

Restoration Concessions

A second lease of life on beleaguered tropical forests

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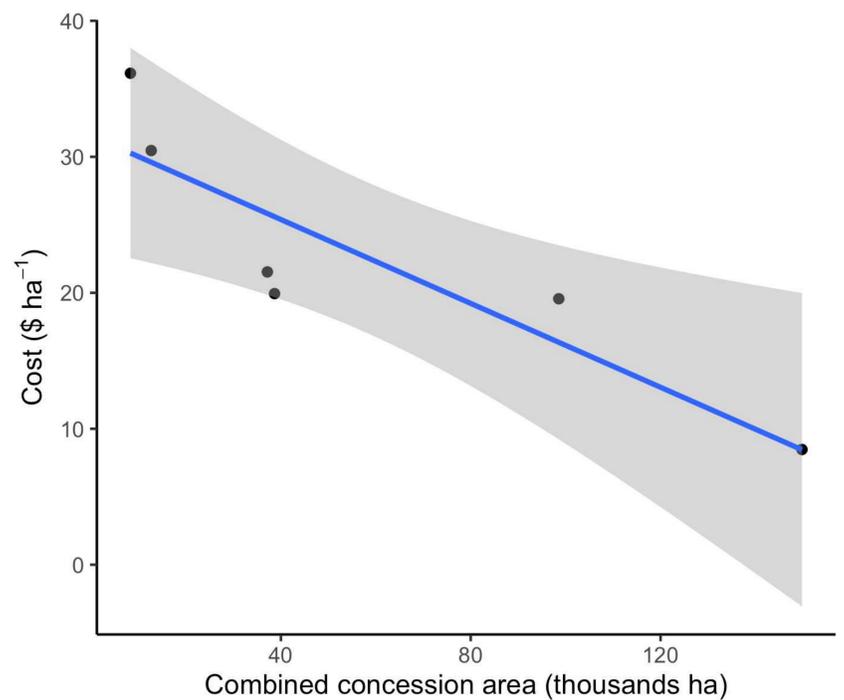
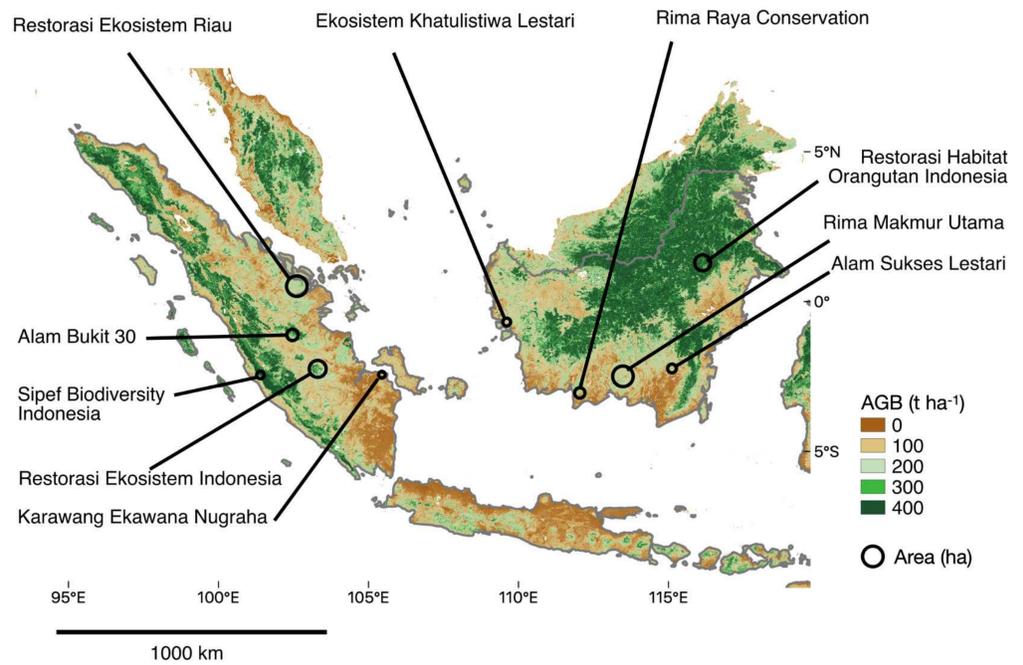
There are over 400 Mha of selectively logged forests globally. These forest harbour high biodiversity and contain large amounts of carbon, and hence are a critically important restoration opportunity. However, selectively logged forests are vulnerable to abandonment and conversion.

Is restoration with private capital an economically viable alternative ?

We reviewed 10 yrs experience with Ecological Restoration Concessions in Indonesia and conducted financial feasibility studies for a range of business plans.

Economic feasibility analysis for bundled business models based on a 40,000 ha concession and a 100 yr license. Cost were estimated at \$1 M peryr (\$0.6 M per yr, reduced cost model)

Business	Capital required (million USD)	Internal Rate of Return (%)	Years to break-even, profitable years	Median profit over profitable years (million USD)	Comment
Green fund 50% conservation; 95% carbon; 45% timber (ANR II); 5% rubber (100 years); 45% NTFP	12.98 (10.37)	11.17 (14.0)	8, 82 (8, 85)	2.83 (2.95)	Highly profitable; diverse portfolio; moderate impact
Conservation business 95% conservation; 95% carbon; 5% rubber (30 years); 95% NTFP	13.02 (10.49)	11.9 (14.7)	7, 23 (7, 23)	2.85 (3.17)	Profitable, but only during period of rubber productivity; low impact
Strict Conservation 100% conservation; 100% carbon; ecotourism; 95% NTFP	45.57 (5.52)	- (-)	- (5,95)	- (0.25)	Not profitable; very high capital requirement; minimal impact



Novel management can combine short term income from commodities like rubber (left) or timber (right) with restoration to natural forest. The commodities cover establishment costs and enable managers to contemplate restoring far larger areas. Employment or partnerships with communities also provides livelihoods.

Conclusions

- 1) Governments need to provide a favourable business environment by reducing costs and investing in restoration business chains
- 2) Forest managers need to invest in diverse portfolios to provide short-, medium- and long-term revenue
- 3) Restoration concessions are a scalable policy instrument for promoting large scale restoration of tropical forests with private capital