Presentation given at the Southeast Asia Katoomba meeting

Katoomba XVII
Taking the Lead: Payments for Ecosystem Services in Southeast Asia

June 23-24, 2010
Hanoi, Vietnam

Hosted by:

Forest Trends, the Katoomba Group, Ministry of Agriculture and Rural Development (MARD), Ministry of Natural Resources and Environment (MONRE), United States Agency for International Development (USAID) and Winrock International

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International Finance Corporation
World Bank Group

State of Emerging Environmental Markets:

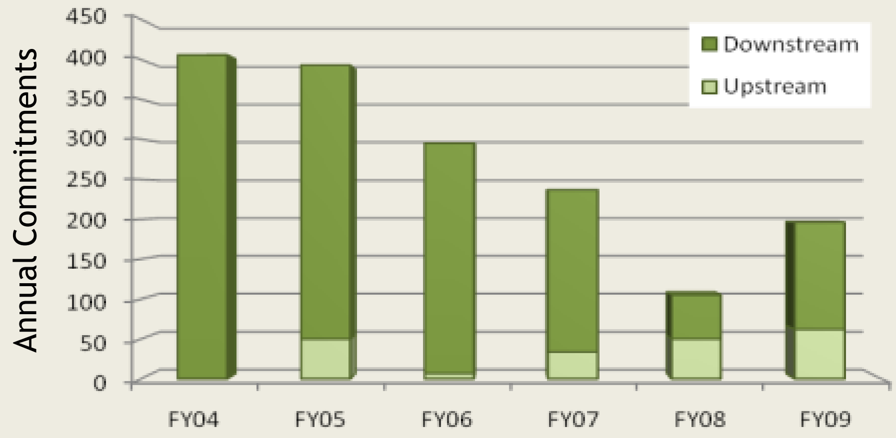
Role of Multilaterals in Forest and Ecosystem Investments

Richard Caines, IFC

Katoomba XVII, June 23, 2010

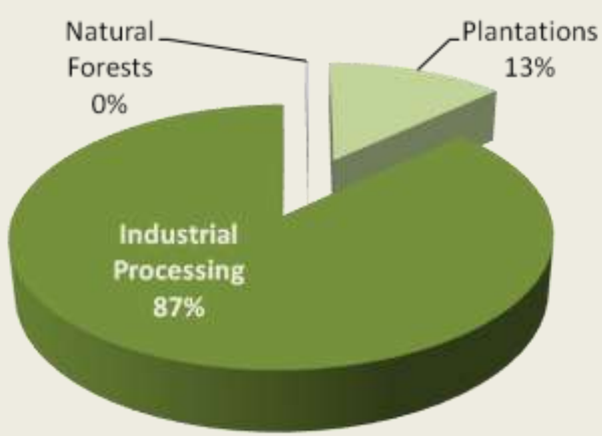
Current Investments in the Forest Sector

Portfolio of $1.13 billion…



No. of projects	11	10	13	11	2	10

…across 67 projects



- IFC Forest Product and Tree Crop portfolio dominated by downstream industries
- 40% of projects in IDA countries
- No tropical forest investment in the last 25 years
- Supported 350,000+ jobs

IFC

Forest Challenges

Agricultural conversion threatens all forest types

Conservation Forests

- Management needs exceed local capacity
- Governance and inadequate funding
- No market mechanism to monetize environmental services

Natural Production Forests

- Low profitability
- Lack of scale
- Illegal logging
- Weak governance
- High reputational risk
- High transaction costs
- No monetization of environmental services

Plantation Forests

- Impatient capital
- Inadequate private sector investment
- Land tenure and access

Analyze and Mitigate Risks in Holistic Way

Risk	Mitigation
Unsustainable logging/biodiversity	• Certification • NGO partnership
Local communities	• Engagement procedures • Transparency • Sponsor capacity
Non-performance of 3rd party suppliers	• Certification • Training
Sponsor commitment and capacity	• Extensive sponsor due diligence • Advisory support to build capacity • Third party verification
Natural forest conversion	• Promote sustainable agriculture benchmarks • Create value for standing forest
Monoculture / "green desert"	• Water monitoring • Knowledge of local context/research

Understand local context & stakeholder engagement

Leverage WBG knowledge

New Approaches - Global

Support projects to reduce forest conversion
- Shift plantations (palm oil, rubber, wood) to degraded lands
- Increase productivity on already converted land (cattle, soy)

Promote global standards
- Step-up role in commodity roundtables
- Foster industry best practice standards

Increase forest access to carbon market
- Pilot projects to establish methodologies and standardization
- Help clients access post-Copenhagen market

Build strategic partnerships
- NGOs/donors/DFIs
- World Bank for country-specific collaboration

BioCarbon

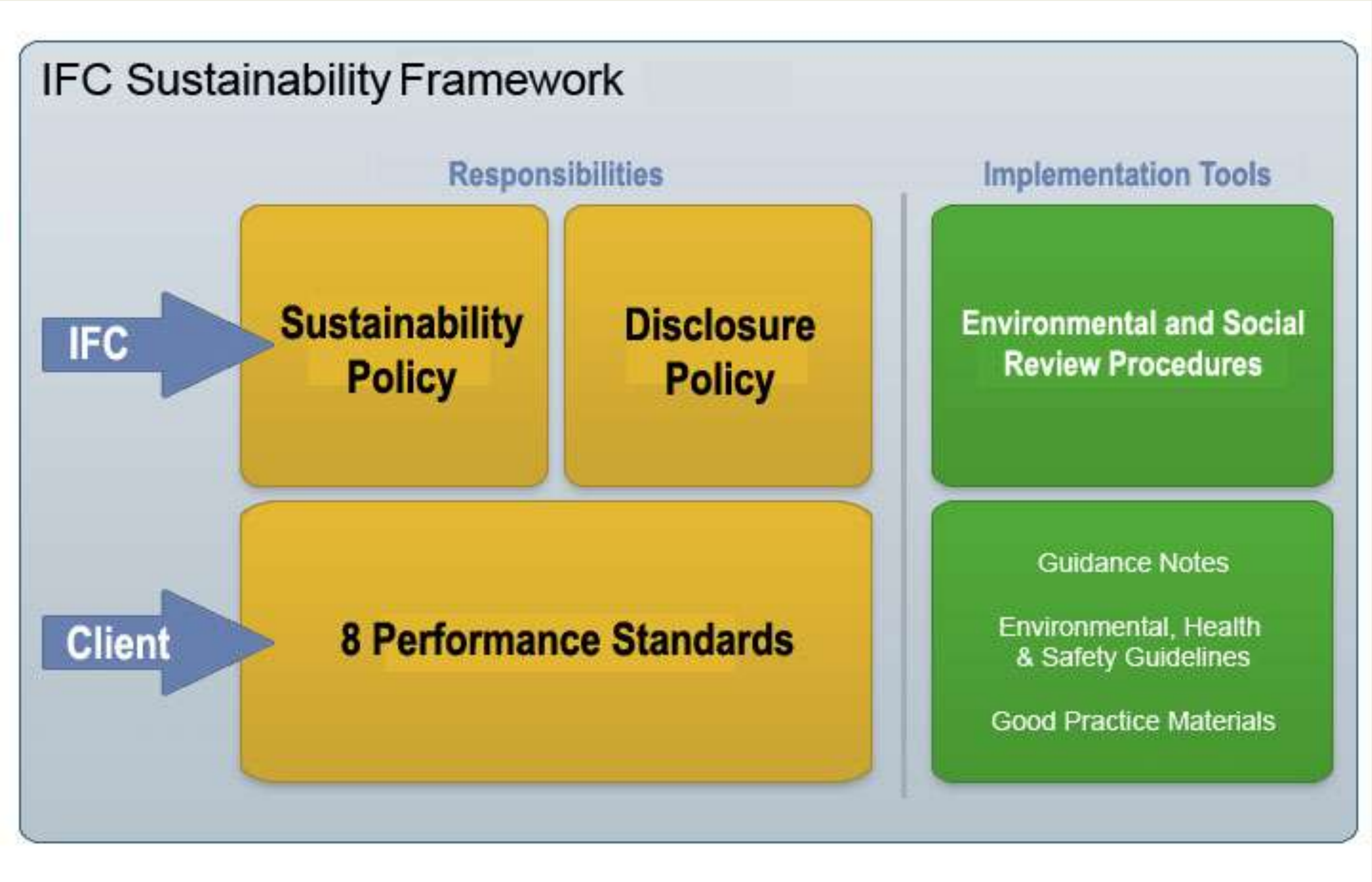
Project #28977

Investment Review Meeting

April 27, 2010

IFC

IFC Sustainability Framework



IFC's Policy and Performance Standards Review and Update Process »

IFC Moves to Next Consultation Phase

On June 2, 2010, IFC begins Phase 2 Consultation, which will run from June 2 to July 31, 2010.

During this phase, stakeholders are invited to react to the proposed revisions to the Sustainability Framework, which includes the Sustainability Policy, Performance Standards on Social and Environmental Sustainability, Guidance Notes and the Disclosure Policy.

This draft attempts to capture and reflect, as much as possible, comments we received from representatives from the private sector, academia and civil society from **Phase 1 Consultation**, in addition to IFC's four years of experience.

The draft documents with tracked changes in English, Arabic, Chinese, French, Portuguese, Russian and Spanish and will be made available for comments and feedback via the **PARTICIPATE** section of this website, through numerous face-to-face meetings, and web tools.

The English-language documents of Version 1 of the Policies and Peformance Standards are now available here.

Collecting feedback from stakeholders is a critical part of this process, and we're hoping that Phase 2 Consultation will prove as successful in the level and quality of participation as we experienced during Phase 1.

We provide regular updates via email alerts to registered stakeholders throughout the entire process. If you are not on our mailing list, **sign up here** to receive updates. We also engage through **PRolog**, a blog where our specialists discuss topics related to the review and update process. Don't hesitate to use this blog to share your thoughts with us.

We look forward to your continued involvement.

Management of Renewable Natural Resources

- Applies to any type of plantation, forestry, agriculture, aquaculture, fisheries
- Greater emphasis to locate *any* type of plantation on modified habitat
- Expansion of no conversion or degradation of critical habitat or areas identified as High Conservation Value (HCV) (for plantations)

Ecosystem Services

- Client requirement to prioritize ecosystem services in some situations (‘priority ecosystem services’)
- Emphasis is on avoidance and minimization of priority ecosystem services
- Reference to PS5 and PS8 for critical ecosystem services

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