

# Workshop Report

## Unlocking Private Sector Finance For Sustainable Landscape Management

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**Workshop Hosted by:**  
World Bank Forest Carbon  
Partnership Facility (FCPF)

International Emissions  
Trading Association (IETA)

**Report Prepared by:**  
Meridian Institute

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*Disclaimer: This work is a joint product of the World Bank and The International Emissions Trading Association with external contributions. Key information and case studies detailed in this report were provided by speaker presentations, interviews, and participant comments.*

## About FCPF

The Forest Carbon Partnership Facility (FCPF) is a global partnership of governments, businesses, civil society, and indigenous people's organizations focused on reducing emissions from deforestation and forest degradation, forest carbon stock conservation, the sustainable management of forests, and the enhancement of forest carbon stocks in developing countries, activities commonly referred to as REDD+.

## About IETA

The International Emissions Trading Association (IETA) is a non-profit business association, established in 1999 to serve businesses engaged in market solutions to tackle climate change. In 2019, IETA celebrates its 20th year.

## About Meridian Institute

Established in 1997, Meridian Institute is a not-for profit organization that helps people solve complex and controversial problems, make informed decisions, and implement solutions that improve lives, the economy, and the environment.

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# Acronyms

**BSM:** Benefits sharing mechanisms

**Canopy SLF:** Canopy Sustainable Land Use Fund

**CBI:** Climate Bonds Initiative

**CCB Standard:** Climate Community & Biodiversity Standard

**CDM:** Clean Development Mechanism

**CIF:** Climate Investment Funds

**CIO:** Climate Investor One

**COCOBOD:** Ghana Cocoa Board

**COMACO:** Community Markets for Conservation

**CONAFOR:** Mexico's National Forestry Commission

**CSC:** Climate Smart Cocoa Program

**ETS:** Emissions Trading System

**EIB:** European Investment Bank

**FC:** Ghana Forestry Commission

**FCPF:** Forest Carbon Partnership Facility

**FIP:** Forest Investment Program

**FREL:** Forest Reference Emission Level

**GCF:** Green Climate Fund

**GCFRP:** Ghana Cocoa-Forest REDD+ Programme

**GHG:** Greenhouse Gas

**IDA:** International Development Association

**IETA:** International Emissions Trading Association

**IFC:** International Finance Corporation

**MRV:** Monitoring, Reporting, and Verification

**Mt:** Metric tons

**NDC:** Nationally Determined Contribution

**NICFI:** Norwegian International Climate and Forests Initiative

**PSSA:** Private Sector Set Aside

**RBF:** Results-based financing

**REDD+:** Efforts to reduce emissions from deforestation and forest degradation, and promote forest carbon stock conservation, the sustainable management of forests and enhancement of forest carbon stocks

**RDC:** Rural District Councils

**RLU:** Royal Lestari Utama

**ROI:** Return on Investment

**SDGs:** Sustainable Development Goals

**TFLL I:** Tropical Landscapes Finance Facility for Indonesia Corporate Sustainability Bond

**UNFCCC:** United Nations Framework Convention on Climate Change

**VCS/Verra:** Verified Carbon Standard; recently rebranded Verra

**WB:** World Bank

# Executive Summary

## About the Workshop

Human well-being and sustainable development are underpinned by well-managed lands and natural resources. The land use sector accounts for one-quarter of global greenhouse gas emissions. Timber and agricultural production are major drivers of deforestation and forest degradation, resulting in direct emissions from on-farm practices, as well as indirect emissions from land use conversion. Essential transitions to sustainable landscape management require development strategies that integrate economic, agricultural, forestry, energy, and infrastructure to protect forests, restore degraded lands, enhance agricultural productivity, increase shared prosperity, and enhance local environments.

Sustainable landscape management can only be achieved if the vast investments by the public and private sectors in agriculture and the land sector (\$ 777 billion since 2010<sup>1</sup>) can be directed towards sustainable landscape activities. To achieve this goal, farmers, communities, companies, governments, civil society organizations, and private capital investors will need to find ways of working together to catalyze landscape-level change.

In March 2019, the Forest Carbon Partnership Facility (FCPF) and the International Emissions Trading Association (IETA) jointly hosted the workshop “Unlocking Private Sector Finance for Sustainable Landscape Management” in Washington D.C, USA to deliver practical information and promote collaboration between REDD+ country governments, private capital investors, legal experts, carbon trading experts, commodity supply chain companies, bilateral and multilateral funders, and civil society organizations. The participant list is provided in the Appendix. Workshop participants exchanged insights and generated ideas for increasing private sector investments in programs that help communities, companies and governments achieve shared goals.

## Workshop Key Findings

Through presentations and discussion, participants made connections across sectors and generated the key findings listed in the column to the right.

**To unlock investment by private capital investors, investment opportunities must meet risk-return expectations.** Governments, local communities, and companies of all sizes (from small enterprises to large multi-national organizations) may have different risk-return considerations. Private capital investors will be concerned with return on investment, risk management (e.g., performance risk, investment integrity, and currency risk), strong monitoring, reporting, and verification (MRV) systems, and a consistent policy and legal environment.

**Governments play a critical role in mitigating risks and creating attractive investments.** REDD+ governments (with help from FCPF and others) have made progress in creating appropriate policy and governance systems, clarifying land tenure issues, establishing MRV systems, and creating agreements that define ownership of results and sharing of results-based payments. However, to set the conditions for scaling up private sector engagement, governments should strengthen benefits sharing mechanisms, clarify the rules and procedures for including project-generated emissions reductions in national systems, and consider implementation of carbon policies and fiscal policies.

**Many landscape-level solutions to climate change exist and are being implemented at scale.** Sustainable production of agricultural products and commodities is a major activity in developing countries and is critical for long-term protection of forests and advancing sustainable landscapes. Farmers, communities, and companies are developing and adopting locally-appropriate sustainable land management practices. But, they need access to finance, technical knowledge, advanced materials, and markets to implement and maintain sustainable practices at landscape scale. Participants provided case examples to illustrate a range of business models that create sustainable supply chain activities, including in cocoa (Ghana and Cote d’Ivoire), maize, groundnuts (Zambia), timber (Mexico), and rice (Thailand).

**A range of private sector financial instruments are used to enhance private sector investment in sustainable landscape management.** Experts from the financial sector provided detailed information and examples of results-based financing, blended financing, loans and loan guarantees, green forestry and REDD+ bonds, carbon credit trading markets, and impact investment funds. Governments, companies, communities and investors are seizing on opportunities to adapt these instruments to local requirements.



The biggest challenge now is that we need to dramatically accelerate the pace of deployment of climate change solutions across the economy and the world. That said, the biggest opportunity is that today, by and large, most of the solutions to climate change exist, and they are increasingly cost-competitive.

Unlike 10 or 15 years ago, when the prospect of transitioning economies came at a significant cost, increasingly **today, in many cases, it is the rational economic decision to go towards the latest low carbon technologies and transformations.**

- Rick Saines,  
Chair of Environmental Markets Practice, Baker McKenzie North America



## Recommended Actions

Workshop participants recommended that additional workshops be organized to engage companies, investors and governments on actions to increase private sector finance for sustainable landscapes. Participants recommended that workshops be conducted focused on specific financial instruments (e.g., green bonds) applied to concrete cases in specific countries. In addition, workshop participants committed to a range of actions to increase private investment in sustainable landscapes. They proposed many actions to foster ongoing discussions among government ministries, private investors, supply chain actors, local communities, and Indigenous Peoples. They foresee that these discussions will help develop locally-appropriate private investment strategies, identify investment opportunities, implement safeguards, and promote alignment among diverse interests. Participants identified the following actions.

### Strategy Development

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#### Government Ministries

- Develop private sector strategies and action plans for programs that generate emissions reductions at the landscape level

#### Private Sector

- Support FCPF and REDD+ countries in developing private sector strategies and creating private finance mechanisms

#### Funders

- Improve synergies across funders' programs in REDD+ countries to support national REDD+ strategy implementation

#### World Bank Group

- Develop emissions reduction program business cases for investing in REDD+ ERPs

### Policies and Programs

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#### Government Ministries

- Align policies to support private investment in sustainable landscape management
- Explore specific private investment tools, such as green-REDD+ bonds, agricultural lending for sustainable producers, and blended finance platforms

#### Private Sector

- Gather feedback from companies about the challenges and opportunities of engaging with FCPF Carbon Fund countries
- Clarify and share information about nested approaches to REDD+ accounting with governments and companies
- Engage in preferential sourcing programs
- Develop precommercial projects that can scale
- Explore climate neutral or zero deforestation certification of commodity products

#### Funders

- Clarify actions needed to support increased private sector investment in sustainable landscapes

#### World Bank Group

- Broaden Implementation of Climate Bonds for Forests

### Dialogue and Engagement

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#### Government Ministries

- Encourage public-private collaboration
- Create a government focal point for private sector engagement

#### Private Sector

- Connect supply chain companies and carbon market developers to increase awareness of the possibilities of carbon finance

#### Funders

- Broaden private sector outreach to engage a wider range of private sector actors to understand perceived gaps in enabling investment conditions

#### World Bank Group

- Convene workshops on unlocking private sector investment at regional levels and/or by key topics

### Information Sharing

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#### Government Ministries

- Share lessons learned between REDD+ countries about private sector investment successes and challenges
- Raise awareness of REDD+ programs and results-based payment programs among local communities and private sector actors

#### Private Sector

- Foster South-South dialogue on effective and appropriate approaches for private finance

#### Funders

- Foster greater understanding of risks from increased private investment for local communities in REDD+ landscapes

#### World Bank Group

- Enhance understanding of how governments, private sector investors, and supply chain companies determine risk.
- Facilitate information sharing about successful cases of increasing private finance for sustainable landscapes

### Collaboration Across Sectors to Develop Key Technical Components Required for Private Investment

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#### All Actors

- Build or improve Forest Reference Emission Levels (FREL) and MRV methods to facilitate private sector investments through spatially explicit accounting
- Develop or strengthen benefit sharing models and support institutional arrangements for benefit sharing

## About this Report

This report summarizes the presentations and discussion at the Workshop. It includes discussion of:

- Private sector investment considerations in sustainable landscapes
- Government roles and policies to spur private sector investment in sustainable landscapes
- Examples of commodity supply chain programs that are contributing to sustainable landscapes
- Financial instruments that can be used to attract private sector investment in sustainable land management activities
- Recommendations and a synthesis of potential future actions

Broadly, this report provides a snapshot of current efforts to link REDD+ activities, results-based payments, carbon credit trading, private investment, and sustainable commodity supply chain initiatives. It highlights ongoing questions and recent innovations to long-standing problems.

Looking ahead, FCPF will continue to build a platform that brings together diverse voices working to finance sustainable landscape management. For more information, please visit <https://www.forestcarbonpartnership.org/>.



# Introduction

The Sustainable Development Goals (SDGs) set targets for ending poverty and hunger, reducing inequality and tackling urgent global challenges such as climate change, by 2030. The SDG agenda proposes to meet these profound challenges by shifting the food and land use systems onto a sustainable development pathway. Given the transformative nature of the change required across the global economy, substantial investment by governments and companies will be needed. The private sector will be crucial to delivering the SDGs. Companies will have to change the way they do business in order to deliver the SDGs. They will have to pursue opportunities to support the SDGs through: increased private capital investment to support the SDGs in food and land use; developing product and business model innovations; integrating sustainability throughout supply chains, with greater focus on transparency and partnering with local producers; internalizing social and environmental costs; and educating consumers around new SDG-related business models.

During the past two decades, supply chain companies have increasingly committed to sustainable business models that include removing deforestation from their supply chains. In response to pressure from civil society organizations, consumers, and governments, hundreds of supply chain companies made commitments to remove deforestation from supply chains and have been working to promote sustainably produced commodities. Companies have tried a range of strategies to incentivize sustainable commodity production, including adopting voluntary sustainability standards and certifications. However, farmers often need technical or financial support to adopt sustainable practices and large-scale conversion continues to prove challenging. Enabling investments in sustainable practices by a diverse range of commodity supply chain actors—from smallholder farmers to large commodity companies—requires coordinated and well-funded private and public sector policies and programs.

Governments have an important role to play in creating enabling environments for sustainable food and land use activities and investments by the private sector. For instance, tropical and subtropical countries are developing programs that reduce greenhouse gas (GHG) emissions from deforestation and forest degradation and promote forest carbon stock conservation, the sustainable management of forests, and enhancement of forest carbon stocks (REDD+). Governments will have to create the coherent policies and shape an investment climate to enable significant new private sector investments in sustainable land management to achieve the scale and pace of change required.

Carbon markets and other schemes that put a price on carbon can be valuable in facilitating private finance for REDD+ and sustainable landscapes. These funds could be used to catalyze shifts to sustainable business models and complement other private investments in sustainable land use activities. However, difficulties persist that make private sector engagement a challenging proposition, including gaps in international and national policies for carbon markets, uncertainty around how accounting for and providing benefits from emission reductions, and perceived risks associated with investing in new models for sustainable land management in developing countries.

Implementing the large-scale food and land use transformation required to achieve the SDGs in tropical and sub-tropical regions will require public-private partnerships among multiple government agencies, supply chain companies and local producers, and carbon finance. At the moment these three communities are disconnected and their policies and activities often are uncoordinated. Forging greater connectivity – and alignment – among these communities will create new opportunities to catalyze private sector investment in sustainable land management.

## Unlocking Private Sector Finance for Sustainable Landscape Management Workshop

The Forest Carbon Partnership Facility (FCPF) is a global partnership of governments, businesses, civil society, and Indigenous Peoples focused on REDD+. An important aspect of FCPF's work with REDD+ government is to create replicable and/or scalable, innovative financial and governance models that enable the private sector to invest in and deliver products and services that benefit climate, biodiversity and people. Private sector investments are critical to address current funding gaps in climate finance for sustainable agriculture, forests and landscapes. The FCPF helps countries understand and promote private sector investment by removing barriers, increasing liquidity, diminishing risks, and seeking out innovative entry points for the private sector to help scale up REDD+ activities.

Countries moving toward implementation of their REDD+ and sustainable landscape programs create a financial strategy and plan, which includes projecting the funding requirements

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This workshop has presented a really unique learning experience in that so many representatives from different countries came together. In particular, the discussions on the legal aspects, the financial instruments that are currently available, especially their structures, and risk mitigation tools have been useful.

It's also been informative to learn about this topic of building private sector engagement in sustainable landscape management from both the smallholder perspectives and from the large, multinational companies. I look forward to more events like this in the future.

- Aldo Cerda,  
CEO Santiago Climate Exchange (SCX)

”



for program implementation and the identification of financial instruments and sources of financing to implement different actions of the REDD+ program at different levels (national, sub national, local) and across different sectors. The FCPF provides readiness funding and forward commitments of results-based payments to support countries in designing financing plans and attracting private sector to participate in their programs.

Given the progress by REDD+ countries in establishing emission reduction programs and conditions for implementation, these countries offer new opportunities for investment by supply chain companies and private investors. FCPF is helping governments explore approaches to increase private investment in REDD+ programs, for instance by engaging private sector observers in the Carbon Fund. The International Emissions Trading Association (IETA) is the current private sector observer providing strategic advice and insights on behalf of the climate finance industry.

Increasing participation of the private sector in financing and implementing of REDD+ and other sustainable landscape programs requires hands-on training for governments, including technical training on requirements needed to connect with the private sector, facilitation of private sector connections and support for designing and transacting to meet the financing needs of the program. In response to training requests from REDD+ countries, the FCPF and IETA partnered on a workshop on Unlocking Private Sector Finance for Sustainable Landscapes on 20-21 March 2019 in Washington, D.C., USA. The workshop objectives were to:

- Encourage public-private dialogues to create awareness and understanding among forest countries and private investors and supply chain companies on opportunities and challenges for private sector financing of REDD+ activities.
- Generate insights that help government agencies design better policies, plans and frameworks to scale-up private sector investments in REDD+ programs.
- Share experiences and lessons that help private investors and companies develop sustainable commodities value chains that are aligned with forest countries' REDD+ programs.

The workshop was a unique event that brought together representatives from REDD+ country governments, private capital investors, legal experts, carbon trading experts, innovators in the field of sustainable finance, commodity supply chain companies, bi-lateral funders, multi-lateral development banks, and civil society organizations to discuss the latest innovations in private finance for REDD+ and sustainable commodity supply chains.

Participants in the workshop made connections across sectors, shared lessons learned, and discussed potential future partnerships and activities. The participant list is provided in the appendix. Participants included: 25 forest government specialists from 14 countries representatives (FCPF and/or ISFL); 4 representatives from 3 FCPF donor countries; more than 27 representatives of CS/NGOs; 32 members of the Private Sector; and 20 WBG participants.



In response to the pressing need to better connect private investors, commodity supply chain companies, and government ministries, FCPF will work in partnership with IETA – as the carbon market private sector observer to the FCPF Carbon Fund – and many other organizations to create a platform to share information and lessons learned, and support better alignment between governments, farmers, communities, and private capital investors.

# About the Workshop Sponsors

## FCPF Quick Facts

- A global partnership that assists tropical and subtropical forest countries in developing the systems and policies for REDD+ (Readiness Fund) and for performance-based payments for REDD+ (Carbon Fund)
- Created in 2008
- Partnership of 47 developing countries
  - 18 in Africa, 18 in Latin America and the Caribbean, and 11 in Asia
- 17 financial contributors (developed countries, one private sector participant, one NGO)
- Total contributions and commitments of over \$1.3 billion
  - \$400 million for the Readiness Fund
  - \$900 million for the Carbon Fund
  - 43 countries signed Readiness Fund grants
- 19 countries in the Carbon Fund pipeline

## IETA Quick Facts

- IETA is a non-profit business association established to create a functional international framework for trading in greenhouse gas emissions reductions.
- Created in 1999
- Members: 130+ leading international companies from across the carbon trading cycle.
- Goal: to develop an emissions trading regime that results in real and verifiable greenhouse gas emissions reductions, while balancing economic efficiency with environmental integrity and social equity.
- The IETA Land Use and REDD+ Working Group leverages the commercial expertise, outreach capabilities and collective knowledge of a diverse range of global companies.



**Private Sector Investment  
Considerations in  
Sustainable Landscapes**

# Private Sector Investment Considerations

## Differences in Risk Perception between Public and Private Sector Investors

Realizing the potential of joint REDD +, climate finance, and commodity supply chain initiatives for sustainable landscape management is highly complex, and it requires organizations to collaborate with entities and individuals outside their traditional sectors. To put private capital to work towards REDD+ requires that private capital be directed to programs where private sector investors typically do not venture because they are deemed too risky and represent uncertain financial returns.

To unlock private investment for sustainable landscape management, investment opportunities must meet the risk-return expectations of private capital investors. Governments, local communities, and companies of all sizes (from small enterprises to large multi-national organizations), play a role in creating the attractive investment propositions, but this requires that all parties understand each other's perceptions of risk.

Governments may require that investment opportunities address the following risks:

- **Additionality:** the extent to which use of public capital results in private sector investments)
- **Political and public image risk:** the effective and efficient use of public funds to leverage private sector finance to achieve development objectives
- **Commercial sustainability:** evidence that investments do not require long-term public support and will continue with self-funding in the long-run.

Public sector risks may be different from risks perceived by private capital investors who may consider the following general investment requirements. Some of the following risk considerations will apply to supply chain companies as well.

- **Clearly defined return on investment (ROI):** Programs must clearly articulate how investors will receive their ROI.
- **Risk Management:** Programs and projects should have effective strategies to manage the following risks:
  - **Counterparty:** The possibility that one of the parties involved in the project defaults on their contractual obligation.
  - **Performance:** The possibility that the completed project fails to perform as intended or fails to meet requirements that justified the project.
  - **Investment Integrity:** Defining ownership of results (for example, ensuring that carbon credits are not double counted) and ensuring contract enforceability.

- **Liquidity:** Ability to liquidate the investment if needed.
- **Currency:** Investment returns are often realized in local currency, which exposes the investor to fluctuations in foreign exchange rates.
- **Route to market:** The roadmap to get the products from local production to end-users, in the most efficient and effective manner. Private sector capital will arrive when there is clear market demand for the product being sold.
- **Land tenure:** The risk of dispute between investors and local people over land or natural resource claims.
- **Monitoring, Reporting, and Verification (MRV):** Consistency and accuracy in MRV is critical for investor confidence.
- **Policies and Governance:** The presence of a clear and predictable policy and legal environment that complements green investments is essential for creating for attracting broader private sector engagement.

Governments play a critical role in helping to mitigate risks and creating attractive investment propositions. For instance, REDD+ governments (with help from FCPF and others) have made great progress in:

- Establishing MRV systems;
- Creating appropriate policies and governance systems;
- Clarifying land tenure issues; and
- Creating frameworks and agreements that define ownership of results and sharing of results-based payments.

However, more work is needed to consistently establish the necessary conditions for private sector investment and implement environmental and social safeguards. Additional information about strategies governments can use to galvanize private sector investment is provided in Roles of Governments section of the report.

The different risk-reward considerations and investment requirements between public and private sector investors underscore the importance of ongoing dialogue among risk-taking financial investors, supply chain actors, and communities who are delivering “results” on the ground, and government ministries.

*For more information, please review the presentations by: Lara Jackson, Price Waterhouse Coopers; Jean-Dominique Bescond, World Bank; Richard Saines, Baker McKenzie; and Lisa DeMarco, DeMarco Allan LLP.*

# Private Sector Actors

Many private sector actors have important roles to play in implementing activities that contribute to sustainable landscapes. These actors represent a broad range of interests and make their own risk-return determinations.



## Smallholders

- Improve sustainability
- Increase investments



## Producer Companies

- Improve sustainability
- Increase investments



## Processing and Manufacturing Companies

- Change sourcing policies
- Improve transformation process efficiency



## Retailers and Consumer Goods Companies

- Change sourcing policies
- Improve transformation process efficiency



## Financing Institutions and Insurers

- Change investment practices
- Invest in carbon credits, green bonds, and insurance products



## Others: Technology, Service Companies, etc.

- Engage in REDD+ for CSR, explore new markets, etc.



# **Government Roles in Unlocking Private Investment**



# Government Roles in Unlocking Private Investment in Sustainable Landscapes

Governments play important roles in unlocking private sector finance for sustainable landscape management by mitigating risks perceived by private investors and by creating policies that themselves generate or crowd in private investment. For instance, governments could consider a range of complementary subsidies, taxes and public expenditure to facilitate private investment .

- Developing policies that create favorable environments for downstream and upstream private sector actors
- Developing and managing benefits distribution plans
- Establishing the Forest Reference Emission Level and monitoring results
- Verifying and measuring carbon credits
- Buying down risk for subsequent investors by taking a first loss investment position
- Aggregating, distributing, and managing financing streams in blended finance and bond structures
- Coordinating various actors to align sustainable landscape management initiatives including REDD+, supply chain initiatives, and carbon market initiatives
- Purchasing commodities produced through sustainable landscape management

In this section, we will explore governments' role in developing carbon market policies and other financial policies that create favorable environments for engagement by downstream and upstream private sector actors.

# Benefits Sharing Mechanisms

## Overview

Benefits sharing mechanisms (BSM) are institutional means, structures and instruments for distributing finance and other net benefits from REDD+ programs<sup>8</sup>. These plans can allocate benefits derived from fund payments, grants, emissions reductions revenues, and REDD+ measures. Benefits can be monetary in nature, such as credits for tons of CO<sub>2</sub>, grants, tax benefits, and marketable products and crops, or non-monetary such as secured tenure, biodiversity, infrastructure development, and improved livelihoods.

Effective and equitable benefits distribution plans that reward producers are critical for protecting human rights and land tenure rights. They are also essential for long-term project success. Land tenure holders are unlikely to participate in REDD+ activities unless there is clarity on how they will receive benefits from REDD+. Additionally, private sector investors are unlikely to invest in such programs unless the following requirements are met:

- Clarity on benefits from REDD+ investments
- Ability to assess operational and financial risk
- Existence of a visible link between the investee and the beneficiary who will produce the return
- The rights of Indigenous Peoples', local communities', women and marginalized groups have been protected
- The performance of private investment is linked to the returns they receive

In developing benefits distribution plans, lead entities should consult with stakeholders, define beneficiaries, define benefits, identify sharing and allocation mechanisms, develop a management process, and implement a monitoring system. During this process, it is critical to create a comprehensive cash flow model that examines cash out-flows and cash in-flows and reviews net cash flow and outstanding funding needs.

## Stakeholders to Consider

In developing benefits sharing plans, it is important to consider:

- those with legal rights related to carbon emissions reductions
- those who reduce emissions
- forest stewards
- those incurring costs
- those administering the program
- those financing the implementation
- other facilitators of REDD+ implementation
- poor and underrepresented groups

## Benefits Allocation

There are many strategies for allocating benefits; some include activity or input-based allocation, others use performance-based allocation, and yet others align allocation methods with desired outcomes and components of a REDD+ program. However, all of these allocation methods depend on the ability for measured emissions reductions to be connected to the recipients of the benefits, and therefore require comprehensive reference levels.

To successfully allocate benefits, programs will require certain technical capacities, including:

- Access to an established forest reference emission levels that takes into account dynamics and typology of deforestation in a spatially explicit manner
- Spatially explicit and participatory greenhouse gas monitoring
- Transparency in benefits allocation process and results
- Laws and/or contractual agreements that secure rights to benefits
- Effective fiscal management

If carefully constructed, benefits distribution plans can fuel lasting and impactful sustainable development that improves livelihoods, mitigates climate change, and protects environmental resources.

*For more information, please review the presentation by Leslie Durschinger, Terra Global, and the "Note on Benefit Sharing for Emission Reductions Programs Under the Forest Carbon Partnership Facility and BioCarbon Fund Initiative for Sustainable Forest Landscapes."<sup>9</sup>*



# Benefits Sharing Mechanisms (Continued)

## Use Case: Kariba REDD+ Project

The Kariba REDD+ Project in Northern Zimbabwe aims to conserve the critical Miombo and Mopane forests and improve local livelihoods through activities proposed by local communities and financed by project supporters. The four rural district councils (RDCs) in the area, along with project staff, have contracts with project developers to provide the rights to develop, establish, and market the project and establish benefit sharing of the carbon revenues. These revenues are directed to the Kariba REDD Trust, a legal entity that aggregates funds and distributes payments to the RDCs to fund infrastructure, community development, and livelihood improvement initiatives in local communities.

Since 2012 the project has generated numerous impacts. It has:

- Protected nearly 785,000 hectares from deforestation and land degradation, preventing more than 18 million tonnes of carbon dioxide emissions being released into the atmosphere;
- Benefited 31 schools and 2,300 local students; supported 35 community gardens;
- Improved health clinic amenities, roads, and boreholes;
- Trained 1,119 local people who now generate profit through sustainable beekeeping; and
- Increased interest and success with moringa growth and leaf harvesting.

The project is registered under both the Verified Carbon Standard (VCS) and the Climate Community & Biodiversity Standard (CCBS) to help ensure that finance from credits benefits communities on the ground.

*For more information, please review the presentation by Jeff Swartz, South Pole.*



Photo courtesy of South Pole



Photo courtesy of South Pole

# Nesting Investment Fund Projects into National & Sub-National Climate Policy

## Overview

To achieve emission reduction ambitions, on-the-ground REDD+ efforts are needed to complement the programs and policies enacted at state and national level. Often these on-the-ground projects and programs depend on the sale of emission reductions to provide an income stream to implement mitigation activities. It is critical that these programs and projects account for emissions reduction in alignment with sub-national or national policies. Having clarity on how program and project level emissions will be “nested” in national accounting systems is essential for securing private investment in on-the-ground projects. Nesting also provides certainty for investors and can consequently increase investor interest.

Several international standards and methodologies exist to help REDD+ countries create their emissions reduction baselines, MRV systems, and benefits allocation plans to properly incorporate project level emissions in national accounting systems (e.g.: Verified Carbon Standard (VCS) Jurisdictional and Nested REDD+ (JNR); and FCPF's Methodological Framework). Building on these existing frameworks, Verra proposes solutions for constructing baselines that would properly account for areas with high levels of deforestation or degradation and would apply more precise methods than traditional methods. The approach would “divide” the jurisdictional baseline among smaller jurisdictions (districts or municipalities) with different relative threats, thereby strengthening viability of REDD+ programs and ensuring resources are delivered to those areas most in need. The approach requires evaluating jurisdictions in the country by drivers, tenure and management regimes and other factors affecting the amount of deforestation. Jurisdictions are then stratified according to deforestation dynamics.

As carbon markets evolve, the need for effective nesting solutions will grow. For example, in certain emissions reduction purchase agreements today, there are clauses for developers to do as much as possible to have credits be nested within NDCs and recognized by host countries. Certainty about a country's approach to nesting will enable countries and communities to benefit from expanding carbon markets, including major carbon trading schemes such as the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), which will come into effect in 2021, and the UNFCCC Article 6 provisions, if and when they are globally agreed upon.

## Use Case: The Cordillera Azul Project

The Cordillera Azul Project is an impact investing project in Peru's Cordillera Azul National Park funded by the Althelia Climate Fund.

The project is over 3.7 million hectares in size and utilizes a multi-strategy approach that combines cocoa supply chain initiatives, creation of natural protected areas, and development of carbon credits to be traded on carbon markets. The Cordillera Azul project was also one of the first projects in the world to implement nesting. To do so, the project developers aligned the emissions reductions generated by the Cordillera Azul project with Peru's national forest emission reference level. Specifically, the fund managers and the Peruvian government reached the following agreement:

- Carbon credits generated at a local level by the project between 2015 and 2018 and sold outside of the country by 2020 will be deducted from the Peruvian national inventory for future accounting.
- For the post-2018 emissions reductions, Peru will work with the project to achieve technical alignment of accounting mechanisms (i.e. full nesting).
- The project managers and the Peruvian government will also collaborate to develop a risk-based approach to allocate regional reference levels to specific project areas, and they will then work to develop a partnership to monitor achievements on the ground.

This use case is an important example for other countries. Peru has created a global first as no other country has started the process to officially integrate forest carbon credits into their national REDD+ system. Although Peru's efforts to harmonize REDD+ projects with national accounting in preparation for the Paris Agreement remains a work in process, the country is ahead of other countries that will need to create certainty regarding the status of REDD+ projects and credits post-2020.

*For more information, please review the presentations by: Angelo Sartori, Verra; and Jessica Verhagen, Ecosphere+.*

# Carbon Policies

## Overview

In contrast to voluntary markets, compliance markets, defined as markets for carbon offsets created by the need to comply with a regulatory act, have generated higher demand and higher priced carbon credits. Today, the numerous compliance markets active around the world cover approximately 15% of global greenhouse gas emissions. *Figure 5* provides a geographic overview of current compliance markets. During the workshop, presenters highlighted several innovative policies.

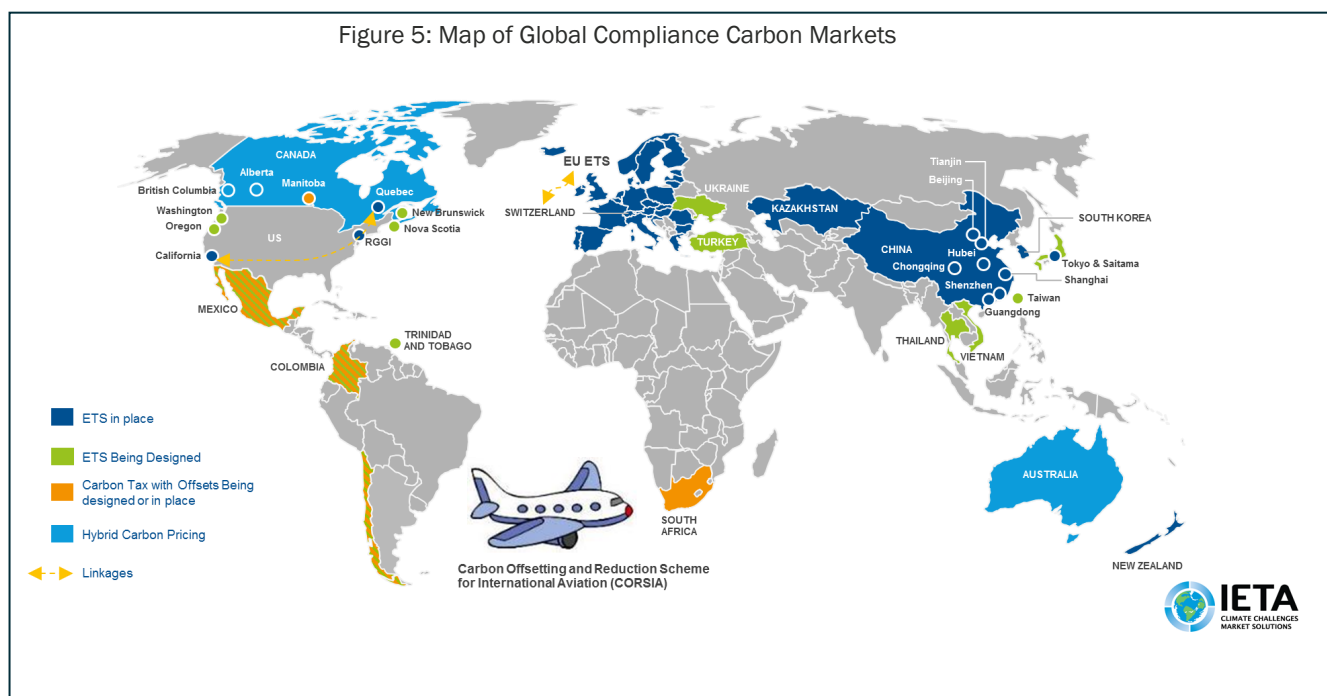
## Use Cases

**Colombia Carbon Fuel Tax.** The Colombian carbon tax covers all liquid and gaseous fossil fuels used for combustion. This equates to approximately 50 Mt CO<sub>2</sub> a year. Entities can offset 100% their tax liabilities by retiring carbon credits generated in Colombia and issued by the Clean Development Mechanism (CDM) or by independent standards such as the Verified Carbon Standard and the Gold Standard. Nearly 15 million credits have been retired since the introduction of the tax in 2017. Supply in the coming years is expected to be 10 – 14 Mt per year, mainly in REDD+, and is lower than the annual demand. In what is now a supply constrained market, credits trade close to the carbon tax level of \$5.50/tCO<sub>2</sub>. The carbon tax level increases by 1% per year, plus inflation.

**California cap and trade program.** The USA State of California's cap and trade program has created a market that trades 346 Mt CO<sub>2</sub> per year, which is equivalent to 80% of California's GHG emissions. The cap and trade program allows credits to be used for up to 8% of an entity's compliance obligation. The market is linked to the Emissions Trading System (ETS) in Quebec, Canada. Other USA jurisdictions, such as Oregon and Washington, are also considering system that could link to the California cap and trade program. The program imposes an auction reserve price of \$15/tCO<sub>2</sub> in 2019. The auction reserve price increases by 5% per year, plus inflation.

*For more information, please review the presentation by: Simon Henry, IETA.*

Figure 5: Map of Global Compliance Carbon Markets



# Other Fiscal Policy Incentives

## Overview

National fiscal policies are integral components of policy frameworks to reduce deforestation. They represent an immediately available policy option for complementing other forest conservation policies, such as REDD+. They can also help raise domestic revenues while accomplishing environmental goals, including NDCs. A range of fiscal instruments for climate change have been tested and are available to help support sustainable landscape management. These include:

- Innovative combinations of taxes and subsidies for sustainable landscape management that reach informal sectors and address deforestation drivers
- Improving incentives from export/import taxation on deforestation-driving commodities
- Reforms to royalties, stumpage fees, area fees, and other forest sector fiscal policies
- Reforming contradictory fiscal policy incentives across land uses and jurisdictions

## Use Cases

**Peru's Ecosystem Services Law.** This legislation both catalyzed the national uptake of REDD+ projects and attracted increased financial support for those projects. The law provides a statutory framework for conservation efforts that harness private capital to support a diverse range of ecosystem services, including greenhouse gas emissions reductions, biodiversity conservation, and watershed services. The law aims to compensate those who contribute to preserving, recovering and sustainably using ecosystem services, which may be private parties. Similar frameworks exist in Costa Rica, Ecuador and Colombia<sup>10</sup>.

**Brazilian tax reform.** In 2014, Brazil undertook reforms to better align two contradictory tax policies. One policy provided a decrease in the land tax rate as the percentage of property being used for agriculture increased. This created a financial incentive to clear-cut land legally and by extension encouraged the private sector to deforest. Brazil also had an ecological fiscal transfer policy which provided states with a higher allocation of the central budget based on the state's protected areas.

This policy incentivizes jurisdictional-level public actors to protect forest. As a result of harmonizing its fiscal policies, Brazil achieved budget savings and streamlined incentives for sustainable landscape management.

### **Chilean Reforestation Incentive System for the Forestry Sector.**

In the "fire storm" of summer 2017, more than 500 thousand hectares of forests, plantations, and vegetation burned in the center-south of Chile. To encourage reforestation of burned areas, CORFO, the Chilean development agency, established a system of incentives for the creation of forest investment funds. If the investors agree to certain levels of investment, the Chilean government would provide a long-term loan (up to 30 years) for the amount of the investment. The loan sits at an attractive interest rate for private sector forestry companies, with a leverage 2:1 or 3:1. Investors cannot use the loans to buy land, rather they can only use them to pay for long-term rental contracts with land owners of no more than 400 ha for reforestation or sustainable agriculture. In the case of restoration, investors can contract with owners so that the owners continue to conserve the land.

*For more information, please review the presentations by: Garo Batmanian, World Bank; and Aldo Cerda, SCX Bolsa de Clima Santiago.*

Participants discussed how innovation is required in government policy-making as governments are creating more holistic, integrated approaches to policy development in order to achieve multiple objectives. For instance, ministers of agriculture, environment, forestry and finance are working together to create policies that protect forests, enable agricultural development, and put money in the treasury. Furthermore, governments will continue to play a key role in ensure that benefits of GHG trading, results-based payments, and sustainable production schemes accrue to local communities, farmers, and ranchers who are implementing the activities that are protecting forests.

Many participants were concerned that local land users receive the least amount of financial benefits and they emphasized the importance of clear land tenure rules and consultations. Private capital investors also underscored the importance of ensuring that social, environmental and economic criteria are met for any new investments. They offered that it is often difficult to strike the right balance between pushing their own criteria and respecting national and local sovereignty. Some participants emphasized the importance of consultations and ensuring that all the right parties are engaged (and provide approval or at least do not object) in the design of the program that would be seeking private capital investments.





# **Examples of Sustainable Landscape Programs by Supply Chain Companies**



## Landscape Programs by Supply Chain Companies

Production of agricultural commodities is a major activity in developing countries. Large-scale adoption of sustainable production methods is critical for long-term protection of forests and creation of sustainable landscapes. Farmers and local communities are adopting locally-appropriate sustainable farming, ranching and forest management practices. But to achieve impact at landscape scale, companies, communities, and farmers need greater access to finance, technical knowledge, inputs, and markets.

Many supply chain companies are developing business models that involve smallholder producers, Indigenous Peoples, traditional and local communities in sustainable production systems for local, regional and global markets. These models are intended to bring economic benefits to producers and local communities and protect forests and other environmental resources. Participants described several examples of sustainable commodity production as part of the discussions of innovative financing mechanisms that are also generating GHG emission reductions. However, many commodity producers have not been connecting to voluntary GHG markets or accessing innovative private finance mechanisms. Participants highlighted the need to better connect all types of sustainable commodity producers with innovative private finance.

The following case examples illustrate a range of business models that create sustainable supply chain activities that contribute to sustainable landscape management. Other examples exist that will be highlighted and shared at future events.

# Cocoa in Ghana

## Overview

The cocoa industry has been the mainstay of Ghana's economy for a century, contributing 6 to 7% of Ghana's GDP. Cocoa employs, directly and indirectly, over 2 million people (about 7% of Ghana's population)<sup>5</sup>. It is the leading foreign exchange earning agricultural commodity, accounting for over 30% of the earnings in the agricultural sector. Cocoa generates about 25% of merchandise exports revenue and the export tax on cocoa forms a significant proportion of Ghana's government revenue. Moreover, cocoa contributes significantly to socio-economic development in the form of roads, infrastructure, education, and health facilities.

## Ghana Cocoa Forest REDD+ Programme (GCFRP)

In Ghana, both the Ghana Cocoa Board (COCOBOD) and the Forestry Commission (FC) work to promote sustainable production of cocoa that does not result in deforestation. COCOBOD is the statutory public institution that regulates the operations of Ghana's cocoa industry stakeholders. The functions of the COCOBOD center on the production, research, extension, quality control and internal and external marketing of cocoa. The FC is the government institution responsible for the sustainable management of Ghana's forest and wildlife resources.

In 2014, the National REDD+ Secretariat of the FC and COCOBOD launched the Ghana Cocoa Forest REDD+ Programme (GCFRP), the world's first commodity-based emission reductions program. The program aims to significantly reduce carbon emissions resulting from cocoa expansion into forests through promoting appropriate climate-smart cocoa production approaches, including intensification and yield enhancement. The program also seeks to curb illegal timber harvesting and mining, while incorporating shade trees in cocoa systems and building climate-resilience for the cocoa sector to secure rural livelihoods and sustain national development. Overall, the program's goal is to make Ghana's cocoa and forestry sectors more resilient, while establishing a new asset class and revenue stream from climate-smart cocoa beans, validated against a landscape standard.

## Olam Cocoa

As a signatory to the Cocoa & Forests Initiative (CFI), Olam Cocoa is implementing an action plan to eliminate deforestation, protect and restore forests, and work with farming communities that depend on cocoa for their livelihoods, both in

Ghana and Côte d'Ivoire. Olam is focusing on three key areas: forest protection and restoration; sustainable production and farmer livelihoods; and social inclusion and community engagement. Olam has developed action plans for cocoa in Côte d'Ivoire and Ghana that address all three areas and that align with the priorities developed in the CFI national implementation plans for Côte d'Ivoire and Ghana. The Olam action plans are being developed in coordination with national governments, and they are independently verified by third-party auditors to ensure transparency. To avoid double counting emission reductions, CFI will report data on joint customer programs.

In both countries, Olam is engaging in a range of activities, including: GPS mapping the entire direct supply chain; ensuring that 100% of the cocoa supply is traceable from individual farms to first purchase point; excluding farmers who are found to be farming cocoa in protected areas from Olam's direct supplier; distributing multi-purpose shade trees for on-farm planting; training farmers in Good Agricultural Practices (GAP); promoting crop diversification; and promoting expansion of farmer savings and offering financial products to farmers. Additionally, in Ghana Olam is training farmers in CSC principles, supporting farmers to acquire land tenure documentation, creating awareness-raising campaigns on forest law enforcement and tree tenure provisions, consulting with farmers and communities on the implementation of the Framework for Action, and developing forest protection and restoration and agriculture intensification action plans that are gender and youth sensitive.

## Touton Group

Touton Group is a global commodity trader engaged in the trading of cocoa, coffee, vanilla, and natural ingredients into European, American, and Asian markets. Touton is a major player in the global trade of cocoa, buying and selling around 10% of the world's cocoa each year and acting as one of the top five cocoa bean buyers in Ghana. The company trades about 100,000 metric tons (Mt) of cocoa each year through COCOBOD<sup>6</sup>.

“ For our REDD+ program in Ghana, we have gone through a long readiness process of engaging many actors, because at the end of the day, we are managing a landscape of very different players. It has become very clear that no single group can take charge of this landscape alone. If we want to really achieve impact, and if we want results, we need to speak the language of each of these actors – farmers, business owners, multinationals, governments – and understand what their main objectives are in these landscapes. It's critical for us all to come together to devise solutions that are long lasting and make a real impact. And while these solutions will help us reduce emissions, they must also support communities and the daily lives of the people on the ground. ”

- Roselyn Fosuah Adjei, National REDD+ Coordinator for Ghana and Director for Climate Change, Forestry Commission for Ghana



# Cocoa in Ghana (Continued)

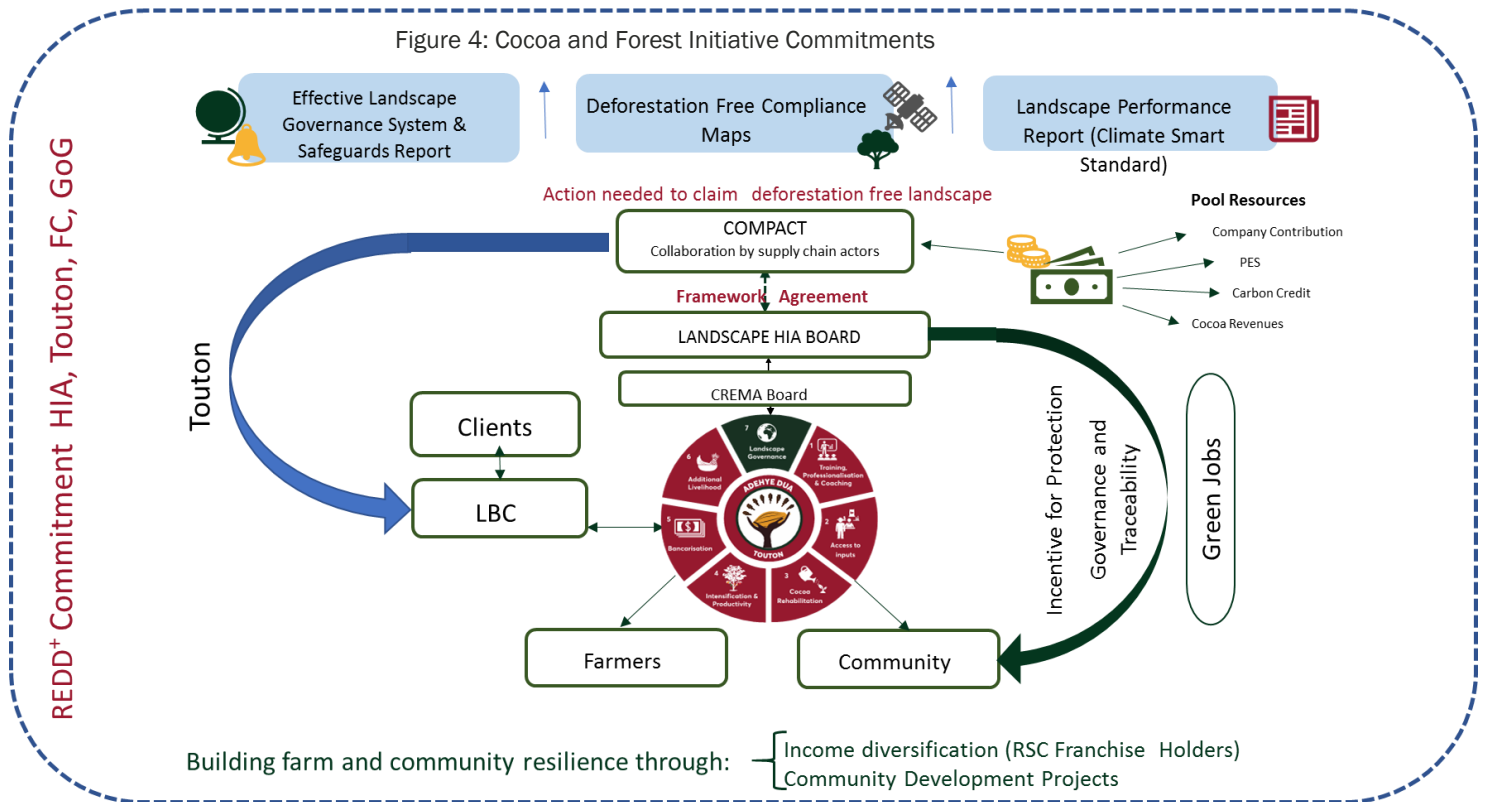
Inspired by research published by scientists from the International Center for Tropical Agriculture (CIAT) in 2013 on Climate Impact and Suitability Change for cocoa in West Africa, Touton began rethinking its approach for sustainable sourcing. Touton recognized that the challenges in cocoa production—such as tenure insecurity, poor livelihood and productivity, leakages in tracing cocoa beans to farms, and high cost of credit—are multi-faceted and that it would require multiple stakeholders at all levels of the supply chain to adequately tackle them.

Touton adopted a landscape approach and designed a project that aligns with the Ghana REDD+ program in the Bia West and Juabeso districts in Western Ghana. To drive implementation, Touton formed a public-private partnership with Ghana’s COCOBOD, FC, SNV Netherlands Development Organization, AgroEco, and Nature Conservation Research Center that brings together stakeholders living and working in the landscape.

The partnerships goals are to establish a landscape forest governance system, find solutions to land tenure challenges, and implement Climate Smart Cocoa (CSC) principles that create needed incentives for producers and other land use groups. The approach seeks to mitigate risks regarding future supply and provide a platform for Touton to work in partnership with government and other stakeholders for a ‘win-win-win’ solution.

Moving forward, Touton intends to report to its partners on sustainability outcomes at the landscape scale using the CSC standard being developed by COCOBOD, while simultaneously contributing to the government’s efforts to meet its REDD+ commitments. Figure 4 provides a graphic representation of Touton’s work.

For more information, please review the presentations by: Ernest Dwamena, Touton, Ghana; Emmanuel Opoku, Ghana Cocoa Board, Ghana; and Tracey Duffey, OLAM Group.



“ We are a private sector company that supports community development, but our challenge is that we work across huge landscapes and aim to positively impact the lives of many people. So by leveraging public investments, I think we will be able to scale up our impact, and that’s what we look forward to doing. ”

- Ernest Dwamena,  
Ghana Country Manager of Sustainable Sourcing, Touton

# Diversified Crop Production in Zambia

## Community Markets for Conservation (COMACO)

In response to trends of declining rural food security, declining income security, increasing deforestation, and wildlife depletion in Zambia, COMACO was formed as a pilot project in 2003. In 2009, COMACO became a legally registered social enterprise in Zambia whose mission is to help address food security, farming, and deforestation challenges. COMACO utilizes a business “deal” strategy wherein the COMACO business commits to making conservation profitable while the COMACO farmers commit to implementing conservation practices.

Today, the COMACO business has grown to include over 179,000 farmers in the Luangwa Valley, 52% of whom are women, spread across 76 chiefdoms and covering over 10.5 million hectares of communal land. Additionally, 86% of farmers are food secure, farmers have income levels that have more than tripled, farmer cooperatives exist to support farmer needs and help enforce community conservation plans, and rates of tree loss and wildlife poaching in most areas are declining.

The COMACO business makes conservation profitable by providing: higher farm-gate prices; training on improving soil fertility and sustainably increasing agricultural production; lower seed costs and loans to support COMACO farmers’ purchase of quality seeds produced by cooperative members who are certified seed growers; and COMACO dividend payments to farmer cooperatives that comply with COMACO’s standards.

COMACO has been successful at generating economic, social, and environmental impact at the community level through collective culpability and bulk buying.

- **Collective responsibility through collective culpability.** COMACO provides dividend payments to farmer cooperatives that comply with their agricultural practices, wildlife conservation, forest management, and community leadership and governance standards. Often, if a few farmers in a community, as defined by their local chief, do not meet COMACO standards, all farmers in the community risk losing the benefits of COMACO membership. Because of this collective culpability, cooperative organizations at the chiefdom level self-monitor and train farmers to maintain compliance with COMACO membership privileges.

- **Bulk buying.** COMACO buys raw commodities from producer group members at harvest time. Its supply chain system provides contracts to cooperatives for bulking crops in quantities that make payment and collection cost-efficient while creating a business opportunity for the cooperatives themselves and removing the cost of middle-men traders. In this way, COMACO can offer farmers top market prices, often 3-5% above the prevailing market price<sup>7</sup>.

COMACO began discussions with local chiefs in 2012 to establish Community Conservation Areas to safeguard the forests and wildlife of Zambia’s Eastern Province. In 2015 COMACO started working with the World Bank on Zambia’s first large-scale carbon project. Under a pilot initiative with nine chiefdoms, COMACO estimated the quantity of CO<sub>2</sub> that would not be released into the atmosphere due to avoided deforestation and carbon retention from sustainable agricultural practices. In 2017, COMACO verified 214,965 tons of CO<sub>2</sub> equivalent and transferred to community accounts a total of \$489,369.70 for the sale of the credits to the World Bank.

COMACO has to date helped establish 38 Community Conservation Areas, covering 317,000 ha of forest land, and teams of COMACO-trained community forest guards patrol the areas to provide monitoring and enforcement. Additionally, COMACO is working with 28 additional chiefdoms to expand the carbon project to serve communities across the Luangwa Valley. Many of the target areas for the project expansion are important wildlife corridors that will help connect fragmented forests and greatly aid in the effort to rebuild the Luangwa Valley’s elephant population.

*For more information, please review the COMACO overview by: Dale Lewis, COMACO, Zambia.*

# Timber in Mexico

## Reforestamos Mexico

Established in 2002, Reforestamos is a civil society organization whose main objectives are to stop deforestation, increase sustainable forest management, promote productive restoration of degraded lands, and increase urban tree canopy. Some of Reforestamos' programs include the following.

**The Better Alliances-Better Forests (Mejores Alianzas, Mejores Bosques) Platform.** Reforestamos has worked with 148 companies and over 97,000 volunteers in forest restoration activities to promote collaboration among forest communities, private sector, local and federal government, and civil society organizations. By means of different investments, 10,800 hectares are under various restoration schemes in 16 Mexican states through the platform.

**Mexican Alliance for Business and Biodiversity** is an alliance of fifteen large companies and financial institutions, environmental NGO's, and international cooperation agencies that seeks to establish a permanent communication mechanism to mainstream biodiversity issues into business decision making. The Alliance's Natural Capital working group is now testing the Natural Capital Protocol methodology with five companies of the Alliance (Banorte, Citibanamex, Grupo Bimbo, Proteak, Walmart Mexico), to identify impacts and dependencies regarding integration of natural capital in business operations.

**Young Forest Entrepreneur Initiative.** The initiative works with talented young students from forestry schools who are interested in developing entrepreneurial ideas with social and environmental impact, contributing to the sustainable development of forests, and generating wealth in communities that inhabit forests. The initiative has expanded across Latin America and Reforestamos has worked with 6,456 students, 83 teachers and 65 universities from 13 countries to build young students' ability to create companies that sustainably use their region's natural resources.

## Ejido Verde

Ejido Verde is a triple bottom line, sustainable pine resin company positioned to become a lead supplier in the \$10 billion global pine chemicals industry. As the newest company of The Pinosa Industry Group, Mexico's largest pine chemicals company, Ejido Verde increases the constrained Mexican pine resin supply with strategic guaranteed buyers to meet global customer demand.

As a mission-driven company, Ejido Verde is equally committed to climate-smart solutions and creating transformative wealth for rural and indigenous communities in ejidos, community-owned rural lands which cover 51% of Mexico's geography.

Ejido Verde's unique business model includes commercial agroforestry plantation design, community lending, and community building with rural and indigenous communities. Ejido Verde has community loans with formal purchase agreements that range from \$175,000 to \$3.5 million. The loans finance commercial agroforestry plantations by covering labor and material costs. The community building program provides training and education to enhance effective community decision-making and forestry management practices.

Three primary revenue streams contribute to Ejido Verde's business model. The Pinosa Industry Group pays Ejido Verde a 12% surcharge over the market purchase price of resin with a 30-year purchase agreement. Secondly, 10% of the resin is delivered over a long-term payback to Ejido Verde for loan repayment from the ejidos. Thirdly, Ejido Verde receives a government subsidy of \$600 per hectare of reforested land.

Since 2009, Ejido Verde has received a total investment of \$10.9 million. Primary capital sources include the Pinosa Industry Group, Mexico's National Forestry Commission (CONAFOR), and crowdfunding platform, Kiva. Moreover, during that time Ejido Verde has planted and currently manages 3,148 hectares (over 7,500 acres, an area equivalent to half of Manhattan) of commercial agroforestry plantations on 480 family farms in collaboration with 11 ejidos.



Photo courtesy of Ejido Verde

*For more information, please review the overviews provided by: Shaun Paul, Ejido Verde, Mexico; and Daniel Sánchez y Sánchez and Ernesto Herrera, Reforestamos, Mexico.*

# Rice in Thailand

## Olam Rice

Rice cultivation is a leading contributor to climate change, emitting 10% of all global man-made methane emissions. Rice is also a significant consumer of water.

Olam has been one of Thailand's top ten rice exporters since 1995. Recognizing the importance of shifting to sustainable rice production, Olam has partnered with UN environment (UNEP) and the International Rice Research Institute on Thailand's Sustainable Rice Platform (SRP) as a governing member to define internationally accepted, scientific solutions to the climate impacts of rice agriculture and by guiding SRP to adopt holistic standards including water use, land use, labor standards, GHG emissions, and reducing chemical inputs while maintaining yields.

Olam has formed partnerships with national governmental and international organizations such as GIZ, the Thai Rice Department, and the NAMA facility, to implement pilot projects that verify solutions on the ground, before scaling up solutions. To make a tangible impact on livelihoods, Olam has begun to move tested solutions to a larger scale, with targets to reach 35,000 farmers by 2023.

For more information, please visit: <https://www.olanngroup.com/products/food-staples/rice/rice-sustainability.html>.



Photo of Commodity Supply Chains Panel. From left to right, panelist include Ernest Dwamena, Emmanuel Opoku, Tracey Duffey, Dale Lewis, Shaul Paul, Daniel Sánchez y Sánchez, and Ernesto Herrera Guerra



# The Commodities/Jurisdiction Approach

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Companies can commit to source preferentially from jurisdictions that are effectively implementing programs that reduce deforestation and associated emissions. A new initiative is helping companies committed to reducing deforestation use their commodity sourcing to incentivize governments and local stakeholders to reduce deforestation through policy and action.


The goal of the initiative is to expand the incentives for international supply chains that are supportive of forest conservation. This approach provides an incentive for countries through eligibility for preferential sourcing, as they produce more while deforesting less. The result benefits both countries and companies: countries will protect their valuable national forests and reduce emissions, and companies will ensure integrity in their supply chains.

National and subnational-scale programs are assessed by independent experts for consistency with a [series of criteria](#) established by sourcing companies for preferential sourcing. To date, two global standards have been recognized as consistent with the criteria established for jurisdictional forest and climate programs. These are:

- The Forest Carbon Partnership Facility's Carbon Fund Methodological Framework
- The Verified Carbon Standard's Jurisdictional and Nested REDD framework (Scenarios 2 and 3)

Jurisdictional Programs accepted under these standards are assumed to meet the established criteria. Companies may use information on eligible jurisdictions to prioritize their sourcing of commodities, as most relevant to their supply chains.

*For more information, please visit: <https://commoditiesjurisdictions.wordpress.com/>*



Participants discussed many lessons from these examples. Most examples are lifting farmers out of poverty by improving quality and quantity of production, creating market linkages and access to information and inputs. Sustainable farming methods are resulting in forest protection, soil health improvements, reductions in charcoal production and other benefits (e.g., wildlife protection).

Participants discussed that the transitions to sustainable production methods often take time, persistence and effort. The transition phase can be accompanied by increased risk, for instance because production is lower during the transitions, which requires creative solutions to ensure incomes and livelihoods for farmers.

Transition to sustainable production requires patience, persistence, and a lot of creativity. Making these transitions happen requires collaboration between communities, governments, and private companies. Government policies for agricultural and rural development, infrastructure, and energy are essential elements of enabling the transitions to sustainable commodity production and purchasing.

Only through collaboration can governments, communities, farmers, and companies develop landscape-level REDD+ programs that also meet the risk-reward requirements of private investors.



**Financial Instruments to  
Enhance Private Sector  
Investment in Sustainable  
Landscapes**

# Private Sector Financial Instruments

A growing body of experience is providing insights into financial mechanisms that can be applied to increase private investment in programs that integrate the objectives of governments, investors, companies, and local communities. The following section provides summaries of financial instruments that increase or facilitate private sector investment in sustainable landscapes. The following financial instruments—and the example use cases that are provided to illustrate how these instruments are being applied—were presented during the workshop and typically involve some form of collaboration between governments, investors, and producers: results-based finance; loans and loan guarantees; green and REDD+ bonds; blended finance; equity investments; and impact investment funds.

- **Results-Based Payments.**
- **Loans and Loan Guarantees**
- **Green and REDD+ Bonds**
- **Blended Finance**
- **Equity Investments**
- **Impact Investment Funds**

Financing for sustainable landscapes is a quickly developing field and additional mechanisms and use cases are emerging that will provide future insights and lessons.



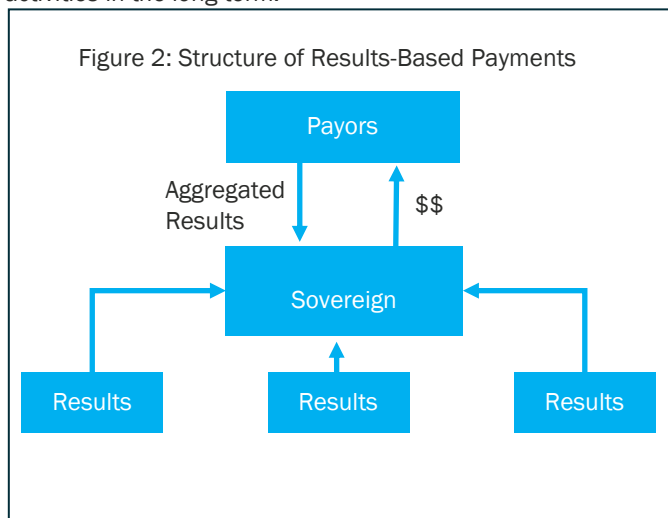
# Results-Based Payments

## Overview

Results-based finance (RBF) in the case of REDD+ requires a reduction of greenhouse gas emissions from forest protection as a condition for payment. Rather than financing specific actions that lead to emissions reductions, RBF provides an ex-post reward and therefore incentivizes a REDD+ country to take the actions it deems necessary and appropriate. Donor programs for results-based REDD+ payments have mostly developed outside of the United Nations Framework Convention on Climate Change (UNFCCC) negotiations, yet strive for consistency with UNFCCC decisions. Key programs that support RBF include the FCPF Carbon Fund and the BioCarbon Fund Initiative for Sustainable Forest Landscapes.

Two categories of private sector investors could be incentivized with RBF to invest in sustainable landscape activities: risk taking financial investors and companies or farmers implementing on-the-ground activities to deliver the emissions reductions. In most RBF systems, results are generated by farmers and supply chain companies on the ground. The results are aggregated by national or sub-national governments. These government entities receive payments from multilateral entities (e.g., the Carbon Fund, Green Climate Fund) or bilateral funders (See figure 2).

Farmers and other supply chain actors could be included in a government's benefit-sharing plan that allocates results-based payments to various stakeholders involved in forest protection. However, these payments may take several years to reach the farmers, communities, or companies that generated the results. In the interim, these implementing actors will need financing to generate the emissions reductions and they may need ongoing financing to continue activities in the long-term.



For the risk-taking financial investors, the risk-adjusted return will be a key consideration. They will likely need to see measures being put in place to mitigate risks. RBF may contribute to the emergence of a vibrant asset class that can be attractive to a much larger pool of market capital. One approach might involve multi-year contracts that recognize the need to share risks, for instance by discounting the current market price of carbon so that the risk-taking investor and the community or company delivering the results share in the risk (and the value) over time. Participants had a lively discussion about the different risk-return considerations of governments and private investors and companies. They highlighted that there is a great need to enhance mutual understanding of risk-return expectations and measures to mitigate risks between public and private sector entities. Participants felt that this is an area that requires innovative thinking and sharing of success stories.

## Use Cases

**FCPF Carbon Fund.** Nineteen countries that have made significant progress in their REDD+ readiness endeavors are participating in the Carbon Fund. The Carbon Fund will pilot incentive payments (by purchasing Verified Emission Reductions) for REDD+ policies and measures in developing countries to achieve long-term sustainability in financing forest conservation and management programs. In February 2019, Mozambique and Democratic Republic of Congo (DRC) signed Emissions Reduction Payment Agreements (ERPA), unlocking performance-based payments of up to \$50 million for Mozambique and up to \$55 million for DRC.

**BioCarbon Fund Initiative for Sustainable Forest Landscapes (ISFL).** ISFL was established in 2013 and is managed by the World Bank. ISFL promotes REDD+, emissions reductions from sustainable agriculture, as well as smarter land-use planning, policies and practices. ISFL supports design of landscape level (jurisdictional) programs in Colombia, Ethiopia, Indonesia, Mexico, and Zambia that impact multiple sectors of the economy. ISFL also provides results-based payments to incentivize and sustain program activities that generate results, including reductions in GHG emissions. ISFL will provide significant results-based financing (RBF) over a 10–15 year period by purchasing Verified Emission Reductions (VERs).

**Green Climate Fund (GCF).** In February 2019, GCF paid Brazil \$96.5 million for protecting Amazon forests in 2014 and 2015. Brazil will reinvest the GCF payment to support REDD+ activities that come under its Nationally Determined Contribution (NDC) as a signatory to the Paris Agreement. These activities, planned by the Brazilian Government together with UNDP, include financially rewarding farmers and indigenous and traditional communities for conserving and restoring native vegetation. They will also include measures to prevent illegal deforestation.

For more information, please review the presentation by Richard Saines, Baker McKenzie

# Loans and Loan Guarantees

## Overview

Farmers and small and medium-size businesses in low income countries need access to finance and technical support to transition to sustainable farming and commodity production practices, including support for tree planting, forest management, forest and agricultural production, and related supply chains. However, they often have difficulty obtaining financial assistance from formal financial institutions that loan money against payments from future products. A loan guarantee fund can mitigate risk and enhance credit worthiness of farmers and small and medium size businesses by substituting part of the collateral required from a borrower. If the borrower fails to repay, the lender can resort to partial repayment from the guarantor<sup>3</sup>.

To mitigate the large number of transactions (100 million small transactions to justify the cost of the capital markets structure), TLFF is working on a solution that would involve aggregating transactions (\$10-\$50 million) of similar characteristics in a warehouse facility then turning to the capital markets approach to replenish financing. TLFF is continuing to explore further innovations to improve access to finance at affordable rates for large numbers of smallholder farmers.

*For more information, please review the presentations by: Lisa (Elisabeth) DeMarco, DeMarco Allan LLP; and Lisa Genasci, ADM Capital Foundation.*

## Use Case: The Tropical Landscape Loan Facility (TLFF)

The Tropical Landscapes Loan Facility (TLFF) was set up to provide access to credit for smallholder farmers in the palm oil sector in Indonesia who struggle with indebtedness, issues around land tenure, and securing training, good seed and other agricultural inputs. Indonesian smallholder oil palm farmers own and/or manage at least 3.1 million hectares of oil palm, much of which will have to be replanted in coming years and take four years to mature. Banks are reluctant to provide access to credit at affordable rates.

TLFF is creating an innovative financial platform that focuses on scale and replicability. TLFF offers long-tenure loans and secure refinancing from the capital markets. TLFF provides access to long-term credit for commercial projects with measurable environmental and social impact as well as a financial return.

In order to access capital markets, TLFF leverages access to credit guarantees and other blended capital to help spread risk. TLFF created the Tropical Landscapes Grant Fund to support project development, needed education, other grant funding, as well as monitoring and evaluation services to the Loan Facility.

# Green Bonds and REDD+ Bonds

## Overview

A bond is a debt security, under which investors provide up-front capital to an organization (the bond issuer) in return for the promise to pay the investor the value of the bond (the principle) plus periodic interest payments (called coupons) by a certain date (the maturity date). Bonds can be issued by banks, corporate institutions, and governments.

## Green Bonds

A green bond (climate bond or forest bond) is a bond whose proceeds are earmarked for sustainable landscape management projects. Many green bonds are tied directly to the forest sector, requiring that proceeds support sustainable forest management. Green bonds issued by forest countries can be sold to investors to provide up-front capital for REDD+ activities.

Due to the complexity of these bonds, two entities have emerged to certify green bonds. The IMCA Green Bond Principles and the Climate Bonds Initiative's (CBI) Climate Bonds Standard help bond holders have confidence with the use and management of proceeds, the process for evaluating projects, and financial reporting.

## REDD+ Bonds

A REDD+ enhanced bond is a modified green bond, and as such has similar features of mandating that proceeds support green projects and often requiring that the bond be certified by a third-party. In particular, REDD+ bonds aim to integrate donor-funded results-based payments and upfront donor grants into green bond structures to enable larger-scale financing from capital markets. Figure 3 illustrates a sample structure in which a national government issues a REDD+ enhanced green bond.

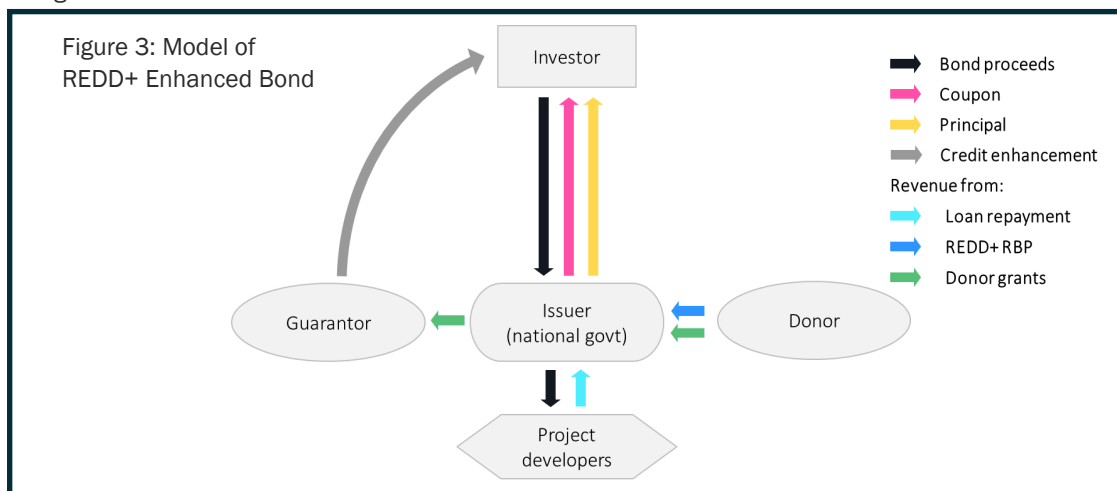
For investors, REDD+ enhanced bonds closely resemble green bonds. For issuers, inclusion of results-based payments can create a better offering. For example, results-based payments can offset coupon payments to investors, resulting in a reduced interest rate for the issuer. For donors, enhanced bonds can increase confidence that money invested generates impactful outcomes.

## Use Cases

**International Finance Corporation (IFC) Green Bond**— This \$152 million 5-year bond was issued in October 2016. The principal-protected fixed income instrument issued under IFC's AAA-rated program pays a coupon optionally in the form of carbon credits or cash. IFC partnered with BHP to offer an innovative price support mechanism equivalent to the value of the coupon over five years.

**The Tropical Landscapes Finance Facility for Indonesia Corporate Sustainability Bond (TLFF I)** - This \$95 million long-tenure sustainability bond was issued in February 2018. Its proceeds support a joint venture between Royal Lestari Utama (RLU), Michelin, and Indonesia's Barito Pacific. RLU produces industrial natural rubber, with a 75 percent offtake from Michelin. The bond supports RLU to plant on degraded land. The project also includes a partnership with WWF, which manages two ecosystem restoration concessions adjacent to the RLU concessions and worked with the company to establish go-no-go planting zones. The bond benefitted from a USAID partial guarantee at the loan level and utilizes a tranching feature to spark investor appetite.

*For more information, please review the presentations by: Charlie Dixon, Vivid Economics; Kiyoshi Okumura, IFC; and Lisa Genasci, ADM Capital Foundation.*



# Blended Finance

## Overview

Blended finance is the use of catalytic capital from public or philanthropic sources to increase private sector investment in emerging markets. Blended finance approaches help to adjust the risk-reward ratio for private sector investors to generate large scale investment. Blended finance transactions typically have three signature markings:

- There is an expected positive financial return
- The transaction contributes towards achieving sustainable development goals
- Public or philanthropic parties' funds play a catalytic role by improving the risk/return profile to attract participation from the private sector.

Blended finance generally fits into the following archetypes:

- **Concessional debt or equity** are transactions wherein public or philanthropic investors are concessional within the capital structure and bear a first loss position to decrease risk for future investors.
- **Guarantee and risk insurance** are risk reduction tools that protect investors against capital losses.
- **Design/preparation funding grants** support activities that lead to increased bankability of projects. Foundations play a key role in providing early capital for projects that will raise commercial capital.
- **Technical assistance grants** through technical assistance fund supplemental capacity of investees.
- **IDA concessional funding** occurs when the International Development Association (IDA) lends money to low-income countries at zero or very low interest rates and with long repayments periods. IDA also provides grants to countries at risk of debt distress. IDA concessional funding can be used for basic services that create enabling conditions for private sector investments.

There are countless variations on potential structures for blended finance transactions. As these transactions proliferate, it is important that blended finance structures and methodologies be standardized to crowd-in private sector investments that align to the requirements of the SDGs and aims of the Paris Agreement.

## Role for Government

Governments can catalyze blended finance transactions by using public funds, tax incentives, import/export incentives, certifications, forest-friendly procurement, and domestic trade laws and subsidies to mitigate risks for private investors. Governments can also participate as actors in blended finance transactions. Moving forward, governments can more easily attract private sector finance by creating a roadmap for their individual national circumstances so that blended finance initiatives can tailor approaches to nations more effectively.

## Use Case: The Madagascar Climate and Conservation Fund

The Madagascar Climate and Conservation Fund aims to implement sustainable landscape measures to enhance resiliency of smallholders, reduce GHG emissions and channel private finance into climate-smart initiatives and access to energy. Investments will mainly take the form of profit participation loans and are expected to return significant social and climate impacts, as well as reasonable profits. The Fund will use three primary funding streams: the Capacity Building Fund, the Investment Fund and the Trust Fund.

- A GCF Public Sector Window grant will finance the \$15.3 million Capacity Building Fund. The Conservation International Foundation and Madagascar's Climate Change Office will implement the Fund.
- The Investment Fund, implemented by the European Investment Bank (EIB), will use a \$35 million equity participation from GCF's Private Sector Window, a \$10 million green bond issued by the EIB, and \$5.5 million in investment from additional sources.
- The National Climate Change Trust Fund will be financed through a \$3.2 million grant from the GCF. This Fund is important for ensuring financial sustainability and replication of funded projects.

*For more information, please review the presentations by: Justice Johnson, Convergence Finance; and Emily Davies, Norton Rose Fulbright Australia.*

# Impact Investment Funds

## Overview

Land use impact investment funds unlock private investment capital to complement public resources and philanthropy in addressing sustainable land use development. The fund structure can vary significantly depending on the fund's goals and investment strategies. For example, some impact investment funds seek to recuperate only some of the capital invested, others look to recuperate the full cost of the investment, and still others seek to recuperate the full investment cost plus an additional ROI. Moreover, even within these broad categories, individual funds utilize vastly different investment methods including loans, grants, equity investments, and bonds, among other tools. Some of the most prevalent land use impact investment funds include the Mirova/Althelia Climate Fund, Livelihoods Funds, and One Acre Fund.

The backing of USAID, involvement of a sustainable commodity supply chain, and Althelia's proven track record have together been catalytic in mobilizing private sector confidence and investment into this project.

*For more information, please review the presentations by: Lisa (Elisabeth) DeMarco, DeMarco Allan LLP; and Emily Davies, Norton Rose Fulbright Australia.*

## Use Case: The Althelia Climate Fund

The Althelia Climate Fund is a 100 million Euro blended finance fund for investment into projects that, among other things, reduce deforestation and mitigate climate change. Initial investors into the fund included the EIB, the Dutch Development Bank (FMO), FinnFund, the Church of Sweden, AXA and Credit Suisse. The key to attracting private investors into the fund came from USAID's first-loss guarantee which provided leverage and comfort for the private sector that its investments would be secured for up to 50% of any losses up to \$133.8 million.

Examples of blending finance at the project level in the fund include the Tambopata-Bahuaja REDD+ and Agroforestry Project in Madre de Dios in Peru. Farmers receive financing on the condition that they will not deforest, they will restore 4,000 hectares of degraded land with cocoa-based agroforestry systems, and a share of revenues from cocoa sales will go to investors. The project will work with farmers to gain Fairtrade and organic certifications establishing a floor price of \$2,000 per ton of cocoa, plus a premium of \$500 per ton.

The Fund has provided a carbon asset-backed loan of \$7 million which is fully collateralized by the project's emissions reduction units (carbon credits).

In addition, the Peru-U.S. debt swap fund, FONDAM, provided a \$2 million grant for co-financing. The project is currently issuing offsets under the Verified Carbon Standard. A Peruvian insurance company, Pacífico Seguros, has purchased offsets from the project, and is expected to avoid the emission of more than 4.5 million tons of CO<sub>2</sub> equivalent by 2020.



# Climate Investment Fund Private Sector Set Asides

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The World Bank has created funds that provide concessional, long-term financing to low-income countries for projects that engage the private sector in sustainable forestry and climate resilience.

The \$8 billion Climate Investment Fund (CIF) accelerates climate action by empowering transformations in clean technology, energy access, climate resilience, and sustainable forests in developing and middle-income countries. The CIF's large-scale, low-cost, long-term financing lowers the risk and cost of climate financing. The CIF's Forest Investment Program (FIP) provides direct investments to address the drivers of deforestation and forest degradation. FIP grants and low-interest loans help governments, communities, and business stakeholders work together to achieve sustainable solutions supporting the people and economies that rely on forests while maintaining the important environment services that forests provide.

CIF includes Private Sector Set Asides (PSSAs) that allocate concessional financing on a competitive basis to projects that engage the private sector in sustainable forestry, climate resilience, and energy access through renewable energy. PSSAs are designed to spur innovation and flexible delivery of financing. The set-asides serve a complementary role to country investment plans, which generally favor public funds in these sectors, with their aim to provide the risk-appropriate capital needed to drive private sector investments in some of the world's most challenging markets.<sup>4</sup>



**Recommended Actions**  
**to Advance Sustainable Landscape**  
**Management**

# Actions to Advance Sustainable Landscape Management

## Overview

Participants expressed great interest in exploring how financial instruments could be applied in the contexts of their countries and regions to increase sustainable commodity production and promote economic development.

Workshop participants recommended that additional workshops be organized to engage companies, investors and governments on actions to increase private sector finance for sustainable landscapes. Participants recommended that workshops be conducted focused on specific financial instruments (e.g., green bonds) applied to concrete cases in specific countries.

In this section, we summarize the range of action items participants are pursuing to increase opportunities for private finance for sustainable landscapes. These actions may be relevant to others working on increasing private investment in sustainable landscapes.

## Actions by Government Ministries

- **Develop Private Sector Engagement Strategies and Action Plans:** As part of implementing national Emission Reduction Programs (ERPs), government ministries are interested in developing private sector investment strategies that contribute to emissions reductions at the landscape/jurisdictional level. Strategies could identify: entry points (e.g., priority commodities and geographic areas) and commodity supply chain activities that contribute to emission reductions in priority jurisdictions. These strategies can be used to identify specific investment opportunities as part of strategy implementation.
- **Encourage Public-Private Collaboration:** Government ministries are interested in
  - Convening workshops on unlocking private investment in sustainable landscapes. Workshops would involve a range of private sector actors, government ministries, and other stakeholders. The purpose of the workshops could be to discuss investment opportunities and steps to increase private investment in relevant activities.
  - Creating national platforms for ongoing communication and coordination between government ministries, private investors and supply chain actors to foster information sharing, discuss ways to reduce risk for investors, and create better alignment between stakeholders.
- **Create a Government Focal Point:** Government ministries are interested in establishing focal points to interact with private sector companies and investors on sustainable landscape investments.
- **Raise Awareness:** Governments are considering programs to raise awareness of the REDD+ program and results-based payment programs among local communities and private sector actors. These programs could include outreach (i.e., visits) to farmers, producers, concessions, and other supply chain actors.
- **Align Policies to Support Private Investment in Sustainable Landscape Management:** Government ministries are interested in:
  - Establishing FRELs and MRV to support accurate, spatially explicit accounting that captures local or project level dynamics and generation of emission reductions.
  - Establishing benefit-sharing plans and safeguards to ensure equitable distribution of results-based payments to communities in jurisdictions.
  - Defining the legal frameworks for results-based payments for REDD+ so that it is clear how these payments will be triggered and distributed.
  - Identifying potential fiscal, carbon pricing, and other policy measures that could promote private investment in sustainable landscape activities.
- **Explore Specific Private Investment Tools:** Government ministries are interested in exploring appropriate mechanisms to increase private sector investment, including:
  - For Green-REDD Bonds, researching the feasibility of creating Green-REDD+ bonds and learning from other country's experiences.
  - Engaging with agricultural banks to explore financing programs for sustainable landscape management in specific sectors (e.g., dairy cattle).
  - For blended finance platforms, working with the World Bank to create blended finance instruments to scale up activities that contribute to sustainable landscapes.
- **Share Lessons Learned:** Governments are interested in continuing to share experiences and lessons between REDD+ countries about a range of relevant topics, including:
  - Private sector investment successes and challenges.
  - Alternative, sustainable livelihoods activities (e.g., alternatives to charcoal production in Zambia).
  - Best practices for restoring degraded lands.
  - Best practices for benefit-sharing and safeguards.
  - Establishing models for protection of high carbon stock landscapes.



# Actions to Advance Sustainable Landscape Management (Continued)

## Actions by Private Sector Companies and Networks

- **Integrate Private Sector Strategies in FCPF Programs:** Business networks are interested in working with FCPF to strengthen its private sector strategy and when applicable, ensure that public funding effectively enables private sector investment .
- **Support Private Sector Strategies in FCPF Countries:** Business networks are interested in engaging with FCPF Carbon Fund countries to:
  - Understand the opportunities and challenges of engaging the private sector;
  - Support development of private sector strategies; and
  - Support creation of private sector friendly finance mechanisms (e.g., blended finance platforms, Green/REDD+ bonds) for entities working in sustainable landscapes.
- **Gather Feedback through Private Sector Networks:** Business networks are interested in engaging with their members to better understand challenges in developing sustainable programs in REDD+ countries. They should relay feedback to FCPF.
- **Better Connect Climate Finance and Supply Chain Companies:** Business networks (especially those with REDD+ working groups) are interested in engaging supply chain companies to a) make them more aware of the possibilities of carbon finance to support sustainable commodity production and b) to increase engagement with energy-sector and other sector companies seeking investment opportunities in nature-based solutions. Participants also suggested that business networks can broker partnerships (e.g., create a business to business carbon forum) between private finance companies and supply chain companies and facilitate access to finance for scaling up sustainable businesses.
- **Engage in Preferential Sourcing Programs:** Companies are interested in seeking and sharing information about USAID's efforts to establish a program that provides preferential sourcing from jurisdictions that have established sustainable landscape management plans.
- **Explore Climate Neutral Branding:** Commodity supply chain companies working in sustainable landscapes are interested in exploring marketing of carbon neutral branding or zero deforestation certification of their products.
- **Clarify and Share Information about Nested Approaches to REDD Accounting:** Companies and networks are interested in working with FCPF and REDD+ countries to clarify approaches for nesting sub-national REDD project accounting in national REDD accounting approaches.
- **Create Business Innovations:** Companies are interested in creating precommercial projects that have the potential to scale or become replicable models for financing sustainable land use.
- **Foster South-South Dialogue:** Companies are interested in increasing awareness of effective approaches for private finance through learning exchanges and other platforms between REDD+ countries.

## Actions by Funders

- **Broaden Private Sector Outreach:** Funders are interested in engaging a wider range of private sector actors to better understand perceived gaps in enabling conditions (e.g., fiscal, trade, subsidy policies) for increased private sector investment.
- **Clarify Actions Needed to Support Private Sector Investment:** Funders are interested in actions to support an increase in private sector investment in sustainable landscapes.
- **Improve Synergies across Funding Programs:** Funders are interested in identifying opportunities to improve synergies across their programs in REDD+ countries to support national REDD+ strategy implementation.
- **Enhance Understanding of Risk:** Funders are interested in fostering greater understanding of risks for local communities in REDD+ landscapes (e.g., how do local communities engage with value chains and value creation of their products).

# Actions to Advance Sustainable Landscape Management (Continued)

## Actions by the World Bank Group

- **Create Platforms for Learning:** WBG staff will explore convening workshops on unlocking private sector investment by region and/or by topics (e.g., blended finance; agricultural lending programs, benefit-sharing plans).
- **Enhance Understanding of Risk:** WBG staff will assess how governments, private sector investors, and supply chain companies determine risk. They will also identify potential ways to bridge different risk perceptions and fill gaps between understandings.
- **Develop Emission Reduction Program Business Cases:** WBG staff will work with FCPF countries to create business cases for investing in REDD+ ERPs. They will also share business cases with IETA members and others.
- **Facilitate Information Sharing:** WBG staff will use the FCPF website to share information about successful cases of increasing private finance for sustainable landscapes.
- **Broaden Implementation of Climate Bonds for Forests:** IFC staff – with technical advice from WBG – plans to further develop and broaden implementation of the Climate Bonds for Forests program.

## Recommendations for Future Workshops

In response to a survey on the last day of the workshop, participants provided the following recommendations for improvement of the next workshop, including: a) provide concrete examples of on-the-ground programs, including lessons learned and failures; b) include more time for dialogue and interaction among participation (e.g., round-table discussions; match making; deal sessions; elevator speech sessions); c) include deep dives in landscapes solutions, nesting, benefit sharing models for each commodity, and green bonds; and d) invite big corporations, senior REDD+ government officials, commercial banks and institutional investors.

In addition, as every jurisdiction has unique conditions and different sectors involved, participants suggested that workshops focused in specific sectors (e.g., livestock, mining, or non-timber forest products) could be a better way to leverage investment and facilitate connections among different private sector stakeholders. Participants also suggested that each jurisdiction could develop a matrix on the risks and opportunities for private sector investment.

## Looking Forward

Many of the action items proposed by workshop participants will foster ongoing discussions among government ministries, private investors, and supply chain actors. These discussions can develop private investment strategies, identify invest opportunities, and promote alignment among these diverse interests. We hope that this workshop has been a helpful learning opportunity and we expect that many new experiences will emerge in the coming years that support better alignment between governments, farmers, foresters, communities, and private capital investors.

## Conclusions and Next Steps

To unlock private investment for sustainable landscapes, private capital investors, governments, local communities, and companies of all sizes (from small enterprises to large multi-national organizations) need to work together to create (or expand) programs and business models that achieve food and land use SDGs, understand and mitigate investment risks, and establish appropriate policy and governance systems. A range of financial mechanisms facilitate complementary and blended public and private finance for sustainable food and land use activities and business models. However, to make further progress, experts from the financial sector, governments, companies, communities and investors need ongoing dialogue and discussion to identify and create new opportunities for large-scale private, SDG-compliant investments.

In support of participants' recommendation for additional capacity building, networking and dialogue among companies, investors, governments, and communities to increase private sector finance for sustainable landscapes, the WB is organizing workshops that involve international and local banks on short-term lending for sustainable agricultural operations. The WB is exploring further workshops to develop strategies for long-term financing for REDD+ investments in specific jurisdictions, for instance on green bonds for REDD+ activities.

In the Jambi region in Indonesia, the WB, government and local stakeholders are creating a replanting tree facility and a matching grant mechanism. The activity will generate lessons that can inform scaling of activities. The WB is planning local, national and global events to share lessons learned and link sustainable commodity supply chain activities with climate finance activities in specific supply chains (i.e., cocoa, livestock, rubber, vanilla and smart mining).

The WB is also working with countries participating in the BioCarbon Fund's Initiative for Sustainable Forest Landscapes to develop private sector investment strategies that contribute to emissions reductions at the landscape/jurisdictional level. These strategies help identify entry points for private investment (e.g., priority commodities and geographic areas) and commodity supply chain activities that contribute to emission reductions.

These are examples of relevant activities that are being implemented by the WB in partnership with governments, private sector, civil society, and Indigenous Peoples. FCPF will continue to expand its strategic partnership with the private sector – including through the private sector observers IETA and World Business Council on Sustainable Development – as well as with civil society, Indigenous Peoples and other stakeholders who play critical roles in developing and implementing programs to achieve food and land use SDGs.

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# Appendix



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