



Harnessing public and private financing in reducing emissions in the AFOLU sector: **Recommendations**

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General recommendations

AFOLU LEDS developers should consider:

- sustainable development, adaptation, livelihoods, etc. and not just emissions reduction;
- financial returns on investment in addition to capacity building and social and environmental impacts;
- connecting SMEs with national banks who know the local situation;
- Moving to a focus on resilience.



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Private sector financing

- Governments could consider reducing capital gains tax for implementing sustainability standards;

But:

- Large companies have own sustainability financing and donors and NGOs/CSOs can interfere as data sharing may be required.

Government financing needs

Governments need financing for:

- Building policy and institutional frameworks to motivate private sector investment;
- Building capacity for REDD+;
- Developing regulatory frameworks for the banking sector.



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NGOs/CSOs financing needs

Financing is needed by NGOs/CSOs to:

- Work with large companies to help them engage with smallholders;
- Raise awareness, build capacity and influence SMEs working around corporates with sustainability commitments;
- Formulate projects that are financially viable for private sector to invest.



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Roles of Development Finance Institutions (DFIs)

- Provide risk guarantees and credit enhancement to make investments more attractive to the private sector;
- Aggregate AFOLU projects to provide an attractive portfolio to the bond market.



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Donors provide funding for:

- AFOLU LEDS feasibility studies - identify investment needs and investment opportunities;
- Developing a summary of AFOLU financing options.
- Training financiers on what constitutes a green investment (other than tree planting);

Donors provide funding for:

- Training for governments on climate financing including green/climate bonds;
- Documenting approaches to risk sharing to attract private investment in AFOLU projects;
- Developing good practice guidelines for communicating with banks.



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