

Leveraging responsible finance and public-private policy change for biodiversity and sustainable development goals: Insights from Guatemala, Nepal and Ghana

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Abstract

Responsible finance, comprising impact investing and social lending, is a highly dynamic area that is increasingly geared toward the agricultural and forest sectors to advance biodiversity and broader sustainable development goals. New types of investors and lenders seek to achieve their financial objectives while supporting environmental and social goals. Responsible finance can be particularly impactful if combined with supportive public and private policies. This paper provides insights from three settings where such a combination is taking place, focusing on community forestry (Guatemala, Nepal) and the cocoa sector (Ghana).

In Guatemala, forest rights granted to local communities through 25-year concession contracts have required major changes in public policy facilitated through collaboration with private sustainability standards. Forest certification became a requisite for granting and maintaining the community concessions. Significant donor investments have contributed to the emergence of community forest enterprises which subsequently attracted public and private investments that helped enterprises to grow and link to new markets. Studies have shown that, in addition to their contributions to forest conservation and maintenance of key ecosystem services, the community forest concessions have generated significant livelihood benefits.

In Nepal, the government has devolved substantial forest use and management rights to local forest user groups (FUGs) since the early 1990s. The devolution triggered a process of local-level investment in a variety of small-scale forest enterprises. Public sector and donor investments have helped the FUGs to build natural, social and financial capital, fostering good forest management and livelihoods based on it.

In Ghana, momentum is growing toward a sustainable cocoa sector, with major chocolate manufacturers committed to sourcing only sustainable cocoa by 2020. Sustainability is documented through third-party certifications (Utz, Rainforest Alliance, Fairtrade) and, increasingly, private labels promoted by the companies. Social lenders support the process through credit and training provided to cocoa cooperatives, often in close collaboration with independent certification systems. Impact investors have demonstrated interest in supporting the cocoa sector's move toward sustainability, but real engagement is still in its infancy. COCOBOD, the state authority overseeing the sector, coordinates and promotes policies favourable to the process.

The three cases provide insights into how favourable public policies and public and private investments have fostered new mechanisms to promote biodiversity finance. As the supply of finance available to support biodiversity conservation continues to increase, these findings contribute to an understanding of the enabling conditions most likely to attract impact investors and social lenders.

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