WORLD ECONOMIC FORUM

COMMITTED TO IMPROVING THE STATE OF THE WORLD

Global Agenda Council on Forests

Better Growth with Forests: Partnerships for Sustainable Rural Development at the Forest Frontier

December 2015

World Economic Forum Global Agenda Council on Forests

Better Growth with Forests: Partnerships for Sustainable Rural Development at the Forest Frontier

Discussion Paper

Why we need new models of rural development at the forest frontier

Global demand for agricultural and forest commodities is soaring. With the global population predicted to reach 9 billion by 2050, it is estimated that 70% more food calories will be needed, while demand for wood products will also continue to increase.[1] Over the past decades, meeting the rising demand for food and consumer goods has often come at the expense of forests,[2] making commercial agriculture the main driver of tropical deforestation.[3] Inefficient production schemes, missing or unclear economic and financial incentives for sustainable choices, poor governance structures and complex supply chains contributed to this outcome. The current haze and forest fire crisis in Indonesia is a clear example of this negative cycle.

Yet it is possible to deliver rural development and domestic economic growth and at the same time protect and restore forests on a large scale. This is supported by the experience of the legal Amazon in Brazil, where agriculture output has been growing while deforestation rates have dropped substantially. This example indicates that better production models at the forest frontier can protect critical natural resources (e.g. intact primary forest landscapes, peatland, riparian areas and biodiversity corridors), deliver economic and social benefits for smallholder farmers and local communities, and recognize and respect community and the indigenous people's rights. Momentum is building for global support for this transformation. In the New York Declaration on Forests in 2014, about 180 nations, companies, indigenous people and other organizations committed to halve deforestation by 2020 and stop it by 2030, while at the same achieving ambitious conservation, reforestation and forest restoration targets. The critical mass of forest nations, global agricultural commodity companies and consumer goods companies that got behind these goals was unprecedented. Last but not least, forests feature prominently in a number of the Sustainable Development Goals adopted by the United Nations General Assembly in 2015.

---

[1] UCS estimates the demand for industrial roundwood will grow by about 200 million m^3 by 2050, going from 1.6 to 1.8 billion m^3 : *Planting for the Future - How Demand for Wood Products Could Be Friendly to Tropical Forests* – UCS Report, 2014

[2] Gibbs et al.. *Tropical forests were the primary sources of new agricultural land in the 1980s and 1990s.* Proceedings of the National Academy of Sciences of the United States of America. 10 September 2010.

[3] Lawson S. *Consumer Goods and Deforestation: An Analysis of the Extent and Nature of Illegality in Forest Conversion for Agriculture and Timber Plantations*. Forest Trends. 2014

However, the sheer size of the challenge – forest cover loss in the tropical domain still exceeds 7 million ha per year[4] – requires holistic solutions at the landscapes level that strive to deliver multiple benefits across stakeholder groups. Such solutions can be implemented at scale and at an accelerated pace through strong public-private partnerships that enable effective coordination between many stakeholders. They can conserve forests and intensify agricultural production in ways that bring benefits to small farmers and rural communities. To succeed, the right policy conditions are needed, too, particularly for land tenure, land-use planning and corporate purchasing policies. And policies need implementation to translate them into real benefits for rural communities and the forest.

A promising model to scale up partnership is the creation of place-based partnerships for protection and production. Such "protection-production partnerships" build on commitments from buyers of sustainably produced commodities. They create alignment of domestic public-policy measures for forest protection and land-use planning, with international support and blended finance solutions to de-risk investment in sustainable intensification for agriculture and forest productivity of small- and large-scale producers.

Eight challenges for the transformation

Significant momentum has been built to date. More than 50 national governments have established and are now implementing policies and measures to tackle deforestation and forest degradation. In addition, national and subnational governments, indigenous people's organizations, companies and civil society organizations have joined forces to implement concrete initiatives and ramp up efforts in the form of collective commitments, such as the New York Global Declaration on Forests. While commitments are starting to translate into concrete progress, there are a number of important challenges, many common to those faced by past transformation efforts in the forest sector, such as the REDD+ process.

1. **Development models**: Sustainable sourcing commitments must move quickly to implementation, with the focus on benefits for smallholders and respect for indigenous people's rights.
2. **Governance and rule of law:** Sustainable land solutions often require substantial improvement in clarity of governance structures, including land tenure and land-use maps, better enforcement of existing laws and regulations, and possibly new ones.
3. **Scaling of market signals:** Sustainability commitments made by buyers, traders and producers must result in changes on the ground and increase the resiliency of supply chains.

[4] Hansen, M. C., P. V. Potapov, R. Moore, M. Hancher, S. A. Turubanova, A. Tyukavina, D. Thau, S. V. Stehman, S. J. Goetz, T. R. Loveland, A. Kommareddy, A. Egorov, L. Chini, C. O. Justice, and J. R. G. Townshend. 2013. "High-Resolution Global Maps of 21st-Century Forest Cover Change." Science 342 (15 November): 850–53. Data available on-line from: http://earthenginepartners.appspot.com/science-2013-global-forest.

4. **Land tenure and rights:** In many forest areas the indigenous people and communities that can act as the guardians of the forest have unclear or contested rights that need to be formalized.
5. **Data, information and transparency:** Improved information and data capabilities are essential for monitoring progress and accountability.
6. **Long-term finance for forest protection:** To protect large areas of intact forest, it is important to secure long-term finance streams from complementary sources.
7. **National circumstances:** It is the particular national circumstances that define the design of production-protection partnerships.
8. **Managing complexity:** The environmental, social and political complexity of landscape approaches requires policy coherence, flexibility, adaptability and inclusive stakeholder engagement to deliver interconnected development and climate objectives.

Approaches such as protection-production partnerships need creative and nationally appropriate solutions to overcome these challenges.

Focus area to build success at scale

Public finance, private investment capital and procurement commitments are all, in theory, available to be deployed in a protection-production compact model. A key focus area for collaboration between public and private actors is then how to accelerate the creation of "pledge-ready" protection-production partnerships – i.e. "compacts" against which international donors, private investors, and trader and buyers can pledge funding and procurement commitments.

Developing the specific conditions, or "deal terms", for a protection-production partnership is a process that must address multiple challenges simultaneously, while putting smallholders and communities at the heart of its agenda. It must be both inclusive in nature, and politically, economically, technologically, socially and ecologically savvy. And it must be fully owned by the relevant national and subnational jurisdictions, building on and supporting country ambitions.

There are at least three potentially complementary "how to" models to accelerate the development of pledge-ready partnerships:

1. **Protection-production challenge fund** – a challenge that seeks a select number of jurisdictions that are either pioneering pilot initiatives or are ready to embark on the protection-production journey. The challenge provides these jurisdictions with the design, technical support and necessary funding to develop implementable plans, while creating a global community of purpose to pilot and create investment-grade replicable partnerships and solutions.
2. **Land-use innovation incubator** – using design-centric rapid prototyping methodologies developed in social innovation labs and in technology start-ups around the world, with smallholder sustainable intensification at its centre. Governments, international development partners, NGOs, scientific organizations, private sector companies and smallholder farmer associations convene "co-creation labs" to design the specific

capabilities needed in specific jurisdictions and the associated blended finance terms that can de-risk inclusive and pragmatic production-protection partnerships. Arguably, legitimate outcomes of co-creation labs build up national-level policies and priorities that jurisdictional action.

3. **Sustainable land-development corporation** – capitalizing a for-purpose corporation that can on-board the highest impact partnerships incubated in Step 2 and take the initial risk of developing protection-production partnerships at scale. The for-purpose corporation selects jurisdictions where its resources are to be deployed and recovers its initial investments through participation in the profitable production activities. A VC-type model of performance-based funding – including delivery on development objectives in line with national priorities – will be at the core of the design of this vehicle to insure impact and scalability.

These three ideas need to be further explored and developed through a participative process.

Members of the World Economic Forum Global Agenda Council on Forests

Council Chair

Jeff Seabright, Chief Sustainability Officer, Unilever, United Kingdom

Council Vice-Chair

Nigel Purvis, Chief Executive Officer, Climate Advisers, USA

Members

Joseph Adelegan, Division Chief, Environment and Sustainable Development, ECOWAS Bank for Investment and Development, Togo
Monica Araya, Founder and Director, Nivela, Costa Rica
Tasso Azevedo, Consultant and Social Entrepreneur, Climate Observatory, Brazil
Mike Barry, Head of Sustainable Business, Marks & Spencer, United Kingdom
Rachel Biderman, Country Director, World Resources Institute, Brazil
Juan Carlos Castilla-Rubio, Chief Executive Officer, Planetary Skin Institute, Brazil
Marianela Curi, Chief Executive Officer, Latin American Future Foundation, Ecuador
Jeremy Goon, Group Head, CSR, Wilmar International, Singapore
Iain Henderson, Lead, REDD+ and Sustainable Land Use, UNEP Finance Initiative, Switzerland
Jessica McGlyn, Director, World Business Council for Sustainable Development (WBCSD), USA
Charles McNeill, Senior Policy Adviser, Environment and Energy Group, Bureau for Development Policy, United Nations Development Programme (UNDP), USA
Per Fredrik Ilsaas Pharo, Director, International Climate and Forest Initiative, Norway Government
Ruth Rawling, Vice-President, Global Issues Management, Cargill
Sarah Schaefer, Director, Global Corporate Sustainability, Mars
Evgeny Shvarts, Director, Conservation Policy, WWF Russia
Anderson Tanoto, Director, RGE, Indonesia
Satya Tripathi, Director and Executive Head, United Nations Office for REDD Coordination in Indonesia (UNORCID), Indonesia
Johannes van de Ven, Chief Executive Officer, Good Energies Foundation, Switzerland
Jeremy Wilson, Vice-Chairman, Corporate Banking, Barclays Bank, United Kingdom
Daniel Zarin, Director of Programmes, Climate and Land Use Alliance, USA

WORLD ECONOMIC FORUM

COMMITTED TO IMPROVING THE STATE OF THE WORLD

The World Economic Forum, committed to improving the state of the world, is the International Organization for Public-Private Cooperation.

The Forum engages the foremost political, business and other leaders of society to shape global, regional and industry agendas.

World Economic Forum
91–93 route de la Capite
CH-1223 Cologny/Geneva
Switzerland

Tel.: +41 (0) 22 869 1212
Fax: +41 (0) 22 786 2744

contact@weforum.org
www.weforum.org