

Private Finance

Shifting Private Financial Flows from
Deforestation-Linked to Forest-Positive

Photo: Unsplash



Forests, People, Climate (FPC) is a collaborative of philanthropic funders, civil society, and community-based organizations seeking to halt and reverse tropical deforestation while supporting just, sustainable development. We focus on equitable and enduring solutions that safeguard tropical forests and support those stewarding them, in particular Indigenous Peoples, Local Communities, and Afro-descendants in tropical forest countries. For more information, please contact us at info@forestspeopleclimate.org

Why Private Finance?

Business-as-usual private investment in conventional soft commodity production continues to drive tropical deforestation because it is currently profitable. The 350 companies that produce, trade, use, or sell the largest amounts of the key commodities linked to deforestation collectively received over \$6.1 trillion from their 150 largest financiers in 2022¹. Consequently, Financial Institutions (FIs) across asset classes deploy a significant amount of private capital for soft commodity production with a high risk of fueling ongoing deforestation.

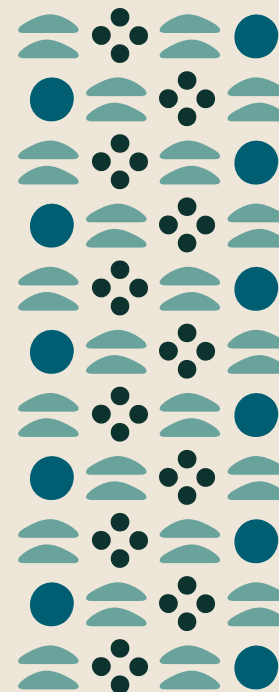
Worldwide, agriculture is responsible for 80% of global deforestation, with deforestation linked to key agricultural commodities accounting for 11% of global carbon emissions². Additionally, commodity-driven deforestation is associated with land conflicts and other threats to Indigenous Peoples, Local Communities, and Afro-descendant (IP, LC, & AD) communities in tropical forest countries.

Investment decisions in soft commodity production, including soy, beef, leather, palm, timber, and pulp and paper, must be guided by clear standards and accountability mechanisms. This will help curtail deforestation-linked finance and ensure forest-positive finance – in which public, private, and philanthropic investments, or a blend thereof, seek to conserve or restore tropical forests while promoting sustainable development.

Forests, People, Climate (FPC) supports efforts to highlight the interrelated risks, ramp up pressure, and elaborate the elements underlying the notion of 'forest-positive' finance, while fostering private sector alignment and preventing greenwashing to ultimately enable investments in soft commodities' production to be decoupled from deforestation. This can be achieved through a set of objectives and actions that encourage and support FIs to eradicate forest-risk investments from their portfolios.

¹ Forest 500, 2023: A Watershed Year for Action on Deforestation – Annual Report 2023, Global Canopy.

² "Assessing the Financial Impact of the Land Use Transition on the Food and Agriculture Sector," UNFCCC Climate Champions, Sep. 2022.



Our Goal

Shift financial flows away from deforestation-linked and toward forest-positive soft commodity production.

To succeed, the private financial institutions bearing the most responsibility for financing commodity-driven deforestation must decouple their investments in forest-risk soft commodity production from enterprises and specific projects posing a high risk of exposure to deforestation. They can do this by adopting new policies and practices including using data, information, and tools to improve decision making. Additionally, the total capital financing soft commodity production globally must shift to being more forest-positive.

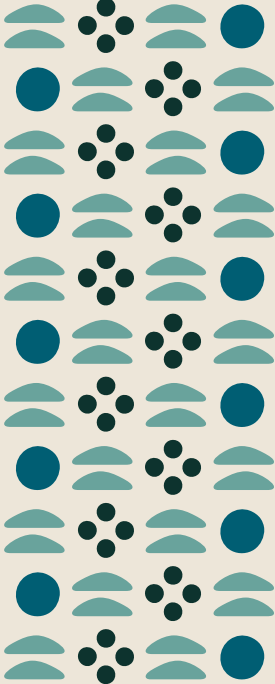


Photo: Archive by If Not Us Then Who?

Focus Areas:

Part I: Curtail Private Capital Flows that Fuel Deforestation

- 01. Advance Deforestation-Free Policies at Global FIs** Promote the adoption of deforestation-free investment policies and practices by the major private international financial institutions most responsible for financing commodity-driven deforestation.
- 02. Advance Deforestation-Free Policies at Global FIs in Tropical Forest Geographies** Promote the adoption of deforestation-free investment policies and practices by the private financial institutions based in key tropical forest regions (Congo Basin, Brazil, and Indonesia) most responsible for financing commodity-driven deforestation.
- 03. Support Regulations to Halt Deforestation** Support explicit stipulations to halt deforestation being incorporated into finance sector regulations related to climate, nature, and sustainability.
- 04. Use Data to Inform Decisions** Ensure financial institutions use data, information, and tools to inform decisions about eliminating commodity-driven deforestation from investment portfolios.
- 05. Use Knowledge to Drive Change** Ensure that civil society and finance sector actors have access to the knowledge needed to drive the shift away from deforestation-linked finance.

Focus Areas:

Part II: Mobilize & Channel Finance to Forest-Positive Soft Commodity Production

- 01. Increase Understanding of Forest-Positive Finance** Help investors, financial institutions, governments, and civil society develop a shared understanding of forest-positive finance and related challenges and opportunities.
- 02. Identify Forest-Positive Opportunities** Help investors and financial institutions have access to information that enables them to identify attractive forest-positive investment opportunities.
- 03. Increase Forest-Positive Investments** Increase direct concessional and market-return investments in forest-positive soft commodity production.

Further Information

This overview of FPC's strategic priorities for private finance draws on a strategy developed through a consultative process with a range of stakeholders.

About FPC Strategies

FPC has nine strategies – three regional strategies in the Brazilian Amazon, Congo Basin, and Indonesia, and six cross-cutting thematic strategies: Enabling Conditions, Indigenous Peoples, Local Communities, & Afro-Descendants (IP, LC, & AD), Supply Chains, Strategic Communications, Private Finance, and Carbon Markets Integrity.

The primary purpose of the FPC strategies is to provide a roadmap for grantmaking, action, monitoring progress, and learning. The strategies are also a tool to align a number of actors around strategic goals, whether it's where FPC focuses implementation or funding. These are 'living strategies' that FPC intends to iteratively update to respond to changing contexts.

