



Food and Agriculture
Organization of the
United Nations



Global Meeting Report

SUSTAINABLE WOOD SUSTAINABLE WORLD

31 October – 1 November 2017
FAO headquarters, Rome, Italy



Steering Committee



WORLD BANK GROUP



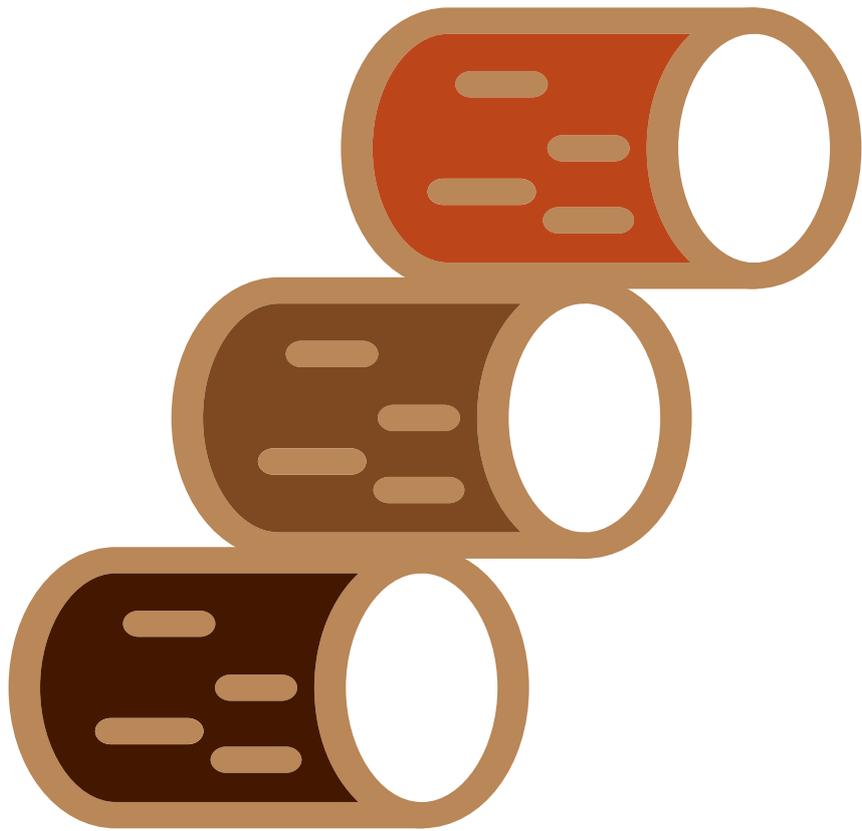


Introduction

Sustainable Wood for a Sustainable World (SW4SW), was a global meeting held at Food and Agriculture Organization of the United Nations (FAO) Headquarters in Rome, Italy from 31 October to 1 November 2017. It was organized by the FAO, together with its Advisory Committee on Sustainable Forest-based Industries (ACSF) and in collaboration with partner organizations, including the Center for International Forestry Research (CIFOR), Finance Alliance for Sustainable Trade (FAST), International Tropical Timber Organization (ITTO), World Bank (WB) and the World Wildlife Fund (WWF). The meeting brought together over 100 professionals from 40 countries across the globe, to share their experiences, learn and debate the future of sustainable wood value chains and their contributions to sustainable development. The meeting was moderated by James Astill (The Economist Group), and structured around short presentations and facilitated discussions that highlighted the linkages between sustainable forest management, landscapes, value chains, livelihoods, technology, investments, promotion and financing mechanisms. Participants entered into practical discussions on how to identify the most important aspects of different segments of the value chain, from the perspective of different stakeholders and regions. The engaged attendance of participants representing a broad range of stakeholders demonstrated the relevance of the topic and gave momentum to continued discussions in this field. Many participants manifested their contentment, with the event filling a space of dialogue in the international arena regarding sustainable wood value chains.

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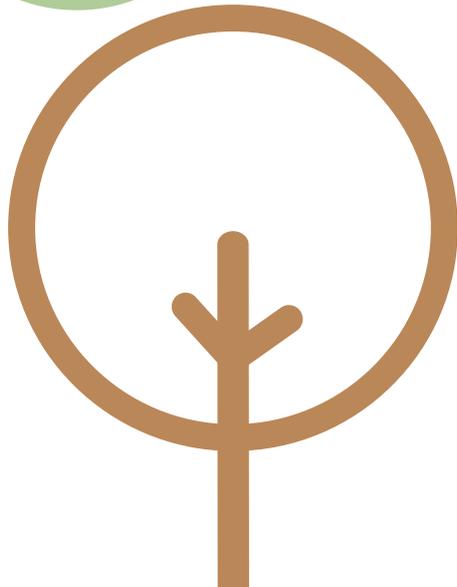
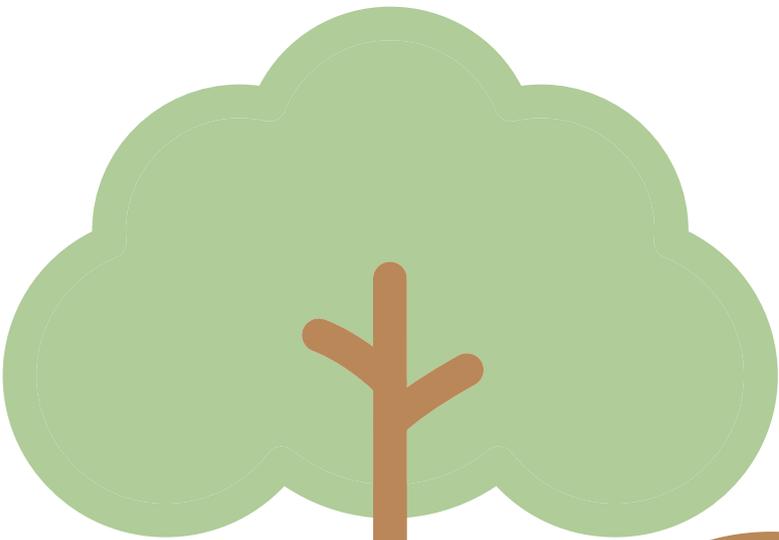


Session I

Opening of the meeting

The objective of the meeting to serve as platform for advocacy on sustainable wood value chains was highlighted in the opening speech of Eva Muller, Director of the Forest Policy and Resources Division of FAO. She emphasized that markets have been slow to recognize considerable progress made in sustainable value chains (e.g. reduced impact logging, legality of timber trade) and that strong advocacy is needed in order to fill this gap and unlock the potential of sustainable wood value chains.

Other welcoming speakers representing the event's partner organizations recognized the growing momentum for sustainably produced wood value chains, largely driven by the global call on climate action. Opening addresses remarked the importance of climate and conservation goals, while emphasizing the economic contributions of forests to poverty alleviation and livelihoods in developing countries. The opening ceremony called for constructive debate in considering the multi-faceted nature of forest value chains and the need for continuous improvement in the quality of sustainable forestry practices. Opening speakers and participants also highlighted the need for the forest sector to engage in a change of narrative, shifting the common perception that production forestry is a threat to forests, but rather makes positive contributions to sustainable development. Finally, participants stated that the global meeting should chart the way forward regarding the alignment of wood value chains with long term sustainable development strategies, such as the 2030 Agenda for Sustainable Development and the Sustainable Development Goals (SDGs) therein, calling for the identification of financing gaps as well as new and innovative approaches to facilitate access to finance for sustainable value chains.



Session II

Setting the context - building consensus to restore the role of sustainable wood value chains in the international development agenda

The key issues on sustainable wood value chains were briefly introduced by Thais Linhares-Juvenal (Forest Governance and Economics Team, FOA). The value chain includes forest management, processing, manufacturing, retailing and consumption, as well as services, finance and advisory, with a wide range of stakeholders representing multiple roles along the chain, including government, private sector, local communities, and global society. Some of the constraints to expanding wood value chains were identified as substitution effects, disorganized chains, weak governance, and poor dissemination of information. This creates a need to understand the national and international drivers of value chains, how product differentiation plays its role, and how governance sets the context for the chain development.

In this context, the objectives of the event were summarized as follows:

- Raise awareness of the availability of sustainable wood products and their wide uses and benefits;
- Unblock markets and finance for sustainable wood;
- Dispel perception of wood production as a driver of environmental damage and inequity;
- Show how, when and where wood contributes to the Agenda 2030 Agenda for Sustainable Development.

To restore the role of wood value chains in the forest agenda and their potential to contribute to achievement of the SDGs, Michael Jenkins (Forest Trends) highlighted the importance of recognizing the changes in the supply-demand context. He mentioned that demand for forest products will quadruple between 2012 and 2050, and that emerging opportunities from this scenario include biofuels made from wood residues (e.g. jet fuels), bioenergy and wood pellets, and engineered products (e.g. cross-laminated timber, underwear made of wood textile). He concluded by saying that the greatest challenges ahead are not only to consider the full spectrum of forest goods and services, including ecosystem services, non-timber forest products (NTFP), water, health and food benefits, but also to ensure their full contribution to sustainable development by providing adequate financing. In response to a question on how to channel available financing from impact investors (e.g. from pension funds) to the wood value chain, he stressed the importance of first identifying potential investors and have a clear map of their needs.



Session III

Sustainable wood value chains: from sustainable production to sustainable consumption

John Hontelez (FSC) emphasized forest certification as one way to value sustainable wood value chains by giving an assurance of sustainable wood products to consumers who would not be able to assess it otherwise. However, there remain some pressing challenges for certification to be able to contribute fully to sustainable development. He mentioned the need to promote certification of tropical timber and to focus on products that have the highest potential benefits, such as construction and bio-fuels, while considering social issues (e.g. smallholder certification). For instance, in Africa where the domestic market is growing, such as in DRC, Cameroon and Gabon, complying with sustainability standards is less interesting for local actors. Mr. Hontelez added that fighting illegal and informal timber is very important in these markets, not only for environmental but also social reasons.

Regarding the challenges of making forest certification beneficial to communities Gijs Breukink (WWF) emphasized the need to sensitize markets (on a policy and consumer level), shifting the focus from western markets to new markets such as domestic ones, and to provide assistance to communities regarding market access and promotion of their products. He also urged for the creation of more incentives to sustainable production and the promotion of a level playing field where illegal materials are not competing with legal products. Xavier Noyon (PEFC) highlighted the need for market and sustainability assurance/standards access for a broader range of stakeholders, especially smallholders. He also called for one common goal to expand certification outside the scope of sustainable forest management (SFM), e.g. PEFC is working on a standard for trees outside forest as a significant amount of wood is coming from these areas.

Mikhail Tarasov (IKEA) also urged to remove barriers and secure a better integration of small forest holders in global supply chains. There is pressing need to strengthen smallholders and ensure that these actors have access to global markets, e.g. through affordable and credible certification and finance mechanisms, which is only possible in a joint effort of many actors including governments, private sector and NGOs. He also highlighted IKEA's role in transforming consumer behaviour and driving changes for suppliers to become certified through the scheme recognized by IKEA. On its way to becoming forest positive IKEA passed another milestone - 77% of its wood originates from More Sustainable Sources (FSC certified and recycled).

Marcus Vinicius Alves, representing a government agency (Brazilian Forest Service), highlighted the implementation of forest concessions with strong umbrella governance system as the most suitable model for development of the wood value chain in the Amazon, including benefit-sharing systems for all actors involved. However, he argued that the success of this initiative might be compromised if the private sector is not willing to pay the premium price of responsible wood products. He urged for work on both sides

of the spectrum, supply and demand. Pedro Moura Costa, from BV Rio, recognized the existing gap between demand and supply of sustainable wood products as a market failure, where trade platforms can play a key role in addressing this issue, by connecting responsible buyers and sellers.

BV Rio side-event: Trading platforms for sustainable wood

To address demand and market failure mentioned above, the BV Rio Institute developed the **Responsible Timber Exchange**, an online negotiations platform designed to promote the trading of forest products of lawful origin and certified. The objective is to link buyers and sellers of legal and certified timber products and to enable them to demonstrate and/or verify the legality and traceability of individual timber supplies. To do so, the platform has a due diligence system in place which relies on extensive data analysis, including primary sources of information from 22 databases, that results in a risk analysis of logging concessions and suppliers. The presenter of the initiative, Pedro Moura Costa, emphasized the focus on supplies, instead of suppliers. In Brazil, for instance, the only information that users need to enter is the transportation documents of the timber consignment, and the system is already able to put together a supply-chain map. The risk assessment is then based on this supply chain map and data on the suppliers in the chain.

Since its development, the platform has registered 18 million m³ of sales of sustainable wood products. Last year, 20 000 checks were performed and 2 million m³ of timber was traded. It has 300 regular users in Brazil, and is now being replicated in other jurisdictions (China, Peru and Indonesia). Currently approximately 5% comes from tropical timber exchange, and BV Rio's target is to reach 15%, at least 50% of which is certified against sustainability standards.

Participants at the side event agreed on the importance of such platforms as part of a trend for digitization and smart certification. The platform helps pull together evidence, by using extensive data as an alternative to much more costly site visits, which is especially important for small and medium businesses. Communities are especially disadvantaged by the current markets and the platform is especially valuable as a tool to add value to them - the platform itself is free of charge.

Session IV

Harnessing contributions of wood biomass to sustainability

Carina Håkansson, from Skogsindustrierna, opened the afternoon session noting climate benefits of forest products, and how forests contribute to SDGs, from a Swedish perspective: the pulp and paper industry plays an important role in Nordic countries, where climate benefits doubled in last 50 years, representing 5,000 million tons less of emitted CO₂. She stated that given the annual carbon benefits observed in Scandinavia from the substitution effect, bioenergy is considered a better alternative when compared to other fuels, e.g. coal, in the long term when pay-back time is considered. From a sustainability point of view, she highlighted the commitment of Sweden to go beyond carbon benefits and net growth of wood biomass, considering legal sourcing, and its environmental and social aspects.

From the perspective of a water and biomass scarce country such as South Africa, the international trends towards renewable energy, moving away from coal and nuclear, could hinder the development of the forest sector. Jane Molony (PAMSA South Africa) explained that biomass scarcity increases competition in wood use: it would be more reasonable to promote wood fibre for other uses that would better contribute to local development, instead of using it for wood fuel (e.g. often to satisfy the demand of the European Union for wood pellets).

When the segments of the value chains transfer information amongst one another, the whole value chain can benefit. Andrea Stocchero (SCION, New Zealand) explained that using sustainable wood in construction fosters integration across a multi-industry value chain that spans forestry, wood product manufacturing, building design and construction, including waste management, energy production, logistics and transportation. This provides employment opportunities for all genders and levels of qualifications, in both rural and industrialized areas worldwide. Architects would need more information from the value chains, including material and product performance stats, in order to explore the full potential of sustainable wood products to create more sustainable buildings. A participant from the audience added that architects could make the buildings more didactic, by teaching the end user and the clients about the wood attributes, which the average consumer may not know.

The session was closed with a presentation from Fredrik Rosen (RISE Bioeconomy) who urged to find the right balance between traditional and more novel uses of wood, to valorise wood taking into account all aspects of sustainability while assuring its competitiveness in future. Mr. Rosen showed examples of a Volvo car with carbon fibre roof – which was manufactured using lignin and runs on a battery from lignin – and proteins from the waste streams from the wood based bio refineries used to make fish food. He concluded by stating that it comes down to attitudes and perceptions towards these new products: from a survey conducted in different countries, the balance was 50/50 to a future with cellulose-based reality rather than business as usual.



Session V

Inclusion and social benefits in sustainable wood value chains

This session called for consideration of wood value chains as part of a more transformational change, towards local and sustainable development. Duncan McQueen (IIED) highlighted that the idea of sustainability goes beyond sustaining forest and business. It is also about sustaining social relationships, security, and fulfilling capabilities. He stated that local forest and farm producers understand the trade-offs amongst these values and are often innovating to get the best of these trade-offs that large companies usually overlook. In order to include smallholders in the value chain he urged for business incubation capacity in rural areas, promoting 'hand-holding', networking and market information sharing.

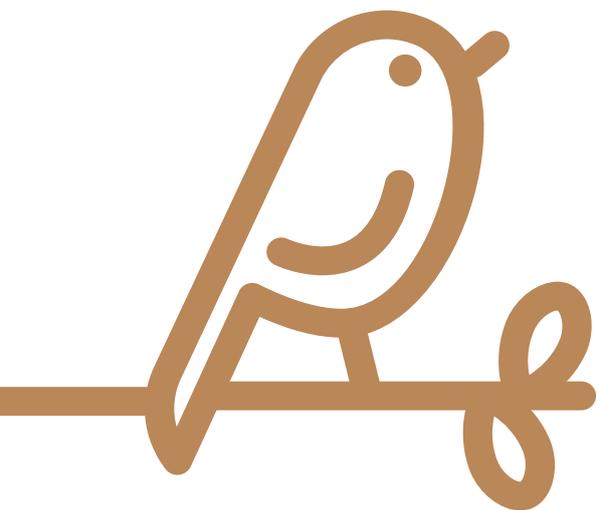
Jeff Campbell (Forest and Farm Facility, FAO) emphasized that the magnitude of small-scale forest product and wood production is large but under-valued. Most of the discussions about the private sector have left out the potentially largest portion of the private sector (millions of small producers). Sourcing from 1.5 million individual sources, for instance, is different to sourcing from one large company and requires different mechanisms and business model frameworks. Therefore, getting a transformative situation where wood value chains and sustainable forest management benefits the largest number of people at the local level requires: 1) attitudinal transition (valuing wood, realizing the benefits of using wood for climate action, and including women producers and keeping opportunities for youth in rural areas); 2) tenure transition (secure tenure for small producers); 3) territorial transition (place forests in the landscape context – a basket of value chains that comes from the landscape, including community and private woodlots); 4) organizational transition (need to get organized – markets require people who can negotiate); and 5) economic transition (consider linkages with larger industries).

Pablo Pacheco (CIFOR) brought up the issue of the extent to which informal actors are more/less sustainable than legal actors. He stated that sustainability of a legal vs an illegal/informal system depends on a combination of factors, such as financial returns of operations (when local actors benefit from unsustainable extraction) and market barriers and legal processes (that does not necessarily translate to more legality in practice). According to Mr. Pacheco, the challenge revolves around how to build sustainable business enterprise when local players receive few benefits but must use their own capital to invest.

Rose Ondo (PAFC) highlighted the key role forestry and wood value chains play in poverty alleviation of marginalized rural populations, by providing revenue, meeting subsistence needs through non-timber forest products (NTFPs), by harvesting traditional know-how and job creation. She presented Gabon's perspective on how to improve women's integration in the value chain, emphasizing the role of NTFPs. Some of the obstacles regarding the inclusion of these products in sustainable value chains, include

the lack of sustainable supply (seasonality of NTFPs' harvest); knowledge gaps related to sustainable practices (e.g. honey extracted by burning or cutting a tree); lack of robust legislation (e.g. market studies of NTFPs); and lack of access to resources and land rights. To overcome these challenges and enhance women's integration in wood value chains she suggested to: 1) encourage specific needs of women to be taken into account in national policies; 2) educate and train women at all stages of the value chain, as they could make a much greater contribution compared to traditional situations; 3) provide access to credit, boost women's financial position; and 4) improve land tenure rights.

Peter Holmgren (CIFOR) concluded the session by acknowledging the many existing possibilities for the inclusion of social benefits of the wood value chain at the local level, and that better local ownership and control are necessary.



Session VI

Financing sustainable wood value chains

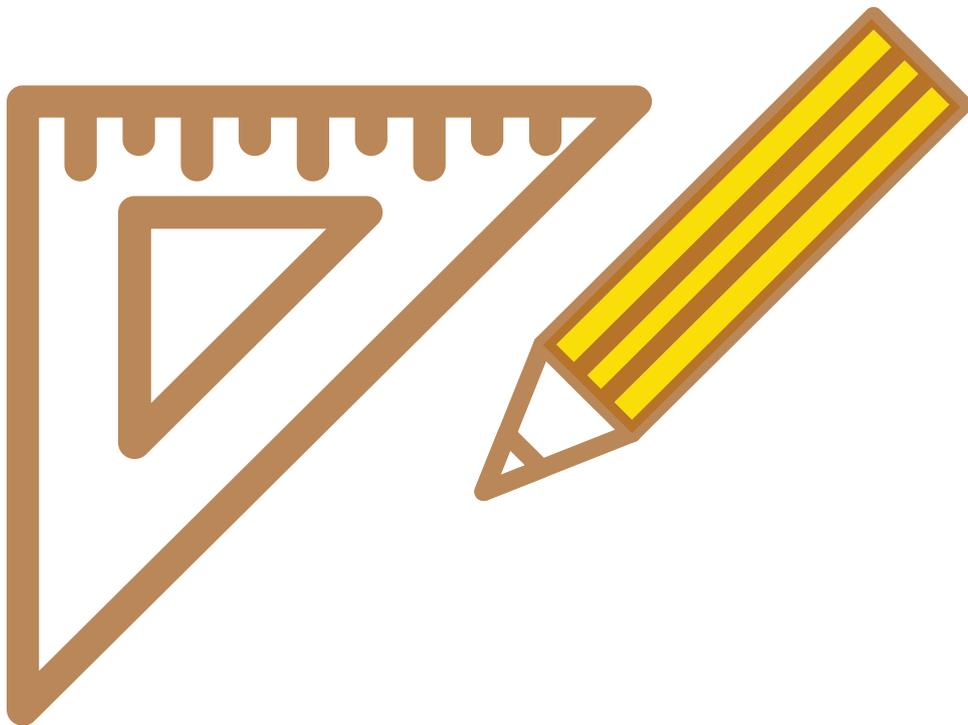
Noemi Perez (FAST) opened the session by describing the origin and activities of FAST, which include training, analytics and match making. The Financial Literacy Tool Box was developed and local financial advisors were trained to help Small and Medium Enterprises (SME) improve their credit worthiness. Activities on analytics include measuring the impact of investments and preparing investment guides (e.g. in Peru, Bolivia, Guatemala, and Mexico). She cited Peru as a good example where initial investment through match making services triggered much larger investments. Different tools, pathways and platforms used for match making include Access and eXchange for Impact Investment and Sustainability (AXiiS), finance connect, and financial fairs. FAST is working with CIFOR on what is needed for investments in forestry value chains. Access to markets is relevant as it enables finance flows. She presented a short video on block chain that portrayed the sequences of transactions in the supply chain.

Lucio Brotto (ETIFOR) stated that some investors located away from forests might not know much about forests, which may hinder value adding and investment opportunities in forestry. ETIFOR focuses on tackling this challenge. He indicated that a variety of investors turn to forestry, particularly after a financial crisis. For sustainability checks, forestry is quite advanced, with a number of tools available to measure impacts. For many others (e.g. energy), such measures remain limited. Mr Brotto provided a few examples of investments where the production objective merges with ecosystem services components. He stated that for sustainability, the forest sector could provide more evidences than many other sectors. Scaling up has, however, challenges, including organizing the small holders. Banks often classify forestry as a high-risk investment and avoid lending. The most known instrument to demonstrate positive impacts of forestry project appears to be the Forest Stewardship Council (FSC® certification).

Guillermo Navarro (FAO/FLEGT) highlighted the need to work on political governance. He explained the complexity of institutions concerning investments in forestry for improved value chains. Political, business and climate risks need adequate consideration. Financial service providers care about these. In Petén (Guatemala), 12 functioning value chains were developed. He emphasized that for a sustainable value chain there must be sustainable demand; more work is needed on this. With the example of a value chain (wood for guitar making), he highlighted how analysing the value chain could systematically improve efficiencies. He stressed that in order to promote SFM, more actions need to happen outside forests and SFM has to be profitable. There is a need to improve governance and efficiency and reduce the cost of regulations. In some cases, harvest is less than natural growth and so a bit more could be harvested. He described concessions as important instruments and the need to promote competition of intermediaries. He concluded that the key actions to ensure financial sustainability involve eliminating

illegal production and reducing the cost of regulation and transactions. In addition, access to markets and technological and financial services need to be improved.

Wilson Delgado Stubbs (FEDECOVERA) highlighted the key features of FEDECOVERA (Guatemala), a cooperative of second degree of small producers exporting products to five continents. FEDECOVERA has been focusing on a value chain approach since 2000, and its diversified product portfolio including wood, cardamom, coffee, essential oils, basic grains and vegetables helps to minimize risks. FEDECOVERA serves to enhance access to financial services for cooperatives and credit for smallholder farmers. They also mobilize investments for cooperatives and provide technical assistance, acting as an intermediary between bank and smallholders. Of the total loans/investments, 40% goes to coffee while 2% goes to forestry.



Session VIII

Report from relevant meeting on sustainable wood value chains

The meeting convened a session that heard reports from recent relevant meetings on sustainable wood value chains, including New Generation Plantations (NGP) 10th Anniversary, the Wood at Work 2017 annual conference, the European State Forest Association (EUSTAFOR), and the ACSFI.

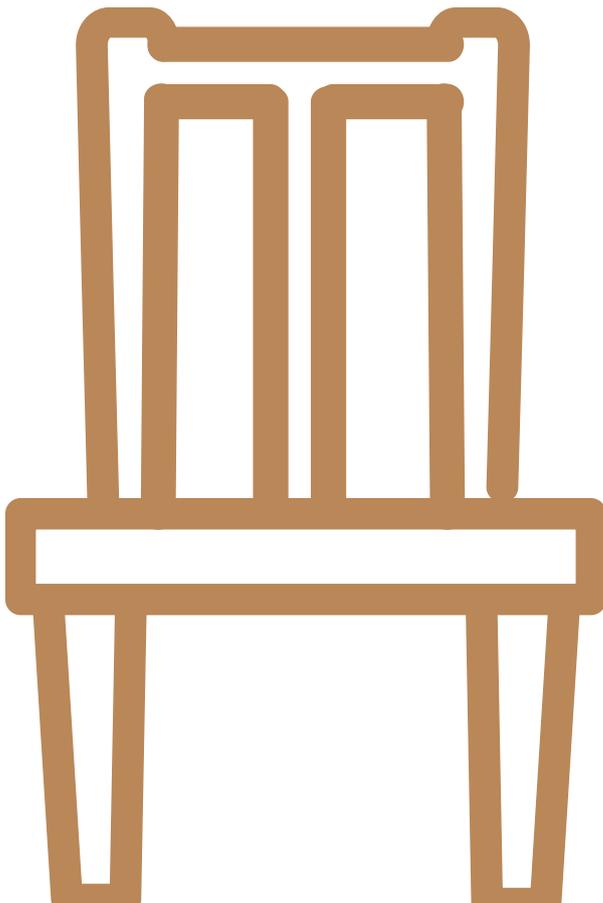
The NGP platform was created 10 years ago by WWF. With participation of public and private sector it has an estimated value of around USD 100 billion, managing 11 million hectares of land, where 45% is intensively managed while 55% is for conservation, restored or agricultural lands. The NGP platform involves state of the art forestry organisations that are nearly 100% FSC certified. Luis Neves Silva (WWF) reported on the 10th Anniversary conference, which launched a book highlighting the successes of the process undertaken by NGP to include a wide range of stakeholders both geographically and socially. Together, the members co-created the NGP concept through dialogue, mutual understanding and trust, to arrive at a common narrative on plantations. Neves Silva highlighted some priorities for the future including scaling up approaches and solutions, directing finance to low carbon sectors and the global south, bringing adaptation into the NGP and finding a common message to have a bigger impact on policy makers and finance players at a global scale.

Three main ideas to come out of the Wood at Work 2017 conference in Montreal centred on Cities, Youth, and Systems. Scott Francisco, the founder and coordinator of the Wood at Work events, presented some of the concepts and pilot projects that have come out of the discussions between participants from a wide range of fields including architecture, planning, geography, ecology, conservation and design. Key thoughts centred around cities as being 'forest-dependent', how to engage youth in forest-based jobs, and how to take a systems approach that balances Culture, Markets, Technique/Technology, and Regulation.

Salvatore Martire presented the three main messages from the 32 members of EUSTAFOR (principally comprised of state forest companies): that wood use is important as it gives economic sustainability to SFM; SFM is necessary to have more resilient forest ecosystems especially in the face of climate change, pests, diseases, and fires; and that managing forests means delivering ecosystem goods and services beyond wood and there needs to be full recognition of climate change mitigation coming from forest growth, wood, and substitution of materials for use and energy.

Recent ACSFI meetings centred on the Zero Deforestation issue. The ACSFI meetings are used to bridge the gaps between up and downstream actors in the forest sector. Bernard de Galembert presented on the topic of deforestation-free pledges, which are an emerging issue from downstream users that may affect or already be affecting forest industries. The ACSFI has undertaken some studies on clarifying the varying

concepts of what exactly is meant by zero deforestation as the definitions differ. The recommendations were for the forest industries to engage with consumer goods agencies and NGOs, engage more extensively with the stakeholders and take a stronger view when it comes to the perspective of sustainability in forest value chains. Being proactive should help reduce the possibility of it becoming a risk area for the sector.



Session IX

Sustainable wood value chains for sustainable landscapes

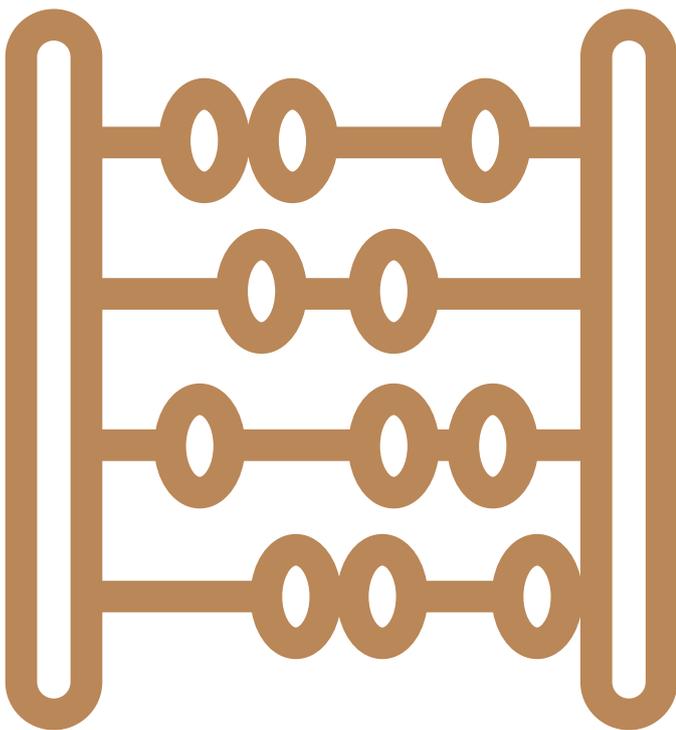
Garo Batmanian (World Bank) focused his intervention on two main topics: total value proposition and the place for the community in the overall context of sustainable forestry. Communities live in areas that have a variety of land uses including both agriculture and forest; they live in a landscape and this must be taken into consideration. He highlighted the importance of managing all potential sources of value coming from the landscape beyond timber, such as mushrooms, honey, and other NTFPs; this is total value proposition. He also discussed being cognizant of the extent to which the community can reach in terms of scale and quality. Good forest management is not a guarantee of market access, if for example the quality standard of the wood cannot be reached. In other instances, aggregation is required to meet scale as small producers and communities may not reach quantities required by the market.

Muino Taquidir, also from the World Bank, gave the perspective from Mozambique as they are working on implementing the forest investment programme, which has a big component on sustainable landscapes and sustainable forestry. In order to address challenges such as deforestation, degradation, illegal logging, and poaching, that jeopardize the potential of the country's natural forest resources, the government is making reforms supported by FAO, WWF, and other partners. The current work will focus on three landscapes in the country, with the idea to concentrate investments in these locations to create the enabling environment for SFM such as land tenure, community land use, law enforcement, and information systems for transparency. An effort to engage all stakeholders in discussions and spatial planning are also included in the programme.

Nadège Nzoyem (Rainforest Alliance) highlighted the main objective of Rainforest Alliance is the conservation of biodiversity and well-being of producers. They have worked to the benefit of almost 5 million people, involved in the sustainable management of 125 million hectares of land. She presented some of the successes working in Cameroon with NTFPs in addition to timber, with community groups and women's groups. The area managed by community forestry is very low, about only 200 ha/year. To achieve scale and to negotiate contracts with the buyers they aggregate the community forests. Some of the challenges that remain include better management plans and inventory, ensuring traceability requirements, and improving value addition.

Johan Lindman presented on behalf of Stora Enso, a leading provider of renewable solutions in packaging, biomaterials, wooden constructions and paper on global markets. He highlighted some aspects that need to be in place for forests to contribute to development, including increasing value from forests, using the entire tree to get value, plant two trees for each tree harvested, and connecting forests to the SDGs. However some underlying factors that need to be in place include property and tenure rights;

science based legislation; research for long-term benefits; governance and legality; market access; multi-use tree and forest production for high value products; and infrastructure.



Session X

Plenary discussion take away messages

The session convened the results from a series of breakout groups that participants took part in, to discuss some key messages on topics related to sustainable wood use.

Breakout group 1 - Sustainable wood products for the SDGs

The group highlighted that all SDGs are relevant to the forest sector and sustainable value chains, and vice versa. However, they acknowledged that the forest sector could have a comparative advantage over other sectors for achieving some particular goals.

- SDG 13 on climate action: every element of a sustainable forest sector and sustainable forest value chain can contribute climate action, mainly through carbon sequestration in trees, carbon storage in wood products and the potential for wood to substitute other products with a larger carbon footprint;
- SDG 12 on responsible consumption and production: as wood is renewable, recyclable and stores carbon, it is a fully sustainable product if sourced from sustainably managed forests. The wood industry has a high material efficiency, managing residues for production of by-products, including energy. Increased consumption of sustainable wood products contributes to a smaller carbon and material footprint, reduced waste and overall global sustainability;
- SDG 8 on decent work and economic growth: the forest sector and related industries generate millions of jobs around the world, including in remote areas where job opportunities are scarce, contributing to poverty reduction, responsible consumption, and local development.

Breakout group 2 - Sustainable wood value chains for sustainable landscapes

The group recognized the importance of contributions from sustainable wood value chains to sustainable landscapes and recommended actions to create enabling conditions to unlock such contributions. Mapping of landscape capabilities and existing value chains, available skills and technologies, as well as the role of different actors and stakeholders, provides for identification of segments of the sustainable wood value chains that can contribute to sustainability of the landscape and enhanced socioeconomic benefits.

Breakout group 3 - Sustainable wood value chains for enhancing livelihoods

The group recognized the benefits from sustainable wood value chains to livelihoods and highlighted the need to account for their coexistence with other value chains within local contexts. Accounting for diversity, including the voices of communities; valuing knowledge and experience, including exchange of best practices; addressing younger generations; ensuring systematic inclusion of women in the value

chains; and developing approaches for blended finance adjusted to the needs of the different segments of the value chains are critical to ensure concrete contributions to enhanced livelihoods.

Breakout group 4 - Sustainable wood value chains and climate change

The group emphasised that growing forests absorb carbon from the atmosphere and that harvested wood products store greenhouse gases. The relationship between sustainable wood value chains and REDD+ was also highlighted. Consumption of sustainable wood contributes to avoiding deforestation and reducing forest degradation through sustainable forest management: sustainable wood products contribute to increase the value of standing forests and the opportunity costs to forest conversion, while securing forest health and biodiversity .

The group strongly emphasized that the construction sector holds large potential for mitigation through increased use of wood and, therefore, should be focused on when promoting sustainable wood products. Unlocking this potential contribution to mitigation demands increased awareness of the new technologies that make wood a competitive and safe material, highlighting the technical advantages over other building materials. The group also recommended continued research and evidence of the benefits of wood in construction.

Breakout group 5 - Tailoring finance for increased forest investment

The group recognised the need for good diagnostics regarding investment needs, in particular identifying the needs of different typologies of wood value chains and barriers to investment. The importance of encouraging and investing in the full range of forest assets, including NTFPs, was highlighted, and should be taken into account when allocating capital to the sector. A proposal to create a virtual investment promotion facility for sustainable wood value chains and natural infrastructure was presented. Such facility or network, including a range of expertise from diverse types of financial actors and sector experts, could work on diagnostics, developing models tailored to different typologies of the value chains and businesses aiming at producing investable opportunities, and reducing risks.

Session XIII

Conclusions

The moderator of the event, James Astill (The Economist Group) highlighted the following:

- The critical importance a value chains approach: an integrated approach that prioritises efficiency and equity, while generating value in every segment, encompassing community businesses to high-end technology.
- The transformational change requires understanding of the multiple sustainable wood value chains: a value chains system, which respects the scale of the different producers involved and can deliver efficient flows and integration from forests to consumers' shelves;
- Policy makers beyond forest departments should be made aware of the critical importance to address market needs and changes in supply and demand in order to promote sustainable consumption and ensure improved generation of value in sustainable wood value chains;
- Sustainable wood value chains require quality control: products need to be commercially saleable and scalable, which is the strength of the endeavor.

In their closing remarks, participants commended wood being brought to the centre of sustainable development discussions, especially considering the broad stakeholder representation, contributing to fill a gap in international policy dialogues. . The participants of the SW4SW meeting agreed on a set of key messages on five thematic areas as follows:

Key messages

- Sustainable wood value chains are relevant for all 17 SDGs, especially for SDG8 (decent work and economic growth), SDG12 (responsible consumption and production), SDG13 (climate action) and SDG15 (life on land).
- Sustainable forestry is recognized as a significant component of sustainable landscape management. Promoting wood value chains that are environmentally friendly, socially responsible, and economically sound is an important step forward in transitioning to sustainable landscapes.
- To enhance local livelihoods, there is a need to connect global/regional/local value chains and to diversify forest products beyond wood to make effective use of 'baskets of value chains.'
- Sustainable wood value chains are critical to mitigating climate change in several ways, which include carbon storage in standing forests and in harvested wood products, as well as for the substitution of fossil-based raw materials and products. The substitution of higher carbon footprint materials provides important contributions to mitigation efforts especially in the construction sector.
- Enhancing investments to promote sustainable wood value chains requires critical assessment of investment barriers and opportunities along the value chain and better securitization and monetization of the full range of forest products and services. Creation of a virtual multi-stakeholder investment promotion facility would help tailor finance to support sustainable wood value chains.

Participants committed to convey the key messages and learnings of the event for action needed at the policy level.

