10 things governments can do to unleash private sector investment in forests

Presented by private sector actors in the Asia Pacific region

1. Make forests more valuable standing and on par with competing land use. Forests provide multiple benefits to the people who live and work in and around them, but also to society as a whole. Overall, these values are not captured through regulatory or market based mechanisms and mean forests compete with other agricultural commodities based solely on the value they deliver when cut down.

2. Establish national, regional, and/or sector specific markets for carbon in line with Article 6 of the Paris Agreement. Private finance will only flow into forest restoration and conservation where the private sector and the communities in their supply chain can receive a financial return. While an international market with broad agreement and participation may still be years away, governments have the authority to develop national and/or regional markets to stimulate private investment in forest restoration and conservation.

3. Include incentives for early acting private sector in national climate plans and programs. In order to encourage further investment, early movers must be able to demonstrate successful business models. Those that take the initial risks will provide the lessons learned and pave the way for others; these pioneers should be compensated for taking an early leap.

4. Enhance enforcement of forest related regulation and clarify land governance. In many cases the lack of enforcement related to land use and land title creates significant investment risks for the private sector and limits interest particularly of international investors. Addressing these issues can provide greater security and stimulate previously risk averse capital. Governments could also assist the private sector with identifying appropriate sites for agricultural and forestry development. This could be done by facilitating access to village information and facilitating consultation to ensure the free, prior, and informed consent (FPIC) of community members on development planning.

5. Match agricultural subsidies with investments in REDD+. While REDD+ commitments continue to amount to less than 2% of total agricultural subsidies, there is no hope for forests. Forests and agricultural incentives must be connected. Subsidies should integrate agricultural development and forest conservation/restoration goals through more jurisdictional or landscape subsidies that create deforestation free sustainable landscapes.

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1 The Private Sector Roundtable (PSR) was originally formed in 2015 to support delivery and implementation of the Plan. Following the Paris Agreement at COP21 and the adoption of the United Nations Sustainable Development Goals, the APRP evolved to support delivery of national commitments and leverage these commitments to deliver practical forest protection. The purpose of the PSR is to provide input on public policy based on private sector experience and perspectives, in order to support the realization of the overall goals of the partnership.
6. **Facilitate private sector understanding of how to feed into national level UNFCCC reporting requirements.** Many private sector companies are not aware of what they need to do to access results based payments and are overwhelmed and confused by the process. In addition, there are inconsistent rules across different commodity sectors such as forestry and mining. Governments should facilitate outreach and training with the private sector to support contributions to NDCs, alignment between different sectors and private sector access to climate finance.

7. **Report on private sector contributions to meeting NDCs.** For companies that are contributing to increasing carbon storage or reducing emissions, link their performance to national GHG inventories and recognize their performance. This will not only potentially add value to companies business through credits for emissions reductions under a national climate change policy but will also serve to promote brand recognition for those companies that are taking the rights steps.

8. **Facilitate private sector access to international climate finance.** Development finance and funding for REDD+ has largely been focused on the public sector. By facilitating access for the private sector to reduced interest rates, longer-term tenure, or risk-sharing guarantees and other mechanisms typically used in public sector financing, governments can use limited public funds to leverage larger private investment.

9. **Establish idea incubators to reduce risk for commercial finance.** Forest conservation and restoration requires new and innovative business models and approaches. This newness and innovation can mean greater risk than commercial finance can stomach. Where public sector funds or institutions can provide support to early stage ideas or pilots in order to provide proof of concept, this can then pave the way for access to commercial investors.

10. **Include the private sector in climate policy and incentive programme development.** If governments want the private sector to increase investment in forests, private sector actors – project developers, financiers, engineers, among others – need to have a voice in the formulation of these policies and programmes.

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