

SCALING UP FINANCE FOR SUSTAINABLE FORESTRY IN PARAGUAY

A World Bank - AFD project to mobilize private capital to scale up job creation in sustainable forestry value chains in Paraguay



THE WORLD BANK





5.3

MILLION HA

OF FOREST HAVE BEEN LOST BETWEEN
2005 AND 2022

80

PERCENT

OF THE OF THE ENERGY MIX OF PARAGUAY'S INDUSTRIES IS FUELWOOD

5

TIMES HIGHER

MULTIDEMENSIONAL POVERTY IN RURAL AREAS THAN IN URBAN AREA

4TH

LOWEST

FINANCIAL DEVELOPMENT INDEX IN THE LATIN AMERICA AND CARIBEEAN REGION



WHY?

Latent demand is awaiting patient capital to develop a sustainable forestry sector

Certified plantations are required to reduce deforestation of native forest

- Only 36% of the fuelwood used by the industry is of sustainable origin
- Commodity traders and other exporters increasingly require certified fuelwood

Creation of thousands of formal jobs will contribute to poverty reduction in Oriental

- Extensive cattle ranching has progressively degraded both the land and cattle productivity
- The incidence of extreme poverty in Oriental is linked to low productivity cattle ranching on degraded land

Local and foreign financing will help mobilize private capital in forestry value chains

- The main market failure for financing sustainable forestry lies in the absence of long-term funding
- Local banks and foreign institutional investors show a keen interest in financing forestry provided they have access to long-term funding

WHAT?

Certified dense commercial forest plantations and sylvopastoral systems

Commercial forestry helps alleviate native deforestation

- Meeting the demand for certified wood (e.g., EU - Deforestation Free Regulation)

Professionally managed sylvopastoral systems increase the resilience of small cattle ranchers

- Increased cattle productivity through reduced heat stress and enhanced pasture
- The sale of forest products, and improved livestock products increase and diversify farmers' incomes

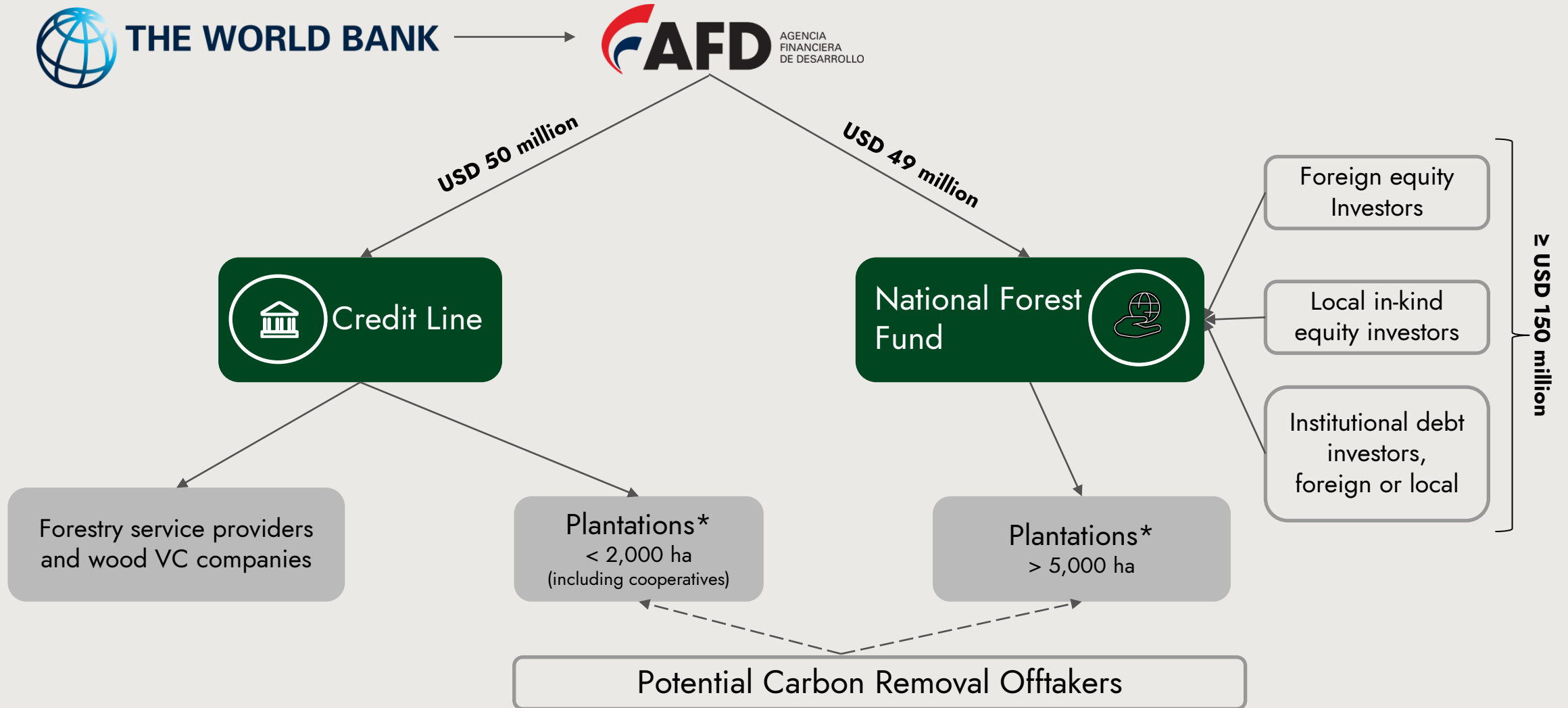
Jobs in certified forestry are formal and the job creation potential is high

- Professionally managed plantations generate 200 direct jobs per 1,000 ha, compared to current livestock farming of 1 to 5 informal jobs per 1,000 ha



HOW?

Two financial instruments targeting the Oriental Region



* Orders of magnitude from industry sources. Plantations of 2,000 to 5,000 ha financed under the credit line if not attractive to the fund.

SUSTAINABLE?

Holistic approach for the conservation of native forests and bolstering biodiversity gains

- 1 IFC Performance Standards
/ World Bank ESF
- 2 FSC certification and water stress
monitoring
- 3 Mosaic model for large plantations
- 4 High-quality carbon credits removals



IMPACT

Private capital mobilization

Mobilize private capital from multiple local and foreign sources



More jobs

New and better jobs in forestry VCs



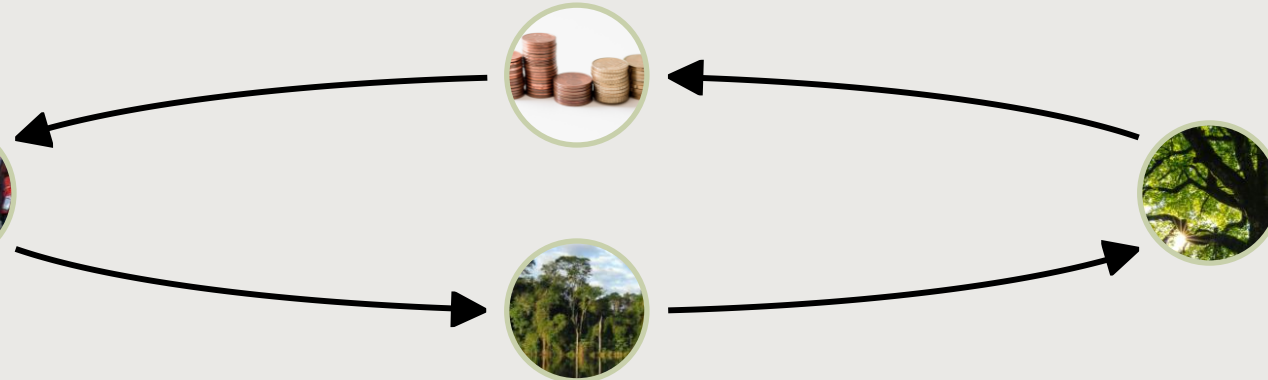
Lower deforestation

Commercial forest plantations to reduce pressure on remaining native forests



Carbon removal

Carbon removal credits thanks to carbon sequestration from certified plantations





350 M

PRIVATE CAPITAL
MOBILIZATION

EXPECTED TO MULTIPLY THREE-TO-FOUR TIMES
THE US\$ 100 LOAN FROM LOCAL AND FOREIGN
SOURCES

100.000

FORMAL JOBS IN RURAL AREAS

200 JOBS FOR EACH THOUSAND HECTARES

50 M tCo₂

CARBON REMOVAL by 2030

GENERATION OF HIGH-INTEGRITY CARBON CREDITS THANKS TO CARBON
SEQUESTRATION FROM CERTIFIED PLANTATIONS

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