

FOREST TRENDS 2016-2020 STRATEGIC PLAN - EXECUTIVE SUMMARY

Vision

A world in which government policy and corporate actions incorporate the full value of forests and other ecosystems to protect the services and benefits these systems provide.

Mission

Forest Trends works to conserve forests and other ecosystems through the creation and wide adoption of a broad range of environmental finance, markets and other payment and incentive mechanisms.

Operating Principles

Forest Trends carries out its work in three broad areas that have remained the same since our founding:

1. Providing transparent information on ecosystem values, finance and markets through knowledge acquisition, analysis and dissemination;
2. Convening diverse coalitions, partners and communities of practice to promote environmental values and advance development of new markets and payment mechanisms;
3. Demonstrating successful tools, standards and models of innovative finance for conservation.

Strategic Priorities and Program Focal Areas

Forest Trends has identified five strategic priorities for the period 2016-2020 reflecting the overarching and integrated nature of our work. Within each priority, Forest Trends' work is further articulated here in program focal areas that reflect the operating principals described above.

1) Scale up models of natural infrastructure and integrated "green" investment for climate, forest protection, water management, and sustainable land and natural resource protection.

Knowledge and Transparency:

- Continue to regularly track the state of market development and public and private financing of forests, water, biodiversity and other natural systems;
- Evolve this body of research and analysis toward a fuller and more integrated assessment of the state of natural or green infrastructure development.

Strategic Convening:

- Build unusual and effective coalitions and communities of practice around promoting natural and green infrastructure development, including businesses, governments and local communities;
- Create regional and global opportunities to document and discuss progress in countries or regions on investing in natural or green infrastructure.

Demonstration Projects:

- Scale up and support roll out of workable models for both public and private water and other natural infrastructure investment (e.g. the Peru Incubator watershed investment model);

- Develop and promote usage of economic tools such as cost curves and risk-benefit analysis to demonstrate and communicate cost effectiveness of natural investment;
- Seek ways to increase public spending and private investment finance to pay for forest and land protection as a means to provide water sourcing and management;
- Create and promote methods and metrics to capture multiple ecosystem benefits in landscapes, jurisdictions and other land areas a (e.g. water, forests, carbon, biodiversity, agricultural).

2) Incorporate ecosystem values into government policies and company decision making and practices worldwide.

Knowledge and Transparency:

- Develop new research to document and promote natural capital accounting for government GDP accounting and company balance sheets starting with acquiring new internal capacity;
- Through Ecosystem Marketplace, increase research and analysis of country policy development and programs that advance conservation financing, payment mechanisms, and markets.

Strategic Convening:

- Continue to convene a mix of major events (e.g. Katoomba convenings) as well as webinars and smaller outreach on No Net Loss (for biodiversity and for forests) and on other topics.

Demonstration Projects:

- Support development of government policies, enforcement mechanisms, technical capacities and sufficient financing in multiple countries and regions in such areas as No Net Loss/Net Gain of biodiversity and forests and in enabling of policy-driven ecosystem markets;
- Expand network of companies in areas of engagement such as No Net Loss (mitigation and offsetting) of biodiversity and in reduction of deforestation in commodity supply chains;
- Expand work to engage private investors in both setting up screens or standards for promoting sustainable investment, and in engaging directly in conservation-related investments.

3) Engage in efforts to reduce deforestation and degradation (forest loss) and to restore intact and productive forests through efforts to create financial incentives and legal and policy solutions that incentivize forest protection and management.

Knowledge and Transparency:

- Track company commitments to sustainable sourcing and products, and to sustainable and low-/zero-deforestation in their sourcing of commodities and other raw goods.
- Carry out research that seeks to provide transparency on the causes of forest conversion and loss, and increase legality and sustainability of forest management at country and global levels;
- Expand research, analysis and reporting related to legality and sustainability to critical regions of the world, starting in the short term with areas of Southeast Asia, India and in particular China.

Strategic Convening:

- Engage in major regional and global forums such as the Consumer Goods Forum and the World Economic Forum to advance discussion within industry sectors on promoting sustainable and legal forest and commodity sourcing and use.

Demonstration Projects:

- Explore public-private financing concepts to incentivize sustainable and low-/zero-deforestation commodity supply by countries;
- Expand development of legislation and enforcement mechanisms aimed at curtailing trade in illegal timber, illegally-produced forest products, and illegal forest conversion from agriculture, such as the EU's Forest Law Enforcement, Governance and Trade (FLEGT) policies and REDD+;
- Work to embed restrictions on use of illegal forest and land conversion in all related commodity certification mechanisms.

4) Promote climate mitigation/protection (GHG reduction) and climate adaptation/resiliency related to forest, agriculture, water and land use.

Knowledge and Transparency:

- Continue to track and promote voluntary carbon markets, and add coverage of new performance payments to counties as well as emerging compliance markets (CA, China, Korea, others);
- Track and promote both public spending and private investment finance to pay for forest carbon (payments for performance), in particular in targeted countries such as Brazil and Peru as they ramp up to meet initial UN Green Climate Fund commitments, and as publically-financed country REDD+ programs begin to attract private finance.
- Track developments in climate adaptation and resiliency, and in particular new financing for city climate resiliency (e.g. water infrastructure) and other new investment into adaption.
- Research and promote development of policies and incentives for protection of the US and other land-based "carbon sink" management efforts.

Strategic Convening:

- Participate in global and regional deliberations on carbon markets, alternative carbon (performance) payment mechanisms, and other methods of putting a price on carbon.

Demonstration Projects:

- Develop public and private funding models and investment opportunities such as green bonds aimed at incentivizing forest and land use protection and GHG reductions;
- Develop models and mechanisms for ensuring provision of both benefits and safeguards to forest-based communities and indigenous people involved in forest carbon programs.

5) Ensure that the rights of local communities and indigenous people to their territories and resources are assured and that they are engaged in and benefit from sustainable forest and ecosystem management.

Knowledge and Transparency:

- Track, research and promote territorial rights and related legal instruments to advance local land and forest use and protection.

Strategic Convening:

- Engage in both local as well as global forums to continue to advance the needs and rights of indigenous people to manage their forests and connected resources.

- Continue to build alliances between indigenous communities, businesses, and governments.

Demonstration Projects:

- Develop benefit sharing funds and other mechanisms to ensure that financial benefits from forest management, forest carbon projects and other ecosystem services are equitably shared;
- Develop projects that seek to provide access to and utilize markets for timber, non-timber forest products, forest carbon, and other ecosystem-based economic alternatives, including agricultural (food) and artisanal opportunities (e.g. our Canopy Bridge and Gastronomy projects);
- Work to promote the linkage between traditional and modern forest marketplaces through the use of life plans and related efforts to build the knowledge and capacity of communities.

Overview of Key Initiatives

The following are brief introductions to each of Forest Trends' seven initiatives. Full descriptions including background, opportunities and intended results can be found in Part IV of this strategic plan.

1) Biodiversity Initiative

Forest Trends' Biodiversity Initiative was launched in 2004 with the development of the Business and Biodiversity Offsets Program (BBOP). A unique, international, multi-stakeholder community of practice, BBOP over 10 years developed, tested and began rollout of the leading standard and guidance on biodiversity mitigation and offsets. The BBOP standard is the backbone and framework against which the Biodiversity Initiative has more recently been working with companies and particularly governments to develop No Net Loss (NNL) policies and practices. The value proposition of the Biodiversity Initiative is to promote development of sound, science-based and economically-sustainable mitigation of biodiversity impacts by offering advisory services to governments, companies and NGOs on national policy development and landscape-level planning for No Net Loss of biodiversity, using the BBOP standard and methods to the extent possible, as the principal measure of success.

2) Coastal and Marine Initiative

Forest Trend's venture into marine issues began in 2003, and in 2006 the organization launched the Marine Ecosystem Services Program (MARES). MARES is now entering its tenth year as a fully-fledged focal area for Forest Trends, has a unique and recognizable brand that supports the perception of Forest Trends as an agent for change in a wide variety of biomes around the world. MARES activities have been guided by a group of renowned marine conservationists, academics, and donors (the MARES Advisory Group), and MARES has spearheaded workshops and conferences on marine PES, while producing or contributing to numerous landmark publications on marine conservation. In the next 5 years (2016-2020) MARES will be the centerpiece of the expanded Forest Trends Coastal and Marine Initiative, which intends to broaden FT's role in catalyzing more effective and lasting coastal conservation. We will demonstrate the value of undertaking marine ecosystem services assessments, performing cost-benefit analyses, mapping benefits flows, piloting innovative pilots activities, and using this information to tailor policies and financing mechanisms that lead to long-term positive outcomes.

3) Communities Initiative

The Communities Initiative is one of the first initiatives of Forest Trends. The initial focus was on research and publications to promote communities' forest/land tenure. In 2006 we transitioned to our current approach of working directly with local communities to strengthen their capacity to secure and manage their traditional forest homelands. We support indigenous and other traditional communities to secure their rights, manage and conserve their forests and improve their livelihoods. Focusing on rights, forests, and livelihoods, we link local communities in key geographies to opportunities around evolving policy, finance, and technical assistance. By strengthening local communities' capacity to secure and manage their forests, the Communities Initiative is also contributing to climate change mitigation, cultural survival, and to the conservation of biodiversity and other ecosystem services.

4) Ecosystem Marketplace

Launched as a web-based information platform in 2004, Ecosystem Marketplace publishes newsletters, breaking news, original feature articles and major reports about market-based approaches to conserving ecosystem services. Beginning in 2007, staff began collecting survey data to inform the first-ever "State of the Voluntary Carbon Markets" report; since then, coverage has expanded to include forest carbon, watershed investments and biodiversity in our signature "State Of" market analysis report format. Lately, EM has explored new topics of interest to our traditional markets (e.g., the buyers' report), expanded our coverage to new focal topics (e.g., Supply Change, and the Conservation Investment Survey), and increased our external advising and consulting opportunities (e.g., Global Alliance for Clean Cookstoves, Forest Stewardship Council). EM believes that transparency is a hallmark of robust markets and that by providing freely-accessible information, we can facilitate transactions (thereby lowering transaction costs) and also catalyze new thinking and spur the development of new markets and the infrastructure that supports them. With EM's high quality market intelligence, project developers can better manage and sell ecosystem services; buyers can better understand the markets and their legitimacy; policy makers can learn from past policies to create more enabling environments for markets; and academics can better understand the real-world challenges and trends of payments for ecosystem services.

5) Forest Policy, Trade and Finance Initiative

The Forest Policy, Trade and Finance Initiative was created in the early 2000s when the organization realized that emerging markets for ecosystem services and products were continuing to be undermined by cheap and illegal forest products. Since then, the FPTF program has been working to "squeeze out" the profitability and market access of illegally sourced timber and agricultural products. The ultimate aim of the FPTF program is to support market transformation away from products sourced illegally from forest areas, developing excellent data and policy analysis in conjunction with stakeholders, and mentoring and convening 'communities of practice' at the intersection of good forest governance, law enforcement, trade controls, secure resource rights, and sustainable resource development. The Initiative's theory of change hinges upon a combination of supply and demand side interventions at this intersection of policy, governance, transparency, and sustainable resource production.

6) Public-Private Finance Initiative

PPFI was launched as regulation to support global and US carbon markets fell short and while Norway and other countries committed billions of public dollars to support REDD. PPFI provided early thought leadership to the REDD+ partnership on a roadmap to identify the financing gaps and how to structure public funds to attract private investment in REDD+ and climate smart supply chains in the absence of a carbon market. PPFI initially worked with cacao and coffee in Ghana and Ethiopia and has worked with

beef, cattle and soy in Brazil and Colombia and most recently with the Water Initiative in Peru as we apply the same finance principles beyond carbon. Most recently we are applying our work in the US with the launch of policy roadmap to support investment in the US carbon sink. Conserving forest and ecosystems and transforming land use at scale to sustainable low emissions production systems requires substantial investment. Our Public Private Finance Initiative is strategically focused on creating public-private architectures that increase the amount of capital flowing to land use practices that reduce emissions from deforestation and degradation, improve the productivity of agricultural and livestock systems, and enhance livelihoods of rural populations.

7) Water Initiative

Recognizing the multiple values, including supplies of clean water, which forests provide to people, Forest Trends has worked from inception to promote the use of incentives and market-based instruments to protect and sustainably manage watershed services. Forest Trends helped establish the Chesapeake Bay Fund, an innovative partnership between Forest Trends, the World Resources Institute, and the Chesapeake Bay Foundation, to restore and protect the Bay's water quality. In 2010, we launched the first *State of Watershed Payments* report, the first global survey of incentive and market-based instruments for protecting hydrological services. In 2011, we launched a 5-year project, funded by the Swiss Agency for Development and Cooperation, which is working with partners around the world to scale up successful models of investments in watershed services (IWS). Our work is based on the premise that natural or green infrastructure is not only critical to *sustaining adequate supplies of clean water* for people and nature; green infrastructure for water can simultaneously address climate mitigation and adaptation, contribute to multiple ecosystem services, improve livelihoods, and keep future options open. However, green infrastructure is not yet a *mainstream part* of water management. The Initiative works to change the way water is managed by scaling green infrastructure investments through financing mechanisms, so that green solutions are key part of a multi-pronged approach for water security.