



USAID
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PRIVATE SECTOR ENGAGEMENT TO CONSERVE FORESTS

OVERVIEW

USAID considers **private sector engagement** (PSE)—a strategic approach to planning and programming through which USAID works closely with the private sector—fundamental to ending the need for foreign assistance. Partnering with the private sector not only benefits the countries with which USAID works, but also creates investment opportunities for American companies. Private sources represent over 90 percent of financial flows to developing countries, and the private sector creates jobs needed to alleviate poverty and drives innovation to solve complex problems.

In developing countries, the forest sector presents unique challenges and opportunities for private sector engagement. Forests provide more than 86 million jobs,¹ and support the livelihoods of rural men and women. In addition to timber, forests also provide critical nature-based services such as consistent water flows for drinking and agriculture, habitat for wildlife and pollinators, and carbon capture, for which new markets are emerging.

At the same time, global demand for wood, paper, and agricultural commodities has put tremendous pressure on forests, driving illegal logging and large-scale forest clearing, particularly in countries that lack resources for oversight and management. The alarming rate of loss of these valuable ecosystems and high public concern has led companies that rely on forest resources to become a part of the solution to guarantee their sustainability and long-term health.

HOW DOES USAID WORK WITH THE PRIVATE SECTOR ON FORESTS?

In 2018, USAID invested \$189 million to help people, enterprises, and governments in 40 countries improve forest and land management. The Agency works with individual businesses or consortia of organizations committed to legal, equitable and sustainable practices that improve people's well-being. By partnering with USAID, the private sector can join a diverse set of government and non-governmental actors to expand sustainable natural resources management, protect the planet's resources, and support inclusive economic growth.

USAID engages with the private sector in several areas to improve outcomes for forest protection, restoration, and management: working with the financial sector to unlock capital; building and enabling access to new markets for ecosystem services; strengthening local capacity to scale sustainable supply chains; and collaborating on new science and technology applications.

PHOTO: In Vietnam, forest owners in Cat Tien National Park learn how register to receive payments through their mobile phone through Vietnam's Payments for Forest Environmental Services (PFES) mechanism. Photo by: Lauren Keller

¹ Food and Agriculture Organization of the United Nations, 2020.

Working with the Financial Sector to Unlock Funding for Sustainable Activities

Leveraging **private sector financing** is essential for jump-starting investments to conserve or restore forests. For example, **USAID Green Invest Asia** helps agricultural and forestry businesses in Southeast Asia improve environmental stewardship by making connections with investors and reducing barriers to investment. USAID Green Invest Asia's current pipeline will shift more than \$100 million of consumer spending into sustainably produced commodities and direct \$190 million of investments into sustainable production.

In 2020, two funds that USAID helped establish to expand conservation finance received Environmental Finance IMPACT awards: **SITAWI's Empréstimo Coletivo**, winner of *Impact Initiative of the Year*, is a pioneering crowd-lending platform that combines individual retail investors with more traditional direct loans from larger co-investors. So far, 228 investors are providing \$950,000 in loans to sustainable businesses in the Amazon, including indigenous communities. **Mirova Natural Capital's Althelia Biodiversity Fund**, winner of the 2020 *Multi-Asset Fund of the Year*, aims to deploy \$100 million of blended finance into activities that improve biodiversity and community livelihoods in the Amazon Basin.

Expanding Markets for Ecosystem Services

USAID helps countries create policies and access markets that value carbon sequestration, watershed protection, and other ecosystem services that forests provide. USAID assisted **Colombia** in launching a game-changing program that established procedures for businesses to reduce their carbon tax burden through verified investments in activities such as forest protection. Since the beginning of the project in 2014, 19 afro-colombian and indigenous communities have protected 550,000 hectares of forest, reduced 6.1 million tonnes of carbon dioxide emissions, and earned more than \$11 million from the 2.2 million carbon credits sold.

In Fiscal Year 2019, the Government of **Vietnam** mobilized \$127 million for forest and watershed protection through

payments for forest environmental services. USAID, the Government of Vietnam, and Microsoft collaborated to develop and deploy an online platform to track these e-payments and to improve monitoring of conservation performance.

Building Producer Capacity for Green Supply Chains

Through its **Purpose-Led Performance** initiatives, McCormick & Company has committed to sourcing 100 percent of its products sustainably, including vanilla, by 2025. The company has also committed to help 90 percent of farmers affiliated with the company to improve the resilience of their livelihoods, which is regularly threatened by severe weather or pests. McCormick and other partners are working with USAID in **Madagascar** to create an alternative to low-yield, high-deforestation agriculture and to help farmer cooperatives produce independently certified and sustainable vanilla. Nearly 1,800 vanilla farmers in the Northeastern region have received Rainforest Alliance certification, and earn premium prices for their certified vanilla. The new Sustainable Vanilla for People and Nature project, co-financed by USAID and McCormick, will reach an additional 3,000 farmers.

Partnering on Science, Technology, and Innovation

Through the U.S. Government Silvacarbon program, USAID is partnering with Google to make powerful cloud computing tools more accessible for national forest monitoring and greenhouse gas reporting. Google engineers have worked with SilvaCarbon to develop and deliver Google Earth Engine training in more than 20 countries. The platform combines satellite imagery and geospatial data sets, allowing for very rapid, complex analysis. Google Earth Engine has helped countries improve their forest monitoring and scientific reporting to qualify for programs such as the World Bank's Forest Carbon Partnership Facility. Vietnam's 2020 partnership agreement with the World Bank, for example, will unlock up to \$51.5 million in payments to six North Central regional provinces for verified reductions in carbon emissions achieved through improved forest management and restoration through 2025. Vietnam ultimately expects to reduce 10.3 million metric tons of carbon dioxide equivalent through this incentive program.