



Challenges and Priority Actions for Accelerating Private Sector Investment in Climate-Smart Agriculture in Asia

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About CEADIR

- Global activity funded by USAID's Global Climate Change Office
- Helps governments, the private sector, and civil society make the business and economic case for climate change mitigation and adaptation actions
- Mobilizes access to public and private finance in adaptation, clean energy, and sustainable landscapes to scale up low-carbon, climate resilient development
- Active in countries throughout Africa, Asia, and Latin America and the Caribbean



Setting the Stage – NDC Targets for Agriculture, Land Use, and Forestry

Philippines

NDC

- Unconditional 70% reduction by 2030

LULUCF

- Included in economy-wide target but no sector specific target

Agriculture

- Not part of mitigation target



Setting the Stage – NDC Targets for Agriculture, Land Use, and Forestry

Indonesia

NDC

- Unconditional 29% reduction by 2030
- Conditional 41% reduction by 2030

LULUCF

- Unconditional 17.2% reduction by 2030
- Conditional 23% reduction by 2030

Agriculture

- Unconditional 0.32% reduction by 2030
- Conditional 0.13% reduction by 2030



Setting the Stage – NDC Targets for Agriculture, Land Use, and Forestry

Vietnam

NDC

- Unconditional 9% reduction by 2030
- Conditional 25% reduction by 2030

LULUCF

- Unconditional target forest cover increase to 45% by 2030

Agriculture

- Included in economy-wide target by no sector specific target



Setting the Stage – Private Sector Leadership

- Move toward net-zero deforestation by 2020
- Increase food production: increase by 50% while reducing GHG emissions by 50% by 2030
- Many banks, investors and companies are developing “climate-smart” strategies



Photo credit: Tropical Forest Alliance 2020

Challenges to Achieving Corporate and Country Targets

- Private sector faces challenges related to policy, finance, capacity, and data to achieving climate-smart goals
- Governments seek financing to promote sustainable land use management
- Missing opportunities to meet corporate and country targets
- Need to identify priorities for public-private sector collaboration to mobilize investment and finance at scale



Photo credit: United Nations

High-level Regional Event in March in Bangkok

- “Private Sector Investment in Climate-Smart Commodity Production in Southeast Asia” in Bangkok, Thailand, on March 29, 2017
- Regional leaders from corporations, financial institutions, investors, small and medium-sized enterprises (SMEs), certification schemes, and governments
- Priority needs to accelerate investment and finance for climate-smart, low-emission agricultural and forest commodity production in Indonesia, Philippines and Vietnam



March workshop sponsored by USAID Asia and co-hosted by FAO and the Asia Low Emission Development Strategies (LEDS) Partnership. Photo credit: CEADIR

Private Sector – Challenges to Scaling up Climate-Smart Agriculture and Forestry

Finance

- Limited access to finance for SMEs, small agribusinesses, and small-scale producers
- Inhibits investment in climate-smart practices
- Banks perceive lending to SMEs and small-scale producers as higher risk
- Most banks and companies do not incorporate climate-smart concepts in core values and policies
- Climate-smart investment generally viewed as a niche market



Private Sector – Challenges to Scaling up Climate-Smart Agriculture and Forestry (II)

Communication

- Limited channels for businesses, small-scale producers, and banks to exchange views with policy makers on policy support needed
- Need to build confidence among investors on the technical and financial feasibility of climate-smart technologies



Private Sector – Challenges to Scaling up Climate-Smart Agriculture and Forestry (III)

Capacity strengthening

- SMEs and small-scale producers have limited capacity to collect, verify and report farm-level data
- Banks have limited capacity to incorporate ESG standards and sustainability principles in lending criteria
- Governments have limited capacity to aggregate, verify and report emissions reductions by stakeholders



Private Sector – Challenges to Scaling up Climate-Smart Agriculture and Forestry (II)

Data needs

- Need a systemic way to aggregate, report and verify emission reductions achieved by all stakeholders in agricultural and forestry commodity value chains
- Capacity of small-scale producers to collect data remains limited
- Data is not shared due to distrust among stakeholders



Private Sector Participants Priorities for Future Action

1. **Finance** – Identifying pathways and solutions to enable SMEs to access financing for climate-smart actions
2. **Communication** – More dialogue between national level policy makers and businesses and small-scale producers
3. **Policy** – Implementing policies that incentive (or penalize) companies that pursue (or do not pursue) climate-smart approaches
4. **Data** – Improving data sharing with farmers and upstream commodity producers
5. **Data** – Aggregating, reporting and verifying emissions reduction achieved by all stakeholders toward NDCs
6. **Communication** – Finding a common “language” on climate change actions with the private sector

Government Participant Priorities for Future Action

1. **Policy** – seeking private sector inputs during policy preparation and implementation reviews
2. **Communication** * – more dialogue between national level policy makers and businesses and small-scale producers



Government leaders (left to right): Miranti Ariani, Indonesian Agricultural Environment Research Institute; Joel Rudinas, Philippines Department of Agriculture AMIA Program; Nguyen Thi Dieu Trinh, Ministry of Planning and Investment of Vietnam

Government Participant Priorities for Future Action

(continued)

- 3. Communication *** – Finding a common “language” on climate change actions with the private sector
- 4. Policy *** – Implementing policies that incentive (or penalize) companies that pursue (or do not pursue) climate-smart approaches
- 5. Finance** – Tailoring credit guarantee instruments to apply to climate-smart agriculture
- 6. Finance *** – Identifying pathways and solutions to enable SMEs to access financing for climate-smart actions





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Challenges and Recommendations for Public-Private Sector Communication and Coordination: Cambodia, Indonesia, Philippines, and Vietnam

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METHODS

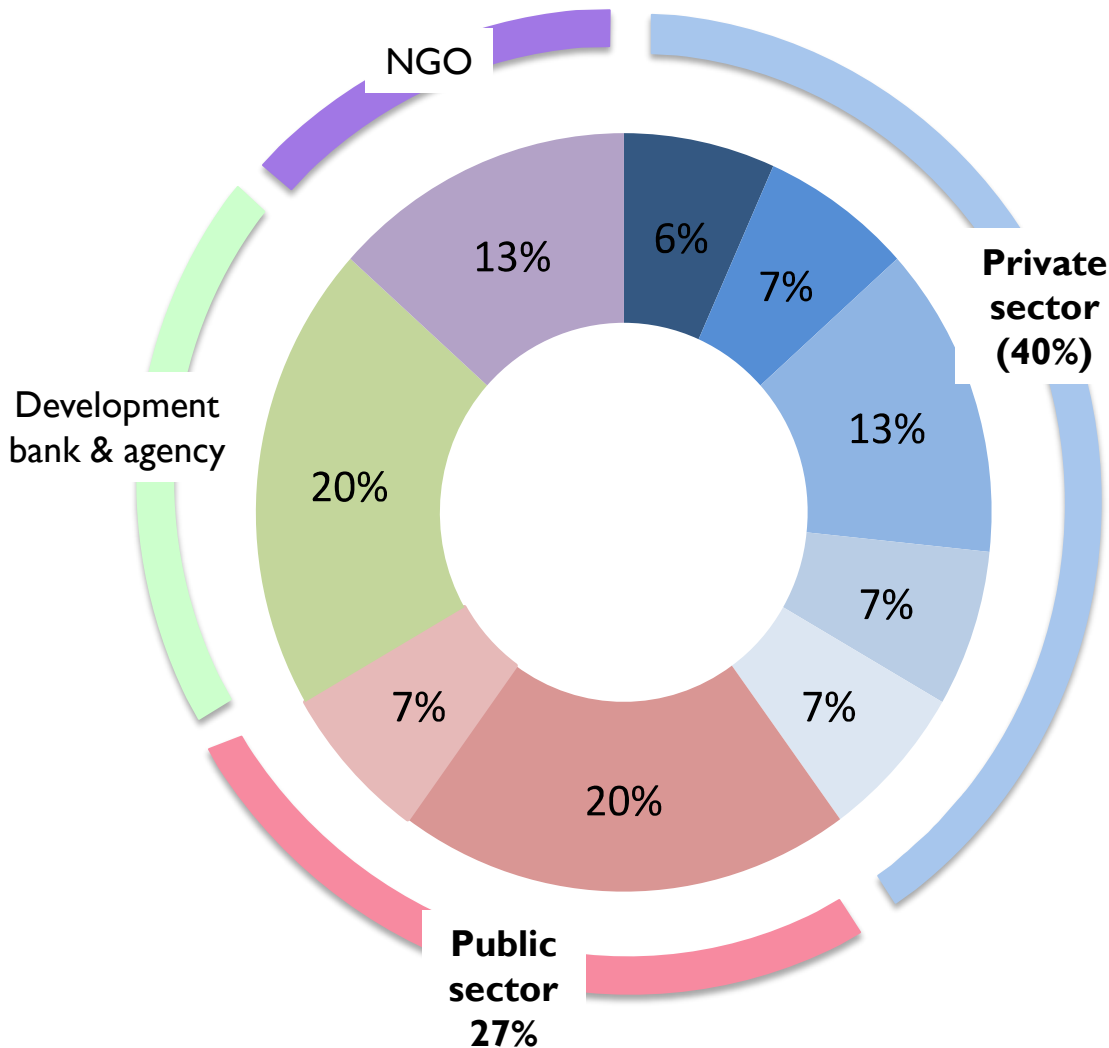
- Regional communication and coordination challenges and priority actions identified during the March 2017 workshop formed the basis for structuring country-specific questionnaires
- Phone interviews and online survey of private and public sector stakeholders from Cambodia, Indonesia, Philippines, and Vietnam conducted during June – August 2017



RESPONDENTS IN CAMBODIA



15 responses



MNC

SME

Financial institution and bank

Consultancy

Certification platform

Government agency

State-owned bank

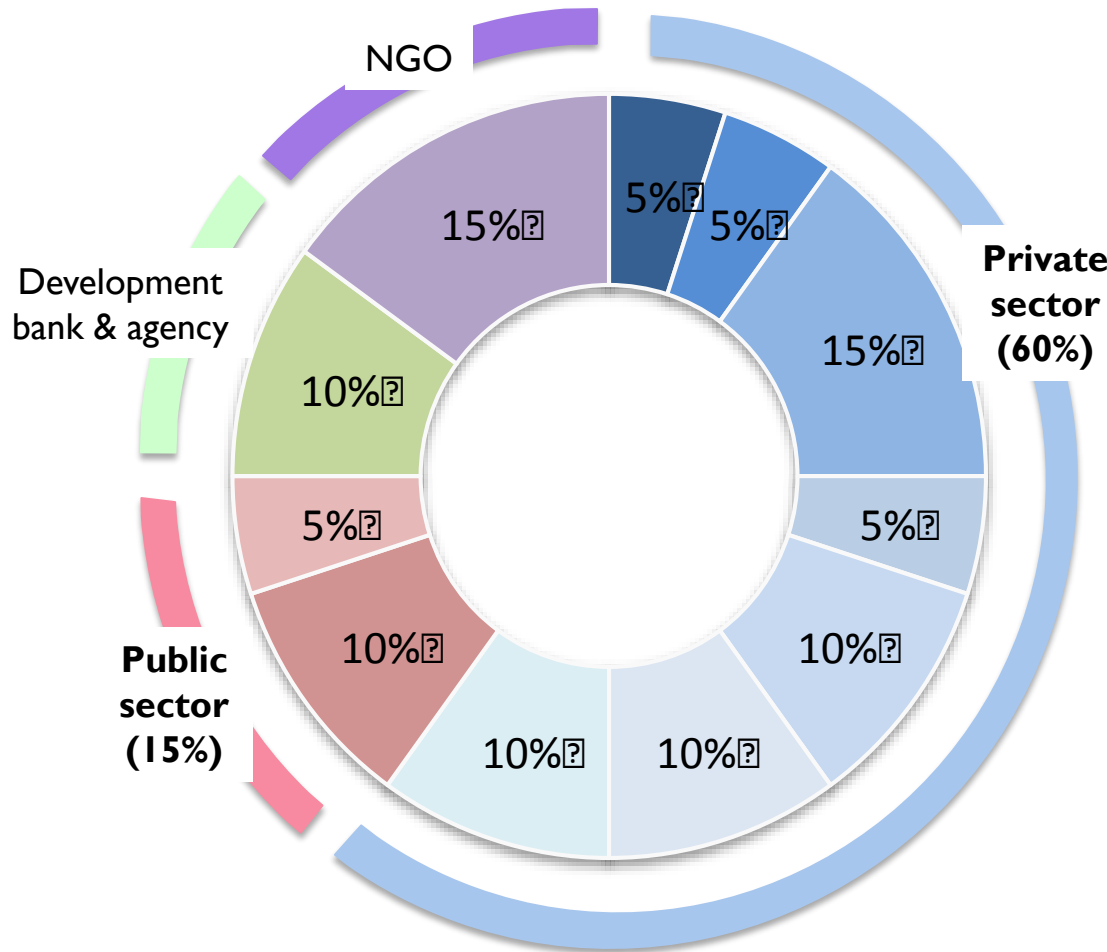
Development bank and agency

NGO

RECONDENDENTS IN INDONESIA



21 responses

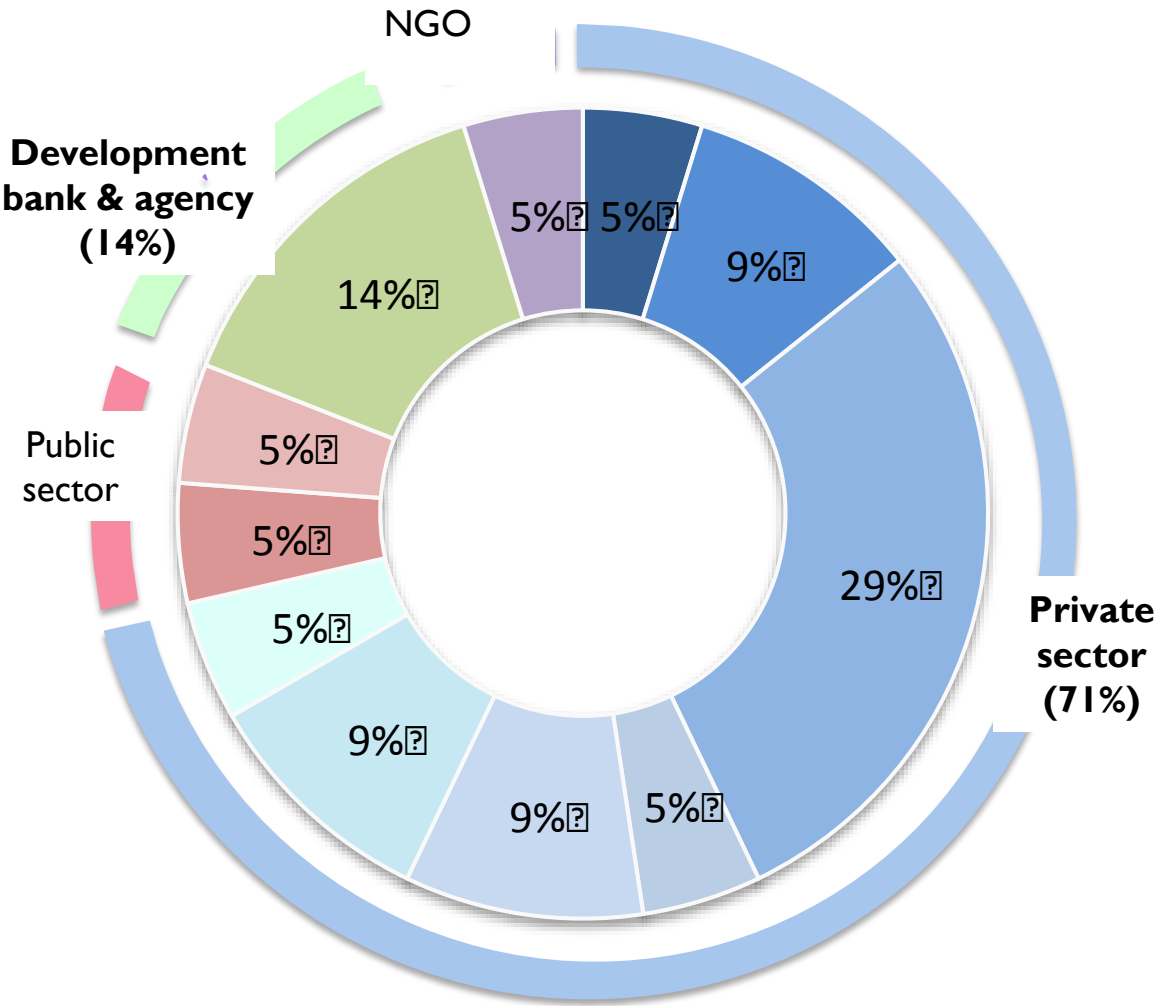


- MNC
- Large domestic company
- SME
- Business association
- Financial institution and bank
- Consultancy
- Certification platform
- Government agency
- State-owned bank
- Development bank and agency
- NGO

RESPONDENTS IN THE PHILIPPINES



20 responses

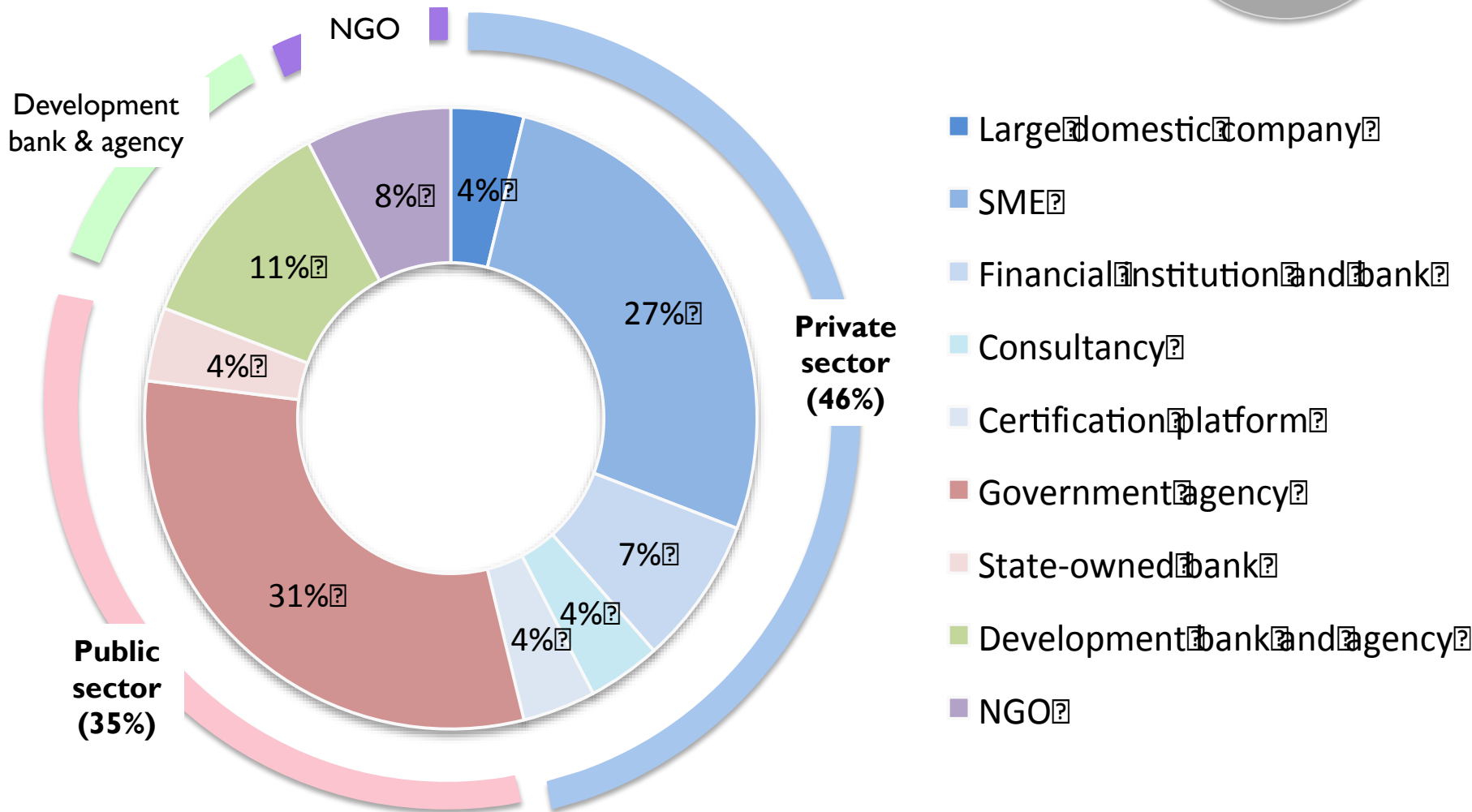


- MNC
- Large domestic company
- SME
- Business association
- Financial institution and bank
- Consultancy
- Certification platform
- Government agency
- State-owned bank
- Development bank and agency
- NGO

RESPONDENTS IN VIETNAM



26 responses



SIGNIFICANT CHALLENGES

Challenges	Cambodia	Indonesia	Philippines	Vietnam
Lack of common understanding on climate-smart practices	✓	✓	✓	✓
Insufficient private sector inputs during policy preparation and review	✓		✓	✓
Limited channels to exchange views on policy	✓		✓	✓
Limited channels to share evidences on technical/financial viability of climate-smart practices				✓

LACK OF COMMON UNDERSTANDING

- In all four countries, respondents suggested that private sector needs for developing **bankable climate-smart businesses** are not widely understood by public sector
- In Cambodia, Indonesia and the Philippines, respondents noted that interpretation/expectation of forest product **certification schemes** vary between public and private sector
- Key challenge: **low levels of interest** in pursuing climate-smart actions by both private and public sectors



Photo credit: Tropical Forest Alliance 2020

INSUFFICIENT PRIVATE SECTOR INPUTS

- Respondents in Cambodia, Philippines, and Vietnam voiced the inadequate feedback **mechanisms to effectively translate and incorporate** private sector inputs
- Respondents from all four countries noted **the constraints of many SMEs and small-scale producers** related to providing inputs



LIMITED CHANNELS TO EXCHANGE VIEWS ON POLICY

- Insufficient opportunities at the national level, particularly **for consistent public-private sector dialogue that builds momentum and trust** over time, as noted by respondents in Cambodia, the Philippines, and Vietnam
- A call for increased dialogues between **governments and financial institutions and investors** to address financial constraints of climate-smart investments, as voiced by respondents in Cambodia and Vietnam



PRIORITY ACTIONS

Priority actions	Cambodia	Indonesia	Philippines	Vietnam
Facilitation of regular dialogue on policy or regulatory environment	✓	✓	✓	✓
Facilitation of regular dialogue on sharing of technical and financial viability of climate-smart practices	✓	✓	✓	✓
Improvement of common understanding on climate-smart practices		✓	✓	

EXPECTED OUTCOMES

Expected Outcomes	Cambodia	Indonesia	Philippines	Vietnam
Develop policy incentives for climate-smart investment	✓	✓	✓	✓
Facilitate access to finance for small-scale producers and processors			✓	✓
Improve access to existing data, which remain disaggregated			✓	
Strengthen capacity of small-scale producers to adopt sustainability certification				✓

DEVELOP POLICY INCENTIVES

- Respondents in all four countries recommended **the development of policy incentives** to accelerate climate-smart investment and motivate replication
- Likewise, respondents in each country emphasized strengthening of governments' capacity **to monitor and enforce regulations**
- Respondents in Indonesia and Cambodia respondents suggested **removing policies that are disincentives**



FACILITATE ACCESS TO FINANCE

- Respondents in the Philippines and Vietnam called for support to financial institutions to **de-risk lending to SMEs and small-scale producers**
- Respondents in the Philippines encouraged **scaling up** successful small-scale producers lending programs
- Respondents in Vietnam suggested **streamlining procedures for obtaining loan and financial products** for climate-smart investment

COMMUNICATION METHOD

Topic	Cambodia	Indonesia	Philippines	Vietnam
In-person meetings or workshops	✓	✓	✓	✓

- In-person interactions are most effective in establishing trust, strengthening relationships and creating **stronger communities of practices**
- A need for smaller, **more targeted group meetings** to enable in-depth discussion and achieve immediate outcomes and longer term progress

COMMUNICATION CHANNEL DESIGN

Topic	Cambodia	Indonesia	Philippines	Vietnam
Geographical area	✓	✓	✓	
Commodity	✓			✓

- Targeted meetings should focus on specific **geographical areas ideally at sub-national levels** that share similar challenges and opportunities for climate-smart production



RECOMMENDED ROLES OF CONVENER GROUPS

Entity and role	Cambodia	Indonesia	Philippines	Vietnam
Government as lead convener	✓	✓	✓	✓
Donor to provide support	✓	✓	✓	✓

- National **government is the most appropriate entity to lead** public-private sector dialogue
- **Donors support for dialogues** can help overcome public-private sector distrust, ensure transparency and continued momentum over time, and provide TA



THE WAY FORWARD

- A few existing platforms that support public-private sector dialogue
- **Limited alignment** between these platforms and the country-specific challenges, and recommendations identified through this study
- **Opportunities** for governments and donors to evaluate and leverage existing platforms to strengthen public-private coordination to accelerate private sector CSA finance in Asia



For more information

- CEADIR page on USAID's ClimateLinks:
www.climatelinks.org/project/ceadir
- Full report from the March workshop is available at
http://pdf.usaid.gov/pdf_docs/PA00MT5P.pdf
- CEADIR contacts include
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