



Food and Agriculture  
Organization of the  
United Nations

## **Forest and Landscape Restoration Financing**

### **Financing strategies for Forest and Landscape Restoration (FLR)**

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Forest and Landscape  
Restoration Mechanism  
(FLRM) FAO

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# Scope of the Challenge

*“An active process that brings people together to identify, negotiate and implement practices that restore an agreed optimal balance of the ecological, social and economic benefits of forests and trees within a broader pattern of land uses.” (GPFLR)*

Forest loss  
**USD 2–5 trillion**  
each year\*

Landscape degradation  
**3–16%**  
of agricultural GDP

Up to 2 billion hectares of degraded land (source GPFLR)

## FOREST AND LANDSCAPE RESTORATION (FLR)

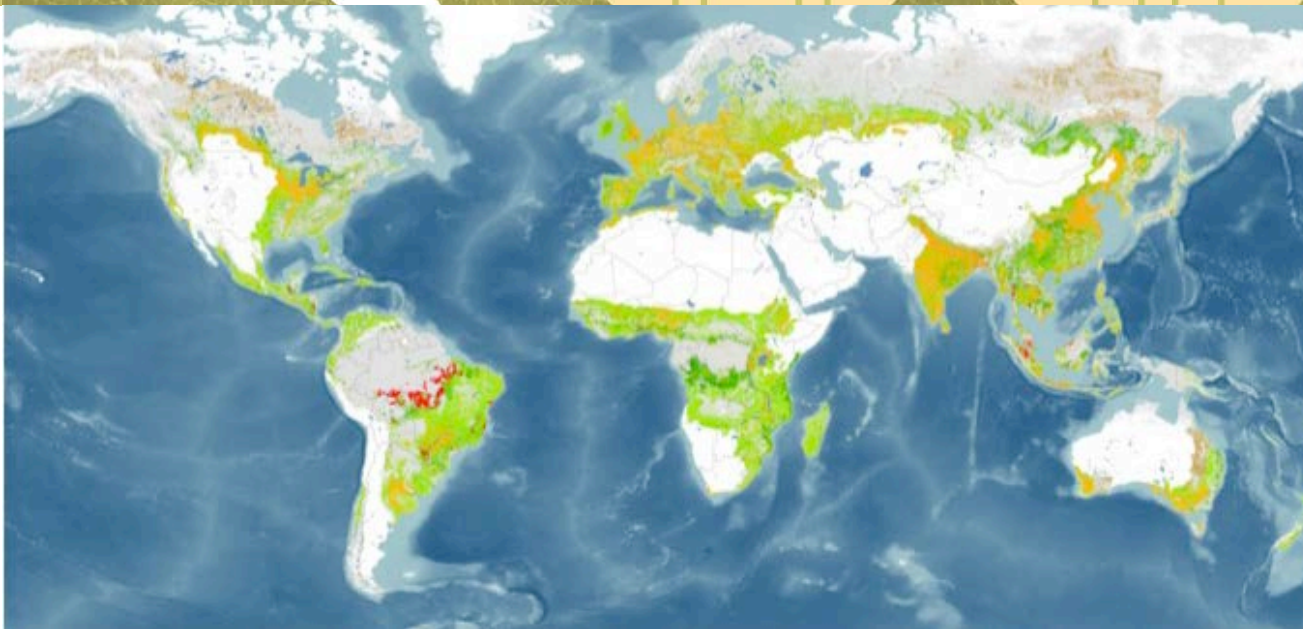
### What it costs



Bonn Challenge  
**2011–2020**  
150 million ha  
USD 36 billion/year

New York Declaration on Forests  
**2014–2030**  
350 million ha  
USD 49 billion/year

Land degradation neutrality  
(SDG Target 15.3)  
**2015–2030**  
2 billion ha  
USD 318 billion/year



#### FOREST AND LANDSCAPE RESTORATION OPPORTUNITIES

- Wide-scale restoration
- Mosaic restoration
- Remote restoration

#### OTHER AREAS

- Agricultural lands
- Recent tropical deforestation
- Urban areas
- Forest without restoration needs

# Who is investing in FLR?

## FUNDING SOURCES

### Climate finance

Voluntary carbon markets; REDD+; CBR; small grants; adaptation funds; Green Climate Fund; national climate funds

### Private sector

Corporate social responsibility; private impact funds; institutional investors

### Development cooperation

Development finance institutions; technical cooperation agencies

### Non-governmental funding

International, national and local NGOs and foundations

### Environmental funds

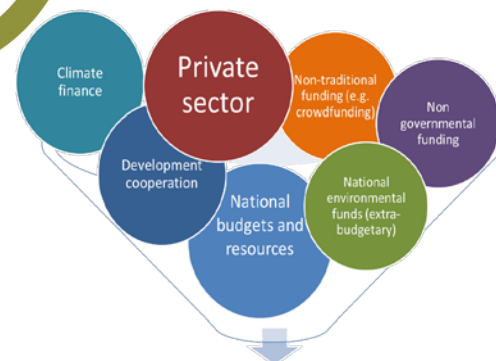
Extrabudgetary funding; private, public, national, international sources

### State budgets and resources

FLR integrated in budgeting system; public incentives for FLR (e.g. payments for ecosystem services)

### Non-traditional funding

Crowdfunding; green bank cards



Long-term sustainable FLR financing

## Risks and barriers for FLR investment

The more degraded the landscape, the higher the cost of restoration and the higher the risk of the investment. Different investors are willing to accept different levels of risk.

COST OF THE RESTORATION

Private equity impact funds, crowdfunding (lending), development finance institutions

Corporate social responsibility, private foundations

RISK OF THE INVESTMENT

Traditional investors (pension funds, commercial banks)

Governments, international cooperation (technical assistance, grants)

Crowdfunding (donations)

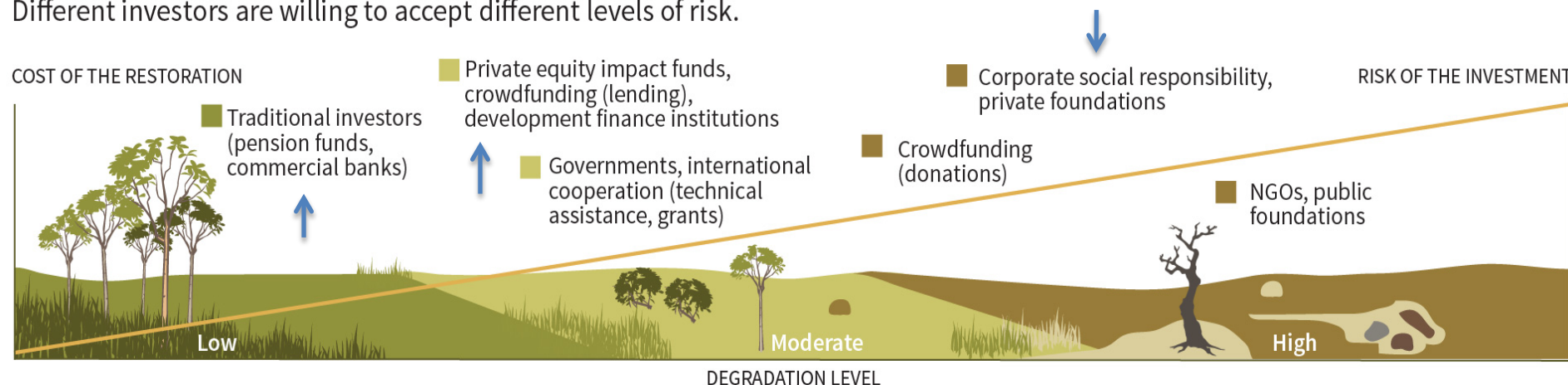
NGOs, public foundations

Low

Moderate

High

DEGRADATION LEVEL





# BENEFITS OF FLR INVESTMENT

## Socio-economic benefits

Job and income creation through restoration economy

Wood and non-wood forest products

Enhanced crop yields and food security

Resilience of livelihoods of local communities

Cultural/recreational benefits



## Environmental benefits

Restoration of degraded land/ecosystems

Soil conservation

Climate change mitigation and adaptation

Disaster risk reduction

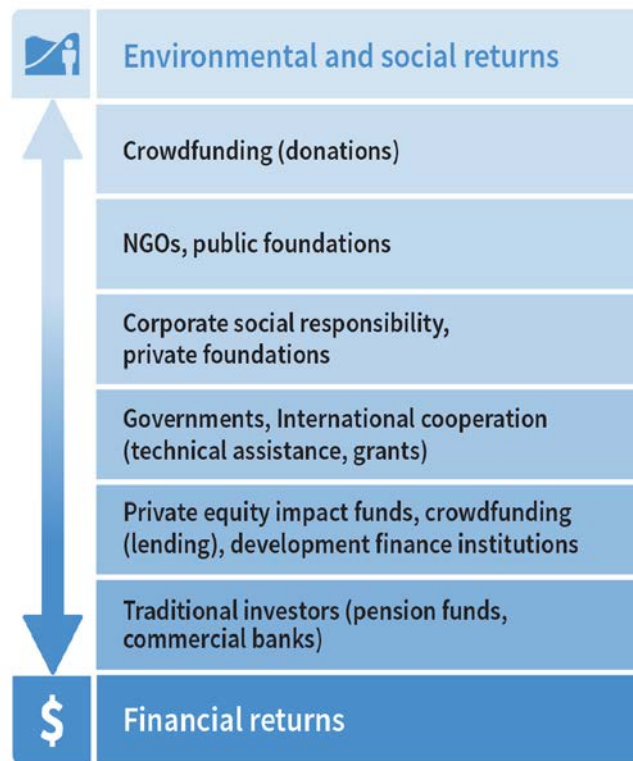
Improved habitats and biodiversity

Enhanced freshwater supplies



**Include both in cost-benefit assessment!**

## DIFFERENT INVESTORS EXPECT DIFFERENT RETURNS



### COSTS, BENEFITS AND RATE OF RETURN OF FLR

\$	Cost (USD/ha)
✓	Benefits (USD/ha)*
↔	Returns**
⚖	Benefit-cost ratio

\* Net present value of benefits over 40 years  
 \*\* Internal rate of return

#### Tropical forests

\$ 3 450  
 ✓ 148 700  
 ↔ 50%  
 ⚖ 37.3

#### Other forests

\$ 2 390  
 ✓ 26 300  
 ↔ 20%  
 ⚖ 10.3

#### Woodland/shrubland

\$ 990  
 ✓ 32 180  
 ↔ 42%  
 ⚖ 28.4

#### Inland wetlands

\$ 33 000  
 ✓ 171 300  
 ↔ 12%  
 ⚖ 5.4

#### Lakes/rivers

\$ 4 000  
 ✓ 69 700  
 ↔ 27%  
 ⚖ 15.5

#### Coastal

\$ 232 700  
 ✓ 935 400  
 ↔ 11%  
 ⚖ 4.4

#### Grasslands

\$ 260  
 ✓ 22 600  
 ↔ 79%  
 ⚖ 75.1

#### Mangroves

\$ 2 880  
 ✓ 86 900  
 ↔ 40%  
 ⚖ 26.4

from TEEB data

# Enabling FLR financing

## INVESTORS REQUIRE SUPPORT TO COST-BENEFIT ANALYSIS

### Ex ante CBA

#### Support for financing strategy

Which investor is ready to finance which costs? to purchase which benefits?

#### Decision-making tools

#### Direct benefits

Trade of landscape products and services (agriculture, forest value chains, CO<sub>2</sub>, etc.)

Traditional investors and high-net-worth individuals

#### Direct costs

Implementation, production, materials, physical inputs, etc.

Traditional investors, high-net-worth individuals, development finance institutions

#### Indirect benefits

Indirect and intangible ecosystem services (biodiversity, scenic beauty, water)

High-net-worth individuals, NGOs, foundations, development finance institutions

#### Indirect costs

Legal frameworks, capacity development, opportunity costs, environmental /social costs

State, foundations, development cooperation, NGOs

### Ex post CBA

#### CBA database

Relevant partners: ELD, TEEB, IPBES, BIOFIN, WAVES, universities

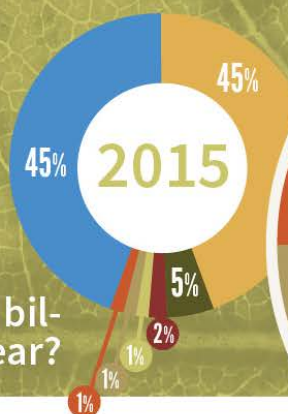
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## Who might be investing in the future?

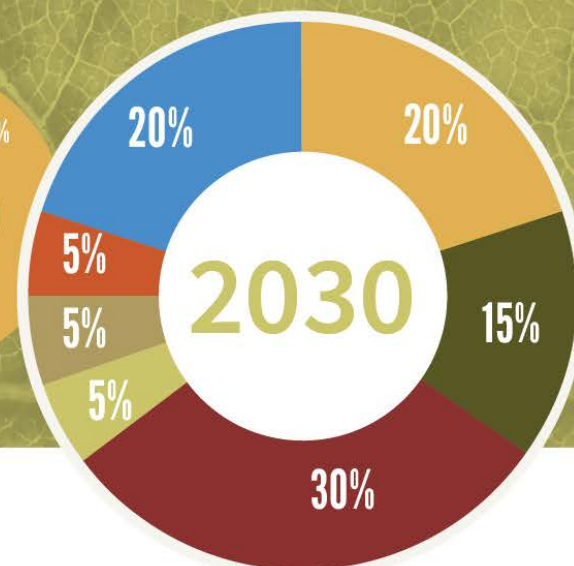
### DISTRIBUTION OF CURRENT AND FUTURE FLR INVESTMENT: A ROUGH ESTIMATE

- Traditional investors
- Corporate social responsibility
- Non-governmental funding
- Crowdfunding
- Development cooperation (technical assistance and financial cooperation) and climate finance
- Private equity impact funds
- National environmental funds and State budgets

USD 5–10 billion per year?



USD 35–300 billion per year?





# Sustainable financing for Forest and Landscape Restoration

## THE ROLE OF PUBLIC POLICY MAKERS

THE POLICY BRIEF PROVIDES SEVERAL RECOMMENDATIONS TO PUBLIC POLICY MAKERS TO HELP THEM TO IMPROVE THEIR SUPPORT TO FOREST AND LANDSCAPE RESTORATION FINANCING BY:

- 1) **Mainstreaming FLR in States budgets ;**
- 2) **Setting up appropriate financing mechanisms ;**
- 3) **Engaging the private sector and attracting investors to FLR ;**
- 4) **Building alliances and partnerships.**



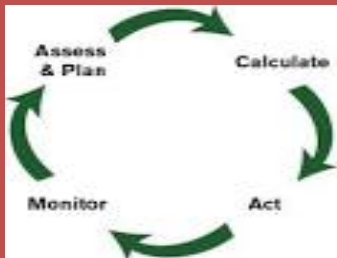
# Mainstreaming FLR in State budgets



**Integrating Forest and Landscape Restoration (FLR) in state budgets** and public investment funds and proofing these financing instruments against possible negatives impacts on landscapes



**Mobilizing Official Development Assistance (ODA) funds for Forest and Landscape Restoration (FLR)** (whether as donor or beneficiary) and adapting the wide range of ODA instruments to FLR



**Developing monitoring systems for Forest and Landscape (FLR) expenditures and mechanisms for collecting consistent data on the costs and benefits of FLR investments**

# Setting up appropriate financing mechanisms



**Designing, adapting and implementing innovative national and local financing mechanisms for Forest and Landscape Restoration (FLR)** with, for example, national and local forest funds, microfinance instruments and credit lines in public and private banks



**Using these financing instruments to implement public incentive schemes** (e.g. payment for ecosystem services mechanisms) and coupling these schemes to investments in sustainable value chains to ensure a long-term self sustaining financing strategy on FLR



**Promoting Forest and Landscape Restoration (FLR) as a solution for joint climate change mitigation and adaptation, targeting climate finance, and advocating for FLR windows in climate change instruments such as Adaptation Fund and the Green Climate Fund (GCF)**



# Engaging the private sector in FLR

**1**

## Corporate Social Responsibility

**No direct immediate financial returns expectation**

**Communication and marketing departments, Corporate foundations or CSR platforms**

**2**

## Sustainable Business and Investment

**Direct financial returns expectation (short or long terms)**

**Impact investors (private equity impact funds, etc...),  
traditional investors (commercial banks / pension funds)**

# Corporate Social Responsibility (CSR) principles & Forest and Landscape Restoration (FLR)

CSR Integration	Human Rights	Labor Practices	The Environment	Fair operating practices	Consumer Issues	Community Involvement& Development
1. CSR Direction	6. Respect for Employees' Human Rights	9. Fair Employment Relationship	14. Prevention of Environmental Pollution	17. Anti-corruption	20. Protection of Consumer Health and Safety	24. Community Involvement and Development
1. CSR Direction	7. Employee Grievance Handling	10. Employees' Quality of Life	15. Sustainable Use of Resources	18. Fair Competition	21. Consumer Information Protection	
2. CSR Organization	8. Anti-discrimination	11. Social Conversation	16. Climate Change Mitigation Efforts	19. Supply Chain CSR	22. Sustainable Consumption	
3. CSR Performance Management		12. Health and Safety at Workplace			23. Consumer Complaint/ Dispute Resolution	
4. CSR Communication		13. Talent Development				
5. Stakeholder Engagement						

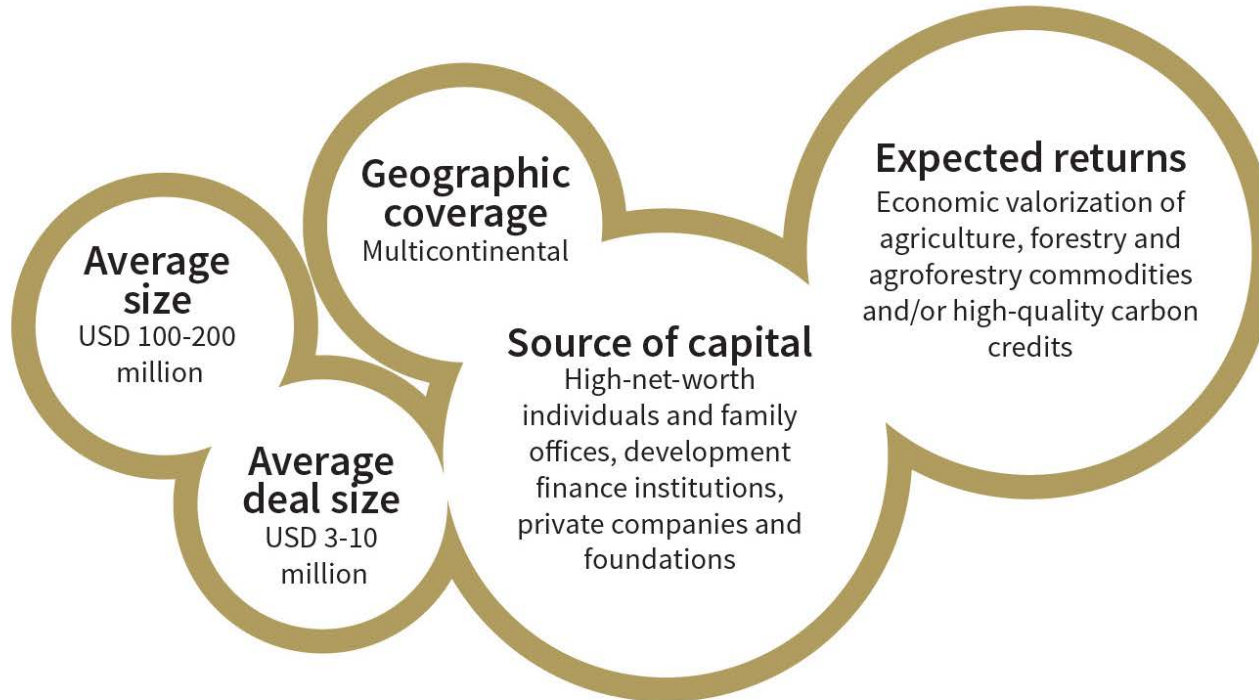
*CSR fields and indicators*

**F&LR  
relevant**



# Innovative private impact funds already engaged on FLR

## INNOVATIVE PRIVATE EQUITY IMPACT FUNDS



### Some examples:

Althelia Climate Fund  
Moringa Fund  
Terra Bella Fund  
Permian Global  
Livelihoods Carbon Fund  
Livelihoods Fund for Family Farming  
Landscape Fund\*  
Land Degradation Neutrality Fund\*  
EcoBusiness Fund  
Arbaro Forest Fund\*  
EcoEnterprises II  
Commonland  
Global Environment Fund

\* Under design

# Engaging the private sector in FLR

## Building an enabling environment for investors in FLR



**Increasing engagement with the private sector**, especially with private impact funds and other innovative initiatives such as layered funds that can benefit from the support of governments and public institutions (Private impact funds + Readiness Facilities like Moringa Fund and Incentives for provision of Ecosystem Services (PPP)



**Establishing risk mitigation mechanisms to engage Forest and Landscape Restoration investors at scale** (Guarantee mechanisms, Multi-layered private funds, Sustainable Investment Criteria (PRI) and consistent MRV tools)



**Adapting the legal framework to attract investors to FLR**

- Land tenure rights ;
- Benefit sharing mechanisms ;
- Fair investment regulations.



**Improving Costs-Benefits Analyses**

- Compile existing data and design a CBA data base
- Improving data quality for indirect costs and benefits
- Propose a ex-ante CBA tool



# Building alliances and partnerships on FLR

Raising awareness among investors & project promoters/implementers



## Building alliances and partnerships both at global, regional, national and local levels

- Global Partnership for Forest and Landscape Restoration (GPFLR)
- Initiative 20\*20 in Latin America, AFR 100 or the GGWSSI
- National alliance in the Southern Agricultural Growth Corridor in Tanzania



## Building marketplaces on Forest & Landscape Restoration

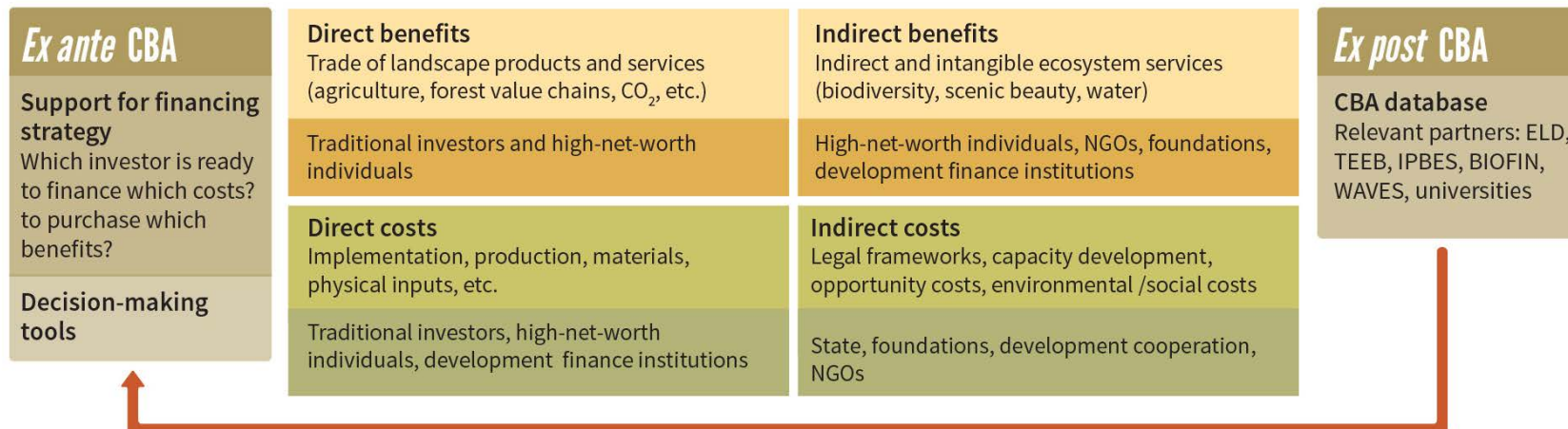
- At landscape, national, regional and/or global levels
- Mobilizing all investors types potentially interested in FLR
- Which suitable facilitator/coordinator ?



## Communicating on success stories and opportunities

- Data base of successful business cases
- Promoting work of private impact funds towards traditional investors
- Using existing communication channels and creating new ones?

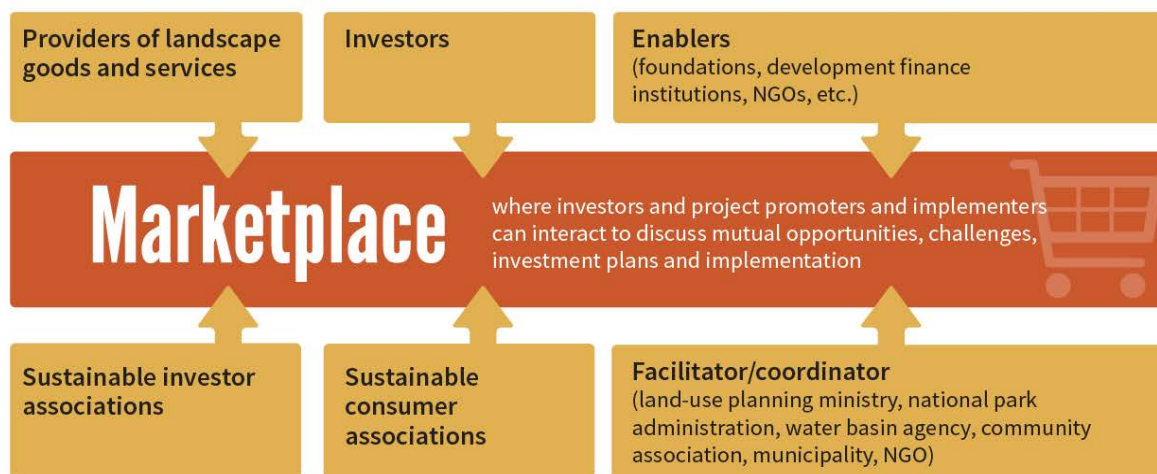
## INVESTORS REQUIRE SUPPORT TO COST-BENEFIT ANALYSIS



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## CREATING MARKETPLACES FOR FLR

### Possible levels



### Possible forms





# Public policy makers: FLR financing champions

- ➔ Integrating FLR in state budgets and public investment funds, and proofing these financing instruments against negative impacts on landscapes
- ➔ Mobilizing official development assistance (ODA) funds for FLR (whether as donor or beneficiary) and adapting the wide range of ODA instruments to FLR
- ➔ Developing monitoring systems for FLR expenditures and mechanisms for collecting data on the costs and benefits of FLR investments
- ➔ Designing, adapting and implementing innovative national and local financing mechanisms for FLR, for example through national and local forest funds, microfinance instruments and credit lines in public and private banks
- ➔ Using these financing instruments to implement public incentive schemes (e.g. payment for ecosystem services mechanisms) and coupling these schemes to investments in sustainable value chains to ensure a long-term self-sustaining financing strategy
- ➔ Increasing engagement with the private sector, especially with pioneer private impact funds and other innovative initiatives such as layered funds that can benefit from the support of governments and public institutions
- ➔ Investing in human capital at the landscape level to create a pool of local champions (e.g. local businesses, private operators, administrations) able to attract investors to FLR
- ➔ Building a legal and regulatory framework that promotes landscape “readiness for investments” and attracts investors to FLR
- ➔ Establishing risk mitigation mechanisms to engage FLR investors at scale
- ➔ Promoting partnerships and alliances at local, national, subregional, regional and international levels, and contributing towards international FLR initiatives
- ➔ Promoting FLR as a solution for joint climate change mitigation and adaptation, targeting climate finance, and advocating for an FLR window in climate change instruments such as the Adaptation Fund and the Green Climate Fund





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**Thanks for your  
attention!**

