Webinar summary report

Time to scale: Attracting private investments for sustainable landscapes

On 6 April 2022, IDH, the Sustainable Trade Initiative and WWF held a webinar to officially launch their co-developed guide on "Attracting Private Investment for Sustainable Landscapes". The webinar event attracted professionals and experts in conservation and development organizations involved in landscape finance, who wish to take their investment-readiness to the next level.

1. Summary notes:

Opening Remarks

Nienke Stam, Program Director Landscapes Finance IDH

- More investment in nature-based solutions, sustainable landscapes and sustainable land management are needed.
- Often the criteria of the investment funds can be challenging to meet. High ticket sizes, international currencies, and stringent ESG criteria can be hurdles. Landscape finance and investment in nature-based solutions often requires new types of collaborations. New partnerships.
- This guide aims to inspire and enable people with an NGO background to step up as project organizers that can create and act on opportunities that attract private investments in support of sustainable landscapes.

Charlotte Floore, DFCD Project Manager WWF Netherlands

- Launch of this guide can provide guidance and framework in designing landscape projects that considers the needs of investors especially from the early stage of project development
- Specific focus on how we look at landscape approach and how can we take the project impacts to the next level, and how all stakeholders can speak the same language and well connected with the potential investors

Setting the Stage

Thomas Duurland, Program Manager Landscapes Finance IDH

- There is need to work together for sustainable landscapes in line with the recent IPCC report that requires significant financial resources to ensure smooth transition to sustainable and resilient landscapes
- The toolkit focuses on designing investments in landscape finance projects from origination to investment-readiness through 4 main stages. Note, however, that these can be different in practice, as there is no one-size-fits-all solution. Nonetheless, we hope it provides an overarching framework that can help guide you in identifying parties typically involved in the investment development process, the roles they play, and typical characteristics of projects considered investable.

Reflections

Tran Quynh Chi, Regional Director Asia IDH

- One of the main challenges in developing pipeline for bankable landscape projects is that agricultural sectors in Asia mainly driven by small-scale farmers, hence the challenge to make a sound business case at scale. The other challenges are to attract investors to beyond farm interventions and existing financial instruments for smallholders are not linked to the market requirements and demand.
- Education on financing for credit-takers, smallholders, and other stakeholders in the value chains needs to be integrated in service delivery of potential projects to unlock opportunities to become bankable landscape finance projects.
- Based on experience working with ACOM on a recently closed deal, there is also an important enabling role for the public sector, and grants-based co-funding during the development phase matched with private sector funding can unlock value chain wide collaboration to create impacts at landscapes level – forest protection, inclusion, and livelihoods.

Stuart Beavis, DFCD Regional Lead Asia WWF

- One of the biggest challenges is many investors prefer to invest in mature and business-ready projects, yet many projects still require support financial and capacity support to build their business case and align them with landscape goals. The other challenge needs to be tackled is to strengthen private sector engagement and capacity building for stakeholders involved in the sector.
- Key success factors of bankable projects are 1) having a sound conservation and climate impacts, 2) profitable business case that acknowledge the risks, 3) having long-term private sector partnership, and 4) scalability of the business.

Project Showcase

Richard Gadbois, CFO and Co-Founder Cinch Markets (Kenya)

- Cinch is a land management company that aggregates underperforming and non-performing smallholder land into larger commercial “mosaic” farm operations. Cinch unlocks value by aggregating land with leases, investing in infrastructure and professional agronomy teams, and transitioning to higher value crops on contract.
- A key success factor for Cinch is incorporating impact as a key function of business success, rather than vice versa, to remain focused on what they are good at. Having a scalable impact business requires focus on solving the business problems while ensuring that it creates substantial impact for their user base.

Arief Rabik, Director PT Indobamboo Lestari (Indonesia)

- Indobamboo business focuses on producing laminated bamboo products emphasizing on working with communities with existing bamboo resources areas and degraded land areas around these communities with up to 70% of women involvement. Indobamboo supports provision of access to finance, build capacity, village level institution, business ecosystem, as well as access to market.
- Key success factor for Indobamboo is creation of value addition for the community which proven to create key enabler in building trust-based partnership between communities and private sectors to work together not only for profitable business but also social and environmental impacts.

Sensemaking and closing

- Richard Gadbois: any long-term successful partnership focusing on solving land degradation problems must concentrate on profitable, sustainable and impactful business models.

- Stuart Beavis: there is not enough large investable projects for financial sectors to invest, hence the need to continue working together, mobilizing TA and grants funding, in building pipelines and attracting more financial resources to create bankable and investable pipelines.
- Tran Quynh Chi: building landscape finance projects require time to create enabling environment for the private sector and meet the investors' appetite. Landscape approach prefers connecting different projects with public, private and civil society stakeholders to make land more productive and improve livelihoods, in exchange for protection of natural resources.

2. Q&A:

Q1: How does ACOM solve the challenge that organisations are needed to aggregate smallholder farmers, but there is a lack of willingness to finance such types of organisations

A1: The local government provides funds together with local banks for forest restoration in the landscape. This pilot project was developed after the landscapes stakeholders identified this as a priority. IDH played the role of "project organizer" and TA provider.

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Q2: Are there examples of investors getting their 'boots dirty' and building a relationship with the projects on the ground? Is this common?

A2: We see it done through a technical assistance facility linked to the funds, or through development capital facilities that support initial development stages, that often have more flexibility and take on this role.

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Q3: Are you considering biodiversity impact alongside and on top of climate impact for such projects?

A3: The biodiversity impact is a key impact topic that increasingly many impact investment funds have as part of their impact & KPI framework. Landscape initiatives will typically also have biodiversity as a key focus area (depending on the context of the landscape) and as such will seek to create investment opportunities that create positive impact/synergy with biodiversity as well.

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Q4: To reach impact in the social, ecological and economic sphere, I would assume that the investor needs to except lower returns than in the "normal" sectors. Is this correct? and if not, what would be the reasons for it?

A4: The impact investors would look for triple bottom line returns, where financial return is a consideration but also social and environmental impacts.

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Q5: On the one hand landscapes management helps in sustainable utilization of resources while this at the same time will also restrict/ slow down the uplifting of few businesses who want to move faster; therefore, how a balance is maintained among these two groups of private sectors in a landscape?

A5: It highlights the importance of conveners like IDH, WWF and other NGO organizations to connect the business interests while also taking into account wider landscape sustainability *goals, that involves partnership with smallholders, communities, and other stakeholders in the value chain.*

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Q6: Have we seen any successful examples of investment projects that are selling ecosystem services instead of/as well as sustainable commodities? Unlocking value in wild landscapes rather than productive ones?

A6: Indobamboo shares their experience how working in bamboo as sustainable commodities in degraded land area also have an impact in leveraging ecosystem services including biodiversity and water protection.

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Q7: Can you comment on the difference (or nexus) between attracting private investment for project financing vs. corporate finance. From the examples presented here, I understand that many project developers are climate businesses whose project proposal is their core business model, so why focus on making projects investment ready instead of making a business / company investment ready?

A7: The guide explores a range of different so-called "entry points" for private finance to support sustainable landscape goals. This can be through existing businesses that incorporate landscape sustainability impact in their model, as presented during the webinar, but can also be through greenfield sustainability projects that have high impact potential but need support to become investment-ready, or through existing companies that are financially mature, but need support to better integrate their business with wider landscape sustainable goals (possibly linked to a financial need).

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Q8: When talking about investors, what type of investors are you hoping for, (realistically)? i.e Institutional Investors (PFs), Family offices, Development Banks or Foundations. There is quite a difference, and each sector has different needs and requirements.

A8: The toolkit considers a wide range of private investors in the(sustainable) land use space. But emphasis is on (international) impact investors or development banks.

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Q9: the impact of bankable project especially the social and environment part of the equation will be evident/quantifiable from 5 years of implementation onwards, however economic viability could be immediately measured two to three years from project implementation. Lessons from Pakistan show that businesses (private sector) are hesitant to go for projects that have a minimum 5MEUR ticket size requirement (such as from DFCD), which in local currency is considered a large investment project. It was also highlighted by one of the speakers that the projects in DFCD thematic areas, especially climate smart agriculture or agroforestry, often work with small and scattered land plots owned by these private companies, and that most land is public property .Should bankable sustainable landscape projects not be able to access loans smaller than 5M EUR from impact investment funds?

A9: Often, financing of any ticket size below US$1 million is not considered to be cost effective by most investors. For large investment funds, therefore, the minimum starts at often around US$5 million. TA and grants can be mobilized to investigate ways to overcome this challenge, for example by working with local financial institutions who could have the ability to provide smaller loan sizes should risks of the investment project itself be reduced sufficiently to fit their risk appetite (potentially also with support from TA and grants). Or investigate how project size *can be increased – for example, through bundling loans for more smallholder farmers through an aggregating company. If increasing the project size is unfeasible, bundling different projects could also an option, as long as these are housed within the same legal entity. Sometimes the forecast that an investor can grow with the business and expand its position in the business (staged approach) can also increase the investment appetite. Alternatively, identify other potential investors that accept smaller ticket sizes, especially in the early project assessment stage.*

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