

## Inputs for the Standing Committee on Finance relating to the organization of its next Forum

In 2019 the Food and Land Use Coalition (FOLU) published a report [\*Growing Better: Ten Critical Transitions to Transform Food and Land Use\*](#). The FOLU report conveys ten critical transitions for action and amongst other things highlights the importance of banks, investors and the international community in delivering finance for Nature-Based Solutions. The FOLU report should therefore be considered as input for discussions in the Forum.

The report recommends a number of Financing solutions, amongst others:

### **Financing nature-based solutions**

- *Approximately \$100 billion new investment will be needed each year in regenerative agriculture practices to support a healthy and productive ocean and to restore forests and other critical ecosystems. Scaling up payments for ecosystem services and business models that integrate a “produce and protect” approach will help mobilize capital for nature-based solutions*
- *Scaling up REDD+ to \$20-50 billion a year – which could be funded largely by regulating high-emitting companies to purchase environmentally robust emissions reductions from tropical forest countries – will be an essential source of capital targeted mainly at reducing deforestation.*
- *Even at \$50 billion a year, the cost is modest, given the huge benefits derived from forest ecosystem services. The social benefit of the forest related “mitigation gap” in 2030 between Better Futures and Current Trends is conservatively estimated at around six gigatonnes of carbon dioxide equivalent, i.e. a social cost of \$600 billion, meaning a nine to one rate of return on investment.*

### **New financing solutions such as blended finance vehicles and instruments**

- *The use of development capital (public or philanthropic) to mitigate particular investment risks (including offtake, access to capital, credit, technical, demand and currency risk), thereby mobilizing commercial capital. Includes first loss or subordinate capital in a fund; development guarantees; hedging; political risk insurance etc.*
- *An excellent example is the &Green Fund (set up in partnership between the Norwegian government Norway, IDH and Unilever). The fund aims to use concessional capital to invest in sustainable, deforestation-free commodities and supply chains. &Green provides flexible forms of concessional/first-loss capital to finance commodity supply chain projects in jurisdictions with progressive forest and peatland protection policies*
- *This blended finance structure reduces risk for the commercial partners, while partnerships with leading international companies provide access to an extensive pipeline at low transaction costs. This structure allows the fund to address the gap in season-long loans for agriculture production in emerging markets and to promote climate-smart agriculture and responsible, deforestation-free supply chains.*

### ***Integrate natural capital accounting***

- *Governments and companies could swiftly adopt natural capital accounting policies (such as the OECD's System of Environmental-Economic Accounting or SEEA).*
- *Natural capital would then be included in government budget documents, allowing national leaders to monitor and manage their environment for economic purposes. This would also allow the financial sector to price the risk of natural capital depletion.*
- *The Economics of Ecosystems and Biodiversity (TEEB, see Box 6 in Chapter 2), a global initiative focused on "making nature's values visible", is driving this agenda through a structured approach to valuing natural capital. This should provide useful tools for decision-makers to recognize the benefits of and reliance on natural ecosystems and biodiversity, as well as demonstrate their value in economic terms to build into investment decisions.*

**Table 2 of the report (p.199-201) gives an overview of possible financing solutions that would assist in reaching a Better Futures scenario as described in the FOLU report. The report also emphasizes that government policy is essential to drive large scale investments in nature and more nature friendly development in general, see Chapter 5 section 5.1: *Actions for Government*.**