

# INCLUSIVE INVESTMENTS IN SUSTAINABLE LAND MANAGEMENT TO ACHIEVE LAND DEGRADATION NEUTRALITY

Webinar: Insights from the LDN  
Fund and LDN TAF after two years  
of operation

March 11<sup>th</sup>, 2021



United Nations  
Convention to Combat  
Desertification



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# Agenda

## LDN Fund and LDN TAF Learning Webinar

- **12:00 – 12:05** Welcome and Opening
- **12:00 – 12:10** Overview of LDN Fund and LDN TAF – Gautier Quéru, Director of the LDN Fund at Mirova, and Nienke Stam, Director Landscape Finance at IDH
- **12:10 – 12:20** Introducing the LDN Fund and LDN TAF learning report series – Thomas Duurland, Program Manager Landscape Finance
- **12:20 – 12:40** Case study presentation: Mountain Hazelnuts in Bhutan – Daniel Spitzer, CEO; Teresa Law, Co-founder & CFO; and Erick Crockenberg, System Analyst
- **12:40 – 12:55** Q&A and audience discussion – Facilitation by Thomas Duurland, Program Manager Landscape Finance
- **12:55 – 13:00** Closing



# The LDN Fund and LDN TAF



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# Overview of the LDN Fund and TAF

Limited financial resources available

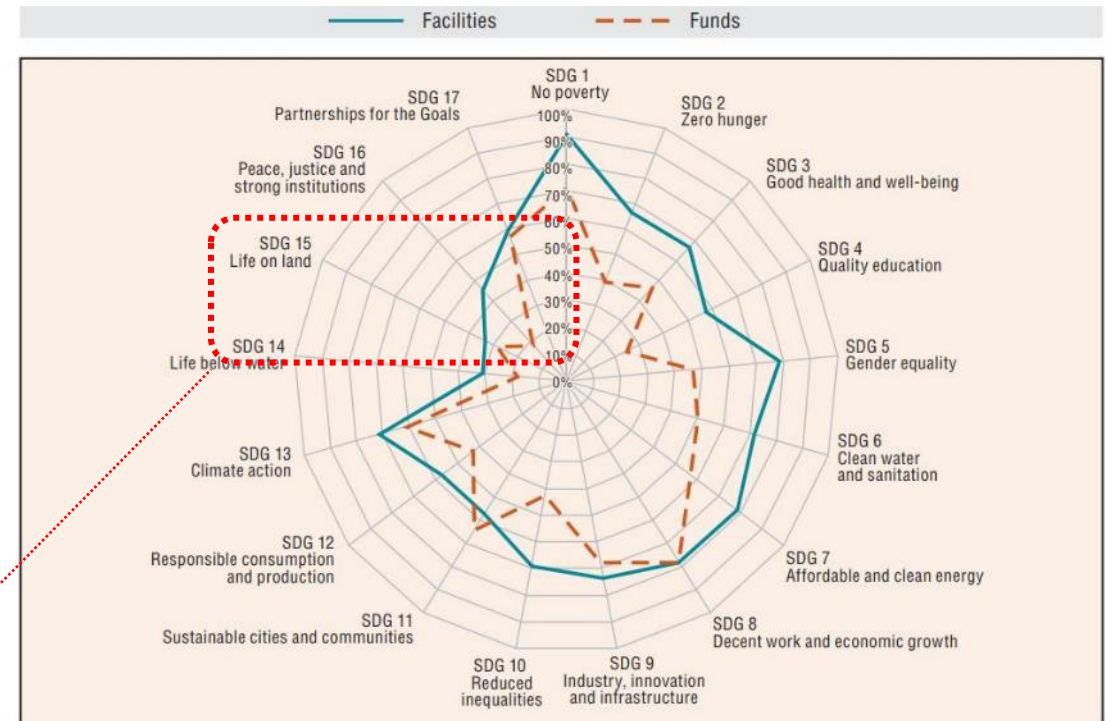
- Achieving Sustainable Development Goals **requires 4.5 trillion dollars** per year, *UNCTAD 2015*

## However:

- Annual **funding gap** for reaching all 17 SDGs by 2030 totals about **\$2.5 trillion**, *World Bank 2018*
- Only **166 billion dollars** of **official development finance** flowed on average annually to developing countries in 12-16, *OECD 2017*

## Furthermore:

- As compared to other SDGs, **SDG 15 suffers more from dearth of resources** available.



Source: 'Making Blended Finance Work for the Sustainable Development Goals,' OECD 2018



# Overview of the LDN Fund and TAF

## Ecosystem Restoration and LDN Financing

### *Against this backdrop:*

- Attaining Land Degradation Neutrality (LDN) (SDG target 15.3) and Restoring Ecosystem requires a **broad range of financing options**
- Harnessing the **pre-existing land-use and ecosystem restoration finance** continues to play a pivotal role
- Important is that innovative hybrid vehicles bring together private sector investors and firms to finance restoration projects

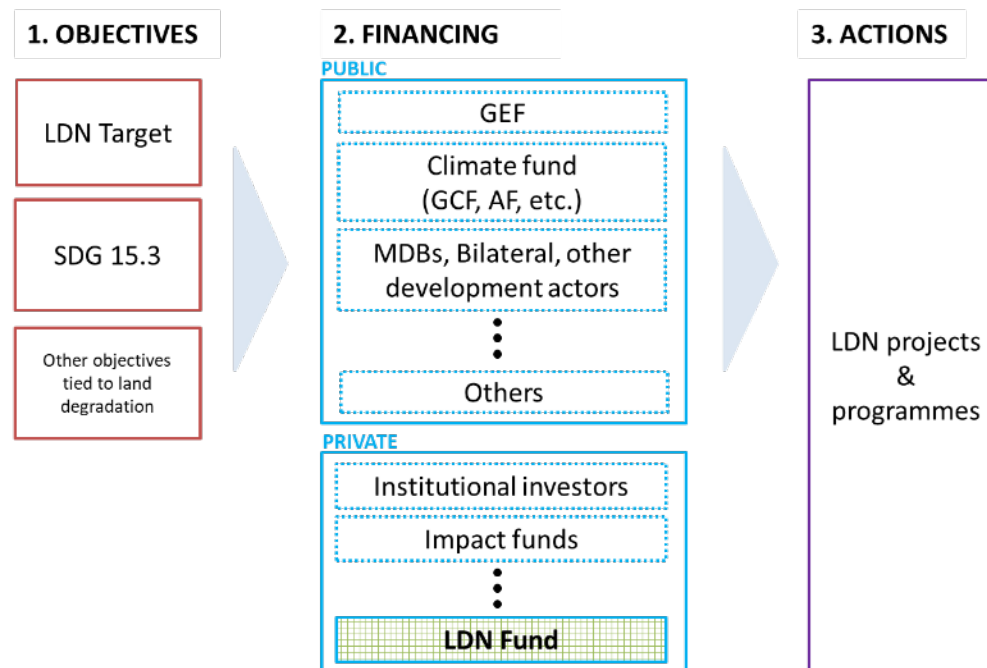


Figure 1: LDN Fund potential financing structure

# Overview of the LDN Fund and TAF

## Main features of the Fund and TAF

The **Land Degradation Neutrality (LDN) Fund**, initiated by the United Nations Convention to Combat Desertification (UNCCD) and managed by Mirova, is a first-of-its-kind impact investment fund investing in commercially viable sustainable land management (SLM) and land restoration projects worldwide.

The LDN Fund provides **long-term financing (debt/equity) for sustainable land use projects** that will reduce or reverse land degradation, mostly in the field of sustainable agriculture and forestry.

It targets positive impacts in terms of climate, biodiversity, fight against poverty and promotion of gender equality. It operates according to **robust environmental and social standards**, which are integrated into a comprehensive E&S Management System (ESMS).

The Fund uses a layered structure, leveraging public money **to increase private sector investment** in sustainable development.

In addition to long term financing, **technical assistance is provided to projects** by an associated donor-funded Technical Assistance Facility managed by IDH, increasing positive development impacts, reducing ESG risks, and facilitating knowledge sharing.

### LDN Fund's mission:

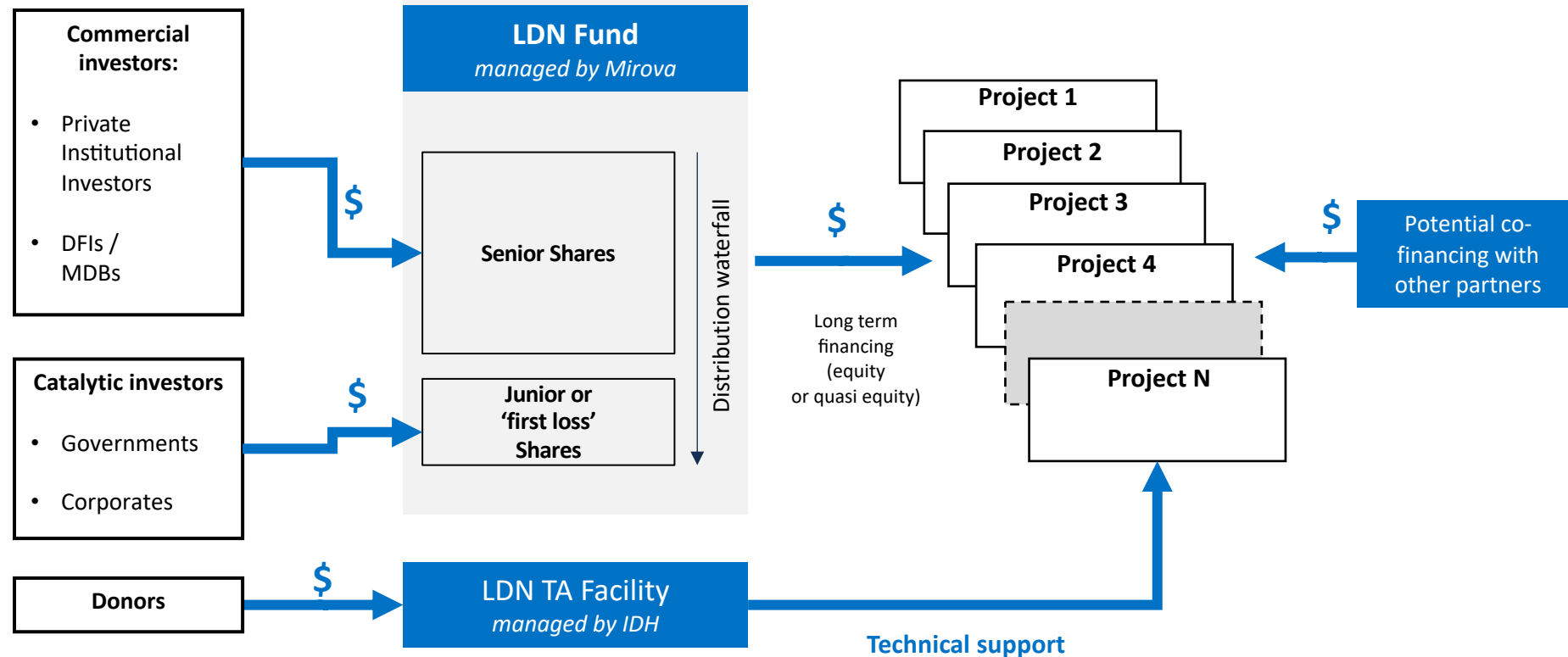
*“To be a source of transformative capital bringing together public and private investors to fund triple bottom line projects that contribute to Land Degradation Neutrality”*

*LAND DEGRADATION NEUTRALITY FUND is a Luxembourg Special Limited Partnership operating under the law of Luxembourg, open to subscription to eligible investors as defined by the fund's regulation. Mirova is the management company. The supervisory authority approval is not required for this fund.*



# Overview of the LDN Fund and TAF

## Overall structure



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# Overview of the LDN Fund and TAF

## The LDN Fund is managed by Mirova

### *A dedicated natural capital investment platform*

- Mirova is an asset manager, affiliate of Natixis Investment Managers, 100% dedicated to sustainable development.
- Based on the successful experience of setting up a platform dedicated to renewable energy investments, Mirova has established a **platform dedicated to Natural Capital investments**
- It manages several funds, with teams of experts based in Paris, London, Lima, Sao Paulo and Singapore.



#### Environmental and Social Integrity

- **Environmental and social assessment** and monitoring of investments, based on two pillars: (i) risk management and (ii) positive impact
- Commitment to comply with the **highest standards of sustainability** in terms of funded projects



#### Financial Innovation

- Technical expertise in the **structuring of financing instruments adapted to natural capital**
- **Public-private financing approach** (blended finance) with risk mitigation mechanisms (in the form of first loss facility or partial guarantees)



#### Operational Robustness

- Investment platform dedicated to the management of real assets which provides its **middle office, risk management, legal and compliance know-how**
- Investment practices incorporating the best standards for **project financing and equity investments**

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# Overview of the LDN Fund and TAF

## Focus on Environmental and Social Standards

### *Environmental and social management system*

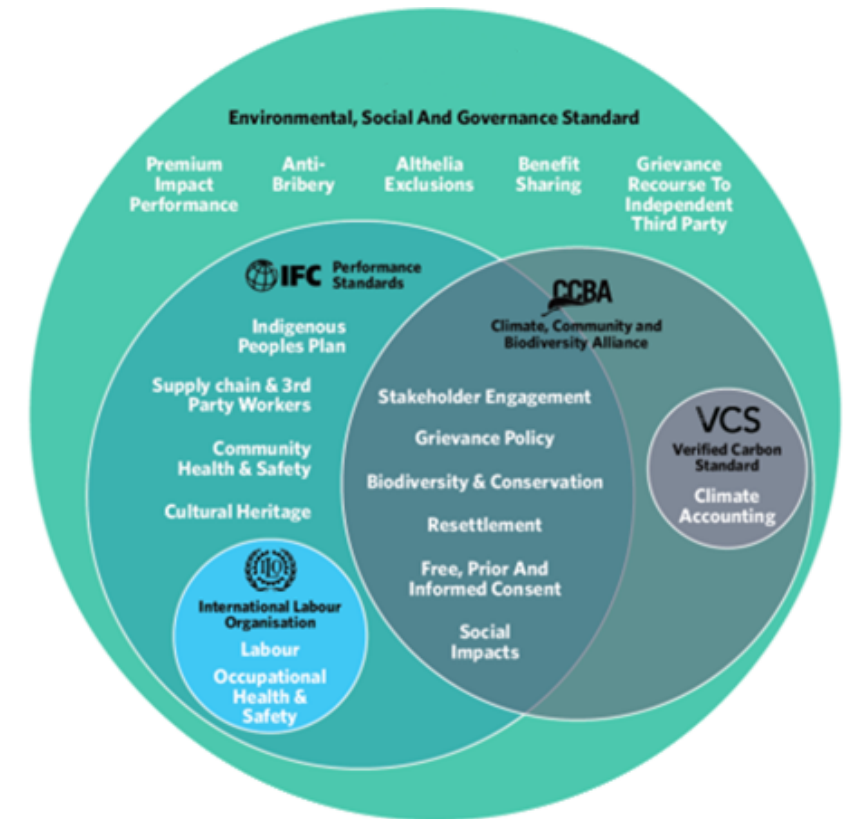
- Global system to assess and monitor investments, based on two pillars: (i) positive impact required ('do good') and (ii) risk management ('avoid doing harm')
- Projects need to comply with robust E&S standards, developed with an independent expert and benefited from a public consultation
- Combined with a Complaint and Compliance Mechanism to ensure that project-affected populations have formal ways to voice their concerns

### *Content of the E&S Standards*

requires that projects abide by the **IFC Performance Standards**, **ILO's core conventions** and **Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests (VGGT)**

They also include:

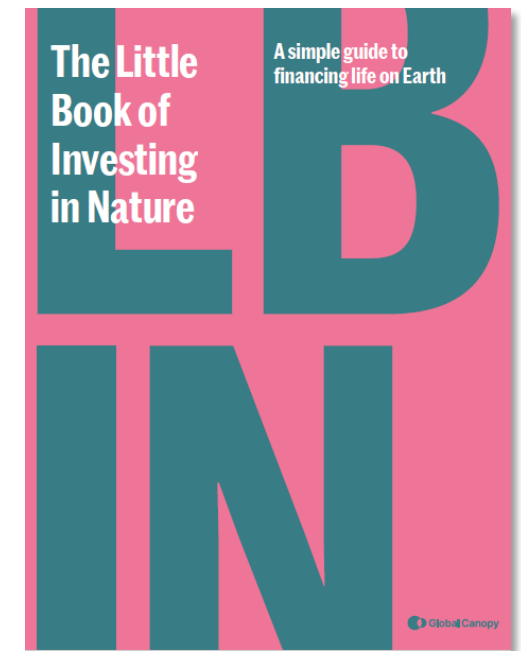
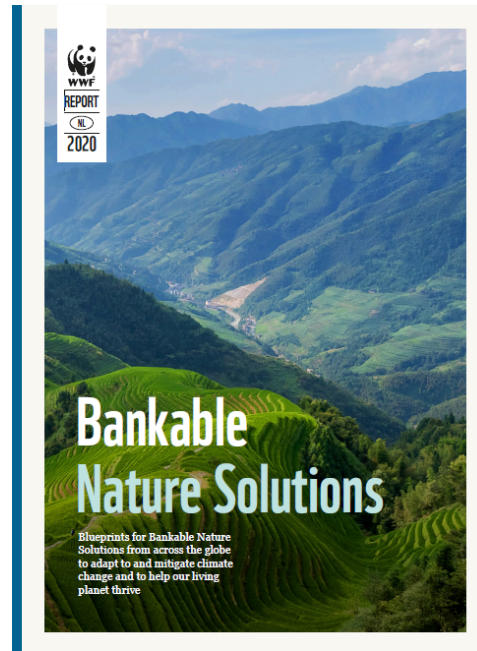
- Comply with national laws and legislation
- Aim for internationally recognized sustainability certification e.g. Fairtrade, Organic, Rainforest Alliance
- Develop and implement an ESMS based on an assessment of their social, health & safety and environmental risks and impacts
- Ensure there is no net loss of income or livelihoods
- Have a comprehensive stakeholder engagement process including FPIC where required under IFC PS 7
- Drive conservation of natural habitats and wild species of local and international importance
- Provide employment that pays a living wage
- Have a grievance mechanism with recourse to independent mediation
- Operate with transparency and good governance



# Investment opportunities

## A nature regeneration economy is emerging

- Proven business models needing to be scaled-up
- New generation of entrepreneurs raising more funds and attracting talents
- Strong market demand for sustainable products and carbon neutrality creates opportunities for land project operators





# LDN Fund's portfolio and pipeline

- **220+ projects** have been screened to date
- There are currently **50** active projects under consideration
- Pipeline diversification, in terms of geographies, sectors, actors, etc.
- **5 investments** in the portfolio:
  - **Urapí:** implementing agroforestry systems and developing sustainable production in certified organic and fair-trade coffee sectors in Colombia and Peru;
  - **Mountain Hazelnuts:** restoring degraded land in Bhutan through sustainable orchards and production development in the hazelnut sector;
  - **Miro Forestry:** sustainable forestry landscapes in Ghana and Sierra Leone;
  - **Komaza:** micro-forestry model that aims to benefit 50,000 smallholder farmers and restore 20,000 hectares through reforestation;
  - **Cacao Oro:** restoring land and partnering with indigenous communities through certified cocoa and coffee agroforestry in Nicaragua.

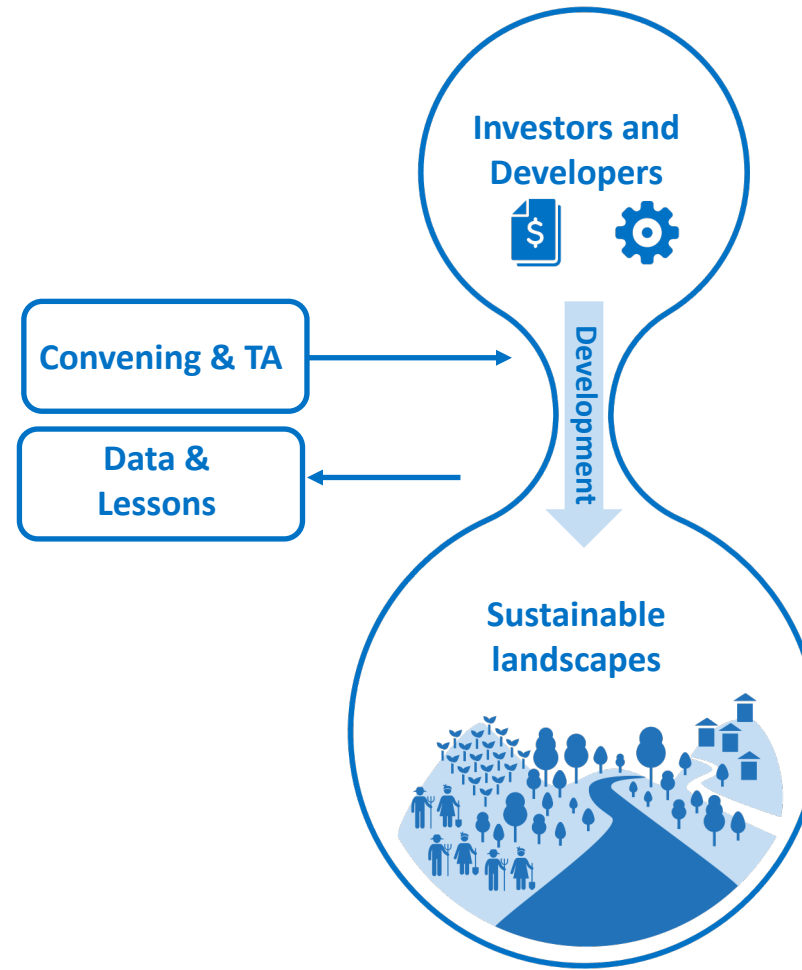
# The LDN Technical Assistance Facility – 2 years



## Aims

The LDN TAF supports the LDN Fund and its impacts by:

- ▶ **Investment readiness** support to projects;
- ▶ **Strengthening social and environmental impacts** and reducing risks of investment projects;
- ▶ **Data for KPI monitoring**, in line with SDG (13.3)
- ▶ **Sharing learnings and knowledge** with wider community

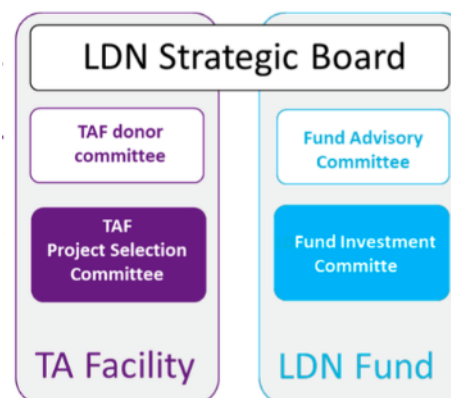


# LDN Technical Assistance Facility

- ▶ Operational since January 2019
- ▶ With LDN Fund and UNCCD



## Governance



## Multiple mandates

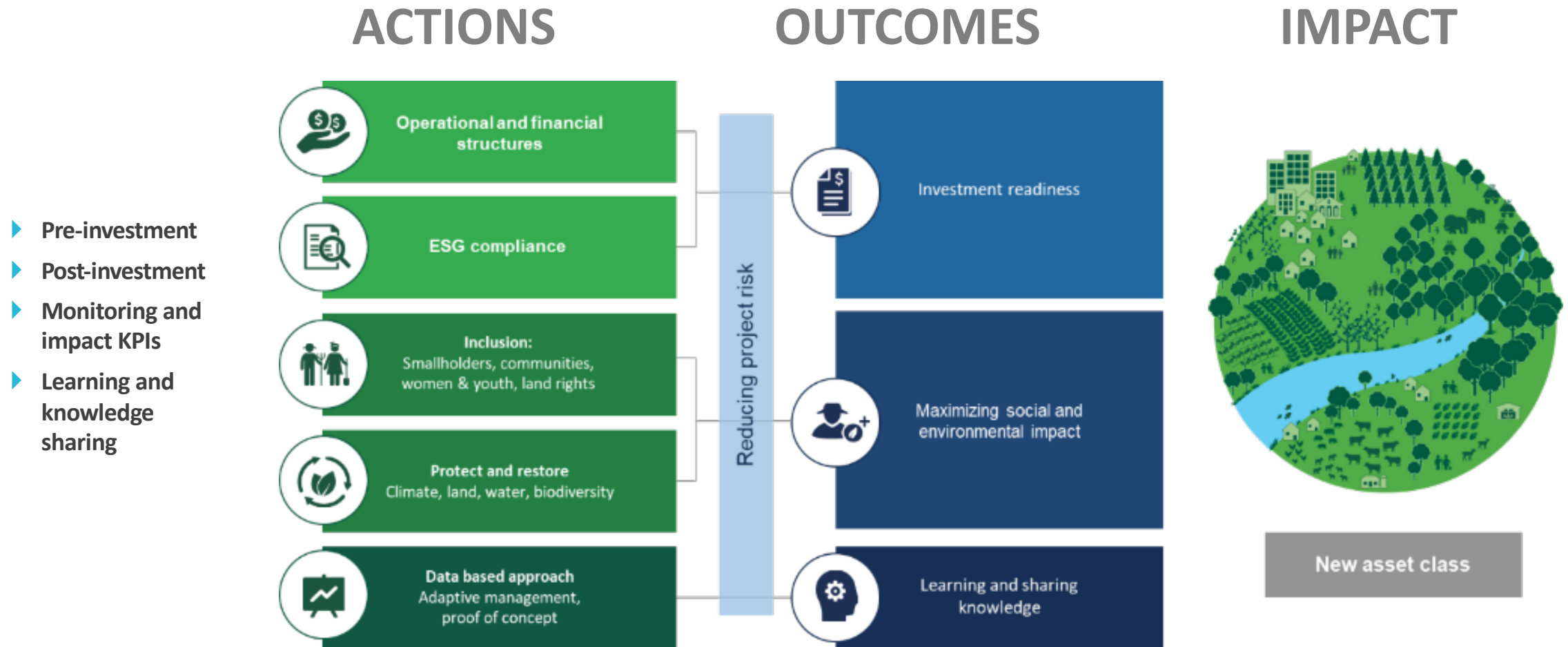
- ▶ Cross-learning, efficiency, effectiveness

Fund and Technical Assistance Facilities	Impact targets
Farmfit Fund Farmfit Business Support and Intelligence Center	Improve the lives and incomes of 3m smallholder farmers
Land Degradation Neutrality (LDN) Fund Land Degradation Neutrality Fund Technical Assistance Facility (€5M)	<div>  35 million tons of carbon sequestered            500,000 hectares converted to SLM            100,000 decent jobs created/supported         </div>
AGRI3 Fund AGRI3 Fund Technical Assistance Facility (€5M)	<div>  1 Forest protection and reforestation            2 Sustainable agriculture            3 Improved rural livelihoods         </div>
&Green Fund &Green Fund Technical Assistance Facility (€2M)	<div>  5 million hectares of tropical forest protected, conserved or restored            500,000 households benefitting from the Fund through enhanced yields and incomes, creation of jobs and/or other income-generating opportunities         </div>



# Overview of the LDN Fund and TAF

## Technical Assistance Facilities' Services: what do our TAF services support

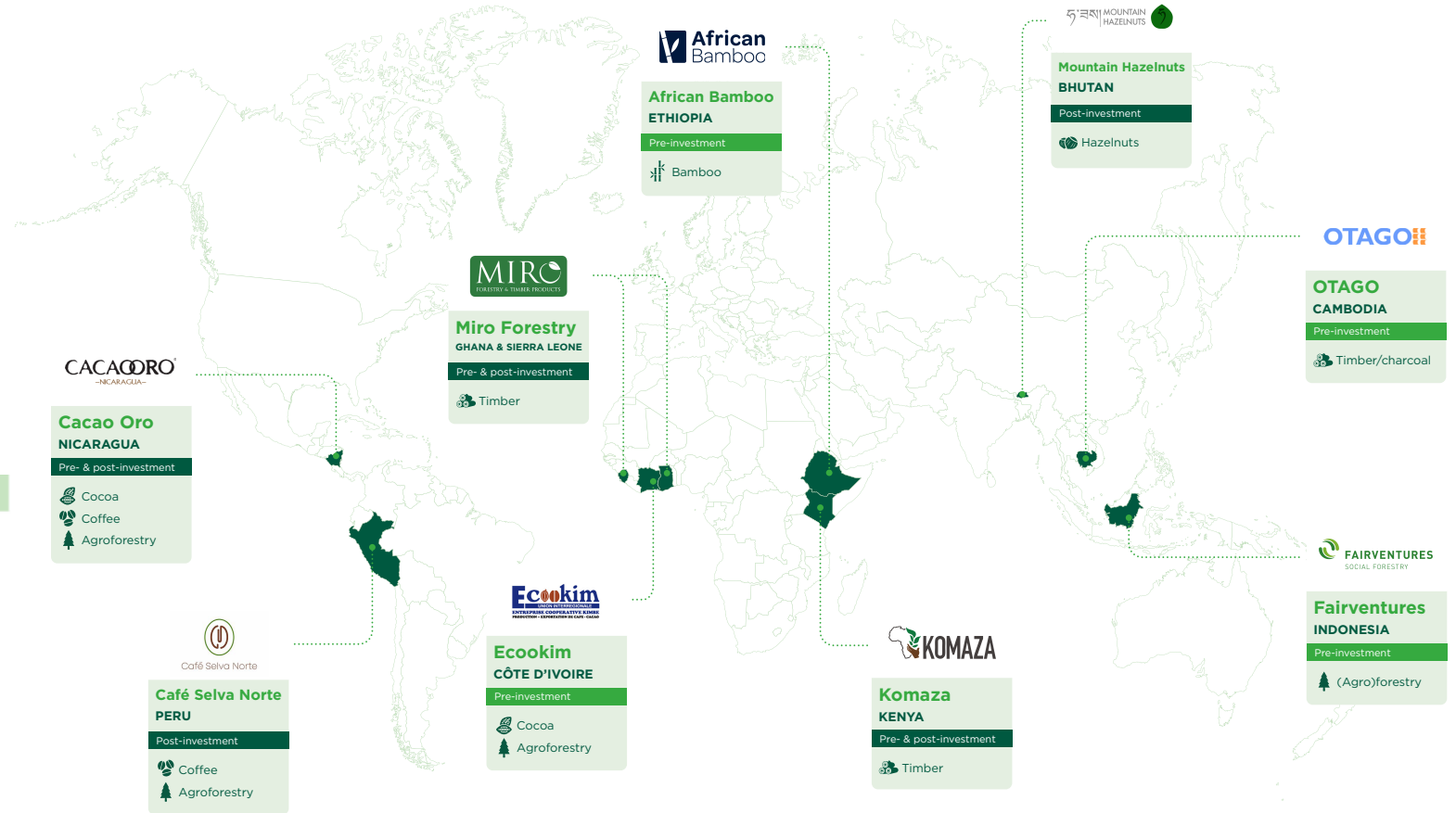


# Overview of LDN Fund and LDN TAF

Insights into investments and TA by the LDN Fund and LDN TAF

Café Selva Norte	Miro Forestry
<p> 8,250* hectares now projected to contribute to LDN</p> <p> 3,000 farmers engaged in the partnership, of which 20% are women</p> <p> 3.8 million MtCO2eq sequestered</p>	<p> 42,500 hectares now projected to contribute to LDN</p> <p> 1,500 new jobs of which at least 24% are women</p> <p> 5 million MtCO2eq sequestered</p>

Cacao Oro	Mountain Hazelnuts	Komaza
<p> At least 2,000 and up to 10,000 hectares now projected to contribute to LDN</p> <p> 2,100 community members engaged in the partnership of which at least 35% are women</p> <p> Carbon sequestration impact still to be determined</p>	<p> 10 million trees planted on land now projected to contribute to LDN</p> <p> 15,000 farming households projected to be engaged in the partnership of which at least half are women-led households.</p> <p> Between 1.5 and 8 million MtCO2eq sequestered*</p>	<p> 40,000 hectares now projected to contribute to LDN</p> <p> Over 20,000 farmers engaged in the partnership of which 15% are women</p> <p> 7 million MtCO2eq sequestered</p>

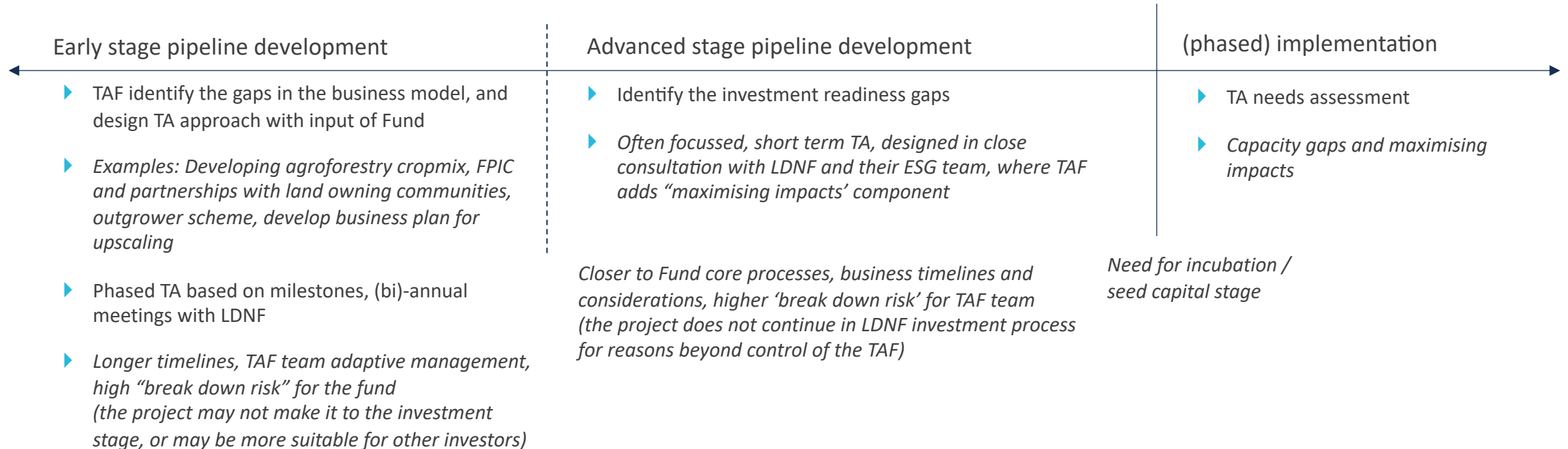


# Some reflections on TA and project development stages

- ▶ Mix of grants and repayable grants
- ▶ Cost-sharing required

## Pre-investment

## Post-investment





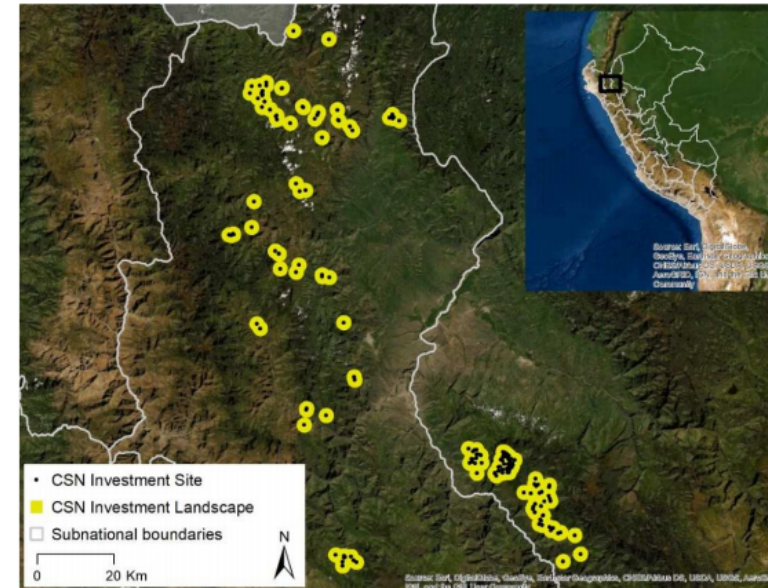
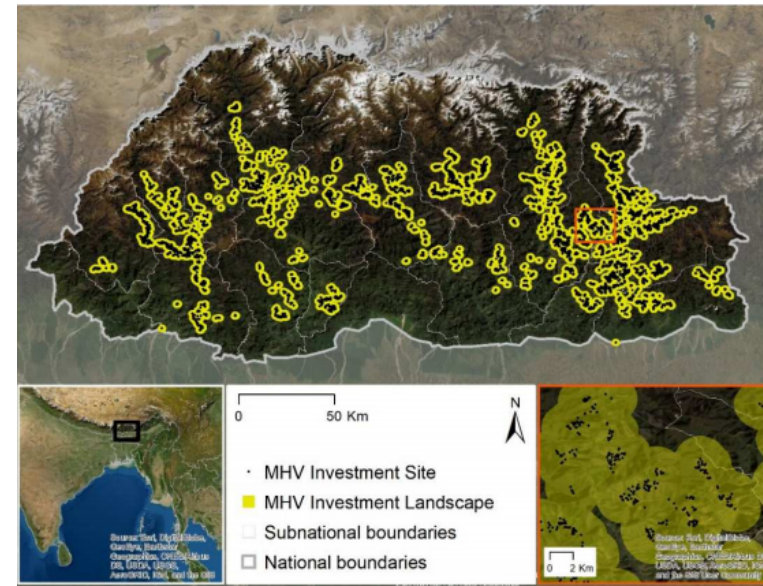
# Innovative business models

## Highlighting the diversity

### Five detailed case study publications

#### Diversity in

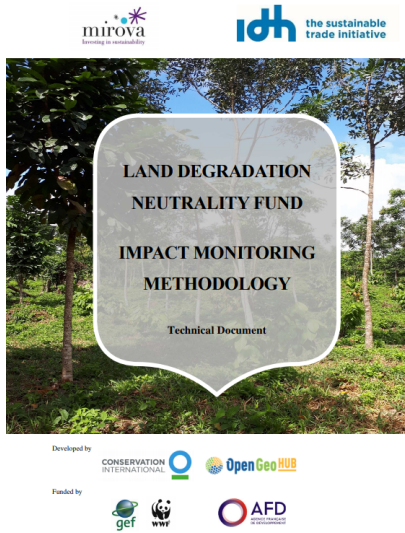
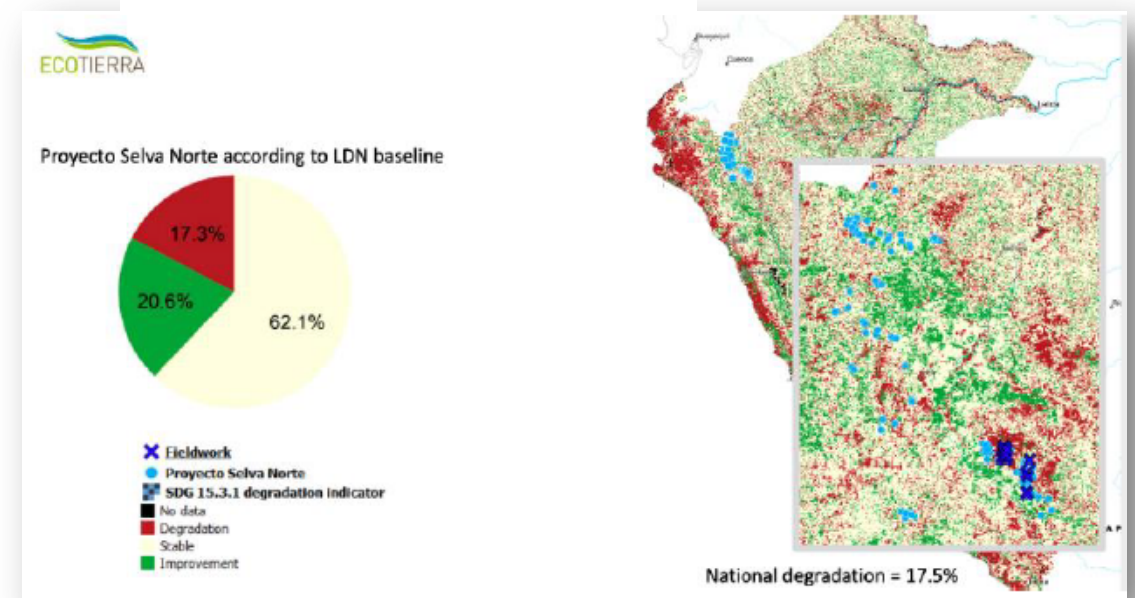
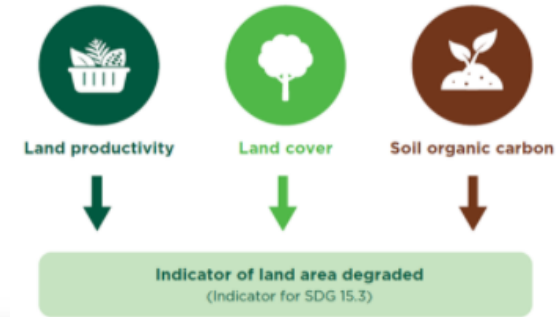
- *Crops* – range, often focus on primary cash crop as part of (agroforestry/ combined conservation) system
- *Inclusion business model* – range from smallholders to aggregated cooperatives to plantations with outgrower schemes
- *Link with public priorities* - range from no-objection to contribution to building case for more public private partnership in priority region
- *Land use and contribution to LDN*; wide range from nationwide to municipality to plantation



# Link with LDN target setting and LDN indicator

Each project in which the Fund invests sets baseline and reports on achievement of LDN

TAF supports in informing and linking with national government



<https://www.idhsustainabletrade.com/publication/land-degradation-neutrality-impact-monitoring-methodology/>





# LDN Fund and LDN TAF

## Insights Reports



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# A brand new learning publication!

Insights into investments and TA by the LDN Fund and LDN TAF

## Learning Brief series

2019/2020



2020/2021



Online report

visit <https://www.idhsustainabletrade.com/ldn-insights-report/>

Soon we will transfer to [ldninsights.org](https://ldninsights.org/)!



# PROTECTING LAND FROM DEGRADATION AND IMPROVING RURAL LIVELIHOODS THROUGH HAZELNUT PRODUCTION IN BHUTAN


## Mountain Hazelnuts

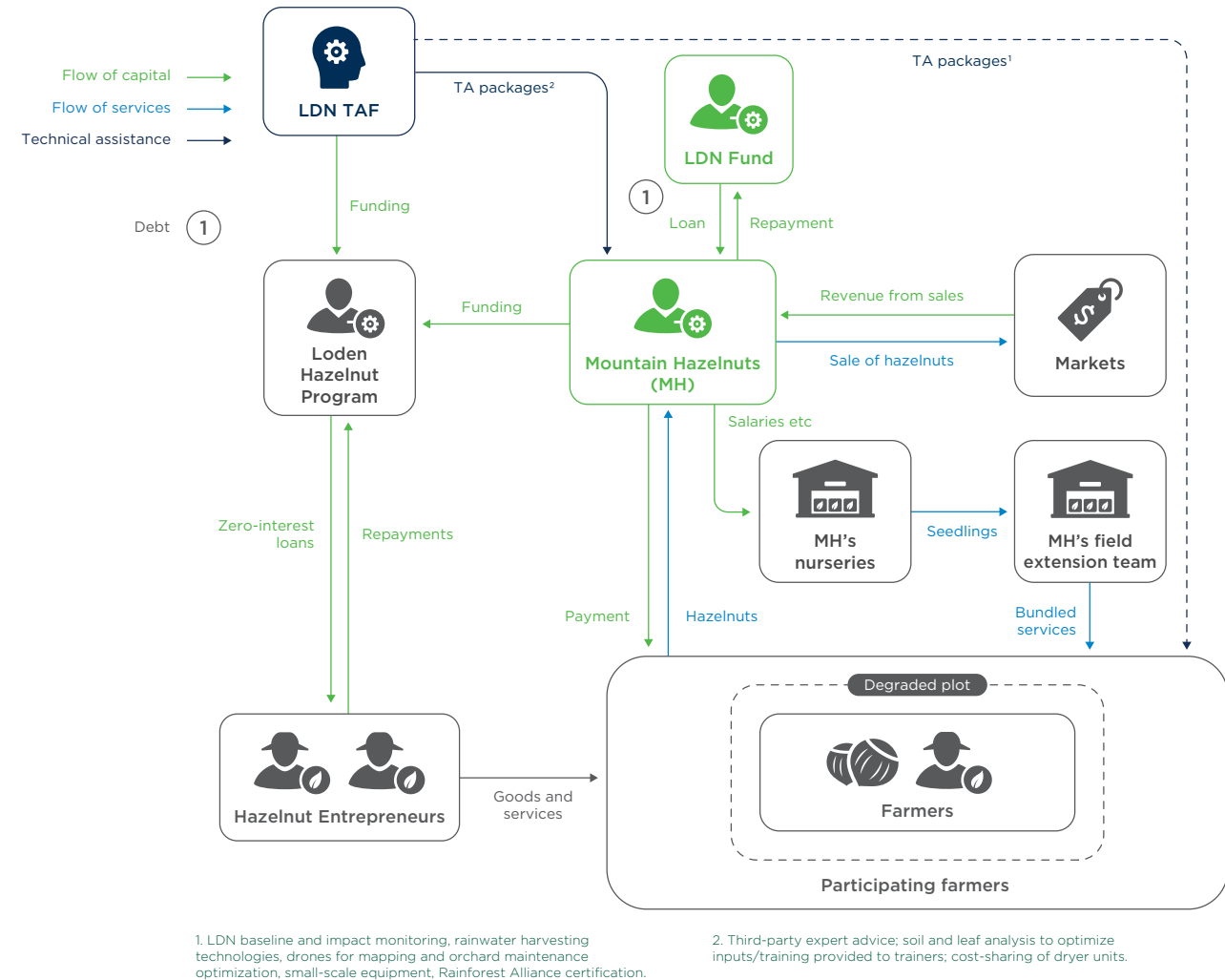
### POST-INVESTMENT

**BUSINESS MODEL:**  
Hazelnut production

**FINANCING:**  
Profit-sharing loan of US \$9 million to further scale up operations

### PROJECTED IMPACTS:

-  **10 million hazelnut trees** planted on fallow or degraded land, now projected to contribute to LDN
-  **1.5 MtCO2eq** sequestered
-  **15,000 households** with doubled incomes, and at least half of which are women-led households.





Learning Brief

Foreword

Acknowledgements

Introduction

Case Studies

Insights to date

Download PDF

# Inclusive Investments in Sustainable Land Management to Help Achieve Land Degradation Neutrality

New insights from the Land Degradation Neutrality Fund and Technical Assistance Facility



# A brand new learning publication!

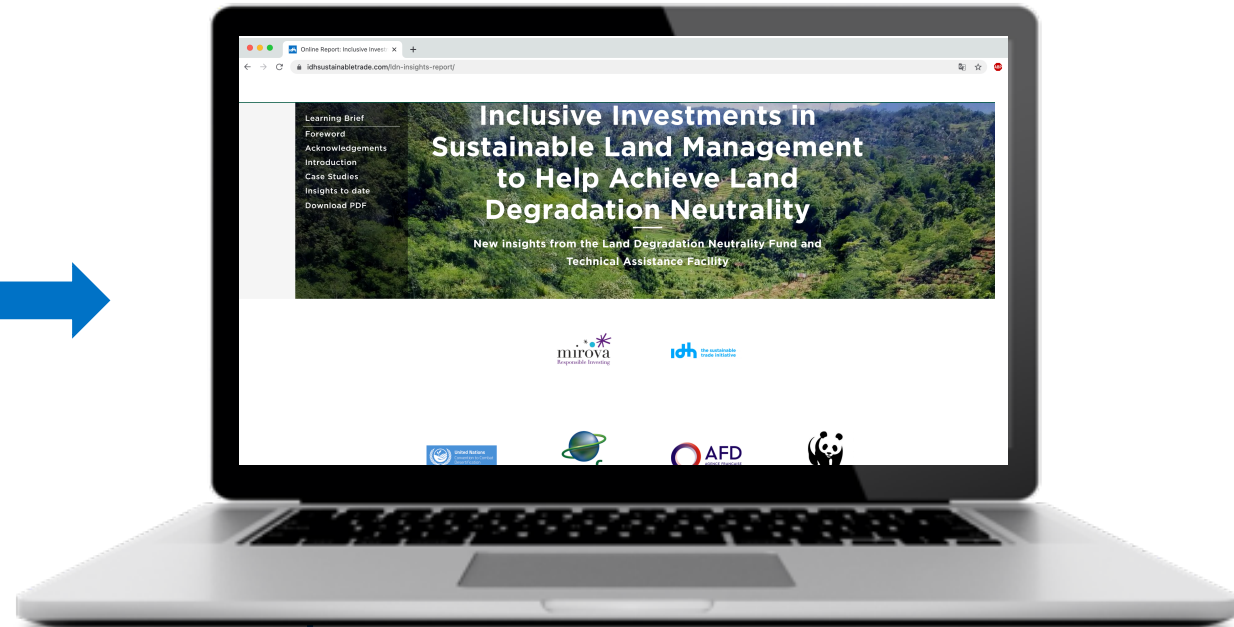
Insights into investments and TA by the LDN Fund and LDN TAF

## Learning Brief series

2019/2020



2020/2021



Online report

Link will be shared on social media tomorrow





Protecting land from  
degradation and  
improving rural  
livelihoods through  
hazelnut production  
in Bhutan

Mountain Hazelnuts

*Type: Outgrower*



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# **MOUNTAIN HAZELNUTS BHUTAN**

**CREATING SHARED VALUE WITH THE LDN FUND**


**MARCH 2021**



ལྷོ་མཚེན་ལྗང་ལྗང་ MOUNTAIN HAZELNUTS




# VULNERABLE COMMUNITIES & ECOLOGY AT RISK

- 
- Limited sources of income in high altitude regions
  - High rural-to-urban migration
  - Deforestation and slope erosion
  - Less than 3% of land is arable



# **MOUNTAIN HAZELNUTS' VISION AT SCALE**



**10 million trees restoring degraded land**  
**15% of population impacted**  
**3% of global hazelnut supply**  
**Full traceability**  
**Sequester CO<sub>2</sub>**





# CATALYTIC FINANCING FROM MIROVA/LDN

**Complete the business plan from current status:**

- **6 million trees planted on degraded/fallow land**
- **12,000+ orchards across the country**
- **Bhutan's largest private employer with 700 staff**
- **Addresses environmental & social SDGs**





# TECHNICAL ASSISTANCE PROGRAM SUPPORTS

- Orchard and yield optimization
- Pre and post-harvest mechanization
- Loans to hazelnut value chain entrepreneurs
- RA certification acceleration
- Set LDN baseline and monitoring process





# CREATING SHARED VALUE - KEY LESSONS



- Local cluster development is critical
- Empowering women drives success
- Data collection & monitoring invaluable to adaptive management & maximize land restoration efforts



# Q&A



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# Closing



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