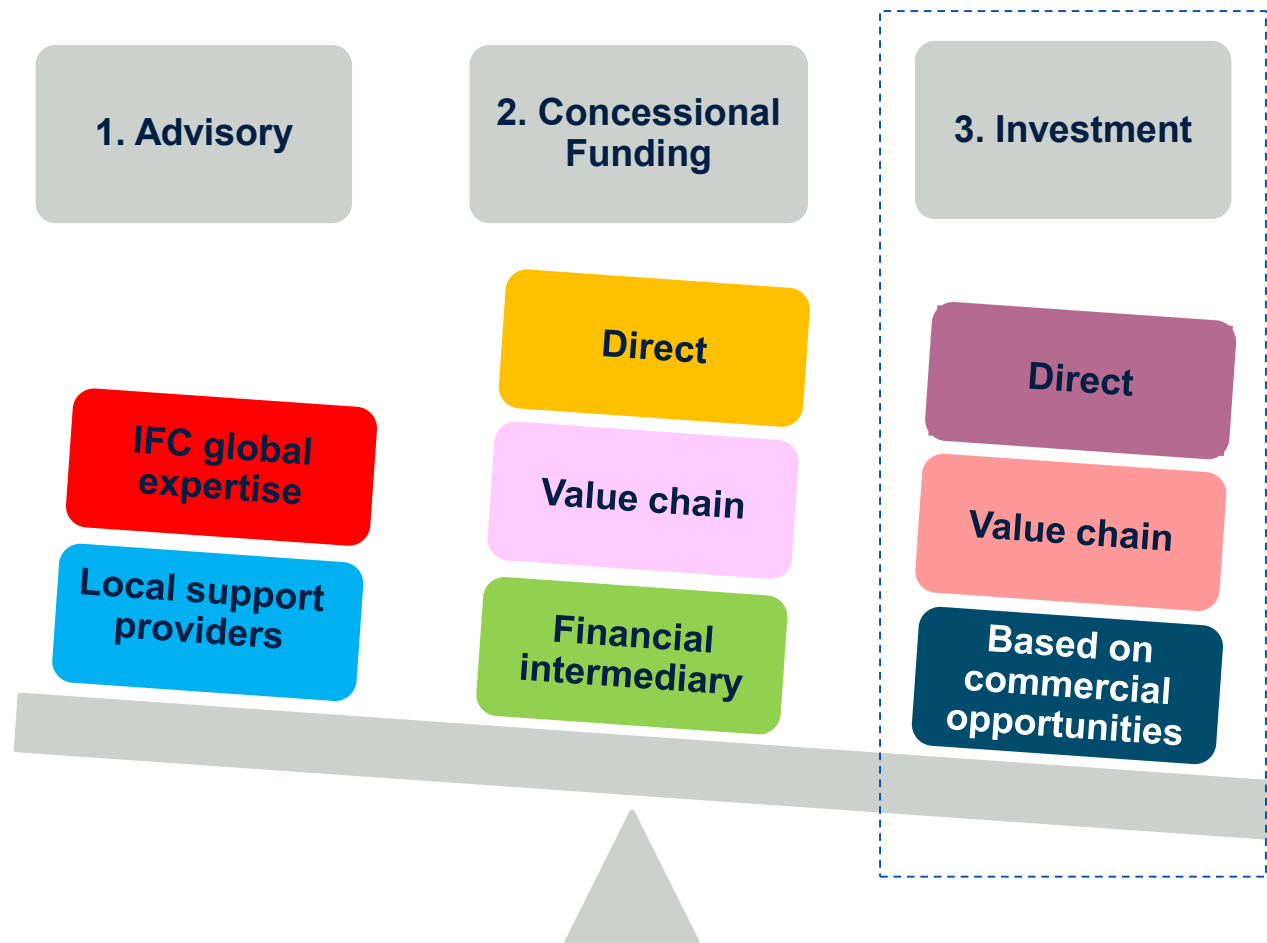
Strengthening Supply Chains Of Forest And Wood Products Sector

IFC adopts a 'Lead Firm' approach when addressing supply chains, particularly in frontier sectors



FUNDING FOR FIP PRIVATE SECTOR PROGRAM

MANAGED DIRECTLY AND INDEPENDENTLY BY IFC



INVESTMENT PROSPECTS BEING PURSUED

1. Wood Product Factory with Community Plantations and Protection Reforestation
2. Wood Product Factory with Community and Industrial Plantation
3. Large Crumb Rubber Producer with Own Plantations and Large Smallholder Network
4. Pencil Factory with Community Plantations
5. Industrial Plantation with Conservation Set Aside
6. Private Firm Managing Ecosystem Restoration Concession for REDD+ Revenue
7. Multifunction Forest Plantation and Wood Products with Biomass Energy



APPRAISAL APPROACH OF REDD+ PROJECTS

1. Project sponsors and other key parties involved
2. Financial overview
3. The Project
 - Social aspects of project
 - Environmental aspects of project
 - VCS and CCBS status
 - project performance and VCU generation to date
 - overall assessment of project viability
4. Summary of legal framework for REDD+ project
5. Financial projections
6. Compliance with IFC performance standards
7. Key risks and risk management strategies



INVESTMENTS IN PRIVATE SECTOR FORESTRY REQUIRE SUBSTANTIAL ASSESSMENTS OF RISK

- Lack of interest from lead firms
- Business viability risks, including markets
- Physical and social risks
- Lack of traction with forest communities
- Negative perception of IFC's efforts by NGOs and other stakeholders



ADVISORY SERVICES IS A KEY NEED FOR INVESTMENTS WITH FORESTRY CLIENTS

OFFER POTENTIAL FIRMS ADVISORY SERVICES AROUND FIP THEMES

- 1. Strategic Community Investment**
 - relationship and investments with affected communities
- 2. Develop New Supply Chains Models, Additional Supplies**
 - enhanced livelihood opportunities for communities
- 3. Forestry Extension Units**
 - promote private sector-led extension services in working with communities, FMUs
- 4. New (Financial) Partnership Models**
 - e.g., lead firm, out-grower, in-kind loans, securitization of wood growth
- 5. Enhance Client E&S Performance**
 - compliance with the requirements of financial institutions
- 6. Resource Efficiency**
 - more efficient use of energy, water, and materials



COORDINATION BETWEEN PUBLIC AND PRIVATE SECTOR PROJECTS

ADDRESS SUB-NATIONAL BARRIERS IN FOREST MANAGEMENT UNITS (FMU)

1. WB program theme: Reduce national and sub-national institutional barriers to sustainable forest management and REDD+

National level:

Strengthen institutional, financial, and technical capacity and support FMU policy dialogue within the MOFOR

Sub national levels:

i) Strengthen knowledge generation with focus on participatory land-use planning processes

ii) Assist three pilot FMUs to become operational and to engage with local communities and other stakeholders.

2. IFC program theme: Strengthen the productive capacities and business skills of forest and wood product enterprises by leveraging private sector investments

Formulate guidance for FMUs to strengthen business enabling environments to attract private sector enterprise

i) Improve the viability of small and large forestry enterprises through advice and investment

ii) Build capacity in pilot FMUs to improve business enabling environment and engage with enterprise