

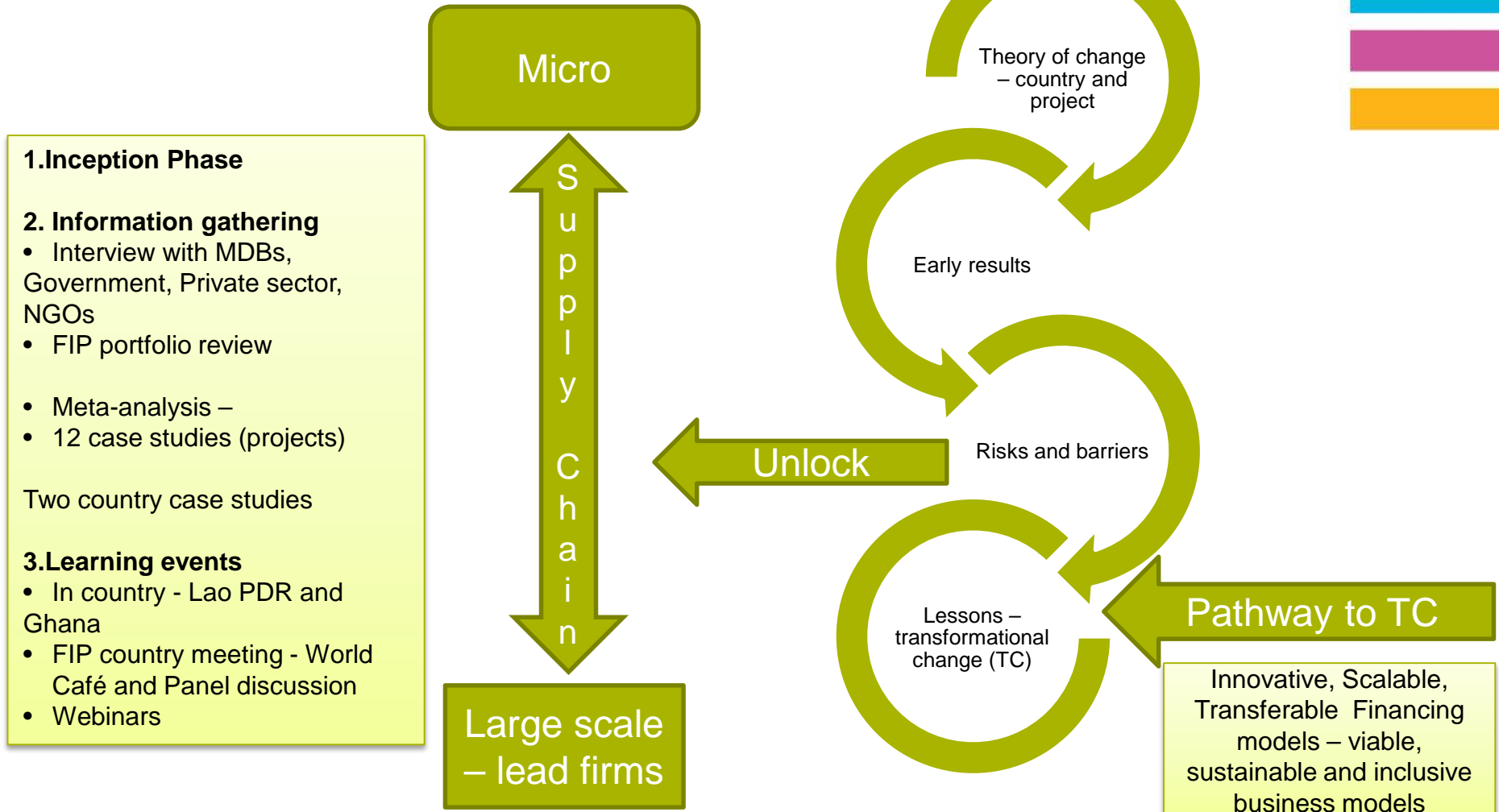
Evaluation and Learning on Financing Forest-related Enterprises (ELPFFRE)

Opportunities for upscaling transformative investments

Main objective of ELPFFRE

*‘to help **increase the viability and scale of investments** in sustainable forest-related enterprises by harvesting lessons from different types and models of financing tested in the FIP as well as non-CIF investments, and **applying learning to on-going and planned forest investments**’*

Scope and methodology



FIP in the *enabling to asset investment framework* and across scales of private sector

Enabling investment – 41% conducive environment and capacity

Secure commercial rights and other business enabling legislation / Technical support / Business development / Organisation

Asset investment

Impact investors / Product investors / Value investors

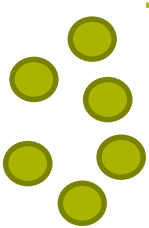
53% - the core of FIP goals

Start-ups & microfinance

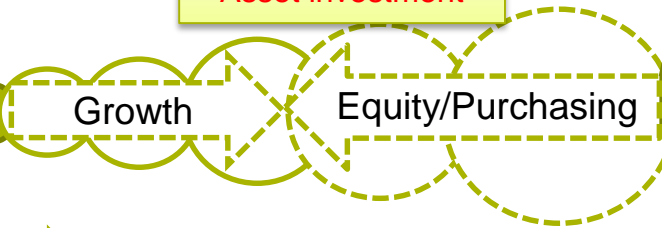
SMEs

Large investment 3%

Forest and farm smallholders



3% - incubation and Asset investment



The complementary elements to build viable, Sustainable and inclusive businesses

1. Organisation

2. Incubation

3. De-risking

Message 1 - FIP is investing where it matters

- Creating the necessary conditions – enabling investment
 - Policy and legislation on tenure and sustainable forest-related enterprises (can do more on other instruments to support sustainable business models)
 - Capacity - support technical capacity, organisation and business
- Bringing the smallholders to the fore of addressing deforestation and reducing poverty – transformational change potential is significant
 - Lao PDR – IGA, revolving funds, secure tenure, training companies in FPIC, conflict resolution and redress,....
- Large scale private sector – ‘lead firms’
 - Important commodities – pulp and paper
 - Potential for forest landscape restoration

FIP Example - Scaling-Up Participatory Sustainable Forest Management – Lao PDR

Enabling investments –

- support of improved forest management within state-owned production forests across 13 provinces
 - Communities – clarify forest tenure and boundaries demarcation - 666 villages
 - Forest assessment
 - Zoning and management planning
 - Participatory land-use planning
 - Certification
 - Direct grant-based investments targeted to all villages
 - May 2017: 249 villages received grants of US\$ 8,000 each for income generating activities (IGAs)
 - Large numbers of small-scale, informal sector micro-enterprises, managed at household and group level benefiting about 20,000 individuals

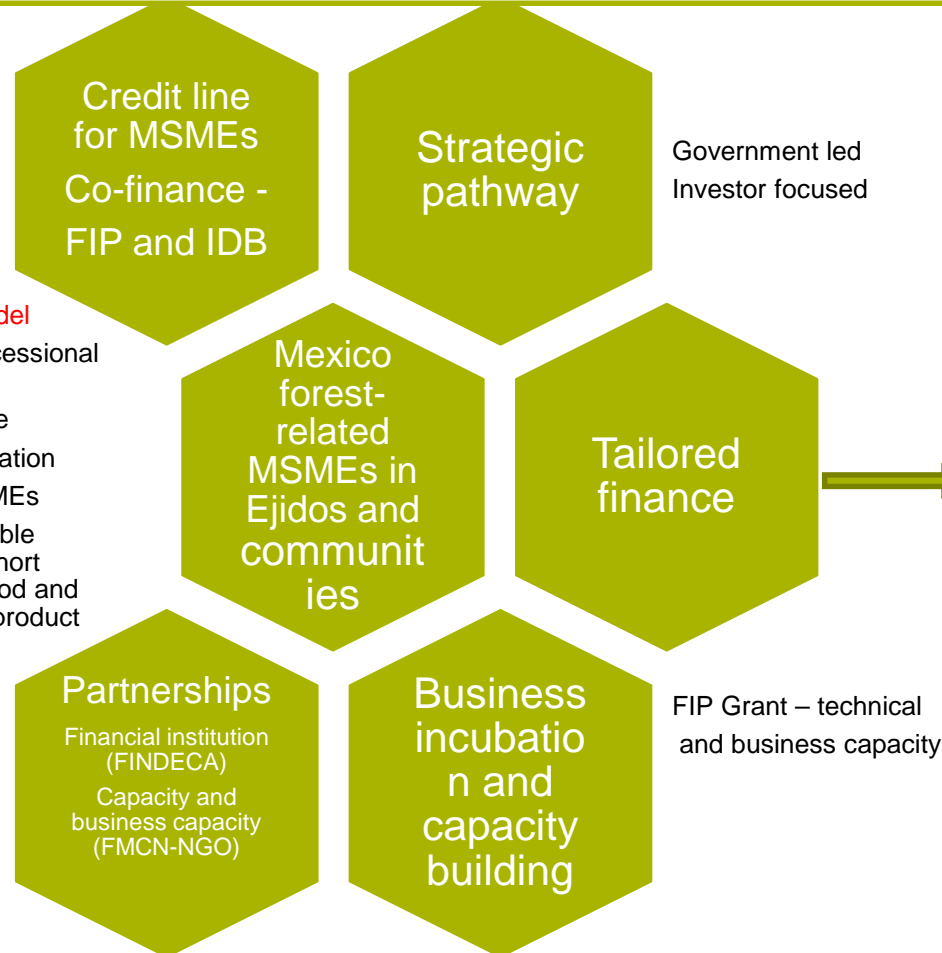
Potential landscape impact is significant

Viability of enterprises? Which commodities? Which markets?
Potential for value addition? Connected supply chains?



Message 2 – But business incubation support is critical to turn Income Generating Activities into sustainable enterprises (learning within FIP)

Enabling investment – Build on secure commercial rights and other business enabling legislation and organisation plus technical support, business development



- short term credit for working capital;
- medium/long-term credit for fixed assets;
- microfinance for vulnerable populations
- currency hedging mechanism
- FIP retained the credit risk of the loan to the executing agency (FINDECA) instead of IDB

Asset investment

Message 3 - Technical capacity development is critical for government, investors and investees

- **Government – environmental and NR ministries lead FIP**
 - Basic forest knowledge is important – Forest Management, environment, climate change, policy and legislation, law enforcement
 - But effective business and private sector engagement skills are also needed
 - Mexico has it
 - Work with other government sectors that engage private sector
 - Bring in private sector itself
 - Bring in, build capacity of intermediaries (for profit and not-for profit)
 - understand private sector and business
- **Investors – MDB credit officers, Commercial and Central Banks**
 - Understand opportunities of investing in forest-related enterprises
 - Complement lead Firms (IFC) focus with financing intermediaries - is important to reach out to SMEs which have a potentially higher cumulative impact
- **Investees**
 - Organized into credible businesses; develop viable business integrated into critical supply chains; large companies to engage with communities

Message 4 - It is not too late to adjust FIP



- **It is not necessarily about FIP (re)budgeting but to capitalize on it to leverage additional sources of finance to support viable, sustainable and inclusive forest-related enterprises**
 - IGA – transformed into sustainable, scalable enterprises;
 - Commodities with market potential
 - e.g. concessions for sustainable biomass energy – SFM, plantation, efficiency of production and consumption – landscape or national scale
- **Government should take the lead in fostering learning**
 - FIP has and is using national level coordination structures, multisector and multi-stakeholder engagement as part of its programmatic approach
 - Links with REDD+ processes, PPCR
 - Ministries of Finance and Planning already involved – e.g. DRC, National investment forum (including commercial and central banks)
 - different sources of financing
 - opportunities to unlock public and private finance,
 - partnerships to support enabling to asset investment

Message 4 - It is not too late to adjust FIP



- **Fiscal and monetary regulation to help countries leverage domestic sources of finance to complement FIP**
 - Central Banks, the Ministries of Finance have a key role to play in enabling the commercial banking sector to create favourable credit conditions
 - The existing sector funds created from tax revenue can be redirected to supporting forest related enterprises
 - Partnerships and leveraging of finance from different global multilateral and bilateral; financing programmes operating in the country

Thank you

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