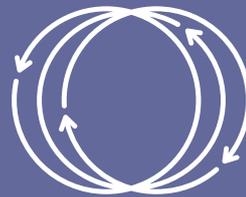




© © Nicholas Hurt/UNDP Green Commodities Programme



**GOOD
GROWTH
PARTNERSHIP**

The Good Growth Partnership

Cultivating Sustainability in Commodity Supply Chains

Enabling Transactions – Market Shift to Deforestation Free Beef, Palm Oil and Soy

The Challenge

Nearly three quarters of tropical deforestation in the past decade was driven by commercial agriculture fuelled in turn by investment decisions largely uninformed about the environmental, social and economic damages of unsustainable land conversion.

One of the key issues at the root cause of this problem is the lack of understanding of the risks faced by financial institutions. Many of these finance organizations have a significant client base in sectors with high direct or indirect impacts or dependencies on forest ecosystems. This problem

is exacerbated by a lack of methodologies and tools available to these institutions to assert the value add from investment in zero-deforestation production.

There is also a lack of mandatory requirements on financial institutions and a general misalignment between financial needs and available fiscal instruments. Further adding to these challenges are subsidies and a lack of clarity on definitions and principles, which hinder the ability to formulate effective solutions and policies for the financial sector.

Budget

GEF: USD \$6,495,101
Co-financing: USD \$22,958,419

Implementing Agencies

World Bank Group/IFC and the UN Environment Finance Initiative in partnership with WWF-US, the UNEP Inquiry and Forest Trends

Countries and Regions in Scope

- Indonesia: North Sumatra and Jakarta
- Paraguay: The Chaco and Asuncion
- Brazil: Matopiba and Sao Paulo
- Liberia: Limited activities

Project Overview

The overarching goal of the Good Growth Partnership's Enabling Transactions Project is to accelerate the realization of sustainable, no-deforestation commodity supply chains. This will be achieved by increasing the engagement and ambition of the financial sector to incorporate sustainability related targets in their decision-making processes.

The project also aims to develop products and services which incentivize financial sector stakeholders while simultaneously increasing the engagement and ambition of governments to align their fiscal systems with these goals.

Project Components

1. Zero-Deforestation Transactions

Executed by the IFC, this component supports commercial transactions directed at zero-deforestation production models. The IFC has committed to designing at least USD \$100 million of new investment per year to stimulate the adoption of innovative agricultural practices and models. This catalytic investment will be permitted by the development of innovative financial instruments that will be deployed through both banks and companies with direct and indirect impacts on forest ecosystems.

2. Capital for Zero-Deforestation Supply Chains

The second component, co-led by the IFC and UNEP-FI, increases the amount of capital directed towards zero-

deforestation supply chains by subjecting existing "business as usual" financial flows to enhanced and improved deforestation risk policies and by developing the capacity of banks and financial institutions to adequately assess and manage deforestation-related risks.

3. Financial Analysis

The third component provides analytical support to the public sector with a view of using public finance and incentives more effectively to stimulate and catalyze private finance mobilization efforts as well as to promote blended finance solutions.

Expected Results

Increase the level of available funding for zero-deforestation activities by **USD \$100 million** per year, in the form of at least **15 to 20** transactions, taking advantage of **four** innovative financial instruments, either directly deployed through company financing or through credit lines provided to second-tier banks.

Train up to **50** financial institutions on the importance of appropriate zero-deforestation policies for soft commodity lending and investment.

Train up to **20** banks on innovative risk assessment methods to quantify exposure on deforestation risks.

Support the **four** Good Growth Partnership governments to develop effective measures and policies aimed at aligning private and public finance to accelerate the transition towards zero-deforestation production systems.



Stakeholders Engaged

To date, the Good Growth Partnership's Enabling Transactions Project has engaged a wide range of stakeholders, including government officials, financial institutions, development finance institutions and civil society organizations. The Partnership continues to work with these stakeholders, supporting them with guidance on a number of issues, including the importance of inclusiveness, gender balance and smallholder access to finance. During project preparation, consultation was extended to the UNEP Regional offices of Africa, Asia/Pacific and Latin America and the Caribbean as well as UNEP country offices of Brazil, Indonesia, Liberia and Paraguay. Likewise IFC engaged staff in their Indonesian and Latin American offices. The project intends to strengthen the dialogue with stakeholders throughout its duration.

Opportunities for Engagement

The Good Growth Partnership Transactions Project seeks the contribution of a variety of partners to support the development and implementation of credit solutions and preferential loans aimed at changing beef, soy and palm oil production models. The project foresees that different actors along the financial value chain will need to be mobilized, including commercial and agricultural banks, financial as well

as mezzo and microfinance institutions in order to deliver these solutions to smallholders and previously considered "unbankable" customers. Firms that have committed or are considering making a deforestation-free commitment are also potential partners for the program. Foundations and/or social investors are also opportunity partners, particularly where the potential to 'blend' long-term capital with commercial capital is required.



© Jito Lee/The Good Growth Partnership



© Nicholas Hurt/UNDP Green Commodities Programme

About the Good Growth Partnership

Launched at the United Nations New York headquarters in 2017, the Good Growth Partnership works with the governments of Brazil, Indonesia, Liberia and Paraguay, as well as the private sector and civil society organizations, to put sustainability at the heart of commodity supply chains. The partnership is funded by the Global Environment Facility and also contributes to the GEF's commitment to assist the

objectives of multilateral environmental agreements. Led by the UNDP's Green Commodities Programme, the initiative was designed and is being implemented in partnership with Conservation International, the International Finance Corporation, UN Environment, the World Wildlife Fund and their respective partners.

Project Document

View the [project document](http://www.thegef.org) in full at www.thegef.org

Contact

For more information on the Good Growth Partnership's Enabling Transactions Project please contact **Bruce Wise**, Global Specialist, Environmental & Social Standards, Sustainable Business Advisory, at the International Finance Corporation (IFC): bwise@ifc.org

Cultivating
Sustainability
in Commodity
Supply Chains

Supported by:



Led by:



In partnership with:

