

# IDH TA services for funds that target environmental returns in the land use sector

## Investment criteria can be bottlenecks

Before an investment can take place, projects must be able to meet both impact criteria and financial criteria of a sustainable land use fund.

Many project developers, particularly in lower capacity regions (such as LDCs, SIDS, Africa) lack the required time and resources to conduct the research, analysis and report writing needed to design and structure innovative forest protection, SLM and land restoration-focused projects, that would meet the requirements of these impact funds.

In pushing boundaries beyond business as usual, these potential investees need support in designing and articulating an investable proposal, and in implementing the project to maximise on its impacts.

## How a TA Facility can help

A Technical Assistance Facility (TAF) can help alleviate these bottlenecks.

Technical Assistance (TA) is essentially advisory, assistance or training that is provided to (potential) investment projects, to improve technical quality, and strengthen environmental and social impacts, so that the investment project meets the fund's investment criteria and can achieve the aimed for impacts.

The focus of the IDH sustainable land use TA Facilities is on:

- Investment readiness supporting a balanced pipeline for the investment fund;
- Maximising the project's positive social and environmental impacts;
- Reducing project risk; *and*
- Learning and knowledge sharing to support the sustainable land management investment sector.

## What activities and outcomes do our TAF services support

The Technical Assistance Facility provides grants and TA services to strengthen project design in terms of:

- Operational and financial structures and ESG compliance;
- Smallholder and community inclusion and gender;
- Land tenure and governance;
- Protection and restoration;
- Data based approaches.

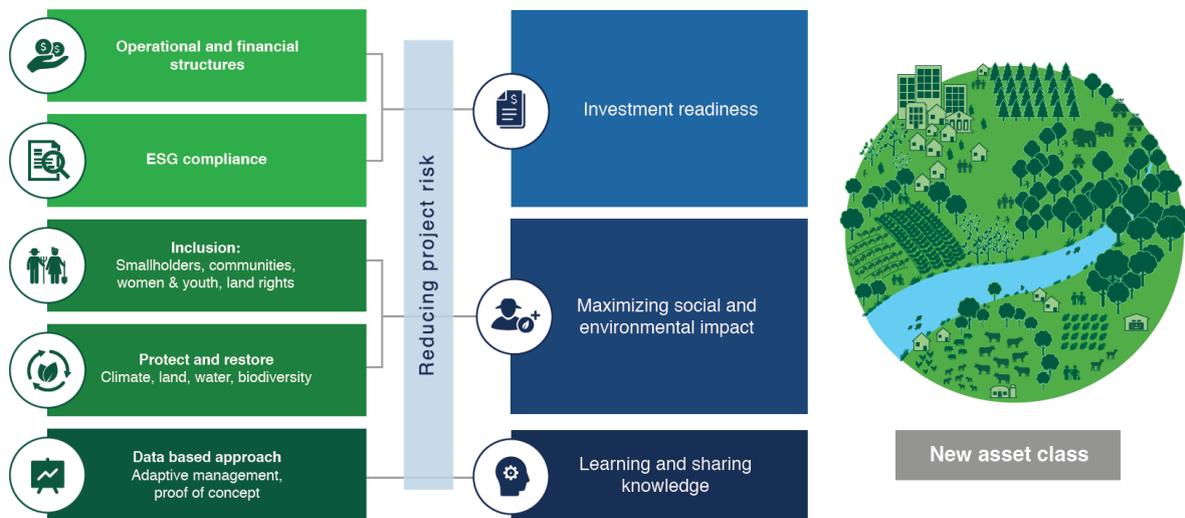
Examples of specific bottlenecks where project developers in our experience often seek technical assistance to overcome investment barriers and strengthen impact include:

- Enhancing operational processes and financial structures: Integrating social and environmental impact considerations into operations. Support roll out of innovative financing structures and risk management procedures. Capacity building to improve operational processes.
- ESG compliance: verification and strengthening of the project's approach to comply with the Fund's ESG criteria.
- Inclusion: Strengthening the community/smallholder inclusion approach of the proposed investment project, such as outgrower programmes, and community benefit sharing mechanisms (often building on IDH's SDM analysis approach), and the gender strategy, identifying opportunities and barriers that female workers, farmers, and managers face, to raise their awareness and design specific interventions to overcome these.
- Strengthen the project approach to land governance and tenure, including support for executing Free Prior and Informed Consent processes with local stakeholders, or establishing inclusive governance mechanisms.
- Protection and restoration: Capacity building on best agronomy practices, including Sustainable Land Management (SLM) practices, adaptation to changing climatic conditions, capacity building for landscape interventions and partnerships and forest conservation and biodiversity measures.

With respect to data based approaches, the TAF can support projects to:

- articulate clear and timebound KPIs on social and environmental impacts;
- build capacity to track progress towards these KPIs;
- build KPIs into operational processes, such as client selection criteria, management reporting systems, investor meetings.

Also, for selected projects, the TA facility can support baseline studies and impact studies, building proof of concept to enable scale. IDH TA also supports learning and knowledge sharing of successful models and approaches.



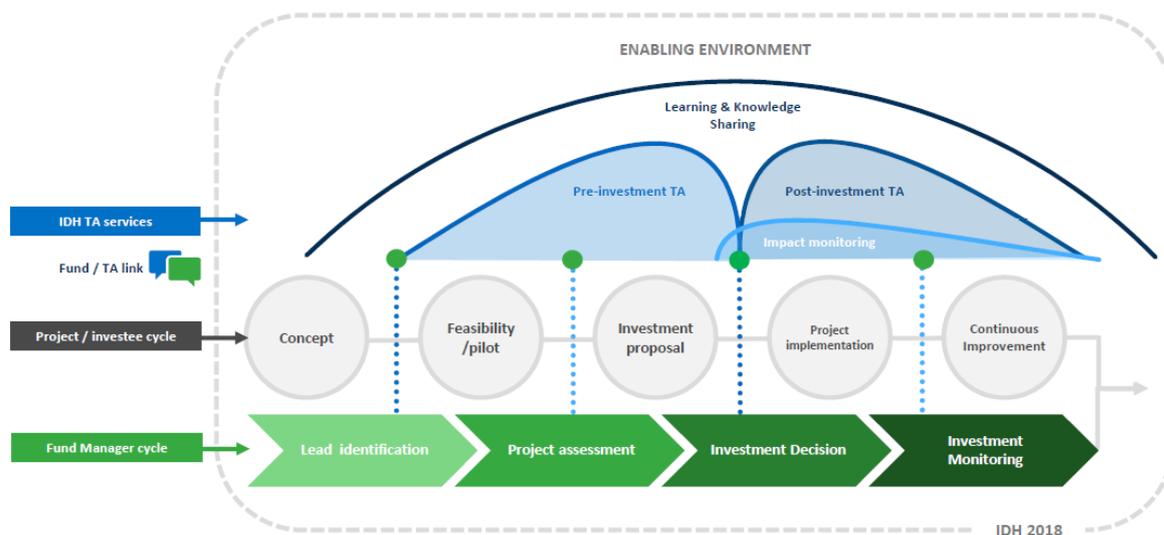
## Stages

We have structured TA services along three stages: pre-investment, post-investment and impact tracking, and sharing lessons learned. The TA support aligns with the project cycle of the project/investee.

**Pre-investment TA:** Pre-investment TA supports potential investees overcome specific investment bottlenecks, and contributes to a balanced pipeline for the investment fund.

**Post-investment TA:** Post-investment assistance to projects in the implementation phase, so that project developers have greater capacity to implement projects to a higher technical standard and/or with increased positive social and environmental impacts.

**Impact tracking and sharing knowledge:** TA is used to articulate timebound KPIs on social and environmental impacts, monitoring and impact tracking approach, where possible anchoring these in operational processes, and using data to develop proof of concept and share knowledge and lessons.



## Best practices

IDH manages the TA Facility according to the best practices in the sector, in terms of transparency, additionality and accountability. The TA facility is set up as a separately managed facility, but inextricably 'linked' to the fund, while building on IDH's knowledge and networks in the space of inclusive supply chains, deforestation, land governance and sustainable land use.

Building on these global best practices, the set-up of the TA facility is based on the following principles:

1. **Strong alignment and coordination:** Strong alignment between the Fund Management teams and the IDH TAF team, to ensure that the TA enables investments and strengthens targeted impacts;
2. **Effectiveness:** Effective TA requires flexibility, and benefits from quick turn-around times, this is especially true for pre-investment TA. The TAF team and its governance therefore need to be hands on as well. Also, the TAF has a flexible approach to funding; it can provide both grants and redeemable grants, and the co-funding requirements are negotiated on a case by case basis;
3. **Efficient and demand driven services:** TA provided by the facility is demand-driven, designed to fit the needs of the project developer. Project developers will be requested to provide co-funding, to ensure their ownership. Also, where relevant, fund and/or project developers are included in the service provider selection, quality management and reporting;
4. **Additionality:** Projects supported with TA need to demonstrate financial additionality. TA needs to be designed to adequately address the (perceived) risks, enabling the investment or project to occur, beyond what could be self-financed. Also, TA should not be targeted to commercially unviable projects and inefficient business models. The TA also needs to be developmentally additional, so that an investment's impact goals are achieved, and would not have been met without it.