

COLOMBIA INICIATIVA DE PAISAJES FORESTALES SOSTENIBLES (IPFS) PROGRAM PARTNERING WITH THE PRIVATE SECTOR

Ahmad Slaibi, Juan Gonzalo Flores & Franka Braun
ExpoGestion Orinoquia
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IFC

**International
Finance Corporation**

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Environment & Natural Resources



BioCarbon Fund

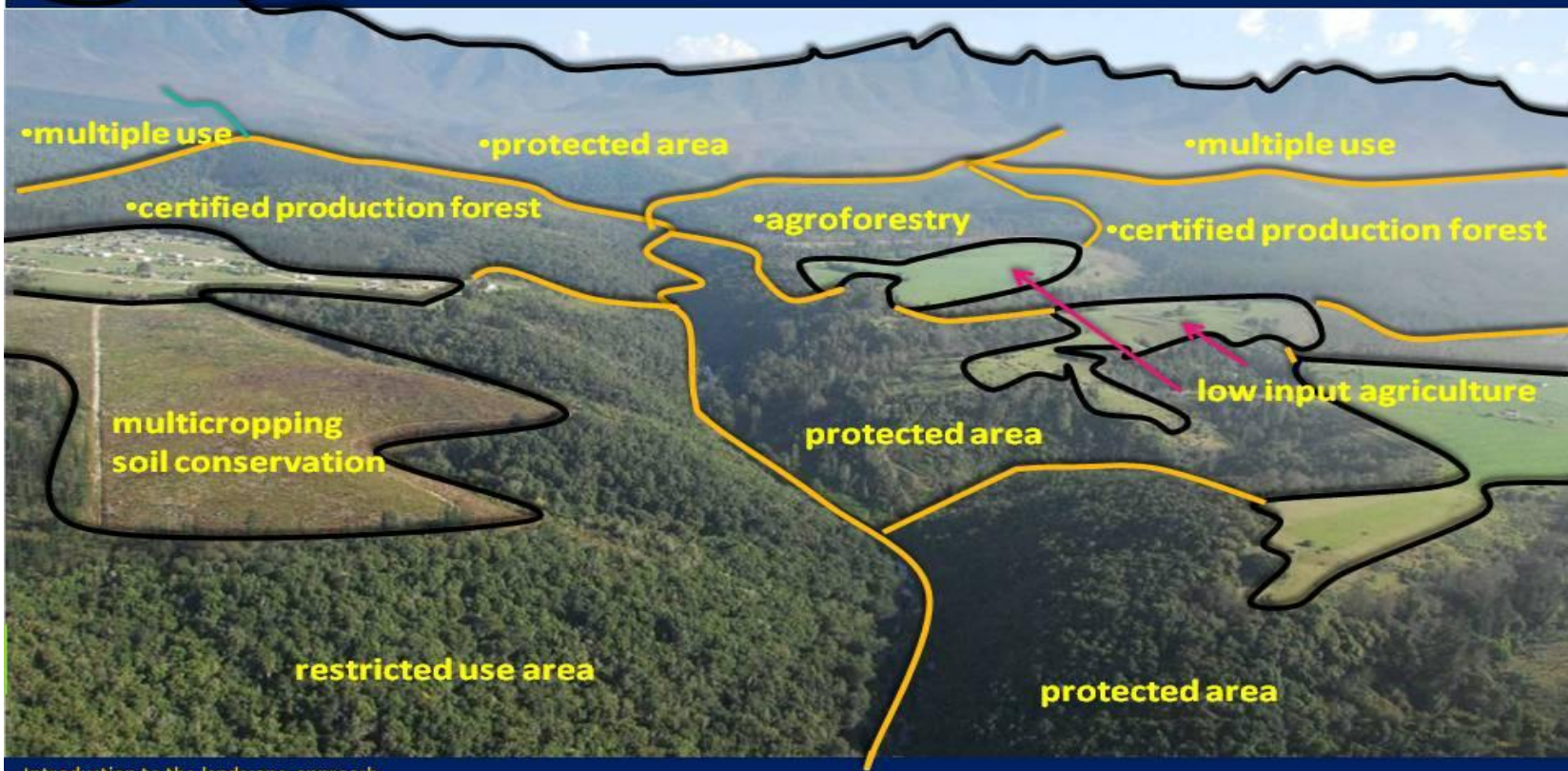
FONDO DE BIOCARBONO



- **El Fondo de BioCarbon es un Fondo de Financiamiento para el Clima para el sector de Uso Sostenible de la Tierra**
- **En 2013, lanzó la Iniciativa de Paisajes Forestales Sostenibles, escalando los resultados de proyectos pilotos**
- **Es una iniciativa que tiene recursos de varios países donantes, incluso el Reino Unido, Noruega, Alemania y Estados Unidos y que esta administrada e implementada por el Banco Mundial**
- **El principal objetivo de este Fondo es la mitigación de cambio climático y la reducción de gases de efecto invernadero en el sector uso de tierra con un enfoque**

BIOCF IPFS – ENFOQUE NIVEL PAISAJE

The Landscape Approach: a mosaic of land uses that depends on and enhances biodiversity and climate resilience



Introduction to the landscape approach

BIOCF IPFS – OBJETIVOS DE LOS PROGRAMAS

El IPFS busca programas que:

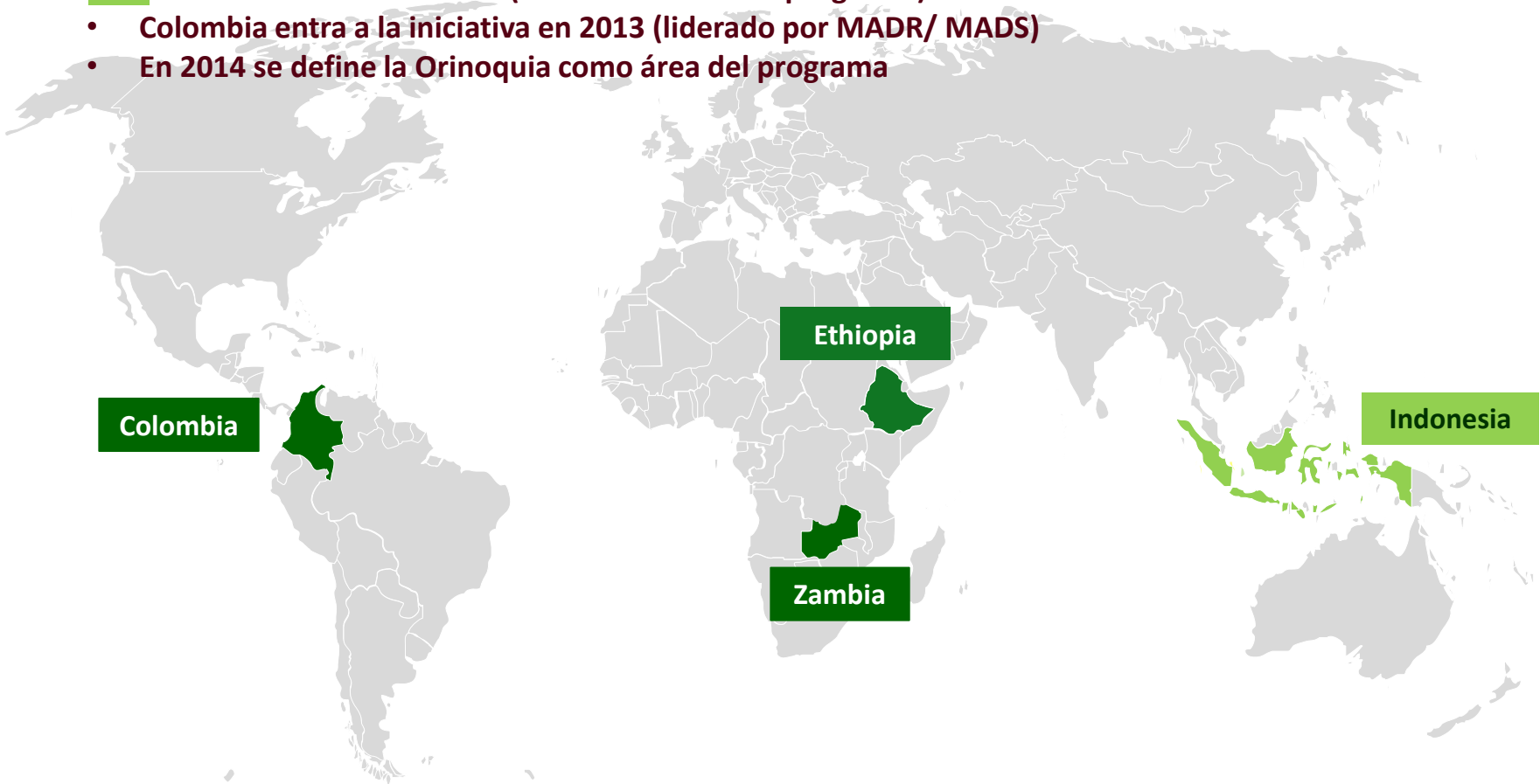
- **Operen a escala paisaje**
- **Apliquen una metodología de monitoreo y verificación de reducción de emisiones al nivel de paisaje**
- **Se encuentren vinculados a la estrategia REDD+ nacional y a otras estrategias de desarrollo bajo en carbono del país**
- **Estimulen una combinación de políticas e inversiones**
- **Estén basados en un sistema de pagos basados en desempeño/resultados**
- **Una iniciativa inclusiva que busca apoyar y trabajar con pequeñas, medianas y grandes productores**
- **Busquen vincularse a y tener incidencia en actividades del Sector Privado**

BIOCF IPFS: VENTANAS DE PAISES (EVALUADOS Y FINANCIADOS)

 Ethiopia, Zambia, Colombia: financiado y en desarrollo

 Indonesia: seleccionada (buscando definir el programa)

- Colombia entra a la iniciativa en 2013 (liderado por MADR/ MADS)
- En 2014 se define la Orinoquia como área del programa



BIOCF IPFS: DOS INSTRUMENTOS



**Dos fuentes de
financiamiento**

BioCFplus

~\$20m



Asistencia tecnica (ex-ante)



Ejemplos: condiciones propicias, diseño del programa, apoyo tecnico y analitico, inclusion social, acceso a financiamiento, promover alianzas con el sector privado

BioCF Tranche 3

~\$50m



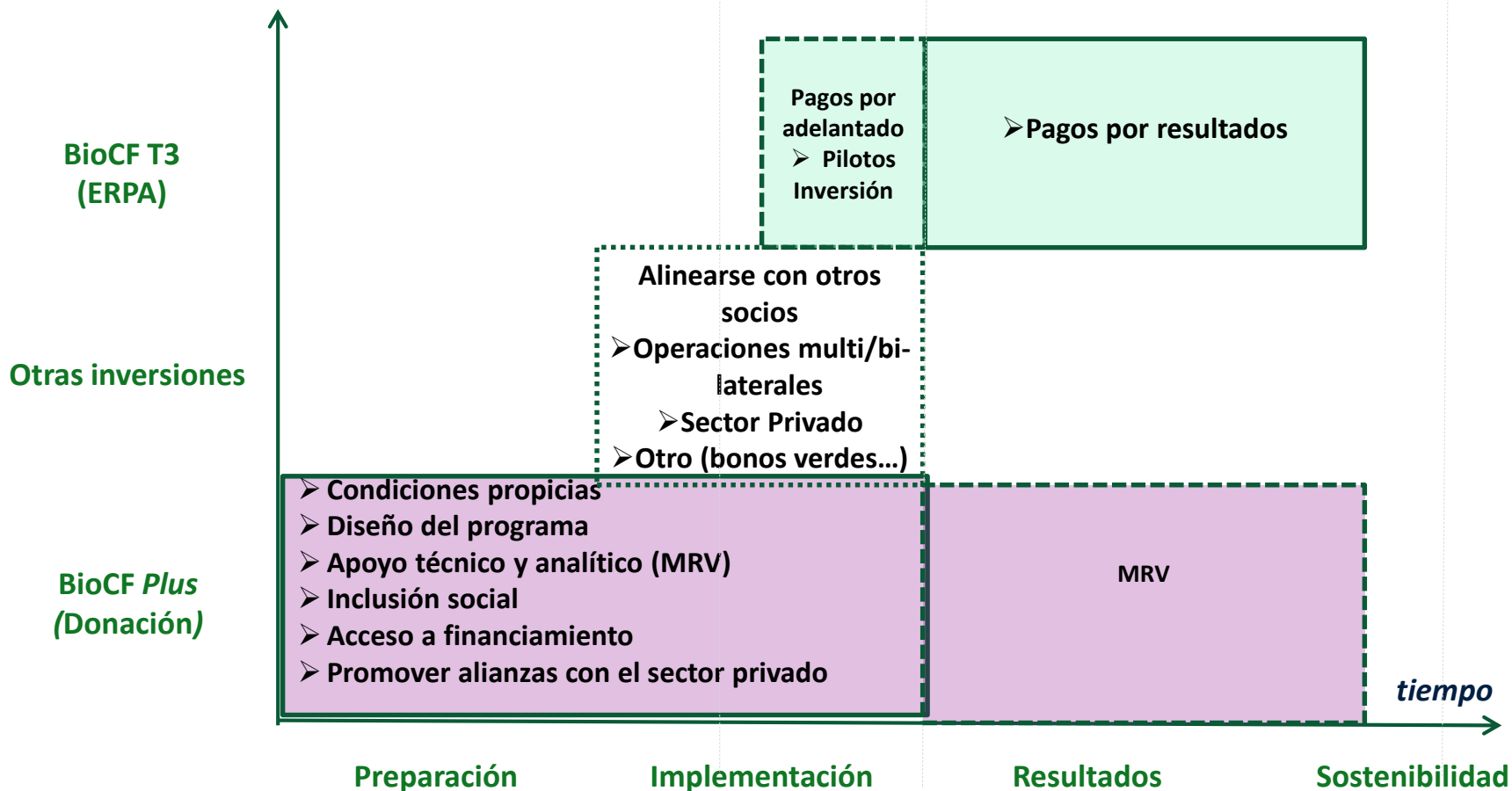
Pagos por resultados (ex-post)



Ejemplos: pagos por reducciones de emisiones verificadas en la jurisdiccion comparado con la linea de base

BIOCF IPFS: DOS INSTRUMENTOS (4)

Dos Fondos Complementarios Para Desarrollar un Programa:



THE NEED FOR PRIVATE SECTOR ENGAGEMENT



Consumer goods companies



Traders and exchanges



Smallholders



Large local producers



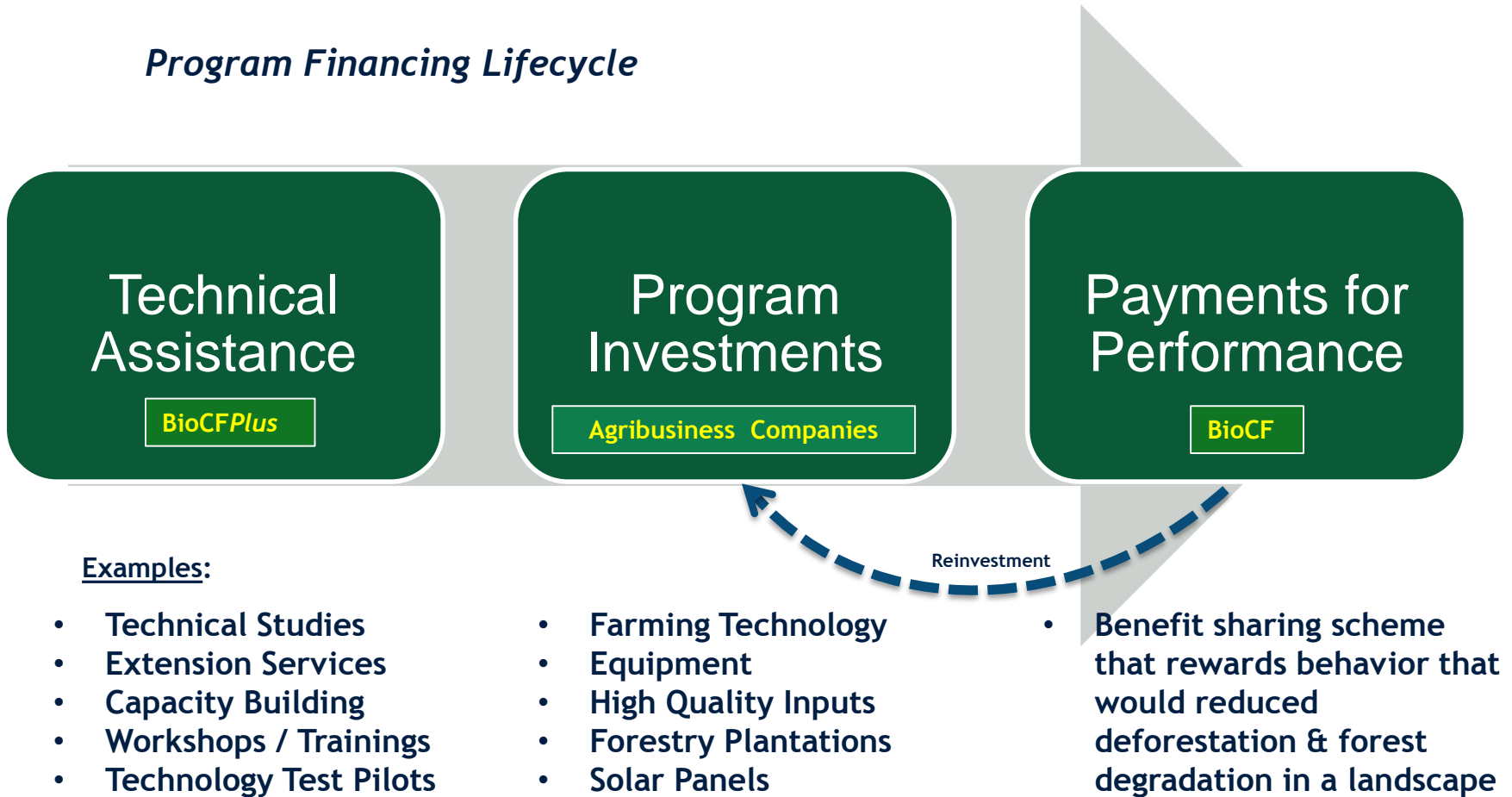
Finance (local and international)



Entrepreneurs

ISFL POSSIBLE FINANCING MODEL

Program Financing Lifecycle



WHAT CAN THE WBG OFFER?

- **Sustainable Extension Services** - Conditional grants available to finance the extension of knowledge and best practices to firms/farmers
- **Expansionary Lending** - through IFC, a whole-suit of financial products and advisory services are available to expand sustainable agriculture production in the program area
- **Risk Sharing Facility** - through IFC, an opportunity to share or manage risk in lending inputs on credit to farmers
- **Marketability** - opportunity to improve production standard initiatives by including zero-deforestation standards, which improve the marketability of the end product



ETHIOPIA EXAMPLE: COFFEE

- **IFC Client** - A major international coffee company interested in buying more sustainable zero-deforestation coffee
- **Farmers** - Poor farmers with limited land and low productivity. Weak access to extension services and no access to credit
- **Local banks** - Capital available but view farmers as too risky
- **NGOs** - Capable and willing to help but need the funds to provide technical assistance
- **WBG ISFL Program** - Knowledge, TA grants, and financing to help farmers grow, bank finance, and companies buy without deforestation



IFC PROJECT IN ETHIOPIA

- **Risk Sharing Facility** - IFC extends credit (around \$20 million) to local bank to lend to coffee farmers adopting zero deforestation. Risk of default is shared between bank, company, and IFC
- **Technical assistance** - ISFL program partners with an NGO to provide farmers with extension services and help them get loans to increase productivity (Phase I of TA is funded by ISFL grant and Phase II by Coffee Company)
- **Coffee Company** - commits to buy the coffee from the farmers at a premium to international prices (around %20 premium). Labels its coffee as sustainable zero-deforestation and sell it at a premium
- **Farmers** - are better off because they experience higher productivity and sell their crops at higher prices



POSSIBLE APPROACH TO WORK WITH COMPANIES AND SMALL FARMERS

Farmers:

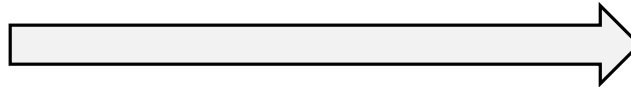
- Access to finance and knowledge
- Increase in Productivity

- 1- Provide technical assistance to farmers
- 2- Ensure that farmers are not deforesting



- 1- Grant to pay for technical assistance

1-Farmers sell zero deforestation coffee to Company



Company:



- Access to deforestation free commodities
- Stronger relationship with farmers

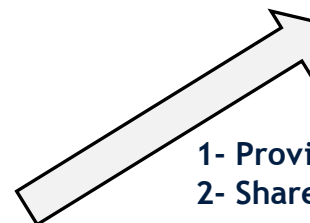
- 1- Recommend farmers for credit
- 2- Deduct bank payments from harvest



1- Bank provides credit to farmers



- 1- Provide bank with capital if needed
- 2- Share losses if they occur



INTERNATIONAL FINANCE CORPORATION



The International Finance Corporation (IFC) is a member of the World Bank Group. It promotes sustainable **private sector** investment in **developing countries** as a way to reduce poverty and improve peoples lives.

IFC operates on a commercial basis. It invests exclusively in for-profit projects and charges market rates for its products and services, which cover three broad areas.

IFC PRODUCTS AND SERVICES



FINANCIAL PRODUCTS

IFC's traditional and largest activity is to finance private sector projects in developing countries. IFC provides loans, equity finance and quasi-equity. It also offers financial risk management products and intermediary finance.

ADVISORY SERVICES

IFC provides advice and technical assistance to private businesses and governments in developing countries. These services cover a broad spectrum including advice on privatization, business related public policy and industry-specific issues.

RESOURCE MOBILIZATION

IFC helps companies in developing countries tap into international capital markets. IFC also mobilizes financing from international financial institutions through investment funds, underwriting, securitization, private placement and other innovative approaches.

PRODUCT OFFERINGS

IFC provides a full range of financial and advisory services products to its clients

Senior Debt

Mezzanine
Finance

Equity

Structured
Finance

Sustainable
Finance

Trade Finance

Short Term
Finance

Advisory
Services

Client Risk
Management
Products

IFC PROJECT ELIGIBILITY CRITERIA



BioCarbon Fund

IFC offers a wide variety of financial products to private sector projects in *developing countries*. In order to be eligible IFC funding, a project must meet a number of IFC criteria:

- Project must be located in a developing country which is a member of IFC.
- It must be in the private sector.
- It must be technically sound.
- It must have a good prospect of being profitable.
- It must benefit the local economy.
- It must be environmentally and socially sound, satisfying IFC environmental and social standards as well as those of the host country.

IFC limits the total amount of own-account debt and equity financing it will provide for any single project.



WORLD BANK GROUP
Climate Change

Thank you

