

GLOBAL LANDSCAPES FORUM: THE INVESTMENT CASE

TOWARD A ROADMAP FOR SUSTAINABLE FINANCE AT SCALE

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RESEARCH
PROGRAM ON
Forests, Trees and
Agroforestry

BACKGROUND

- **The Global Landscapes Forum platform established**
 - Combines the preceding Forest and Agriculture Days
 - Held at UNFCCC COPs
 - Going beyond climate change
- **Why is CIFOR and GLF engaging in finance?**
 - Small & Medium scale land use suitable for sustainable investments
 - Beyond climate benefits – forestry and agriculture returns more broadly
 - Potential of large scale private finance sector
 - But
 - Lack of financial products for scaling up
 - Unclear policy frameworks
 - Insufficient knowledge base
- **Led to Global Landscape Forum platform engaging finance sector 10-11 June 2015**

GLF: THE INVESTMENT CASE (10-11 JUNE IN LONDON)

Expert symposium organized by CIFOR, UNEP, the World Bank and the European Investment Bank

HIGHLIGHTS

- 220 senior experts (> 70% private sector)
 - including from JP Morgan, BNP Paribas, Credit Suisse, Deutsche Bank, Unilever, Marks & Spencer and Danone
- 10 thematic breakouts
- 29 discussion leaders
- 1 draft roadmap



BACKGROUND AND OVERVIEW

- A third of global GHG emissions from land use
- Middle-income developing countries release largest share
- Expected population of 9.5 billion putting further pressure on resources
- Growing sustainable investment market: from 13.3 trillion (2012) to 21.4 trillion (2014)
- Potential to build on climate finance interest and think beyond to scale up investments in sustainable land use

“It is not enough to be right. For a great transformation, you need three things: **Love, reason and power**...If we are to make a transformation in the society in which we live, we have to focus on relationships.”

James Cameron, Co-founder of Climate Change Capital and Chair of the Overseas Development Institute (ODI)



GOVERNMENTS TO PROVIDE STABLE AND COHERENT FRAMEWORKS

- Clarify conflicting regulation and improve landscape-level planning
- Reduce risks associated with land-based investments
- Introduce fiscal policies that support sustainable production
- Adopt socially and environmentally progressive policies
- Distribute benefits equitably while honoring comparative advantage



WANTED: COMPREHENSIVE AND ACCURATE DATA

- Missing: Common language across sectors for determining sustainability progress
- Lack of comprehensive, disaggregated, reliable data on land-use investments
- M&E tools for integrated landscape approach
- Aggregators can verify sustainability at scale
- Financial *and* biophysical data to be included in risk management

“Too much money has chased too few of the projects in too quick a time. The **entire value chain needs to be filled with expertise**, with in-depth knowledge of what really is needed so that the right interventions are happening.” Elvira Lefting, Managing Director, Finance in Motion



IMPROVE ACCESS TO CREDIT FOR SMALLHOLDERS

- Private sector not a uniform group
- Smallholders face poor financial infrastructure
- Transaction costs high for mainstream investors
- Solution:
 - Longer maturity loans
 - Aggregating loans
 - Repayment schedule adjusted to productivity cycle

“Market interest rates might be cheaper than borrowing from local informal money lenders. But you are headed for serious trouble when farmers are being forced to pay up to 35% on unsecured loans.”

Daniel Gad, Ethiopian farmer, entrepreneur and representative of the World Farmers Organisation



FROM FINANCING PROJECTS TO FINANCING LANDSCAPES

- Innovative financial products exist – climate finance goes beyond REDD+
- Pooling of assets and investors for risk diversification
- Green/climate bonds for institutional investors
- Market commitments (such as ‘put option’) way to scale up REDD+



CONNECTING SECTORS, BUILDING CAPACITY

- Finance and climate/development communities do not speak the same language (example: equity)
- Lack of coordination and low planning capacity at public level
- Project managers and NGOs poorly equipped too assess project economics
- Culture and social norms impact on finance products (example: insurance)



“Our private sector clients — even our public sector clients — very often find that engagement with communities, with smallholders, is the most difficult part of developing a bankable project. That whole social dimension is incredibly important as we look at expanding investments in landscapes.”

Bill Rahill, Director, Environment and Natural Resources
Global Practice, World Bank Group

THE BUSINESS CASE FOR LANDSCAPES

- Capital available and in demand from land-based sectors
- Financial returns appear attractive to large-scale investors –Matchmakers key to connect actors that are often dispersed in regional and sectoral silos
- Landscape restoration attractive for private sector, delivering public goods



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