

Financial sector connections to forest cover and forest health



Business Banking in the Forestry Sector

- Loans, working capital and guarantees (e.g. for forest plantations, harvesting or processing operations)
- Banking services to agribusinesses and commodity traders (soy, palm oil, maize, peanut, cattle)
- Investments in forest carbon (e.g. REDD, forest carbon research)
- Lending to small scale and community forestry enterprises

Project Finance

- Infrastructure developments increasing access to forests or leading to deforestation (e.g. access roads, hydropower and mining projects)
- Pulp mill financing

Capital Markets

- Lending to small scale and community forestry enterprises
- Debt and equity market support for sectors affecting forest health (e.g. mining, fossil fuel extraction)
- Commodity trading

Asset Management & Private Equity

- Equity investments in listed FPP companies
- Investment in sustainable forest management projects through funds (e.g. TIMOS)

Procurement

- In-house procurement of forestry products (e.g. stationery, furniture, etc.)

Global Trade

- Trade finance and letters of credit
- Export credit facilities
- Financing services and investments in sectors buying forestry products (e.g. retailers, construction)

Note: This forestry toolkit focuses on the shaded areas above. It is also relevant to the other connections identified here, but requires additional tailoring and resources before its application.

There is growing interest among financiers in sustainability in forestry and the risks and opportunities it presents for the financial sector. There is increasing recognition that if left unmanaged, sustainability issues in the sector can pose financial and reputational liabilities. Simultaneously, there is growing awareness of and focus on green and low carbon solutions to create new business opportunities.

All large and small forestry operators require various forms of financial services and products. Consequently, banks can play a significant role in influencing sustainable forest management, e.g. devising incentives for certification through favourable terms for certified operations, due to the potentially lower risk exposure of these operations.