

# *Climate finance for forests in the context of the broader land-use finance architecture*

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- Overview of forest and land use finance data
- Opportunities to integrate climate mitigation and adaptation objectives into forest and land use financial flows



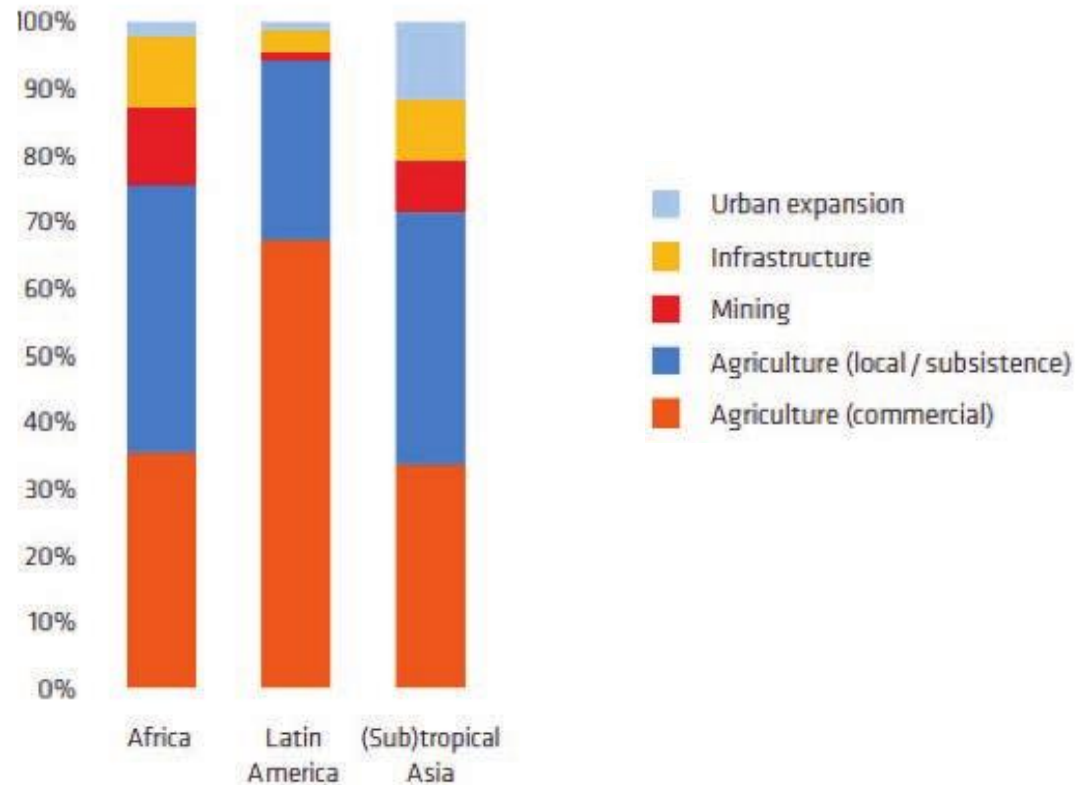
# What do we know about international and domestic public finance for forests and land use?

| Public sources                           | Climate-marked    | Other              |
|--|-------------------|--------------------|
| Forests                                  | > USD 1.2 billion | > USD 0.6 billion  |
| Agriculture, forestry and other land use | > USD 4.6 billion | > USD 38 billion   |
| Total Land use                           | > USD 5.8 billion | > USD 38.6 billion |

Data is poor but **domestic public** expenditure and **domestic and international private** investment far outweigh international public money.

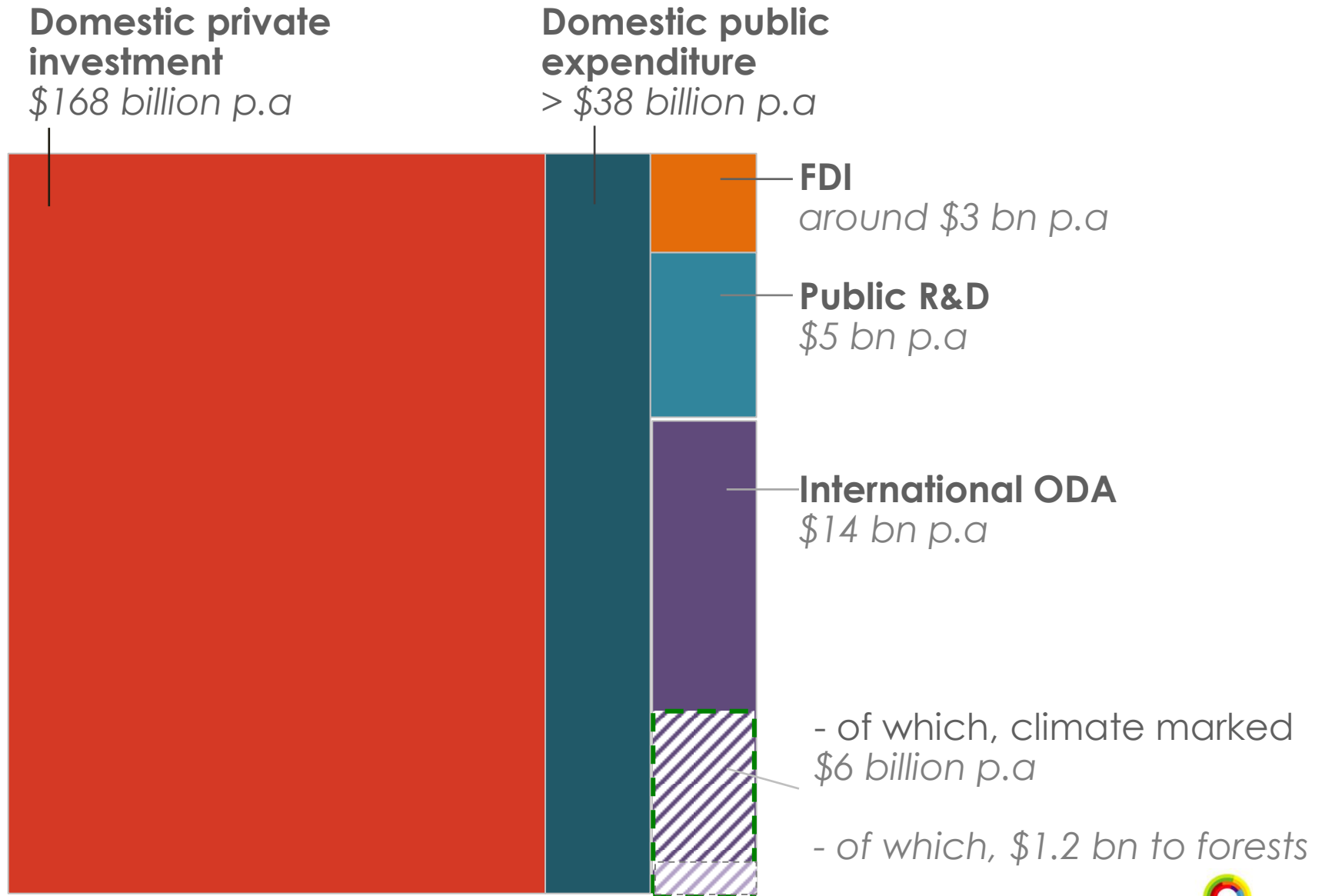
# Agriculture is the major driver of deforestation globally – its financing is highly relevant for forests

Proportion of deforestation drivers



Source: Hosonuma et al. 2012. An Assessment of deforestation and forest degradation drivers in developing countries.

# Opportunity to redirect the hundreds of billions spent annually on agriculture and forestry



Source: FAO. 2012. The State of Food and Agriculture

# How do we shift finance to land-use mitigation and adaptation?

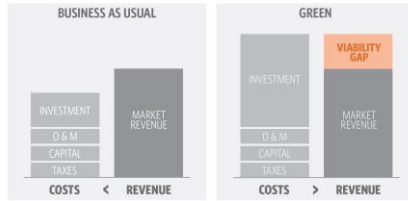
Our team has developed three analytical tools Governments and their partners could use to:

- Map financial flows to inform the design of land use mitigation and adaptation **strategies**;
- Carry out financial **viability analysis**;
- Identify domestic and international **financial instruments** to redirect public and private finance towards greener land-use practices; and
- Encourage **coordination** between public instruments across land-use sectors.

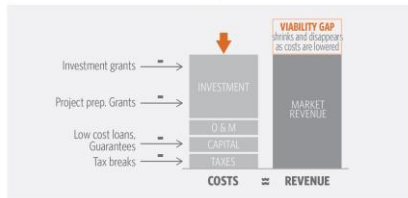
# Exploring financial viability and public incentive needs

Viability gaps arise where costs of an activity are greater than available revenues

Public and private finance can help tackle the viability gap by:



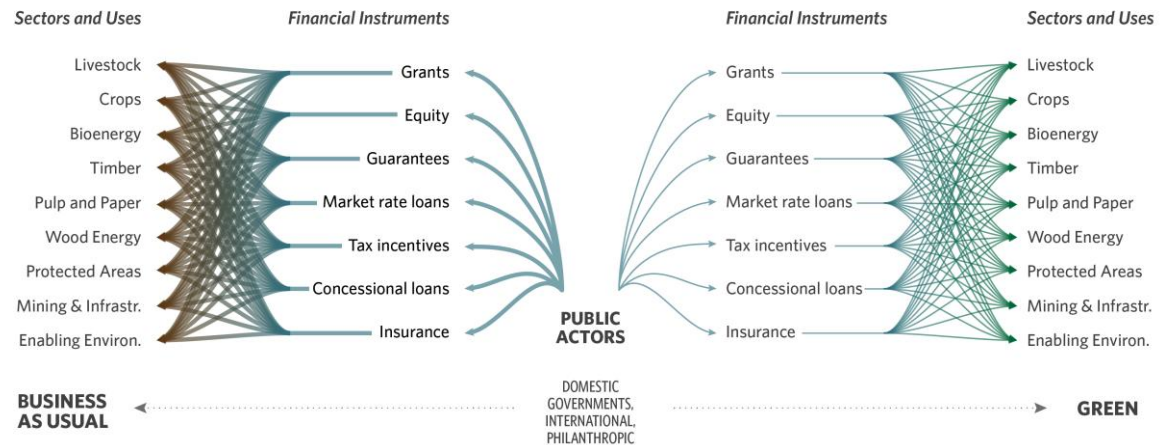
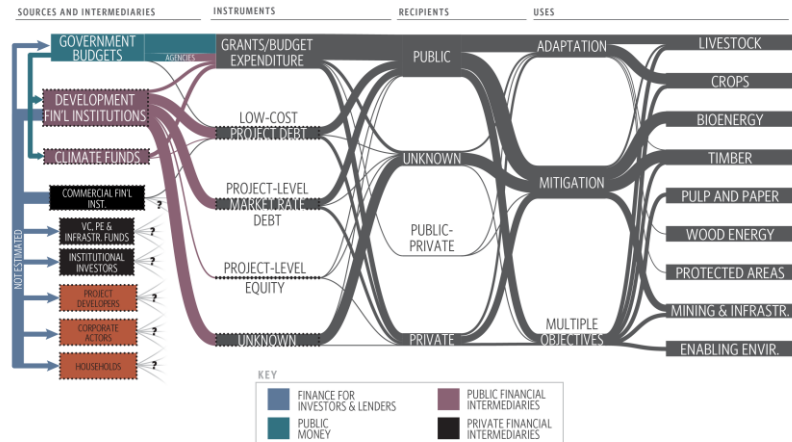
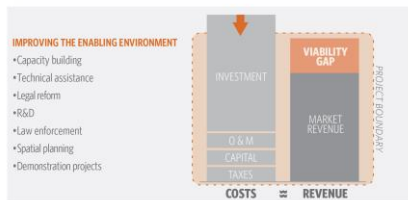
### 1. Reducing costs



### 2. Increasing / creating revenues



### 3. Improving the investment climate - tackling risk, return and information barriers



<http://climatepolicyinitiative.org/publication/three-tools-to-unlock-finance-for-land-use-mitigation-and-adaptation/>



# Many financial instruments are available to support sustainable land use

- Grants
- Concessional Loans
- Market rate loans
- Equity
- Tax incentives
- Insurance
- Guarantees

# What does this mean for coherence and coordination of forest finance?

- While financing the protection and sustainable use of forests is essential,
- We also need to tackle the other major land uses which exert pressure on forests
- We need to understand how to drive private investors and businesses in a sustainable direction with policies and financial incentives

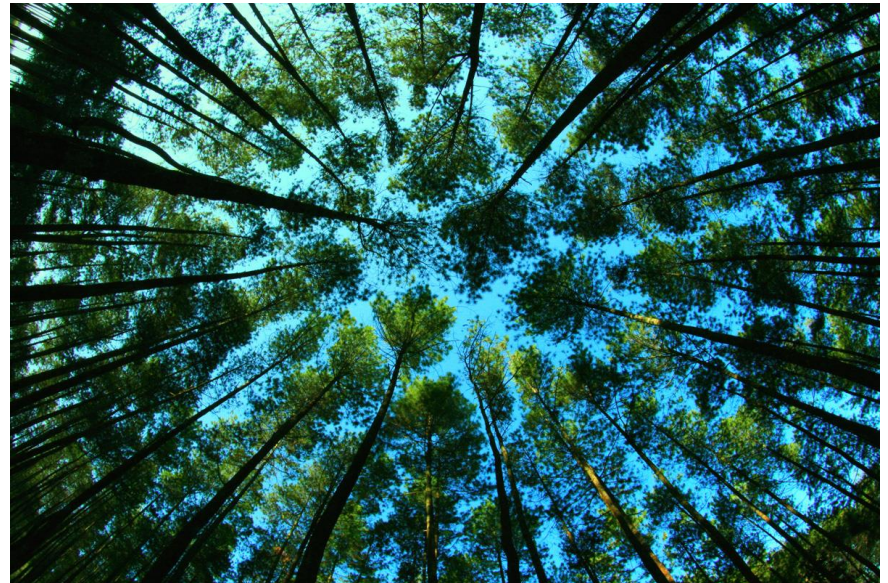
# Thank you for listening!



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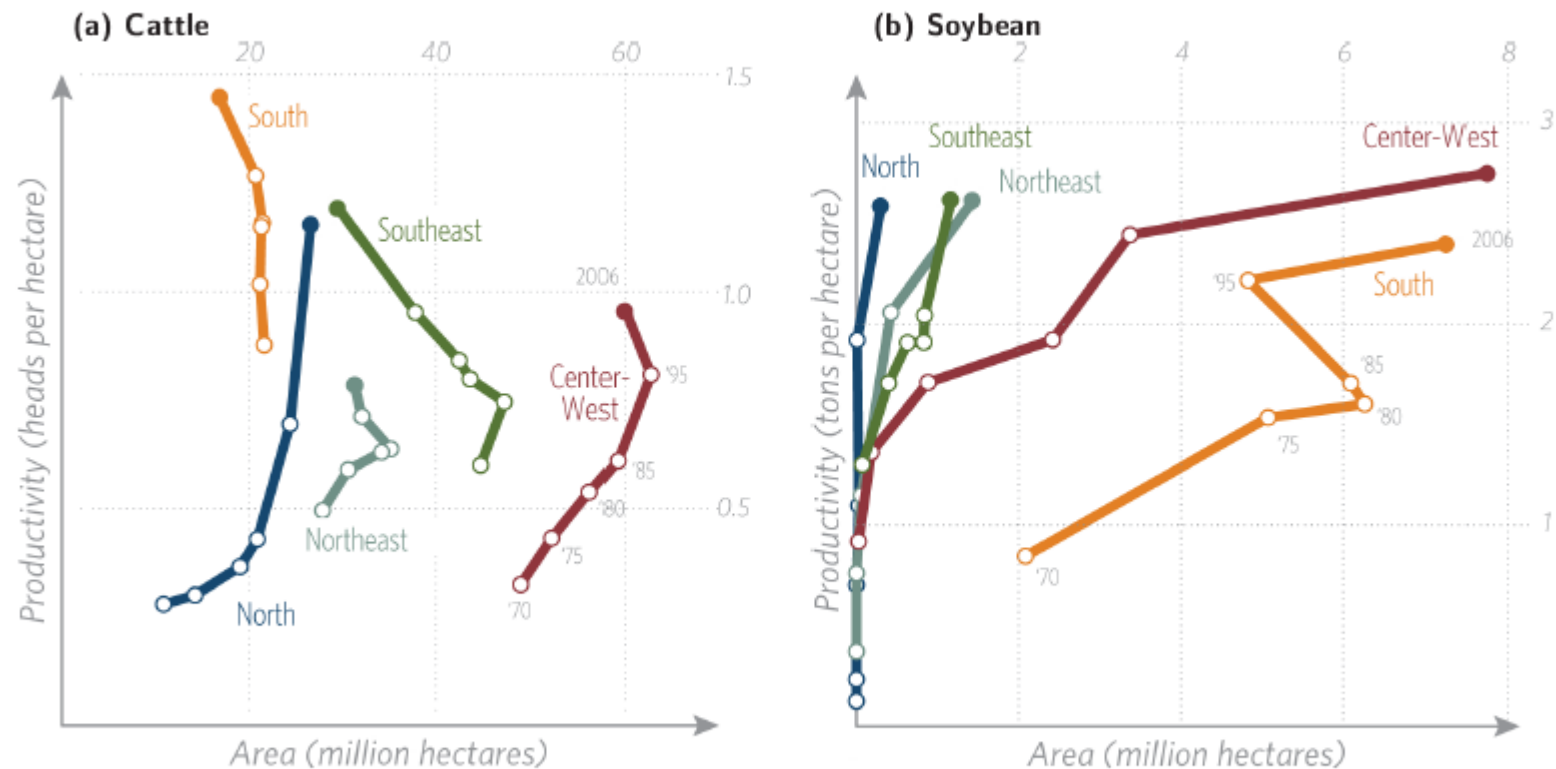
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# Annexes

# Some countries have incentivized sustainable land use without sacrificing economic development

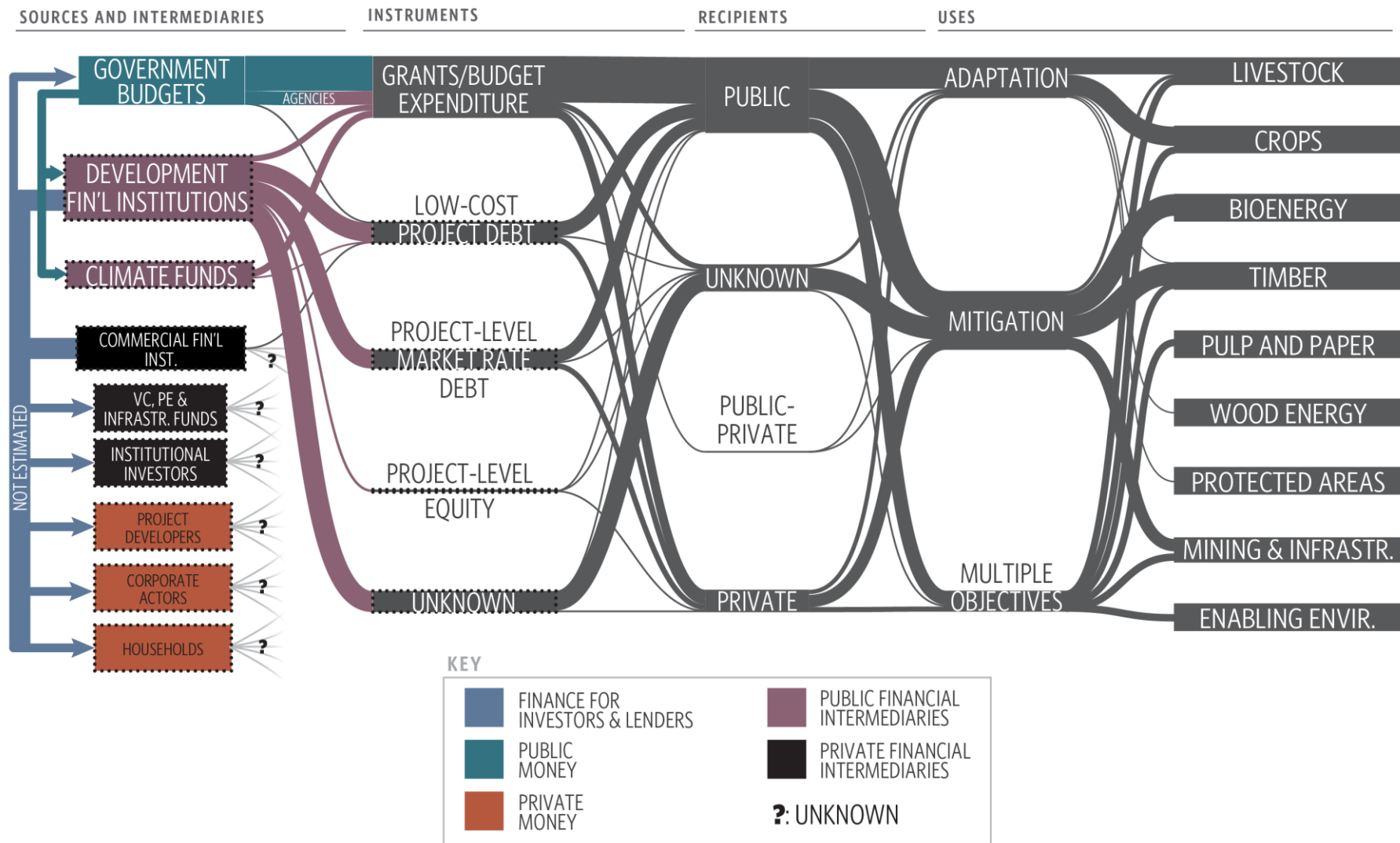
**Figure 3** Evolution of Productivity and Area for Cattle and Soybean, 1970–2006



The graph shows the evolution of productivity and area for cattle ranching (left) and soybean farming (right) in each Brazilian region in 1970, 1975, 1980, 1985, 1995, and 2006. Source: IBGE, Brazilian Agricultural Census 2006



# Landscape of land use finance

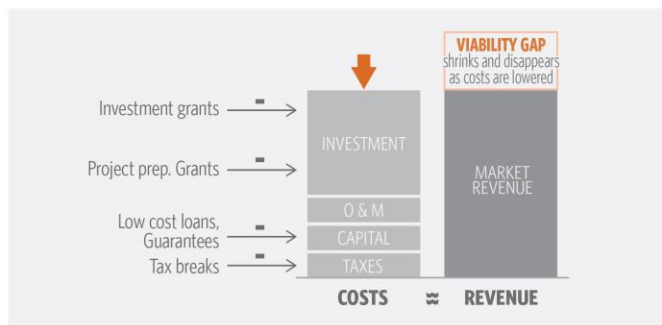
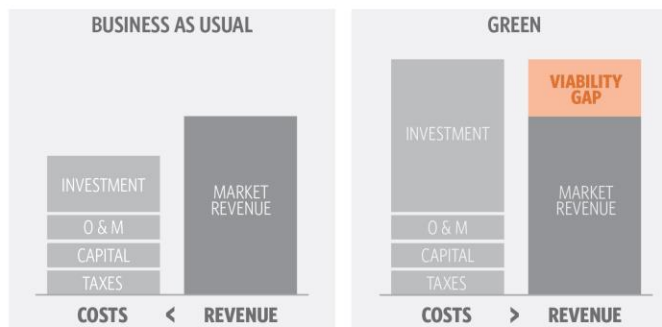


## Tool 2: Financial Viability Gap Analysis tool

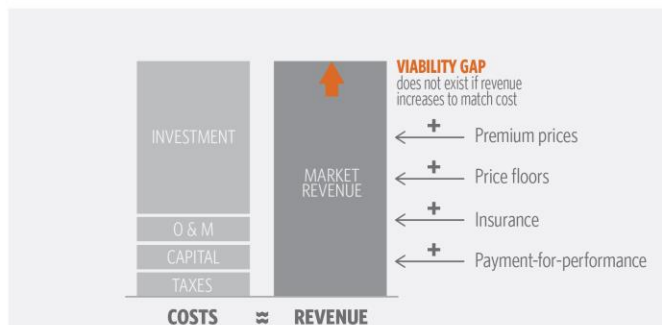
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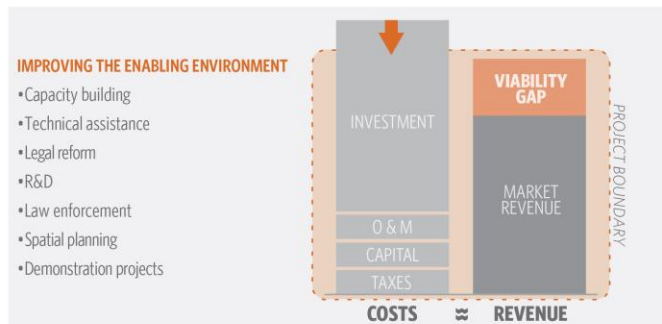
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# Public finance mapping tool

## Tool 3: Public Finance Mapping Tool

