Finance for Landscape Restoration
An overview of status and main issues

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Best practices for implementing forest landscape restoration in South Asia
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Restoration commitments

- 350 mha by 2030 (NY Declaration) up from 150 mha by 2020 (Bonn Challenge)
- 160 mha committed*

*http://www.bonnchallenge.org/commitments
This requires investments

- Costs vary according to biome and restoration technique

Variation in restoration costs according to biome (de Groot et al. 2013)
Variation of costs according to biome and restoration technique in Brazil (1USD = 3.7 reales)
Why invest?

• 85 billion USD annually in ecosystem services*
• 30-40 billion USD annually in extra income for small farmers*
• High economic profitability, except for coral reefs and coastal systems**
• Avg. B/C ratios of 7.5 at current discount practices.* ranging from 2-14 in tropical forest biomes**

* WRI 2017; ** Verdone and Seidl 2017, for 2030 target; *** de Groot et al. 2013

Some have market values, some have not!
Attracts different types of investors.
In South Asia:

- Jobs and rural livelihoods are a strong driver for restoration:
  - In India, WRI estimates that landscape restoration in one district which has potential of 350,000 hectares can generate at least 30,000 new jobs and more than 3 million days of wage labor.

- Restoration is also linked very strongly to energy security due to heavy dependence on wood for fuel.
Where to get the money?

Private Investors
- Venture Capital
- Social responsibility
- Impact Investors
- Commercial Banks
- Private Equity
- Timber Investment Management Organizations

Public Investors
- National Banks
- Multilateral Banks
- ODA
- Climate funds
- National Governments

Philanthropic
- Foundations
- Civil Society
- Wealthy Individuals

(Domestic) environmental funds

Adapted from WRI 2017 and CBD 2012
Still, funding lacks behind needs

- Climate Funds Updates* monitor part of climate funds. Of 61.2 billion USD committed, only 1.7 billion directly directed at forest (REDD+)(2.8%). More available, but not well monitored.

- Need for 150 million 2020 target:
  - annually 6-65 billion USD needed for forest restoration recurrent costs**

At the same time:

- In 2015: 380 billion USD invested in agricultural production*** with potential negative effects on restoration

*Bird et al. 2017; **CBD 2012; ***FAO 2017
Why does it lack behind the needs?

**SYSTEMIC BARRIERS**
- Environmental and social benefits often have no market value
- Direct incentives to degrade land outweigh incentives to restore land

**BARRIERS TO PUBLIC FINANCE**
- Difficult access to climate finance
- Restoration funding is often confined to small environmental budgets

**BARRIERS TO PRIVATE FINANCE**
- Many restoration projects are too small in size to attract private finance
- Restoration often equires a long investment time horizon (e.g. 10-20 years)
- Restoration is considered to be a risky investment

Source: WRI 2017

*Ministry of Environment's Budget vs other Ministries' Budgets in 4 tropical countries*
Expanding forest restoration efforts:

• Provide necessary financial and other incentives to key stakeholders to invest in restoration by:

  (a) Unlocking existing available finance for landscape restoration.
      • Reduce transaction costs (criteria, priorities, processes)
      • Revise financial instruments and products (discounting rates, benefits, periods, guarantees)

  (b) Expanding investment sources by:
      • Creating more awareness of investment case in forest landscape restoration (value all economic benefits)
      • Improving investment enabling conditions (e.g. clarify rights, aggregate initiatives, combine long and short term benefits)
      • Reduce investment risks (sharing, insurance, collaboration)
Expanding forest restoration efforts (2)

- Improve monitoring of existing initiatives. E.g. in India the national government allocated USD 13 billion to tree based interventions in the period 2011-16 but we don’t know if this reached implementation and with what impact.

- Reduce harmful practices
  a) Revert agricultural subsidies that cause deforestation and degradation
  b) Landscape restoration as mitigation measures in infrastructure projects

- Strengthen local capacities to access funds
  - Getting to know the landscape flows
  - Accessing landscape finance (LIFT)
THANK YOU!!

http://www.tropenbos.org/

http://www.wri.org/
Resources used


• TNC (2017). Economia da restauração florestal. Forest restoration economy. Sao Paulo, Brazil. TNC.


Unlocking restoration finance in South Asia

*Interactive exercise*
Step 1 (5 minutes)

- Break out into groups of 6 to 8
- Appoint a rapporteur
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Step 2: (30 minutes)

- In your groups discuss:
  - What are the existing sources of finance for FLR in South Asia?
  - Rank these in descending order of importance. Discuss why these sources are critical.
  - Which actors/stakeholders can access this finance?
  - What barriers/challenges affect these sources of finance and how?
  - What measures can be taken to overcome these barriers?
Step 2: (30 minutes)

• In your groups:
  – Identify potential sources of finance for implementing FLR in South Asia
  – Rank these in descending order of importance. Discuss why these sources are critical.
  – Which actors/stakeholders can access this finance?
  – What barriers/challenges affect these sources of finance and how?
  – What measures can be taken to overcome these barriers?
Existing Sources

- Federal, State, Local
- Bilateral, multilateral, NABARD,
- Public funding – departments
- Private sector companies
- Community contribution
- Religious organisations – Tirupati Trust

Barriers:
Accessible/inclusive funding
Lack of integration and coordination between government agencies

Potential Sources

- Global: Bilateral, Multinational (ADB, WB, KfW,) Carbon neutral fund
- National level dedicated funds: Forest Development Fund
- Local Governments, CSR, Commercial small scale investors
- Hydropower generation companies
Existing Sources

Barriers
- There is no systematic approach to disbursement-slow disbursement, legal challenges
- Lack of capacity to prepare bankable projects
- Poor accountability mechanisms, monitoring and transparency

Potential Sources

Beneficiaries/Actors
- Downstream beneficiaries of upstream forests

Barriers
- Lack of awareness of resource value
- Lack of political will - more awareness of economic value and public opinion can change political will
- Coordination and monitoring mechanisms
- No mechanism in place to raise funding from beneficiaries - Valuation of ecosystem services
- Transaction costs of accessing funds is very high
- There is competition among government departments
Existing Sources

Building capacities of national bodies to prepare good projects
Widen the group of actors who can access existing funding

Potential Sources

• Increased collaboration for more regional approaches to leverage funds
• PES mechanisms
Step 3: plenary discussion

• Existing: public dominates
• Potential: more than public funding
• We need a blended approach