Building the Investment Case for Sustainable Landscapes and Restoration

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events.globallandscapesforum.org/washingtondc-2018

Photo by Ulet Ifansasti/CIFOR
The Challenge

In recent history, humans have accelerated land use change, altering ecosystems to maximize short-term, economic returns. The lack of incentives to sustain natural landscapes has led to global land degradation, which now threatens biodiversity, livelihoods, food security, and resiliency to climate change. Lands rendered marginal are often abandoned, further exacerbating desertification and soil loss. This resource scarcity is also triggering human migration to urban centers and presents a security threat in many developing country contexts.

Despite efforts to halt deforestation and land degradation, the world continues to lose more than 7 million hectares of tropical forests each year. Recent international measures attempt to account for the implications and the opportunities inherent in reversing this trend. For example, many point to forest and grassland restoration as an important contributor to emissions reduction goals set by the Paris Climate Accord and multiple targets of the Sustainable Development Goals (SDGs). Announced in 2011, the Bonn Challenge was a global call to restore 350 million hectares of land by 2030. It was extended by the 2014 New York Declaration on Forests, which called on global leaders to end forest loss in the same timeframe. It’s an ambitious aim requiring a solution of equal proportion and vision.

The Solution

The field of sustainable finance emerged in response to a gap in funding to solve social and economic development issues. Different approaches within this discipline seek to influence financial decisionmaking and asset allocation to improve economic performance, while also achieving social or environmental impacts. These are inherently complex undertakings. Successful ventures must simultaneously address diverse needs of business, government, and land users, and the demands of consumer markets, which increasingly require that agricultural and forest-based commodities be produced sustainably. In practice, investing in emerging markets is often challenging due to an absence of effective rule of law and weak tenure rights. Enforcement and oversight of rural land practices can be prohibitively onerous for national governments, but where government intervention has failed, non-state solutions, like independent certification schemes have proven effective. However, this has led to a proliferation of standards and regulations that stymie investors.

Bright spots in sustainable finance include investment in “greening” supply chains. A growing number of companies are recognizing the value in eliminating deforestation from production of major tropical commodities. Private finance has also responded to the global challenge of reaching the SDGs and Paris Climate Accord goals through sustainable land use. In October 2017, Rabobank and UN Environment announced the creation of a new 1 billion dollar facility to finance sustainable agriculture using a combination of public and private funding.

How can we continue to tip the economic scale from valuing short-term extraction towards long-term restoration and sustainable management of landscapes? In 2015 and 2016, the Global Landscapes Forum Investment Case began to answer this question. With its inaugural meeting, participants outlined a comprehensive problem statement and identified six areas to target in order to unlock unexploited private investment opportunities and maximize environmental and social benefits.

The second convening saw the launch of the $300 million Land Degradation Neutrality Fund (LDN Fund) - a public-private partnership for landscape restoration. In the past three years, the application of sustainable finance has also accelerated as mission-driven investors seek to realize triple bottom line returns – economic, social, and environmental.

The Third Investment Case

The third edition of this symposium will continue to build the investment case for financing sustainable land use and landscape restoration. Specifically, we will celebrate important innovations in sustainable finance by going back to basics. The foundation of some of the most promising landscape restoration deals use very familiar investment vehicles, structured in ways to match the unique horizons of returns from natural systems. The symposium will feature a number of these deals, describing how partners from finance, businesses, producers and communities have put together financial packages and business plans supporting environmentally sustainable and socially responsible resource-based enterprises. This symposium will highlight how commonly understood investment products or tools can realize economic returns, thriving landscapes and resilient communities.

It is well known that investing in the forestry and land use sectors raises a host of obstacles to commercial viability, encountering barriers related to tenure insecurity, high risks and uncertain returns, insufficient information, weak supply chain governance, and others. Discussion Forums will consider various developing country cases where investors, businesses, and land users have overcome these barriers and created commercially viable projects. Cases from Guatemala, Mexico, Namibia and Nepal provide insights into how blended finance simultaneously and in stages builds local business acumen, socially inclusive enterprises and fosters links to regional and global supply chains.

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Sustainable Finance Mechanisms and Cases to be Highlighted

The examples below illustrate the types of sustainable finance solutions and cases to be highlighted at the 2018 GLF Investment Case Symposium. Participants can expect hands-on engagement in building a business case for landscape restoration and sustainable landscape management under different scenarios.

Green bonds: The proceeds from green or sustainable bonds fund projects that have positive and/or climate benefits. The green bond market has seen remarkable growth recently rising from USD 11 billion issued in 2013 to USD 157 million issued in 2017.
- Case: The Tropical Landscape Finance Facility (TLFF) is a billion dollar investment vehicle that seeks to match risk shared financial returns with high social and environmental dividends. In 2018, its first transaction was announce: a $95 million bond arranged by BNP Paribas to help finance a sustainable natural rubber plantation on heavily degraded land in two provinces in Indonesia.

Asset Class: An asset class consists of investments that share similarities in structure, behavior, and regulation. Organizing investments under the umbrella of a recognized asset class can make them more appealing and understandable to investors. Defining and determining the core characteristics of restoration projects is essential to reaching this categorization.
- Case: As an asset class, timber products are highly regarded as a strong, long-term investment. Investors hold operating or fee-simple ownership rights to working forests, which are managed for harvesting. In the United States, many of these forests are managed in sustainable, ‘natural’ states. This enhances biodiversity and maximizes other ecosystem services.

Blended finance: The strategic use of public, development finance and philanthropic funds to mobilize private capital flows to emerging and frontier markets. Large amounts of public and private capital will be required to enable a transition to sustainable land use management at scale. Initial investments from leading development banks and philanthropy offer the benefits of de-risking investments and an early alignment to environmental, social and governance (ESG) standards. These pilots should provide the information necessary for governments and private investors to fund interventions at scale.
- Case: The Blended Finance Facility (BFF) at the International Finance Corporation (IFC) aims to mitigate various financial risks associated with investments in SMEs and agribusiness as well as pioneering investments across sectors to unlock private sector opportunities that promote productivity improvements and innovation with strong development impact. The BFF builds on and expands IFC’s existing blended finance platforms, including the Blended Climate Finance programs, the private sector window of the Global Agriculture and Food Security Program (GAFSP), and the SME Finance facilities, and extends support into new high-impact sectors.

Fintech: A new financial industry that applies technology to improve financial activities. Delivering financial services and information virtually holds promise for improving transparency, collecting data, and accelerating knowledge transfer and job creation in developing countries.
- Case: Companies like Walmart and Nestle are looking to blockchain technology to improve traceability of food from farm to consumer. Partnering with IBM, Walmart dropped the time required to trace a package of mangoes to its source from 6 days to 2.2 seconds. Blockchain is also being utilized in timber sales by companies like BV Rio, which offers a trading platform with due diligence and source information.

The Participant Experience

The Investment Case Symposium is an invitation-only conference, which will be livestreamed. Through attendees and our online audience, we will continue to build a community of individuals galvanized around a mission of creating a more sustainable planet through connection, learning and action.

Participants will include representatives from leading commercial banks, investment banks, impact investing, development finance institutions and philanthropy. NGO and civil society representatives will be invited to share their knowledge and expertise on current efforts in financing landscape restoration. Smallholder land users will present their experiences with various landscape restoration project realities.
Proposed topics for Discussion Forum Applications

- What lessons can be learned from the recognition of timber management as an asset class to establish similar status for land restoration?
- How are blended finance approaches mitigating risks that would otherwise be a barrier to private investment (e.g. credit guarantees)?
- Is there an opportunity to streamline standards and reporting requirements (e.g. regulations, certification programs) to encourage the flow of private capital to sustainable land use practices?
- How can innovations in FinTech, like blockchain technology, improve supply chain transparency and incentivize investment in sustainable production of tropical commodities?
- How can large institutional and public investors support bottom-up, localized solutions to landscape management challenges, respect practical smallholder knowledge, and avoid being overly prescriptive?
- How can investment deals be structured to promote improvements in not only landscape health, but also governance and tenure security?

The outcomes of the symposium will be integrated into and presented at the Global Landscapes Forum: Forest and Landscape Restoration in Africa: Prospects and Opportunities in Nairobi, Kenya on August 29 and 30, 2018, and the annual Global Landscapes Forum at the World Conference Center in Bonn on Dec. 1 and 2, 2018.

such as regulations, access to credits and loans, and generic project design. Experts in sustainable supply chains and environmental risk assessments will also be in attendance.

On the first day, participants will learn and interact through keynote address, discussion forums and “landscapes over lunch.” Investment opportunities will be presented with a “dragons’ den” in plenary style during which presenters pitch ideas to a panel of investors, finance experts and land use practitioners. All pitches will introduce projects at an advanced stage that are suitable for investments. Participants also have the option of reserving space for a second day of focused conversations and working groups on Thursday, May 31st. To learn more about the Symposium content, visit our website.

How to Participate

Coordinating partners will steer the process around the meeting. As such, they form the committee that will jointly select all sessions, presenters and speakers.

Session hosts are invited to take the lead in organizing expert clusters, case study sessions or proposing pitches. All proposed sessions will be subject to approval by the coordinating partner committee. The application process is scheduled to start in March 2018.

Participation is by invitation only and event partners will select a high caliber pool of experts and practitioners to be invited from finance, policy, research and civil society. We invite interested parties to apply for participation (GLFWashington@cgiar.org).

Funding partners support the event financially and will receive full logo recognition.

“Dragons’ Den” style event during which presenters pitch ideas to a panel of investors and finance experts. Projects will be “investment ready” and appropriate for 5-100 USD million in funding.

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Montée Parc Wood Market, Yaoundé, Cameroon. Photo by Olivier Girard/CIFOR

Aerial views of Sekatetang hamlet, Ribangkadeng village in Kalis, Kapuas Hulu District, West Kalimantan on December 11th, 2017. Photo by Nanang Sujana/CIFOR

Worker shells Brazil nuts, Puerto Maldonado, Madre de Dios, Peru. Photo by Marco Simola/CIFOR
Governments Supporting Holistic Approach to Restoration

The African Forest Landscape Restoration Initiative is a country-led effort to bring 100 million hectares of deforested and degraded landscapes across Africa into restoration by 2030. The initiative connects political partners with technical and financial support to scale up restoration on the ground and capture associated benefits for food security, climate change resilience, and poverty alleviation.

The German development corporation, BMZ, focuses on three areas in order to achieve development goals that are linked to forests:

- Rewarding the efforts of partner countries to curb deforestation and forest degradation (REDD+)
- Restoring diverse, economically productive and ecologically intact forest landscapes
- Deforestation-free supply chains.

For more information, please contact Lindsey Larson (l.larson@cgiar.org) or GLFWashington@cgiar.org.

Find out more about past GLF Investment Case events: https://archive.globallandscapesforum.org/london-2016/

Visit the Global Landscapes Forum: http://www.globallandscapesforum.org/about/what-is-glf/

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The Global Landscapes Forum (GLF) is the world’s largest knowledge-led multi-sectoral platform for integrated land use, bringing together world leaders, scientists, private sector representatives, farmers and community leaders and civil society to accelerate action towards the creation of more resilient, equitable, profitable, and climate-friendly landscapes. The Center for International Forestry Research (CIFOR), UN Environment, and The World Bank launched the Forum in Warsaw in 2013, alongside the UNFCCC Conference of Parties (COP). With core funding provided by the German Government, the GLF is entering its next 5-year phase with a launch a movement of 1 billion people towards the creation of sustainable landscapes.