

FOOD SYSTEMS
SUMMIT 2021



DIALOGUES

Climate finance opportunities to foster forest-positive agriculture:

Background Presentation - FAO REDD+/NFM Cluster



Food and Agriculture
Organization of the
United Nations

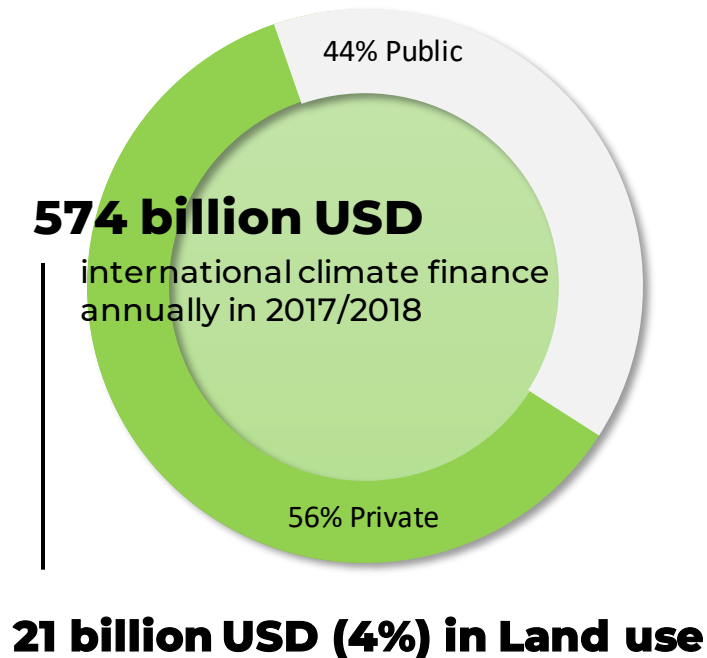


MAFF
Ministry of Agriculture,
Forestry and Fisheries

Global Climate and NbS finance

Despite the significant potential as a climate solution, **Land-use related finance receive only 4 % of climate finance** – about half from private sector.

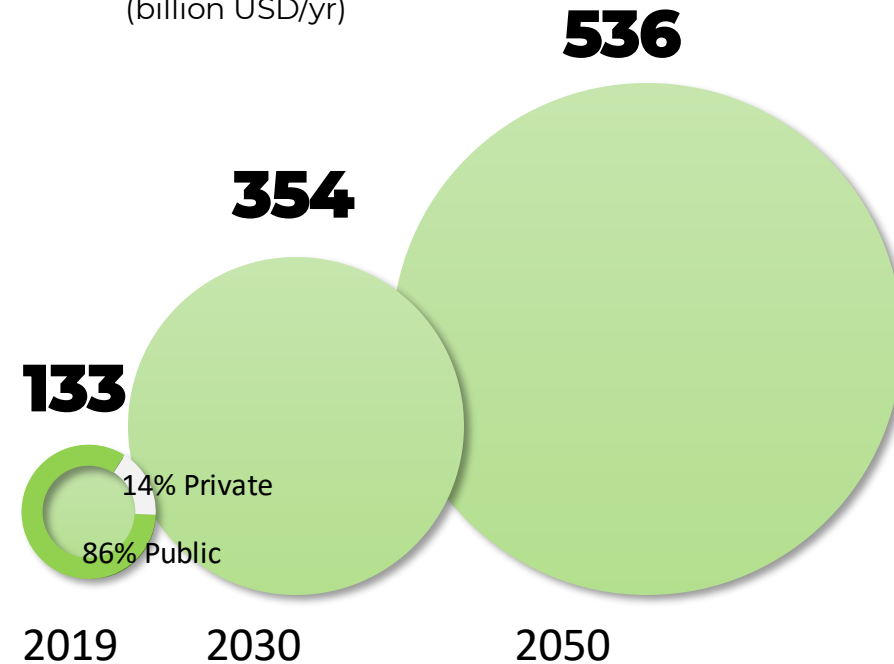
Climate finance



Source: CPI 2019

NbS finance

(billion USD/yr)



Source: UNEP 2021

Broader landscape of land use finance

Domestic flows: National Financing on agriculture

Global agricultural support - \$700 billion a year
(Of which 540 billion USD to farmers)
(OECD, 2021)

ODA

Mainly grant-based funding to provide
technical assistance
-2.4 billion USD/year on NbS
-11 billion USD/year on agriculture

Voluntary Carbon Markets

Market mechanisms to incentivize GHG emission
reductions and stimulate trading of emission rights
(ex., 221 million USD /year (UNEP, 2021))

International Funding

Grant-based funding to provide technical
assistance and support REDD+
investments (ex.: GCF, GEF, CAFI, etc.)

Blended Finance Initiatives

The use of public finance to attract and de-risk private
sector capital, through the use of different financial
instruments, such as guarantees and TA facilities (ex, 6
billion USD/year is funded to agriculture)

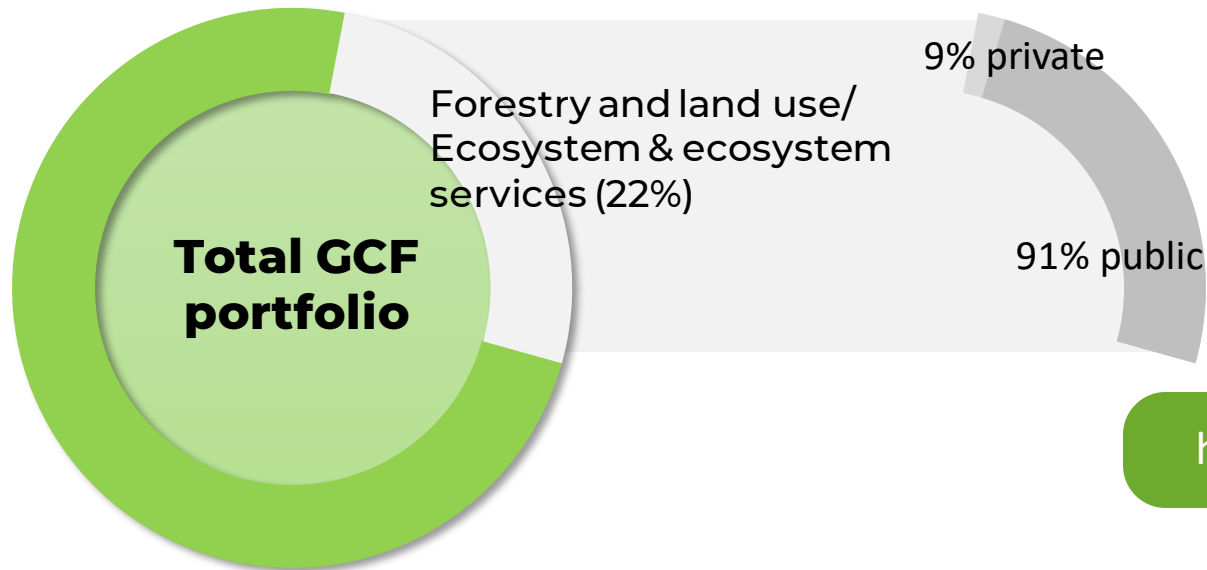
Result based payments

Results-based finance for
REDD+ (ex. GCF RBP)

Private sector finance

**Private/commercial banking sector to
producers in Land use** accounted for 560
billion USD/year (OECD, 2021)
Sustainable supply chain finance was 7
billion USD/year (UNEP, 2021)

Opportunities of International finance: GCF



To achieve a paradigm shift, the Theory of Change (ToC) needs to be developed through its four pillars:

- 1) transformational planning;
- 2) catalysing innovation;
- 3) mobilising finance at scale; and
- 4) knowledge replication.

how the different GCF sector strategies foresee investments

Potential project activities

Agriculture	Ensure deforestation free supply chain	➤	<ul style="list-style-type: none"> Identify key leverage points to catalyse sustainable supply chain Enabling market, trade, infrastructure, transport. Quality and sustainability certification & regulation Support PPPs to stimulate supply chain Guarantees, concessional debt & equity investments Engage food system platform/industry alliances Test alternative policies/markets to incentivise deforestation-free supply chains Traceability of certification for commodities
Forest and land use	Protect natural forest	➤	
Ecosystem & Eco system Services	Terrestrial/freshwater ecosystems	➤	

Zero-deforestation cocoa production in Côte d'Ivoire – PROMIRE project



USD 11.75m

GCF financing 85.1%
Grant 10mUSD
 Co-financing 14.9%
USD 1.75mUSD

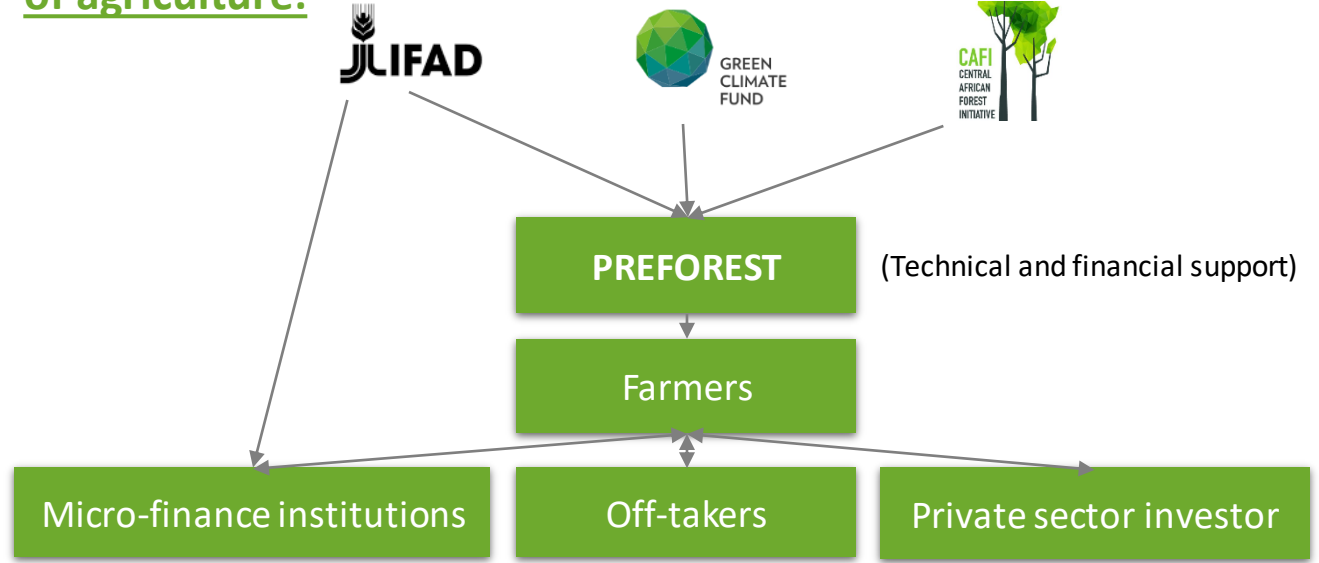
Agroforestry development in Congo – PREFOREST project



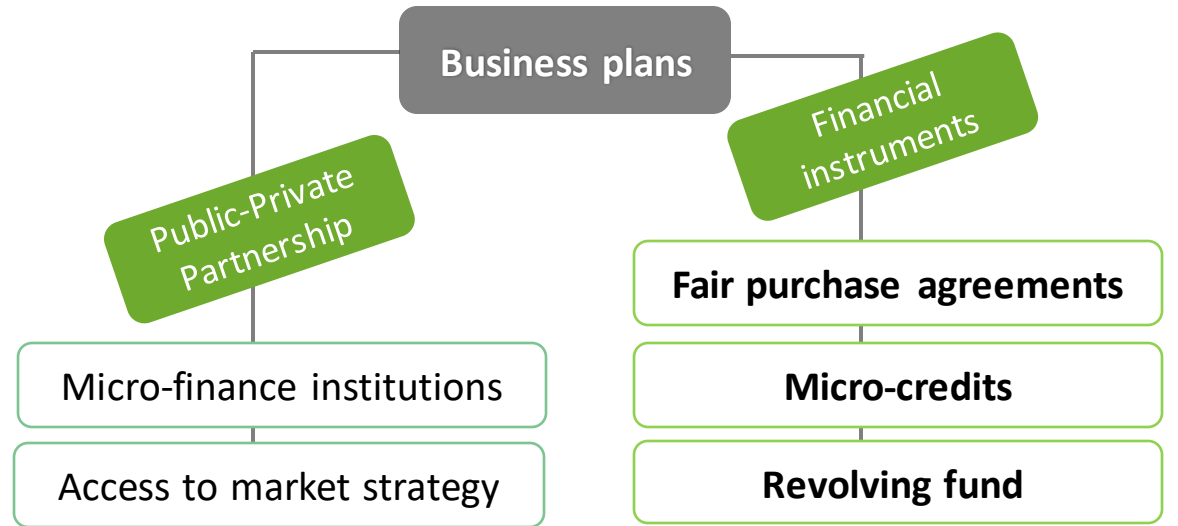
USD 46.6m

GCF financing 62.3%
Grant 29mUSD
 Co-financing 37.7%
USD 17.6mUSD

Long-term sustainability of agriculture:



Leveraged Financial Strategy:



Opportunities of

International finance:

GEF 8

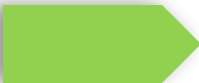
Food Systems Integrated Program

Goal: To catalyze the transformation to sustainable and regenerative food systems that are nature positive, climate resilient and nutrient pollution-free

Key interventions at global: Leveraging Private and Financial Sectors, Cross-scale support, Scaling impact.

Among key intervention at national level:

- Sustainable and Regenerative agriculture: enabling environment towards sustainability through a diversity of approaches including: avoiding deforestation.



The primary crops of focus will include commodities that are causing significant deforestation in the tropics (soy, palm, coffee and cocoa)



GEF -7 Food Systems, Land Use and Restoration (FOLUR)

FOLUR COUNTRIES

AGENCIES

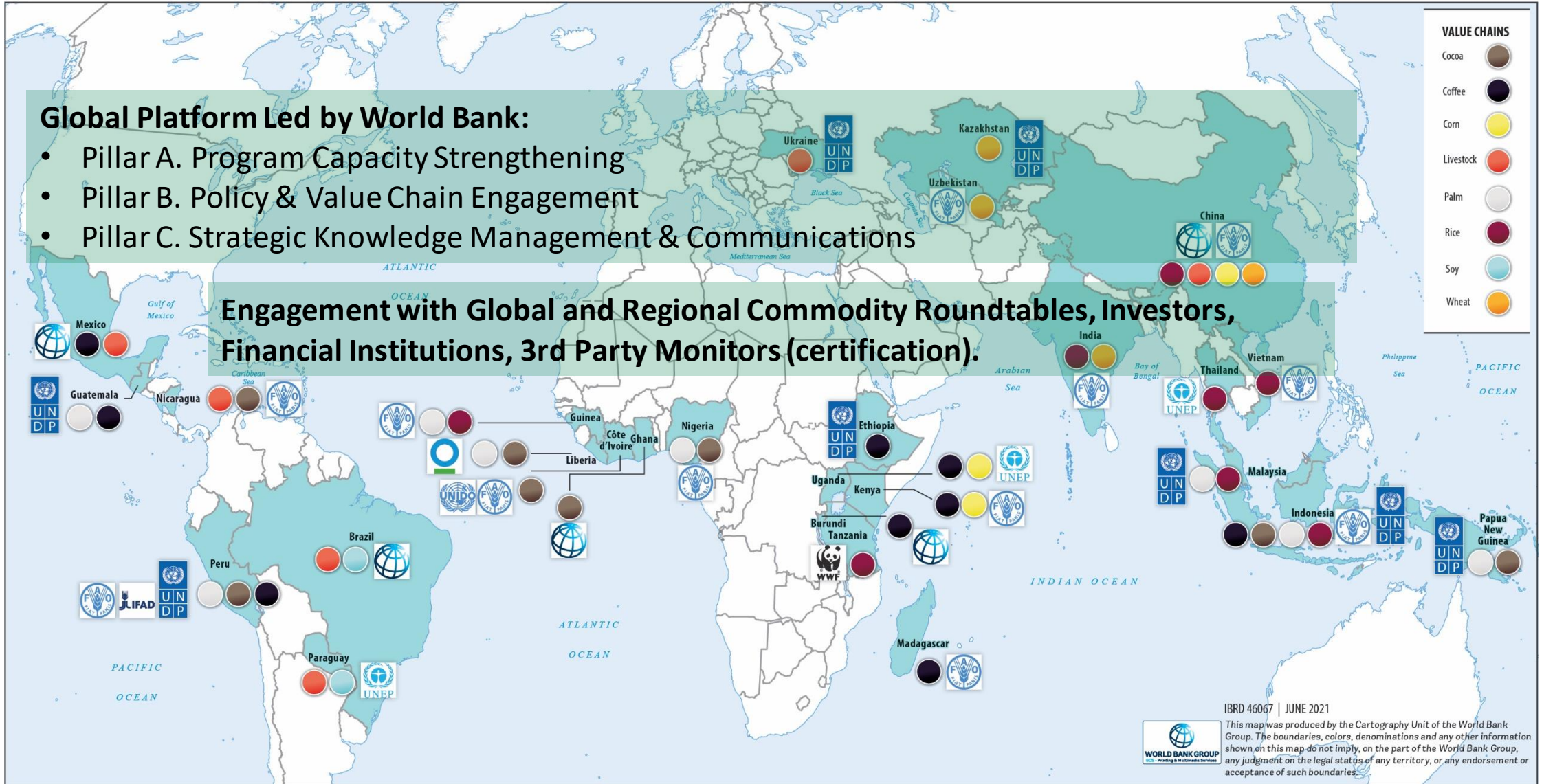


Global Platform Led by World Bank:

- Pillar A. Program Capacity Strengthening
- Pillar B. Policy & Value Chain Engagement
- Pillar C. Strategic Knowledge Management & Communications

Engagement with Global and Regional Commodity Roundtables, Investors, Financial Institutions, 3rd Party Monitors (certification).

VALUE CHAINS

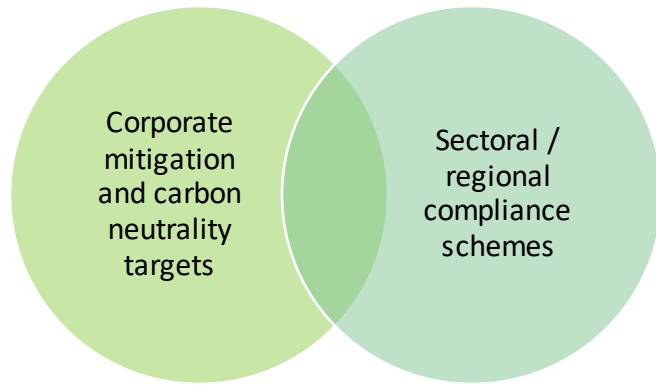


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Opportunities for forest positive agriculture in the carbon market



Example activities

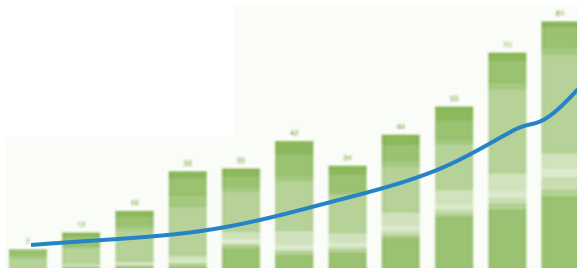
Project level:

- Reforestation: Smallholder agroforestry
- Avoided deforestation: Management of tree crops (cocoa, coffee)
- Avoided deforestation: Alternative livelihood options for smallholders
- Enhancement of soil carbon: Climate-smart agriculture



?

Growth expectations



Average price 2019:
about US\$4 per tonne

Average price 2030???

Jurisdictional programmes:

- Land-use planning to direct agricultural expansion
- Promote high-carbon stock agriculture through certification

Will carbon market income effectively incentivize these activities?
How high are costs for carbon standards, MRV and certification?

Opportunities from ESG requirements

Over **3800** signatories with **121** trillion USD assets managed under PRI



Investor Initiative for Sustainable Forests (IISF)

45 investors exposed to commodity-driven deforestation

Investor expectations statements:

- SOY, CATTLE and PALM OIL statement made
- Signed by about 50 investors representing approximately US\$6.5 trillion in assets.

By 2022 Q3 – to act deforestation:

- Align requirements, metrics, and practices and establish tools and processes to act/report.

Over **680** companies reported steps to avoid deforestation in 2020



CDP Forests Reporting Guidance

Since 2013, specific questionnaires/15KPIs on forest risks asked and disclosed

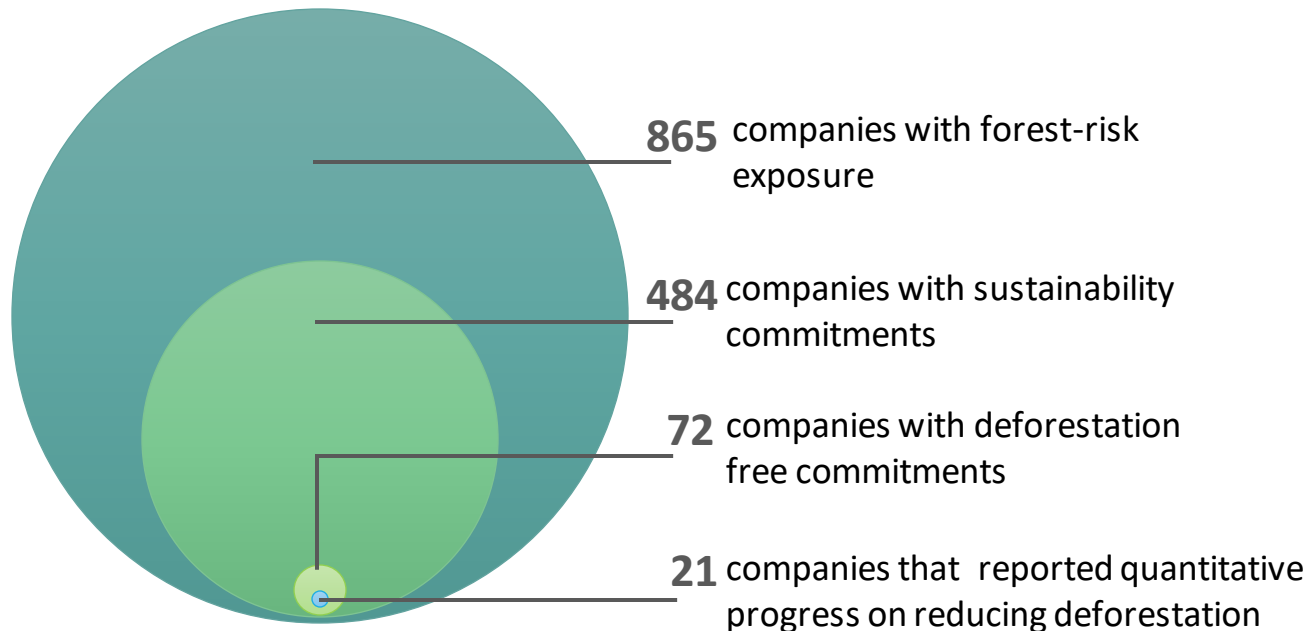
15 KPIs:

- Governance
- Strategy
- Risk management
- Targets
- Certification
- Traceability
- Compliance
- Legal compliance
- Smallholder engagement
- Direct suppliers engagement
- Beyond 1st tier suppliers
- Forest related external activities
- Beyond no-deforestation

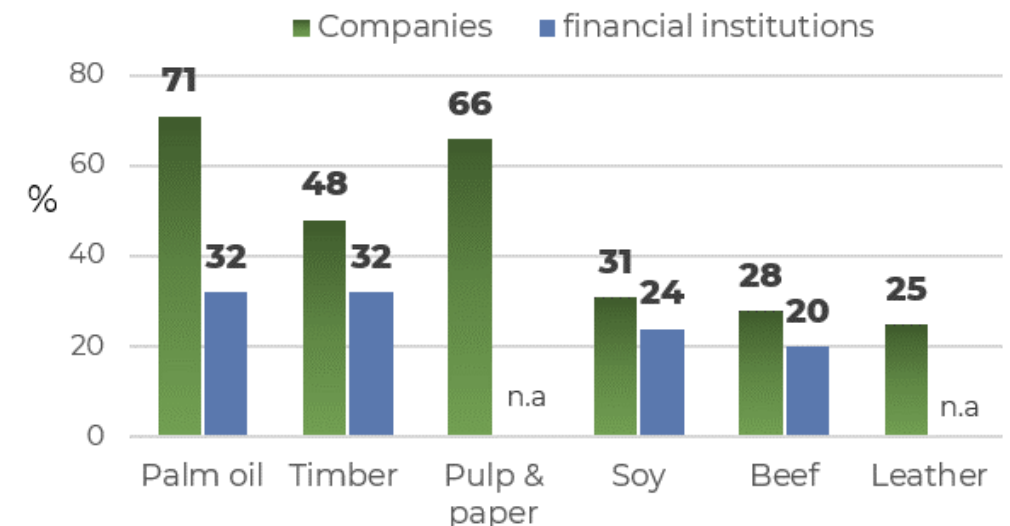
Redirecting existing corporate and financial institutions' investments

- Many companies have taken commitments but face challenges meeting them
- Financial institution's commitments are still limited: key role to unlock private investments, bridge supply, and demand.
- Financial risks of deforestation are about 9 times more than the cost of responding to the risks. (53.1, 6.6 billion USD respectively, CDP):

The cost to ignore deforestation is greater than the cost of action

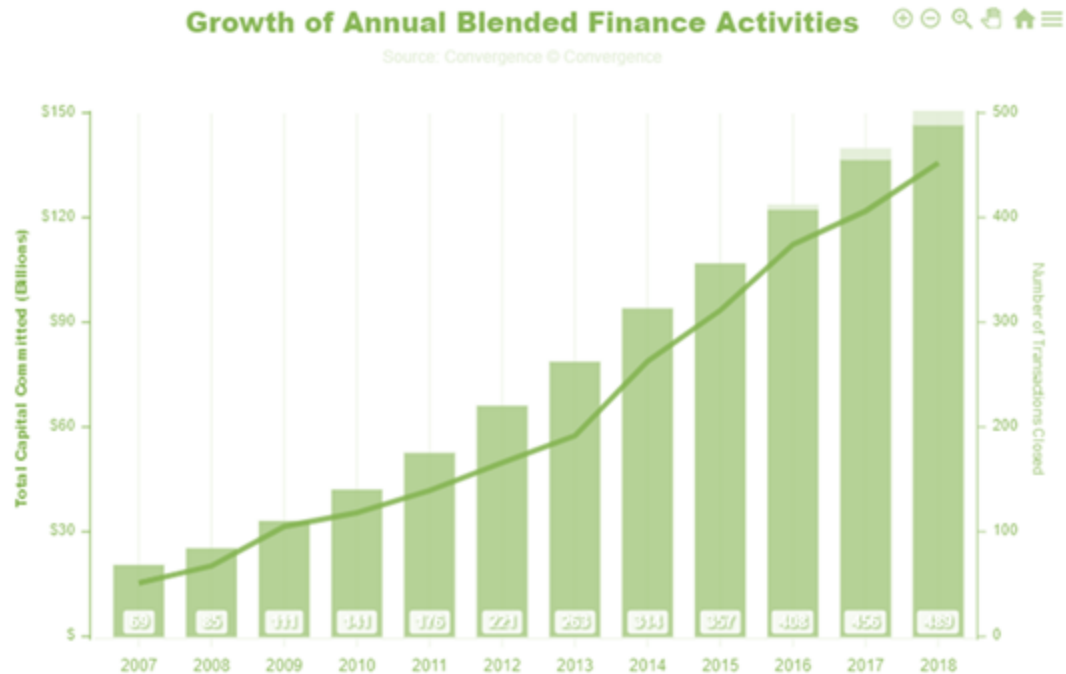


The percentage of major commodity companies and financial institutions with deforestation commitments



Opportunities of Blended Finance

Blended finance - the strategic use of public finance for the mobilization of additional finance towards SDGs



- Rapid growth- with more than 100 billion USD mobilized annually.
- About 15% focus on agriculture (6 billion USD annually) and 9% relates to agroforestry out of the global transaction on blended finance.

Examples to achieve scale

- **Financial risk-sharing mechanisms;**
- **Technical assistance** for bankability/ implementation;
- **Financial service provider/vehicle;**
- **Financial incentives** to encourage local financial service providers/investors;
- **Financial Capacity-building** programmes to financial service providers, central banks etc.
- Providing affordable **local currency loans** (ex, foreign exchange risk mitigation).



Finance opportunities' to forest positive supply chains

Strategic use of national/international public investment to strengthen enabling conditions

Strategic use of public finance to **de-risk private investment** and mobilize additional finance

Innovation by pursuing new investment mechanisms

Carbon market/REDD+ results based finance to foster positive agriculture

Policy coherence, including fiscal reforms, strategic investments and repurposing of subsidies

Private sector redirecting to forest positive: Addressing/eliminating deforestation risks in existing corporate and financial institutions' investments





THANK YOU

More about FAO's work on REDD+:
www.fao.org/redd

