

## SUPPLEMENT TO THE MEETING REPORT

for the Regional Meeting on Convening Private Sector Investment in Climate-Smart Commodity Production in Southeast Asia

### PRIVATE SECTOR PERSPECTIVES ON KEY CHALLENGES AND PRIORITY ACTIONS

TO ADVANCE CLIMATE-SMART INVESTMENT IN SOUTHEAST ASIA



Participants vote on top priorities for further work, action, and collaboration to scale up private sector investment in climate-smart agriculture and forestry production in Southeast Asia.

This brief highlights recommendations from the regional workshop on *Convening Private Sector Investment in Climate-Smart Commodity Production in Southeast Asia*, held on March 29, 2017 in Bangkok, Thailand. The event brought together 87 representatives from leading corporations, financial institutions, investment firms, small- and medium-sized enterprises (SMEs), commercial commodity certification platforms, and senior government officials to align actions and accelerate investment into climate-smart, low-emission agriculture and forestry value chains in the transition to greener and cleaner economies.

The full workshop report is available on the USAID Development Experience Clearinghouse at <https://dec.usaid.gov/dec/home/Default.aspx>.

### KEY CHALLENGES IDENTIFIED

Through panel discussions and interactive group work, participants identified five key challenges limiting private sector investment in climate-smart commodity production in Southeast Asia.

**COMMUNICATION:** There are limited channels for national and subnational policy makers, businesses, farmers and other small-scale producers, and financial institutions to exchange views on the policy and regulatory environment needed for scaling sustainable investments and to share evidence on the technical and financial viability of climate-smart technologies and practices.

**FINANCE:** Small-scale farmers and other producers often have difficulty obtaining financing due to high perceived risks and high transaction costs for banks to administer large numbers of small loans, especially in remote areas.

**POLICY:** Most commercial banks and companies have not incorporated sustainability into their core values and policies, in part due to lack of incentives and policy support. Climate-smart investment has been generally viewed as a niche market.

**CAPACITY DEVELOPMENT:** SMEs and smallholder farmers have limited capacity to collect, verify, and report data. Most commercial banks have not incorporated environmental, social, and governance (ESG) standards and sustainability principles into their core values and lending criteria. Governments have limited ability to aggregate, verify, and report emission reductions by large and small stakeholders.

**DATA:** Insufficient baseline and monitoring data limit the ability to track and verify greenhouse gas (GHG) emission reductions from agricultural and forestry in developing countries. Although some data collection tools are available, there is limited capacity to collect, analyze, and report the data.

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## PRIORITY ACTIONS AND ROLES OF KEY ACTORS

To address these challenges, private sector leaders identified and prioritized areas for needed action to scale up climate-smart investment in the region, including:

### COMMUNICATION:

Facilitate regular dialogues among national and subnational policy makers, businesses, and small-scale producers. Also, improve the ability of the private and public sectors to communicate and understand climate change actions.

### POLICY:

Develop policy incentives to promote climate-smart investment.

### FINANCE:

Improve access to finance for SMEs and small-scale producers to scale up climate-smart actions.

### DATA:

Increase data sharing on weather and good practices with farmers and forest product producers. Also, increase resources for measurement, reporting, and verification (MRV) of GHG emission reductions and documenting progress for national climate change commitments.

Finally, participants recommended specific roles for governments, including central banks, and donors to increase private sector investment in climate-smart agriculture and forestry in Southeast Asia, as summarized below.

## RECOMMENDED ROLES FOR GOVERNMENTS AND DONORS

GOVERNMENTS AND DONORS	
<b>FINANCE</b>	<ul style="list-style-type: none"> <li>Develop and implement investment de-risking measures (e.g., loan guarantees and weather-indexed insurance)</li> <li>Improve access to financing on affordable terms for SMEs and small-scale producers</li> </ul>
DONORS	
<b>COMMUNICATION</b>	<ul style="list-style-type: none"> <li>Facilitate regular dialogues of national and subnational policy makers, businesses, and farmers, as well as sharing of good practices and technologies with proven financial and technical feasibility</li> <li>Improve ability of the private and public sectors to communicate and understand climate change actions</li> </ul>
<b>CAPACITY DEVELOPMENT</b>	<ul style="list-style-type: none"> <li>Support SMEs and smallholder farmers in data collection and MRV</li> <li>Support bank adoption of ESG standards, sustainability principles, and green lending</li> <li>Strengthen capacities to adopt improved practices that reduce GHG emissions and aggregate and verify GHG reductions</li> </ul>
<b>DATA</b>	<ul style="list-style-type: none"> <li>Facilitate information sharing platforms or networks for farmers and forest product producers and processors</li> <li>Increase confidence in the technical and financial feasibility of climate-smart technologies by sharing experiences</li> </ul>
GOVERNMENTS	
<b>DATA</b>	<ul style="list-style-type: none"> <li>Verify, aggregate, and report on GHG emission reductions and targets</li> </ul>
<b>POLICY</b>	<ul style="list-style-type: none"> <li>Provide guidance and incentives for incorporating sustainability in company and bank policies and strategies</li> <li>Provide incentives to promote climate-smart approaches and penalties and enforcement to deter unsustainable practices</li> </ul>

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Photo: Participants in the regional meeting on Convening Private Sector Investment in Climate-Smart Commodity Production in Southeast Asia, held in Bangkok, Thailand on March 29, 2017.

**Governments and donors** can cooperate to de-risk finance for SMEs, agribusinesses, and farms through loan guarantees and weather-indexed insurance, and improve access to finance for SMEs and small-scale producers to scale up climate-smart actions.

**Governments** have the primary responsibility for MRV of GHG emission reductions and aggregation of national emission reductions. Governments also provide information and incentives for incorporating sustainability in production practices and bank lending, as well as establish penalties and take enforcement actions for unsustainable practices.

**Donors** can support stakeholder communication and capacity development and help address data gaps by:

- Facilitating regular dialogues among policy makers, businesses, and small-scale producers to (i) develop a common understanding of climate change actions; (ii) provide a forum for policy discussion; (iii) improve coordination on climate-smart approaches; (iv) increase private sector collaborations within value chains; and (v) share good practices and lessons learned on climate-smart technologies, business, and financing models.
- Strengthening capacities for (i) data collection by small- and large-scale producers, (ii) adoption of ESG standards, sustainability principles, and green lending by banks, and (iii) aggregation, verification, and reporting of GHG emission reductions.

- Supporting information-sharing platforms or networks on sustainable agriculture and forestry.

As co-sponsors of the workshop, USAID, the Food and Agriculture Organization of the United Nations (FAO), and the Asia Low Emission Development Strategies (LEDS) Partnership can:

- Share workshop findings and recommendations with public and private sector leaders within and beyond the region;
- Continue facilitating strategic public-private sector dialogues and capacity development to accelerate investment and finance for climate-smart agriculture and forestry production in the region;
- Provide technical assistance on data collection, analysis, dissemination, and MRV through existing partnerships between USAID, FAO, UN-REDD and NASA-SERVIR (including SERVIR-Mekong); and
- Identify opportunities for additional support to increase public-private sector partnerships and financing of climate-smart production.