

**ISSUE BRIEF****The World Bank****Forests Overview / Issue Brief****CONTEXT**

Forests play a central role as the world confronts the challenges of climate change, food shortages, and improved livelihoods for a growing population. Forests absorb about 15% of the planet's greenhouse gas emissions and provide essential services to the agricultural sector. They help to maintain the fertility of the soil, protect watersheds, and reduce the risk of natural disasters, including floods and landslides.

At the same time, deforestation and forest degradation contribute significantly to greenhouse gas emissions, and many of the world's remaining forests are under increasing threat because of human activities and climate change. Although the pace of deforestation has slowed in some regions, the world still loses about 14.5 million hectares of forests – an area of land larger than the entire country of Costa Rica - each year.

An estimated 2 billion hectares of lost or degraded forest landscapes could be restored and rehabilitated. If those areas were to be restored to functional and productive ecosystems, they could help deliver a “triple win” by improving rural livelihoods and food security, increasing climate resilience, and helping mitigate greenhouse gases (GHG) - while taking pressure off pristine forests.

Forests are an important safety net for rural populations in times of economic or agricultural stress. About 350 million people who live within or close to dense forests depend on them for their subsistence and income. Of those, about 60 million people (especially indigenous communities) are wholly dependent on forests. They are key custodians of the world's remaining intact natural forests.

Forests are an important source of energy for many countries; 65% of the total primary energy supply in Africa comes from solid biomass such as firewood and charcoal. Wood-based fuel will continue to represent a principle source of energy in low-income countries and is increasingly viewed as a “green” alternative to fossil fuels in developed countries. If supplied sustainably and used efficiently to generate heat and power, this renewable energy source could make a major contribution to reducing greenhouse gases.

**STRATEGY**

If the world is to confront the challenges of mitigating and adapting to climate change while meeting the demands of a rapidly-growing global population, it is vital to find the balance between conserving and regenerating forest areas with economic growth for poverty reduction.

A little over 10 years ago, in its 2002 Forest Strategy, the World Bank shifted course to better reflect the reality that a forest is not simply a physical asset that can be cleared, logged or protected. In fact, a forest influences – and is impacted by – linkages to an array of other activities and sectors, particularly agriculture and water, but also energy, mining and transportation at the local, national and even global level.

The World Bank Group supports country efforts to harness the potential of forests to reduce poverty, to better integrate forestry into economies, and to protect and strengthen the environmental role forests play locally and globally. By strengthening rights of use and access to forest areas, the World Bank works to protect the most vulnerable populations.

Healthy forests and trees are central to the World Bank's vision for a more resilient, climate-smart and prosperous future. The World Bank emphasizes the benefits from integrating different farming approaches – including crop production, livestock, and tree farming – at the landscape level, to diversify livelihoods, increase resilience to economic and climate shocks, and capitalize on natural synergies, for example in the water, carbon and nutrient cycles.

Forests are one of the most mismanaged resources in many countries, partly because they are undervalued and partly because poor governance has fuelled illegal activities.

Helping governments to improve economic policy and the management and governance of the forest sector is therefore an important priority. The World Bank's starting point is to ask how can practices that have often led to significant forest degradation, tax evasion and corruption, be reformed, so that forests contribute more revenue to the state, produce more and better jobs, and result in more sustainable development

The World Bank Group has become the largest source of multilateral financing for forests. IBRD and IDA assistance to the forest sector totaled about US\$120 million in Fiscal Year 2013 (FY13). The International Finance Corporation (IFC), the Bank's private sector arm, invested US\$143 million in the forest products sector in the same period. Another US\$30 million were provided through carbon offsets and other recipient executed activities. Jointly with other multilateral development banks, the World Bank also serves as an implementing agency for the Global Environment Facility (US\$7.2 million for forests in FY13) and the Forest Investment Program (about US\$640 million pledged).

## RESULTS

In **China**, the World Bank was the biggest financier of [an ambitious plan to increase forest cover](#) after devastating floods along the Yangtze River. Between 1985 and 2007, the World Bank supported China's forestry sector through 8 projects covering 21 provinces, resulting in over 3.8 million ha of newly established forests (around 12 percent of the country's newly planted forests). Besides mitigating greenhouse gas emissions and reducing soil erosion, the increase in forest cover has had significant impacts on people's livelihoods. One project specifically targeted poor areas in 12 provinces, training farmers to plant and care for a range of profitable trees. Economic trees like chestnut, ginkgo and bamboo helped boost average annual income by 150% between 1998 and 2004.

In **Albania**, the World Bank worked with the government on a forest project that [showcased the benefits of this landscape approach](#). By integrating forest, pasture, and agriculture management, the Bank-backed initiative led to reduced carbon emissions, the protection of important watersheds, and an increase of 28 percent in incomes in some areas from forests and agriculture. The project was successful in bringing more than 775,000 ha of land under the management of local communities.

In **Ethiopia's** Great Rift Valley, the World Bank partnered with World Vision to pilot an approach that was both integrated and inclusive and led to [large-scale landscape restoration](#) with significant livelihood and resilience outcomes. Forest cooperatives were created to oversee the reforestation of the Humbo mountain area by encouraging natural regeneration and limiting wood, charcoal and fodder extraction. Improved land management has stimulated grass growth, providing fodder for livestock that can be cut and sold as an additional source of income. The restored project area provides protection against dangerous landslides and improved water availability for more than 65,000 people. The project is expected to sequester over 880,000 metric tonnes of carbon dioxide-equivalent over 30 years, with the World Bank purchasing 165,000 metric tonnes worth of carbon credits through its BioCarbon Fund.

Dialogue and engagement with developing countries has led to progress in the way forest rights are allocated. For example, in **Cameroon**, [legal and regulatory reforms](#) that were part of a wider concession reform effort resulted in the first legal recognition of community forests in any part of West Africa. In the **Democratic Republic of Congo**, a legal review of concessions led to a significant reduction in the area under concession management, to 9.7 million ha in 2008, from 43.5 million ha in 2002. At the same time, steps were taken to bring communities into decision-making processes in forest management, to clarify the rights of traditional forest users, and to develop new models for payments for environmental services.

And in **Gabon**, around 4.7 million ha in forest concessions were cancelled, creating the opportunity to develop new approaches to sustainable forest management.

In **Mexico**, where some 80 percent of forests are owned by indigenous and other communities, the World Bank helped fund a project to strengthen community forestry by improving forest management plans. The support has helped to increase the contribution of forests to local development. For example, a [project evaluation](#) found that between 2003 and 2008, jobs had increased by 27% in targeted communities and *ejidos*, while the net value of

forest goods and services they produced increased by 36%. In 2011 the coverage of this support was extended to all 32 states in Mexico.

In **Liberia**, the World Bank, through the Program on Forests, stepped in to co-finance the roll out of a “[chain of custody](#)” system that tracks timber from the forest of origin to the point of export through barcodes and data forms. That system assisted in securing more than \$27 million in net tax revenue for the state in 2008-2012. Although challenges remain, these reforms have created greater transparency around logging revenue and a platform for stakeholders to demand more effective change.

## **Partners**

Over the last decade, the World Bank, the European Union and other partners have made significant strides in opening the space for dialogue and reform by backing [Forest Law Enforcement and Governance \(FLEG\)](#) processes in different parts of the world. The [Program on Forests \(PROFOR\)](#), hosted by the World Bank, has also made [forest governance](#) one of its priority issues, providing technical assistance to improve the monitoring of forest activities and helping create consensus and political will around priority reforms.

Through its private sector arm, the [International Finance Corporation](#), the Bank Group also encourages responsible corporate investments across the forest products supply chain and works to create a more level playing field for legitimate forest-sector enterprises that adopt sustainable forest management practices.

The World Bank works with partners to increase financing for forest conservation and protection, and to develop effective markets for the environmental services that forests provide, including biodiversity protection, carbon sequestration, and watershed management. For example, the Bank played an active role in promoting the [establishment of protected areas](#) in the Brazilian Amazon.

The Bank Group has also explored a wide range of opportunities to help developing countries reduce greenhouse gas emissions from deforestation and forest degradation, and to conserve, sustainably manage and enhance forest carbon stocks. This approach, known as REDD+, will likely rest on a complex mix of multilateral and bilateral assistance, civil society efforts, private sector initiatives and carbon markets. The Bank's approach has been to prepare and pilot different REDD+ initiatives through partnerships.

The Bank serves as the Trustee and the Secretariat of the [Forest Carbon Partnership Facility \(FCPF\)](#), a global partnership that is helping countries draft REDD+ readiness plans and will provide carbon payments to countries that meet certain targets. The Bank is also the implementing organization, together with other multilateral development banks, of the [Forest Investment Program \(FIP\)](#), and is financing pilot investments for reforestation and soil carbon through the [BioCarbon Fund](#), a public-private initiative that mobilizes resources for pioneering projects that deliver emission reductions, while promoting biodiversity conservation and poverty alleviation. Those interventions, blended with more conventional World Bank lending activities, are converging to create transformative change in the forest and broader rural sector in places like the Democratic Republic of Congo and Mexico.

While the World Bank currently is the largest single source of finance in the multilateral community for forest projects, its loans and grants are only a fraction of what is needed to navigate the trade-offs between forest protection and economic growth and secure a prosperous and sustainable planet for future generations.

*For more information, please see: [www.worldbank.org/en/topic/forests](http://www.worldbank.org/en/topic/forests)*

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*Updated September 2013*