



Participación del Sector Privado

Forest Carbon Partnership Facility

**BioCarbon Fund
Initiative for Sustainable Forest
Landscapes (ISFL)**

Forest Investment Program (FIP)

Presentation for UN Forum on
Forests
Junio 11-12, 2017



Antecedentes

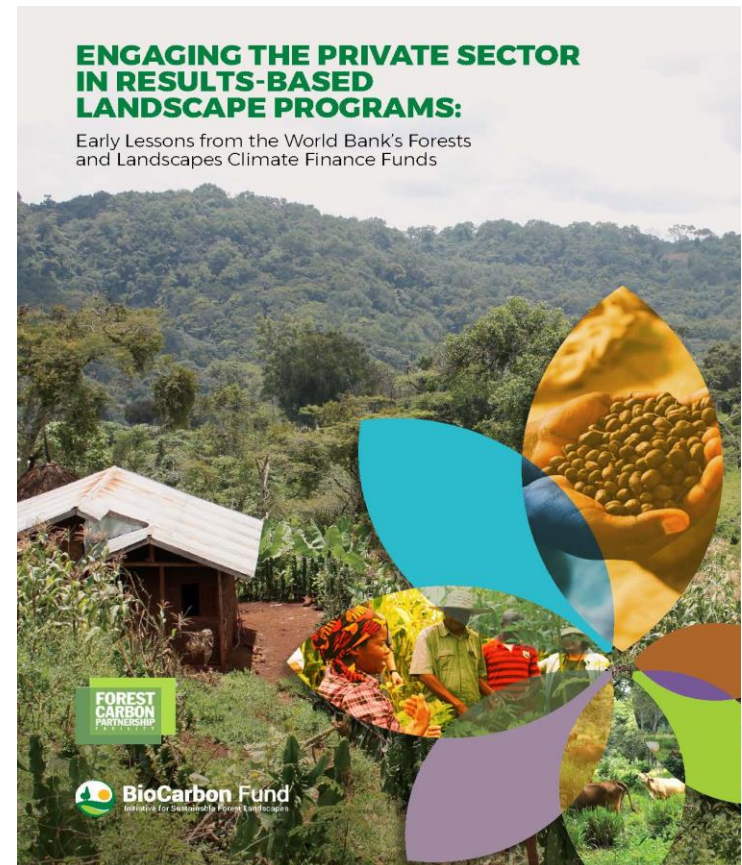
- **2010**, the Consumer Goods Forum announced to work towards ending deforestation in four key supply chains (i.e., beef, palm oil, paper and pulp, and soy).
- **2012** at Rio+20, the Forum and the United States announced a new public-private partnership, called the “Tropical Forest Alliance 2020”, aimed at achieving zero net deforestation by 2020
- **2014**, at the UN Secretary General’s Summit on Climate Change, the New York Declaration on Forests prominently featured the role of the private sector.
- **2015**, the Lima-Paris Action Agenda highlighted how public-private partnerships can support the Paris Agreement on climate change.
- **December 2015**, at the UNFCCC in Paris, 17 world leaders signed a Leaders Statement on Forests and Climate Change that recognizes the important role of the private sector





Hallazgos de la unidad de Financiamiento Climático para Bosques y Paisajes del Banco Mundial

- **Sufficient demand.** In many instances, the market for sustainable deforestation-free products is not strong enough to provide sufficient incentives to change practices
- **Gap between the rhetoric in New York and London** around global private sector commitments to zero-deforestation, and the reality on the ground, especially in Africa and Latin America.
- **Key performance indicators for companies have not moved much** beyond profitability first, then quality and price, then risk-management, which may include social and environmental sustainability factors.





Hallazgos de la unidad de Financiamiento Climático para Bosques y Paisajes del Banco Mundial

- **Influencing companies' core business.** Changing behavior requires altering the core business operations of global buyers. Historically, public-private partnerships, particularly in the land-use sector, have formed around well-defined *projects not programs*
- **Some companies attempt to minimize engagement with government** and focus on their own operation
- **Local producers and companies are crucial to success.** Most local businesses are not directly linked to international markets and have not been placed under the same pressure as global brands and multinational supply chain companies.
- **Creating a level playing field.** Many companies are willing to change practices, but only if there is a level playing field and others are held to the same standard. Governments can be reluctant to adopt regulatory systems, or even best-practice policies, out of fear that global buyers will move and invest in other countries.





Hallazgos de la unidad de Financiamiento Climático para Bosques y Paisajes del Banco Mundial

- **Providing predictability.** Unpredictable environments discourage long-term investments and decisions, many of which are needed to turn unsustainable practices into sustainable ones.
 - The private sector finds governments, and their often lengthy and burdensome processes for decision making, unpredictable.
- **Mismatches between governments and the private sector.** Operating on different time scales
 - **Mistrust.** governments can be skeptical of the private sector in general, and large, multinational companies in particular.
 - **Silos.** Government engagement with REDD+ and landscape programs may be limited to ministries of environment, and not include other ministries (such as Finance or Agriculture) where private sector is more prominent.
 - **Differing interests and responsibilities.** Communities vs. Shareholders





Hallazgos de la unidad de Financiamiento Climático para Bosques y Paisajes del Banco Mundial

- **Lack of capacity.** Changing practices require improving human capacity low productivity or resistance to changing practices that have been in place for generations
- **Available finance.** The scale of private sector profitability in commodity industries that drive deforestation is significantly larger than funds offered by the World Bank Forests and Landscapes Climate Finance Funds. Cocoa in Ghana is a \$2 billion industry and Ethiopian coffee exports are around \$900 million per year



Involucramiento del Sector Privado: Oportunidades

- Encouraging **countries to engage private sector actors early in the design process of REDD+** Readiness Preparation Proposals and Emission Reductions Programs
- **Engaging with companies with “zero deforestation” pledges** . 579 company pledges
- **Building on existing, ongoing work by companies and NGOs** in emission reductions program areas
- **Transfer of risks and unlocking of funds.**
 - Improving farmers’ access to knowledge and better inputs, requires capital and finance at reasonable rates





Involucramiento del Sector Privado: Oportunidades

- **Building new partnerships.** Bringing together leaders from the public and private sector to discuss, identify and work together to overcome challenges that impact the sustainable production of commodities.
 - ISFL Workshop: Archer Daniels Midland, Bunge, Louis Dreyfus Commodities, Carrefour Brazil, and McDonalds. The Forest Trust, National Wildlife Federation, Union of Concerned Scientists, The Nature Conservancy and Rainforest Alliance
- **Using available World Bank Group instruments, including those at the International Finance Corporation (IFC).**



Programa ISFL en Ethiopia

Oromia Forested Landscape Program	
Jurisdiction	Oromia Regional State, Ethiopia
Area of jurisdiction	28 million hectares, of which 6.5 million are forests
Population in jurisdiction	30+ million
Accounting area	All forests in Oromia
Implementing agency	Oromia Forest and Wildlife Enterprise and regional bureaus
Proposed ISFL funding envelope size	\$18 million upfront grant, \$3.2 million IFC advisory services in the coffee sector, up to \$50 million in ER payments
Cofinancing	\$3 million loan from the IFC for investment services in the coffee sector
Date program opened	September 2014

Alianza con Nespresso en Ethiopia

- The ISFL, the IFC, Nespresso, and TechnoServe are working together to support farmer training to improve climate-smart and sustainable practices and to increase productivity in the high-quality coffee production sector.
 - The ISFL will provide \$3 million through the IFC to Nespresso to support training activities implemented by TechnoServe.
 - 20,000 farmers will be trained over two years on standards for sustainable production and the processing of coffee beans.
 - Assistance will be provided to improve the operation of 77 wet mills that process sustainably produced coffee.
- As a result, farmers are expected to increase the production of sustainable coffee, improve their resilience to changes in growing conditions, and increase their incomes through the sale of high-quality coffee.

Programa ISFL en Colombia

Orinoquía Integrated Sustainable Landscape Program	
Jurisdiction	Orinoquía region, Colombia
Area of jurisdiction	38.1 million hectares
Population in jurisdiction	1.5 million
Accounting area	TBD
Implementing agency	Ministry of Agriculture and Rural Development (MADR), Ministry of Environment and Sustainable Development (MADS)
Proposed ISFL funding envelope size	\$15 million preparation and upfront grant and, potentially, up to \$50 million in ER payments
Cofinancing	\$7.3 million from GEF
Date program opened	August 2015

Colombia will receive technical assistance to assess opportunities for private financing of climate-smart investments.

ISFL is exploring together with IFC possible investment and advisory engagements with companies operating or planning to start businesses in the program area, and are developing deforestation-free supply chains.

Potential sectors for engagement are: forestry (including REDD+, commercial reforestation, and palm oil); cattle ranching (meat and dairy); and agribusinesses (soy, sugar, and corn).

Talleres con Sector Privado en Colombia

- **Expo Gestión**

- Attendees: 500 representatives from the public and private sector, academia, and civil society.
- Topics covered: Discuss sustainable development and land use in Orinoquía.

- **Latin America supply chain workshop**

- Attendees: government representatives, commodity agriculture companies, scientific experts, implementation professionals, and nongovernmental organizations.
- Topics covered: generate consensus on a common approach to conserve ecosystems and make supply chains more sustainable and climate-friendly in the context of commodity agriculture expansion.

- **IFC Climate Business Forum**

- the role of the private sector in implementing NDCs.

Programa ISFL en Zambia

Zambia Integrated Forest Landscape Program	
Jurisdiction	Eastern Province, Zambia
Area of jurisdiction	5.1 million hectares
Population in jurisdiction	1.59 million
Accounting area	5.1 million hectares
Implementing agency	National Climate Change Secretariat
Proposed ISFL funding envelope size	\$8 million preparation and upfront grant and, potentially, up to \$30 million in ER payments
Cofinancing	\$9 million from GEF; potential funding from IDA
Date program opened	September 2014

- **Chipata Roundtable:** a forum of civil society, private sector, and government representatives that discusses environmental threats to the Luangwa Valley ecosystem.
- **COMPACI initiative:** a commodity producer group comprised of Cargill, NWK Agribusiness, and Alliance— to explore opportunities for sustainable cotton production (and other commodities associated with deforestation) in the Eastern Province.

Sector Privado en la Unidad de Financiamiento Climático de Bosques y Paisajes

- In the Second Evaluation of the FCPF, lack of Private Sector engagement was identified as impacting effectiveness.
- The evaluation recommended creating a private sector program designed to improve private sector engagement, to leverage and scale up PS commitment and participation in the FCPF.
- The Oversight Committee considered that this would merit further strategizing on.

Recomendaciones para La Unidad de Financiamiento Climático de Bosques y Paisajes

1. Explore collaborative opportunities with relevant networks
2. Support increased role of private-sector FCPF Observer
3. Topical Deep Dives and Knowledge Products to inform private sector strategies
4. Program-Specific Private Sector Engagement Support
5. Private Sector Focal Point Position
6. Post-FY18 concept for on-the-ground support:
Following through on implementation

Program-Specific Private Sector Engagement Support

1. PS Engagement Strategy for select CF countries

- For CF countries with strong interest and significant opportunities.
- Facility Management Team of FCPF work with country to coordinate a jurisdiction-specific PS engagement strategy, based on agriculture and other sustainable production opportunities
- Analysis of markets for relevant products, production opportunities, risk analysis, and project concepts, including specific companies which may be interested in investing or co-investing in defined project concepts.

Program-Specific Private Sector Engagement Support (cont'd)

2. Pathway to Sustainable Sourcing Partnerships

In collaboration with *Commodities/Jurisdiction Approach* initiative

- FMT will support collaborative partnership among the country/jurisdiction, company or consortium of companies, and the World Bank/FCPF as technical partner.
- Identification of joint actions in support of sourcing commitments, co-financing of priority actions as part of ER-Program implementation, and technical, financial, and political support to address identified barriers.
- **Target outcome of these partnerships will be a sourcing contract** or related formal partnership between actors in the REDD+ jurisdiction and the partner company or companies.

Following through on implementation: post-FY18 concept for on-the-ground support

3. Partnerships and Finance Platforms for leveraging additional finance

- Implementation-focused tool/platform to secure private investment in sustainable landscape programs
- Support for activities agreed between the government and a private sector partner
- Based on a partnership agreement for specific actions in the ER program area
- Accessing funding could require investment commitment from the private sector actor as a percentage of the funds requested
- Designed to enable a range of private actors to participate, from small local businesses to multinational corporations



WORLD BANK GROUP
Climate Change

Thank you

