



Participation of the Private Sector in REDD+

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Sustaining Tropical Forests

Why to involve the private sector

- **Eliasch Review:** halving emissions from the forest sector by 2030 could total US\$17 – 33 billion per year.
- **Informal Working Group on Interim Finance for REDD+:** US\$ 20 billion needed by 2010-15 to cut deforestation by 25%, plus US\$ 4 billion for reduction of emissions from forest degradation.
- Blaser and Robledo: at least 10 -12 billion USD yearly for covering opportunity costs of all deforestation drivers globally
- REDD+ public investment: 4.3 billion USD until 2012 (pledges of all funds financing REDD+)

Cost estimates vary but they all point to a **significant gap between the funding pledged and the funding needed.**

The private sector is also important for providing an **entrepreneurship** character to REDD+

What are potential roles for the private sector



Investor



Implementer



Buyer of carbon "credits"

Any REDD+ mechanism needs to provide
corresponding incentives
for private sector participation

What is meant with “private sector”?



Mining industry



Oil industry



Timber Industry



Banks, and private funds

Local investors



Sources:

<http://www.bloomberg.com/news> <http://www.khaama.com> <http://www.theage.com.au/news/> <http://www.businessinsider.com/>

What are the benefits for the private sector?

POTENTIAL BENEFITS

Carbon Payments

Recognition of social and environmental responsible management of the forest

Facilitate investments in sustainable activities

Income diversification

REQUIREMENTS FOR A REDD+ MECHANISM

Market mechanism

Reporting, verification and certification of safeguards?

Various options for promoting REDD+ investments:
→ Tax reduction
→ Credit lines

Basket of products and services in REDD+ activities

Expectations from the private sector

- ✓ Allow **market mechanisms** or other clear benefit
- ✓ **Clear and simple** modalities, procedures and methodologies for REDD+
- ✓ **Clear and stable** institutions for REDD+
- ✓ **Clear and efficient** responsibility allocation in the public sector
- ✓ **Long lasting** regulation (not changing every year)
- ✓ **Low** transaction costs
- ✓ **Feasible** incentives for private sector investment

Recommendation from previous experiences

- Is there any segment of the “private sector” that should be excluded from REDD+?
- REDD+ mechanism needs a **balance between regulation and enabling conditions** for private sector participation
- **Liabilities and responsibilities** need to be clarified before the activities start
- **Benefit sharing agreement** between the private sector and other local actors is recommended as a good practice.

THANK YOU VERY MUCH FOR YOUR ATTENTION!!

