

SCALING UP INVESTMENT & FINANCE FOR INTEGRATED LANDSCAPE MANAGEMENT: CHALLENGES & INNOVATIONS

A White Paper from the Landscapes for
People, Food and Nature Initiative

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By 2030, demand for freshwater is projected to exceed supply by 40 percent. Estimates suggest agricultural production will need to go up by more than 70 percent by 2050 to feed a population of 9 billion people. The total average annual net investment in developing country agriculture required to deliver the necessary production increases is estimated to be USD 83 billion, an increase of about 50 percent.

The risks to agricultural supply chains from ecological overshoot will go well beyond the rural poor. Globally, agricultural investors could end up with some \$11 trillion in stranded assets due to the degradation of natural resources necessary for sustained agricultural production.

Thus, to achieve the Sustainable Development Goals will require additional investment water and watershed management, soil restoration, sustainable sources of energy and ecosystem restoration. New models of investment and finance are needed that not only incentivize the scaling up of investment in sustainable agriculture and land management, but do so in strategic ways that contribute to inter-related SDGs and effectively manage the competition and inter-dependencies for natural resources and ecosystem services among the Goals and among land users.

Integrated Landscape Management (ILM) has arisen as a response to growing competition for natural resources, to reconcile demands and interdependencies from different sectors and stakeholders in a way that is more sustainable, inclusive and effective at scale. This approach is more likely to lead to sustainable landscapes in the long term by explicitly addressing trade-offs and synergies among stakeholders and between different parts of the landscape and by building collaborative relationships.

There are many well-documented potential challenges for sustainable agriculture and forestry investments broadly which also apply to integrated landscape investment including longer time horizons for returns, tenure insecurity, and the need to aggregate many small-scale producers. This paper addresses the additional challenges

for investments in integrated landscape initiatives, reports on some of the innovative solutions being developed by cutting-edge financiers and investors, and recommends some concrete steps to advance finance for integrated landscape investment.

Key challenges and emerging solutions for financing integrated landscape investments

ILM requires both asset and enabling investments by a wide range of land managers. Asset investments create tangible value that is returned back to the investor, and enabling investments lay the institutional and policy foundation for asset investments. All integrated landscape investments require some degree of strategic planning or coordination through a landscape stakeholder platform and/or a landscape investment facilitator.

Five major challenges for financing ILM, and emerging solutions, are identified. The first is to **incorporate landscape criteria into decision-making** about investments. This can be accomplished through the application of standards to screen out harmful investments as well as through active targeting of sustainable land use and integrated landscape investments. A second challenge is to **reduce the investment risks** that are unique to ILM compared to traditional land-based investments. Mechanisms to reduce these risks include financial subsidies, guarantees, co-investment with landscape partners, raising and diversifying returns and documenting a track record of investment performance. Next, investors and financiers need to **engage effectively with landscape partnership platforms**. These relationships can be built by joining existing platforms, strengthening weak or absent platforms, or, in cases where they do not have the capacity to engage, empowering intermediaries to manage landscape relationships. A fourth challenge is to **strategically link financial flows** within landscapes. Assets and enabling investments can be coordinated through blending of objectives

and funds with a single instrument or through the use of enabling investment companion funds, either jointly managed within the same institution or on a project by project basis. Finance can also be better linked within landscapes through the development of mechanisms to match funders with appropriately sized investments. Finally, investors and financiers need to develop systems to **monitor multiple outcomes at a landscape scale**. Assessment tools designed to track impacts for sustainable land use and value chains can be geared towards landscape assessments, and other systems are being developed specifically to track outcomes within integrated landscape initiatives.

Recommendations to advance investment and finance for ILM

Much more remains to be done to scale up financing for integrated landscape management. Based on the consultations and analysis of this study, we recommend five key areas for immediate action:

1. ***Design standards and monitoring systems for integrated landscape investments.*** As more financial actors commit to the principles of integrated landscape investments they will need inexpensive, simple and effective systems that allow them to apply landscape standards and to track the impacts of investments within a landscape context. Given that cost is the limiting factor for impact monitoring, these systems should focus on identifying and adopting integrative and leverage indicators.
2. ***Establish landscape investment incubators.*** Developers of specific integrated landscape investments as well as leaders of integrated landscape initiatives need improved financial literacy. A landscape investment incubator could help to provide the technical capacity needed to design landscape investments so that they are seen as bankable by potential funders.
3. ***Establish brokerage services for integrated landscape deals.*** Financial actors have trouble finding bankable deals while farmers and businesses on the ground often lack finance for their investments. Brokering facilities that operate at landscape, regional, national or even international scales could help to fill this match-making function.
4. ***Incorporate integrated landscape principles into public financing.*** Some countries and jurisdictions have made significant strides in the design of public programs that cut across sectoral silos. But government agencies (and their donors) can do more to coordinate sectoral funding programs and to increase funding for integrated programs. This will require improved inter-governmental communication and collaboration and increased recognition of the interlinkages among investments required to achieve sustainable development.
5. ***Create frameworks for financing ILM within national SDG and green growth strategies.*** In order to achieve the SDGs, countries will need to move beyond ‘business-as-usual’ economic growth models and embrace models for inclusive green growth. Green growth will require the coordination of sectoral investments, but while this coordination is necessary at the national and sub-national scales, individual investment and finance decisions are best evaluated at a landscape scale.



INTRODUCTION



Scaling Investment to Meet Inter-related Sustainable Development Goals

There is growing recognition by land managers – from small-scale farmers and forestry communities to large agribusinesses-, policymakers and financial backers of land-based investments of the inter-linkages between economic, social and environmental challenges and the need for integrated solutions to address them.¹

Indeed, the newly adopted Sustainable Development Goals (SDGs) will not be met one by one, but will need implementation plans that recognize how they are connected to each other.² This is particularly important for goals related to land and ecosystem management including poverty eradication, sustainable agriculture, food security and nutrition, water and sanitation, ecosystems and biodiversity, climate adaptation and mitigation, sustainable production and consumption, sustainable cities and human settlements, clean power generation, and health.

Achievement of the Goals will also require substantial investment in land related sectors. Farms must increase productivity to feed at least 9 billion people by 2050 while per capita meat consumption rises.³ This could require a total agricultural production increase of over 200 million tons to reach 470 million in total.⁴ In developing countries, it is estimated that 80 percent of production increases will come from raising yields, while 20 percent will come from expansion of farming area.⁵ However, globally, increases in yields are slowing, from 3.2 percent per year in 1960 to 1.5 percent in 2000.⁶ The total average annual net investment in developing country agriculture required to deliver the necessary

production increases is estimated to be USD 83 billion which would require an increase of about 50 percent. Demand for non-food farm and forest products is also rising. In response, the dominant direction of development of the agriculture sector is towards intensification and specialization, with wholesale loss of mixed farming, decoupling of nutrient cycles, widespread loss of biodiversity, overuse of water, and enormous increases in agrochemical use.

Yet agricultural growth so narrowly focused on production is threatening the very ecosystems that provide the foundation for food systems. The resulting collision course could have disastrous biophysical, livelihood and financial consequences. For example, by 2030, the global demand for freshwater could exceed supply by 40 percent, a scenario likely to be exacerbated by climate change impacts. The risks to agricultural supply chains from ecological overshoot will go well beyond the rural poor. Globally, agricultural investors could end up with some \$11 trillion in stranded assets due to the degradation of natural resources necessary for sustained agricultural production.⁷

Thus, achieving the SDGs will also require additional investment in water and watershed management, soil restoration, sustainable sources of energy and ecosystem restoration. New models of investment and finance are needed that not only incentivize the scaling up of investment in sustainable agriculture and land management, but do so in strategic ways that contribute to inter-related SDGs and effectively manage the competition and inter-dependencies for natural resources and ecosystem services among the Goals and among land users.



Integrated landscape management in diverse forms, has been growing all around the world

Integrated Landscape Management: Framework for New Investment and Finance Models

BOX 1 *Integrated Landscape Management*

Integrated landscape management is a term used to describe multi-stakeholder approaches to landscape management. This approach is more likely to lead to sustainable landscapes in the long term, by explicitly addressing trade-offs and synergies among stakeholders and between different parts of the landscape, and by building collaborative relationships. The governance structure, size and scope, and the number and type of stakeholders involved (private sector, civil society and government) in integrated landscape management vary.

Interested stakeholders in the landscape come together for cooperative dialogue and action in a *multi-stakeholder platform*. They undertake a systematic process to exchange information and discuss perspectives, to achieve a *shared understanding* of the landscape conditions, challenges and opportunities. This enables *collaborative planning* to develop an agreed action plan. Stakeholders then *implement the plan*, with attention to maintaining collaborative commitments. Stakeholders also undertake *monitoring for adaptive management and accountability*, which feeds into subsequent rounds of dialogue, knowledge exchange and the design of new collaborative action.⁸

Integrated Landscape Management (ILM) provides a place-based framework for the implementation of land and natural resource-based SDGs. ILM aims to harmonize planning, implementation, and monitoring processes at the landscape level (see Box 1).

The approach seeks to achieve multiple objectives from the resource base and explicitly recognizes the economic, social and ecological interconnections and inter-dependencies between different land use activities across a landscape (see Figure 1).

Integrated landscape management in diverse forms has been growing all around the world as an alternative response to increasing demographic and economic pressures on the resource base. It is applicable in places where stakeholders agree on the importance of simultaneously increasing

food production, improving livelihoods, and protecting biodiversity and ecosystem services. A review by the Landscapes for People Food and Nature Initiative has documented more than 420 integrated landscape management initiatives (ILIs) in Africa, Latin America and the Caribbean, South and Southeast Asia, and Europe. Many more can be found in North America and Australia. These initiatives emerged from diverse communities of practice in sustainable agriculture and natural resource management.

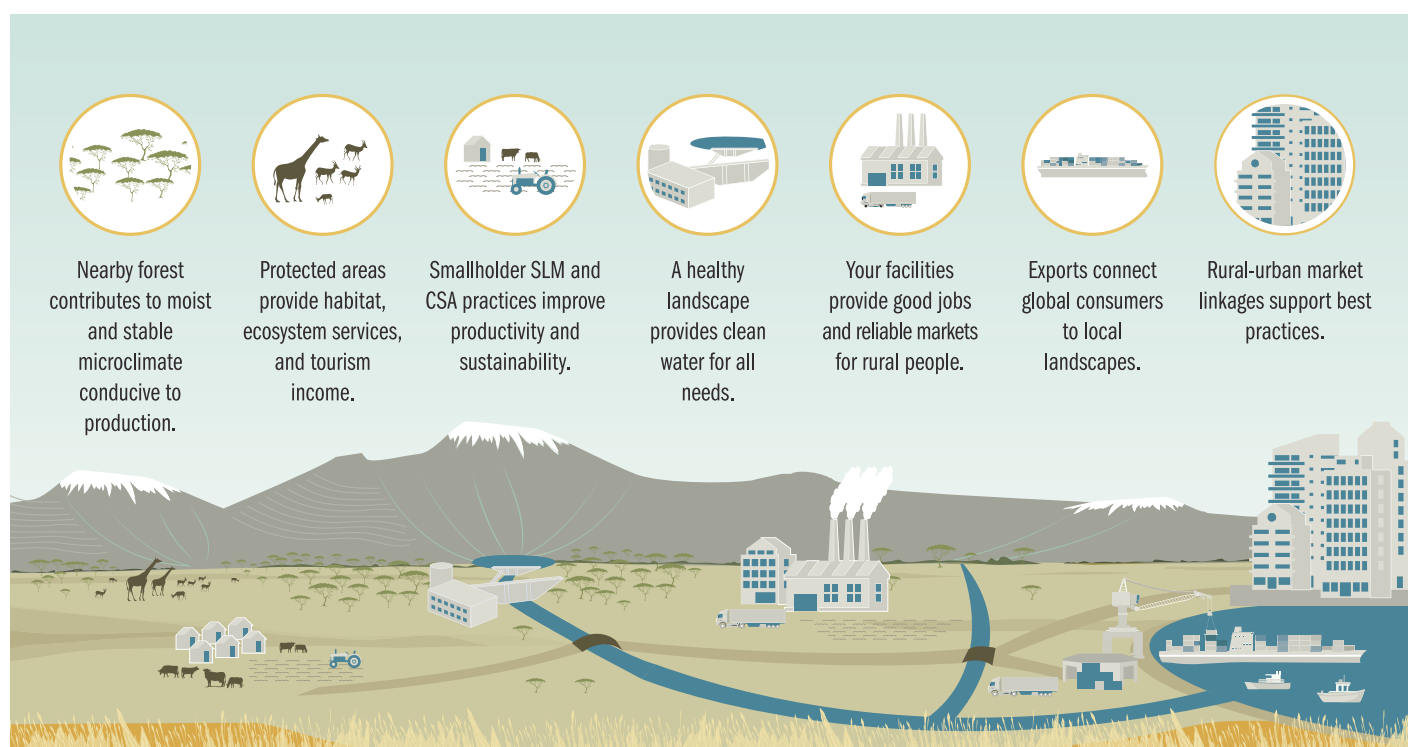


FIGURE 1
Interconnected benefits of integrated landscape management. Source: Gross and Wertz 2015

Overview of the Paper

Finance is a central need for the scaling up of ILM. A 2014 global scoping study* took stock of the experiences of investors trying to work within integrated landscape contexts as well as those of landscapes initiatives working to access the funds required to support their activities.¹⁰

That study identified key questions and financial actors to engage and informed the theoretical framework for this paper. Here we focus on the operational models of some of the most innovative financiers that are deploying or designing new approaches to engage in integrated landscapes. We analyze their experiences to identify key elements of finance for ILM and recommend action that will build on this work by the community of investors, financiers, policymakers and integrated landscape initiatives.

Findings are drawn principally from the experience of eight innovative funding organizations. Of these, six are impact investment vehicles that seek financial returns as well as environmental and social benefits; two are public investors seeking only environmental, social and institutional returns. Among the impact investors, the EcoEnterprises II Fund has the deepest experience, based on the

history of EcoEnterprises first fund, while Althelia Climate Fund and Moringa Fund have a more recent history. Commonland, the Land Degradation Neutrality Fund and the Livelihoods Fund for Family Farming are in their design or early implementation phases. Of the public investors, the Dutch Sustainable Trade Initiative (IDH) through its Initiative for Sustainable Landscapes (ISLA) is investing in landscape stakeholder coalitions in six commodity landscapes around the world while the Global Environmental Facility's (GEF) Integrated Approach Pilot (IAP) program on Fostering Sustainability and Resilience for Food Security in Sub-Saharan Africa is working with 12 countries at both the landscape and national levels to build the enabling conditions for landscape-scale action.

Once background materials from these funds were analyzed, representatives from most of them gathered in London at the Global Landscapes Forum – Investment Case on June 10-11, 2015, to share their experiences and reflect on a full body of experience in order to provide additional insights on the need of financing for ILM. This research and feedback process was supplemented with a review of relevant literature and discussions with other experts in the field including members of the Landscapes for People, Food and Nature

* The study, Financing Strategies for Integrated Landscape Investment [Shames, S., M.H. Clarvis, and G. Kissinger (2014)], identified over 250 financial mechanisms and institutions that support multi-objective investment within a landscape context as well as 29 ILIs. The study also included in-depth cases studies on eight financial mechanisms and three ILIs. The study described the financing needs of ILIs, reviewed the finance gaps and challenges specific to asset and enabling investment, and provided general recommendations on how financial institutions, policymakers and leaders of ILIs can benefit from integrated landscape investments and how to work together to overcome ILM finance gaps.



Initiative Finance Working Group. The scope of the study was broadened to include relevant financial actors beyond the core group initially engaged. Our analysis focused on clarifying the potential financial benefits of investing within an ILM framework (section 2); defining the key elements in financing ILM (section 3); understanding the key challenges and emerging solutions for investors and financiers (section 4); and recommended actions that will scale up the flow finance into integrated landscape investments (section 5).

Our hope is that these lessons will be relevant not only to investors and financiers** but also to integrated landscape initiatives, policy makers and designers of regional and global land-related programs in sustainable agriculture, forest landscape restoration, ecosystem-based climate adaptation, and agricultural green growth.

** In this paper, for clarity, we use the term investor to refer to the entities that design, implement and manage specific investments within landscapes. We define investment as the outlay of capital or labor which returns money or generates environmental services back to the investor, and ideally the landscape as a whole. We define financier as an entity that provides funding which makes the investment possible. In some cases, a single entity may play the role of investor and financier (e.g. a self-financing agribusiness investing in shade coffee production).



THE **BUSINESS BENEFITS** OF INTEGRATED LANDSCAPE INVESTMENT

As we will explain in section 3, the investment and finance processes for integrated landscape management can be somewhat more complicated than for conventional stand-alone, single-deal investments. In this section we briefly explain the business benefits that are nonetheless motivating the growth of business engagement in ILM¹¹ and interest from funders and investors. These include both financial motivations (increased profitability, reduced risk or greater effectiveness of the investment) and societal motivations stemming from demands for greater sustainability.



Financial Motivations for Integrated Landscape Investment

Climate change, drought, and increasing demand for food and natural resources are making access to energy and raw materials more costly for land-based enterprises, from small farmers to large agribusiness.

These environmental issues also have wide-ranging social impacts that directly affect the success of a given investment.¹² At the same time, improved global transparency and hyper-connectivity are increasing the risks for investors who are perceived as ignoring environmental and social sustainability. There can be significant risks to company brands, particularly international brands, involved in clearing high conservation value areas, conflicts with local communities, corruption, and poor governance.

In many cases, these risks cannot be mitigated solely through on-farm management or supply chain programs (the current focus of most efforts), and must be dealt with at the landscape scale. This means that a single private sector investor cannot mitigate those risks alone. Similarly, government agencies, in order to achieve landscape-scale outcomes, will need to break out of sectoral silos and coordinate planning processes in order to achieve goals for agricultural development, forestry, climate mitigation and adaptation, watershed management and biodiversity.

In order for investors to manage risks at a landscape scale, they will need to build partnerships with other stakeholders that also have an interest in the long-term social and environmental health of the landscape. These partnerships are the core of ILM. Beyond reducing risks for investors, operating within an ILM context can provide benefits including cost reductions, long-term benefits of land regeneration, land value appreciation, diversified revenue streams and new market opportunities from payments for ecosystem services or product certification systems. Companies involved in landscape partnerships can ensure their 'license to operate', reduce their regulatory costs, attract co-financing, acquire market intelligence, find business partners, legitimately influence local policy and otherwise benefit financially. Figure 2 (page 13) provides an illustration of the how landscape approaches can reduce risks and provide opportunities for investors and funders, to complement action at the farm or plant level.

As a result of these potential benefits, a range of potential investors and financiers have begun to engage in ILM, in different ways, as illustrated in Table 1 (page 14).



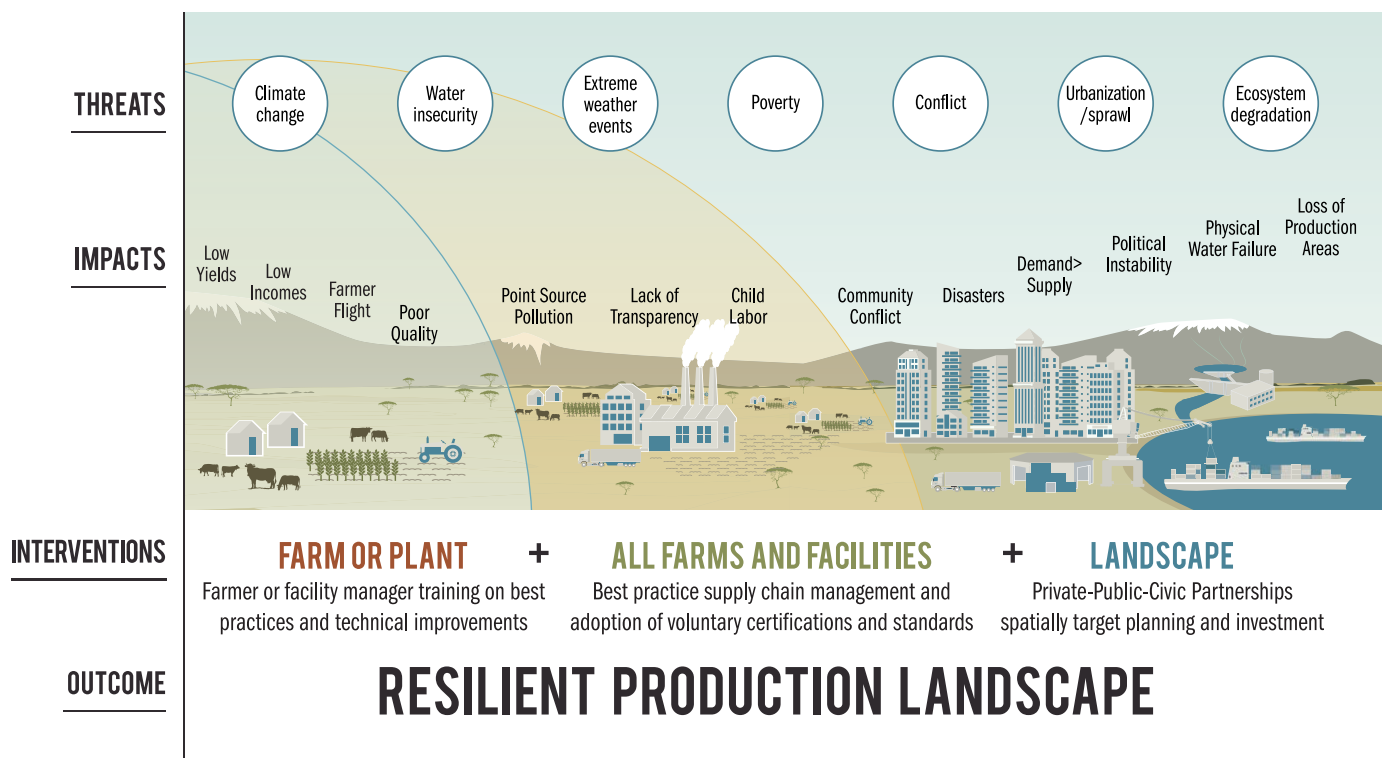


FIGURE 2
Major threats have impacts on investments at multiple scales, and must be addressed through farm, supply chain and landscape interventions.
 Source: Gross and Wertz 2015

Table 1 – Integrated Landscape Investors and Financiers: Motivations for Engaging in ILM

ACTORS		ACTIVITIES AND MOTIVATIONS FOR ENGAGING IN ILM	EXAMPLE
Investors	Companies	Invest in improved practices, restoration, coordination to reduce risks (reputational risks, risks to sourcing areas)	SABMiller in South Africa managing its long-term water risk
	Farmers and landowners	Invest in improved agricultural practices, resource restoration and new markets to strengthen their livelihoods and resilience	Coffee cooperative transitioning to shade-grown coffee to guard against climate change
	Government agencies	Invest in capacity building, coordination, and creating the enabling policy framework, to promote sustainable and inclusive green growth	Government of Kenya invests in the Imarisha Naivasha multi-stakeholder platform to promote sustainable development in the Lake Naivasha Basin
Financiers	Impact investment funds	Finance higher risk debt and equity investments in sustainable enterprises and projects to receive direct financial returns along with social and environmental benefits	Althelia Climate Fund finances REDD+ project in Peru (see Box 5)
	Commercial banks	Finance low interest rate loans for sustainable practices that help to ensure the flow of their financial returns in the future	Equity Bank in Kenya gives loans to smallholder producers to purchase clean cook stoves around the Mau Forest landscape
	Foundations	Provide grants to programs that directly undertake social or environmental actions that contribute to their missions	Commonland Foundation provides grants that support enabling conditions for for-profit investments in sustainable landscapes
	National and sub-national governments	Finance government agencies to achieve public policy objectives in support of sustainable development	Government of Ethiopia supporting a country wide program to scale up sustainable land management
	Development banks	Finance loans and bonds for sustainable enterprises/activities; Establish sustainability standards and screens through guidelines and safeguards	Sustainability Framework now takes into account supply chain risks beyond the scale of a single farm, among other social and environmental standards
	Institutional investors	Through secondary markets, finance specialist asset managers who support investments that generate social and environmental benefits that and secure, long-term returns	The California Public Employee's Retirement System (CALPERS) uses sustainability-oriented guidelines to guide its decision-making



Societal Motivations for Integrated Landscape Investment

While most investors and financiers still remain focused on maximizing short-term financial returns, there is a growing recognition of the necessity to consider social and environmental impacts and returns.¹³

In many cases, these can only be delivered through long-term collaboration among landscape stakeholders. This approach is needed to achieve climate-smart landscapes, biological corridors integrated into production landscapes, indigenous territories and healthy watersheds. To retain their license to operate, investors will be pressured to support, or least not undermine, these efforts.

The rise of sustainability commitments by a wide spectrum of actors demonstrates this shift. For example, in 2010, the Consumer Goods Forum (CGF)'s Board of Directors committed their 400 members, representing a combined procurement power of over USD 3 trillion, to achieving zero net deforestation in their supply chains by 2020.¹⁴ While the language of this commitment focuses on supply chains and not landscapes, the challenge of mitigating agricultural drivers of deforestation will clearly require landscape approaches.¹⁵

Some financial actors — including investment funds, commercial banks, development banks, and institutional investors — are responding to similar business opportunities and limitations, and are trying to embed environmental and social values into their decision making. Where financiers champion these strategies, they can substantially influence the day-to-day management decisions of landscape investors with whom they partner. Even where relationships with investors are less direct, financiers can influence investment decisions through the criteria they use to decide which investments to fund, and through the methods they use to evaluate success.

Large coalitions of financial institutions such as Banking Environment Initiative (BEI) and the Equator Principles Financial Institutions (EPFIs) are committing to broad environmental goals,¹⁶ and are in the process encouraging their members to incentivize sustainable investment. The BEI is a coalition of 11 banks and investment companies across four continents that builds bank-corporate partnerships in the areas of soft (agricultural) commodities and clean energy. The BEI has played a lead role in the Soft Commodities Compact (SCC) in which big banks work with CGF companies to find ways to finance palm oil, timber products, soy or beef without contributing to deforestation.



THE ELEMENTS OF INTEGRATED LANDSCAPE INVESTMENT & FINANCE

This section describes some of the unique attributes of integrated landscape investments, the role of landscape investment facilitators, and the strategic role of financial actors in limiting or enabling integrated landscape investment.



How Integrated Landscape Investment Differs From Sustainable Land Use Investment

Sustainable land use usually refers to action at the scale of a particular land management unit or stakeholder group — farms, production forests, protected areas — in a sustainable way.

Integrated landscapes, by contrast, require sustainable land management in diverse land management units that is coordinated by stakeholders to achieve the diverse landscape goals (Table 2). In the context of investment and finance this distinction can be quite significant as it calls for actors to evaluate, implement and monitor investments in a different way.

Table 2 – Sustainable Land Use Investment vs Integrated Landscape Investment

SUSTAINABLE LAND USE INVESTMENT	INTEGRATED LANDSCAPE INVESTMENT
Investments in sustainable practices or natural or built assets that are designed and implemented in a specific land management unit	Designed to consider the environmental, economic and social context beyond a single land management unit
Not aligned with a multi-stakeholder planning and management process	Investments are informed by, or coordinated with, other stakeholders operating within a landscape, usually through a multi-stakeholder planning and management process
Usually designed to meet objectives of land owner or manager	Usually designed to meet objectives of multiple stakeholders in the landscape (as well as those of the individual land owner or manager)



Table 3 – Asset vs. Enabling Investment

TYPE OF INVESTMENT	DESCRIPTION	ACTORS WHO TYPICALLY MAKE THESE INVESTMENTS	EXAMPLES
Asset investment	Create tangible value that is returned back to the investor, ideally with a profit	• Agricultural producers • Companies • Cooperatives • Processors or traders of commodities produced in the landscape • Public sector institutions interested in natural capital and green infrastructure • Impact investors or environmental funds	• Agricultural or forestry production practices • Restoration or protection of natural assets • Environmentally or socially responsible enterprises • Large-scale green infrastructure
Enabling investment	Lay the institutional and policy foundation for asset investments by generating incentives for asset investments and supporting landscape coordination	• Public and civic actors, including national and local government • Development finance institutions (DFIs) • NGOs • International development partners • Stakeholders in the platform	• Stakeholder engagement and cooperation • Appropriate policy and regulatory framework • Knowledge and capacity to plan and manage at a landscape scale • Development of appropriate incentive mechanisms

Asset and Enabling Investment

Integrated landscapes require both asset and enabling investments.

Asset investments create tangible value that is returned back to the investor, ideally with a profit. Landscape asset investments are distinguished by the use of a landscape lens by decision makers, and willingness of the investor to engage with other stakeholders within the landscape. The investor requires a certain level of knowledge of landscape dynamics, expertise on landscape investment evaluation, and capacity and interest to design investments so they contribute to multiple landscape objectives, while still securing financial and other returns.

These investments could include agricultural, forestry or water production practices that contribute to multiple landscape objectives, restoration or protection of natural assets on public or private lands, environmentally and socially responsible enterprises, and large-scale green

infrastructure. Investors may include agricultural producers, companies, cooperatives, processors or traders that produce or offtake commodities produced in the landscapes, specialized impact or environmental funds active at this scale, or public sector institutions developing natural capital and green infrastructure.

Enabling investments lay the institutional and policy foundation for asset investments by generating incentives for asset investments and by supporting landscape coordination. In the context of ILM, these are investments in stakeholder engagement and cooperation, appropriate legal and regulatory frameworks, knowledge and capacity to plan and manage on a landscape scale, and the development of incentive mechanisms.¹⁷ These investments tend to be made by public and civic actors including national and local governments, development finance institutions, and NGOs, as well as by the integrated landscape initiative partners.



Landscape Investment Facilitation

From the perspective of collaborating stakeholders within a landscape, the central financing challenges are:

- to attract asset and enabling investments that support implementation of agreed landscape plans;
- to steer existing financing to activities aligned with the plan; and
- to aggregate investment opportunities so that actors who tend to finance very large investments can engage.

The entity taking on these responsibilities, the *landscape investment facilitator*, requires a certain set of skills and networks, but the role can be filled by practically any type of organization including an NGO, government agency, business association, farmers group, or community organization. It is possible for these coordination roles to be played by a single institution, or they may also be accomplished by a coalition of actors. The role may be formal or informal, but it is a long term commitment that requires an actor(s) prepared to commit to the landscape for a significant period.

An example of such a facilitator is Imarisha Naivasha in Kenya. In 2009, a major drought in the Lake Naivasha area caused lake and

river levels to recede to dangerous levels. This drought had devastating effects for the fishing and livestock industries, as well as detrimental effects on ecosystem services throughout the landscape. Commercial horticulture operations faced community relations problems for their use of water as well as serious risks to the future of their water-dependent business. The government of Kenya responded by creating a public-private partnership, Imarisha Naivasha, to bring stakeholders together to strategically plan and coordinate activities within the landscape. Imarisha Naivasha produced a Sustainable Development Action Plan and has been working to implement its planned activities. Now it is working to attract and coordinate investments through the development of a Sustainable Development Fund and ensure the achievement of the partnership's goals.

Informal consultations with a wide range of integrated landscape partnerships found that, in practice, very few collaborative action plans are accompanied by organized financing plans. Nor do they have designated financial coordinators or facilitation mechanisms. Few of them include financial institutions as core stakeholder members. Financial literacy is generally low among initiative leaders and partners.

The Strategic Role of Financiers

The core role of the financier is to provide a flow of funds to enable high-quality investments.

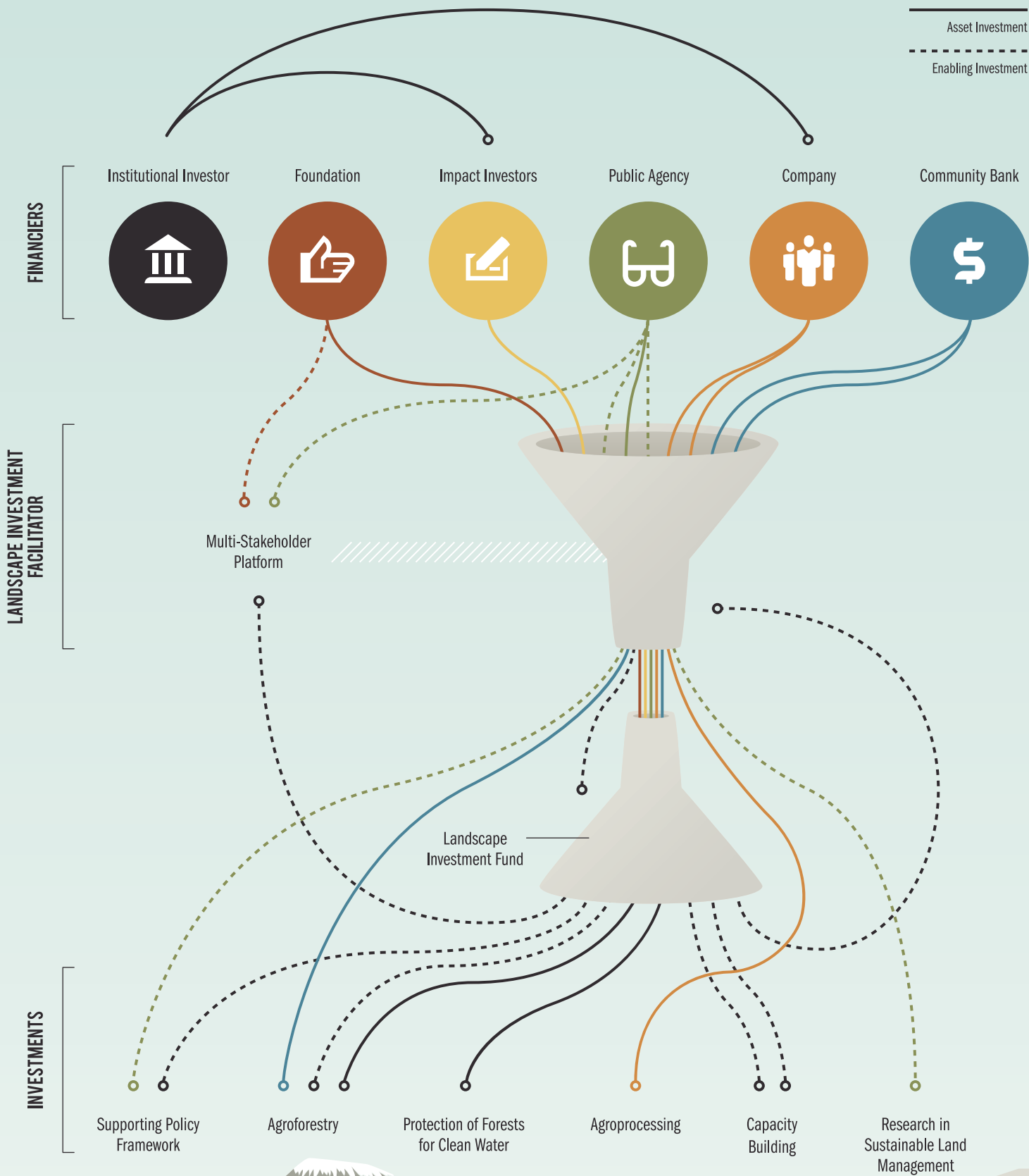
In the context of integrated landscape investment, however, extra effort is required to design financial instruments and processes that address the specific needs of this type of investment. Eligibility criteria for loans or equity need to accept multi-objective or multi-actor investment activities. Ideally, financiers are also willing to adopt similar investment guidelines to others in the landscape to ensure alignment (e.g., in the development of natural infrastructure that links different land management units). Some financial actors play an active role in the management of their investments, providing technical and strategic advice (as do most of the funds analyzed for this paper). In these cases it is essential that they understand and are supportive of the landscape goals.

Some development banks and other specialized funds can develop investment windows that do invest within the context of integrated landscape initiatives. Large commercial banks and other institutional investors typically do not have the mandate, structure or capacity to directly engage with these initiatives. Their role in integrated

landscape finance is to capitalize the companies and smaller funds that are able to directly engage. However, these larger institutions often indirectly influence the choice of specific investments, as well as their management, through application of standards to their internal decision-making processes, which may be more or less supportive of landscape investments. The availability of capital from institutional investors creates incentives for businesses and smaller funds to finance integrated landscape investments.

Figure 3 illustrates how a strategy for financing integrated landscape investment might look. The rest of this paper focuses on the challenges that are particular to the financiers of integrated landscape investments and emerging institutional innovations to address them.

Asset Investment
Enabling Investment





KEY CHALLENGES & EMERGING SOLUTIONS FOR FINANCING INTEGRATED LANDSCAPE INVESTMENTS

Despite the clear benefits of integrated landscape investments, they pose some unique challenges to investors and financiers. They will need to change the way they operate by taking a landscape lens in their decision-making and working with other landscape stakeholders as they manage their investments.

Currently most investment and financing models do not meet the needs of sustainable land use investments, much less those meant to support integrated landscapes. These conditions compound to the point where, ironically, the top complaint from financiers of integrated landscape investments is a lack of bankable projects, while farmers and businesses urgently need financing for their integrated investments. There is a clear disconnect within the system.

This section identifies and analyzes the key challenges for integrated landscape finance and describes some of the innovative solutions employed by leading actors to address them. These challenges were distilled from the experiences of the financial actors studied and include: incorporating

landscape criteria into decision-making, mitigating investment risks, engaging effectively with landscape platforms, linking financial flows within landscapes and monitoring multiple outcomes at a landscape scale.

Table 4 (page 29) shows the diverse characteristics of the six investment funds and two grant facilities that served as the foundation for this analysis. The typical investment size of the investment funds ranges from USD 500,000 to 11 million, and they provide financing for eligible investments over periods from four to 20 years. They draw capital resources from diverse public, private and civic sources.



Table 4 – Overview of Eight Financiers of Integrated Landscape Investments

FUND/PROGRAM NAME	SOURCE OF CAPITAL	ACTIVITIES SUPPORTED BY INVESTMENT
Althelia Climate Fund (ACF)	European Investment Bank(EIB), Finnfund, Netherlands Development Finance Company (FMO), Church of Sweden, Private banks	Forest protection and sustainable land use (e.g. restoration of the buffer zone through agroforestry systems)
Commonland	Founded by World Conservation Union (IUCN) Commission on Ecosystem Management, Rotterdam School of Management, and Comon Foundation. Initial supporters: ASN Bank, DOEN Foundation, Dutch Ministry of Economic Affairs, Dutch Ministry of Infrastructure and Environment, Hivos, Triodos Bank	Forestry, agriculture, tourism, carbon, water, restoring native vegetation; Foundation develops business cases that provide for multiple objectives
EcoEnterprises Partners II Fund	The Nature Conservancy(TNC), Inter-American Development Bank (IADB), EIB, FMO, Hivos-Triodos Fonds, Oikocredit, Calvert Foundation, Blue Moon Fund, also family offices and private accredited investors	Organic agriculture (apiculture, aquaculture and community-based energy) ecotourism, sustainable forestry, and non-timber forest products
GEF IAP on Fostering Sustainability and Resilience for Food Security in Sub-Saharan Africa	GEF contributors	Landscape governance, policy development and implementation, land rehabilitation
IDH's Initiative on Sustainable Landscapes	The Ministry of Foreign Affairs of the Netherlands, with co-funding at the program and landscape level	Investments in multi-stakeholder governance structures
Land Degradation Neutrality Fund	Institutional investors, pension funds, private foundations, protected by Development Finance Institution funding	Large scale land rehabilitation with wide variety of potential activities including sustainable agriculture, sustainable forest management; renewable energy and ecotourism
Livelihoods Fund for Family Farming (aka Livelihoods 3F)	Open fund – started with investments from Danone and Mars, Inc., but the fund encourages all businesses looking to source from sustainable producers	Sustainable agriculture among smallholder family farmers with triple bottom-line objectives
Moringa Fund	La Compagnie Benjamin de Rothschild (CBR), FISEA (vehicle dedicated to investment in Sub-Saharan Africa owned by France's Agence Française de Développement), the Latin American Development Bank (CAF), FMO, Finnfund, FONPRODE, and Korys (the investment holding company of the Colruyt family)	Larger scale agroforestry projects with high environmental and social impacts

(Six For-profit Investment Funds and Two Grants Facilities)

TYPE OF FINANCING PROVIDED	SOURCE OF RETURNS	TYPICAL SIZE OF INVESTMENT (USD)	TYPICAL PERIOD
Private equity with PPP engagement	Multiple revenue streams based on the value of long term purchase agreements for real assets (e.g. certified commodities, sustainable agricultural produce) or equity in farmers' cooperative; carbon credits through the mitigation of deforestation drivers	10 million	8 years
Both a foundation (business development) and an investor in landscape restoration	Multiple returns from agriculture, tourism, carbon, water, land	TBD	Anticipated 20 year engagements in landscapes
Long-term mezzanine funding in community based enterprises; purchase of fixed assets, expansion financing, and working capital	Focus on expansion/growth stage companies with annual revenue of up to 5 million - revenue and interest payments, and may also include current cash proceeds from the sale, recapitalization, or liquidation of investments; carbon, climate-adaptation, and biodiversity benefits	500,000 to 3 million	5-8 years
Grants to 12 sub-Saharan African countries	Improved landscape and national governance of multifunctional landscapes	3-9 million per country	5 years
Support to six agro-commodity landscapes in: Kenya, Vietnam, Indonesia, Brazil, Ethiopia, Côte d'Ivoire	Public-Private governance models and developing pipeline for investors	1 million per landscape	4 year program
Land purchase/ lease; lease to users for rehabilitation/sustainable production	Revenue will come from the increased value of land under management which will be leased or sold; also revenues from carbon credits	TBD	5-20 years
Mutual Fund with PPP, Provides up-front financing and technical support to NGOs and farmer's organization	Functions as a mutual fund where investors and farmers share in the risk and sales profits of sustainably produced goods	First investment is 4 million	10 years
Private equity with a grants program which contributes to project preparation, capacity building, landscape strengthening and dissemination of innovations	Capital to companies or cooperatives that scale up sustainable agroforestry projects from a few hundred to a few thousand hectares; Agroforestry provides timber and wood products, biomass and biofuel, agricultural products	4-11 million	6-10 years

Incorporating Landscape Criteria Into Decision-making

A key feature of the financial industry is a strong pressure to simplify the investment decision-making process.

Investment decisions are made by evaluating the risk-to-reward profile as well as the strategy parameters set by the institution. This is the case for all types of financiers from microcredit to pension funds to district development funds. However, for the finance decision-makers, evaluating a potential investment within its landscape context can be complex and more expensive. Therefore, financiers who want to consider the landscape context of their investments need a set of inexpensive, user-friendly tools that will help them evaluate how the relationship of a given investment with its surrounding landscape will effect calculations of potential opportunity and risk. These will give investors the information they need to better evaluate their potential financial, environmental and social returns, to establish standards and to support the design of investments that are better synched with the opportunities and needs of a given landscape. Such tools are indeed being developed widely for sustainability generally, and in a few cases, specifically for landscapes.

Negative sustainability screens and standards

The first order analysis uses a relatively simple framework to screen out investments that will clearly be harmful to a particular landscape. Increasingly, international lending institutions are incorporating sustainability screening criteria

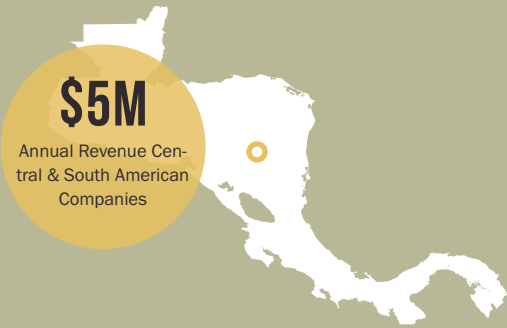
into their lending processes. This means that projects seeking financing are more likely to be able to obtain it — or to receive better financing terms — if they fulfill criteria related to social and environmental performance.

An example of the impact of these kinds of standards is the International Finance Corporation (IFC)'s sustainability standards for direct foreign investments, which it uses to identify areas where potential investments could be exposed to environmental and social risks.¹⁸ In 2009, the World Bank called a moratorium on lending to the oil palm sector, triggered by complaints that a group of NGOs brought to the IFC ombudsman. The complaints listed a series of social conflicts between local communities and palm oil companies. An internal audit found that IFC funding of a leading palm oil company violated the IFC's own procedures. 18 months of consultations were required to restart lending to the sector.

Despite the enormous power of these standards when applied by large financial institutions, they are still generally used as fairly blunt instruments that can stop negative impacts without necessarily incentivizing positive ones. At this time, evaluation criteria tend to be sector- and practice-based, and not necessarily place-based.

Positive sustainability screens and standards

In addition to screening out harmful investments, standards can also be used to actively support and incentivize sustainable land use practices which are the building blocks for sustainable landscapes.



\$5M

Annual Revenue Central & South American Companies

BOX 2

EcoEnterprises II financing innovative sustainable land use business models

EcoEnterprise II launched in December 2011 with a market capitalization of USD 35 million. The Fund invests in growing businesses operating within organic agriculture, non-timber forest products, sustainable forestry and ecotourism. It focuses on expansion and growth stage companies with an annual revenue base of up to USD 5 million in Central and South America and prioritizes finance for companies unable to secure financing from conventional sources due to their small size and the untested nature of the business models. They shared their specific environmental and social screening criteria for investments, along with their investment evaluation tools, with other impact investment funds and during the development of the Impact Reporting and Investing Standards (IRIS). Examples of the businesses it supports include Terrafertil, a leading global supplier of organic golden berries — a native Andean fruit — with operations in Ecuador, Colombia and Mexico; Sambazon in Brazil, the leading producer of açai juice smoothies; and Runa, based Ecuador, the first company to sell tea beverages made from the leaves of a native Amazonian tree, *Ilex guayusa*.



1M

Trees Planted in Mau Forest Complex

BOX 3

Equity Bank screens for sustainable land use in Kenya

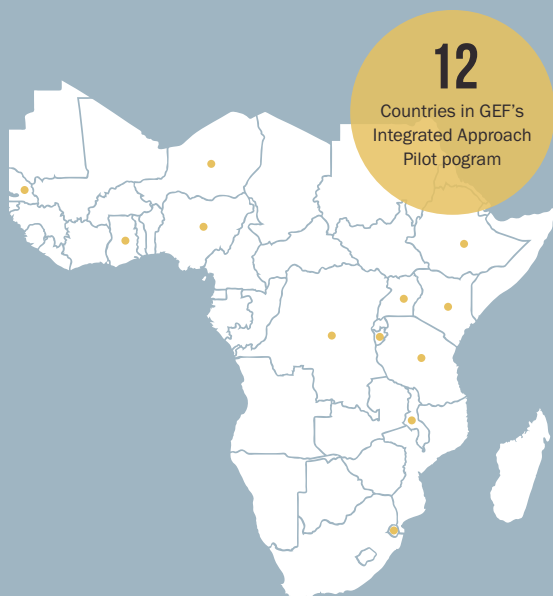
Kenya's Equity Bank, through its loans and its foundation, is acting to address the links it recognizes between ecosystems and major natural resource based industries in Kenya. In the Mau Forest Complex, a wide range of actors are operating to manage the relationship between local communities, industry and the forest. Equity has joined with other private and public partners to plant one million trees, establish 100 tree nurseries and mobilize 3,000 community groups to engage in conservation action. Meanwhile, through its banking activities, Equity is providing financing packages to smallholder farmers to promote natural resource and cost saving technologies including clean cook stoves, solar lighting systems, water harvesting structures, water purifiers and sanitation systems that reduce reliance on fuel and charcoal, increase farming profits and improve health.

These are not yet well-developed for landscape scale analysis. But while large financial actors who operate in this space may not engage directly within landscapes, their commitments to sustainable land use signal to other powerful actors and companies that they will need to change their behavior if they would like to continue accessing finance. For example, the roughly USD 300 billion California Public Employee's Retirement System (CALPERS), a pension fund, adopted a framework for integrating environment, social, and governance factors (ESG) as priorities across its portfolios.¹⁹ Signals like these from institutional investors create space for smaller investment funds such as the EcoEnterprises II Fund, whose investments engage directly with sustainable businesses at a landscape scale, to access finance (see Box 2).

Landscape investment standards

In order for investors and financiers to fully operationalize sustainability commitments, they will need to move beyond standards and commitments that are designed for investment only in sustainable land use. A new generation of tools will more rigorously evaluate the relationships between investments and the other activities within a given landscape.

For example, The Millennium Challenge Corporation (MCC), a program supported by the US government, is financing a large sustainable landscape investment project in Indonesia called Green Prosperity. Before business investments are approved, they must undertake an analysis of landscape context and impacts and demonstrate a design that takes these into account. The aforementioned IFC Performance Standards are also now becoming more sensitive to landscape scale issues as they consider the idea of 'cumulative impacts' in a landscape. In this framework when the landscape 'capacity' has been reached new investments might be rejected regardless of their own environmental performance. Existing investees might be asked to contribute to landscape health even if their own operations are in full compliance with Performance Standards.²⁰ The approach of Equity Bank operating in the Mau Forest Complex in Kenya shows how a commercial bank can incorporate landscape thinking into its lending strategy (see Box 3).



BOX 4

The GEF's Integrated Approach Pilot program on Resilience and Food Security

The Global Environment Facility (GEF) has considerable experience investing in landscape approaches to meet multiple land management objectives.²² For example, between 2007 and 2013, one of the GEF's programs focused on integrated approaches to address land degradation in production landscapes. Almost USD 500 million was delivered to over 100 projects, who in turn, mobilized over USD 2 billion in co-financing through country programs, as well as regional and global initiatives in the developing world.²³

For GEF, this experience and other landscape-focused programs have highlighted the importance of participatory landscape-scale planning and the importance of creating platforms for integrated approaches in production landscapes. Building on this work, the GEF developed a new Integrated Approach Pilot program for 2015-2019 that focuses on sustainability and resilience for food security in 12 countries of sub-Saharan Africa.²⁴ In this program, countries will utilize funds to lay the policy, institutional and technical foundations to scale up ILM. These interventions will be designed, in part, to pave the way for much larger flows of financing to support integrated landscape investments in the targeted landscapes.

Mitigating Investment Risk

As described earlier in the paper, engaging at landscape scale can enable long-term protection of ecosystem services and social cohesion that help to reduce the risks of land use investments over the long-term.

Nonetheless, integrated landscape investments do pose some unique risks compared to traditional land-based investments. Early actors in this space do not have the benefit of long histories of tested models from which to calculate their risk/return profiles. More experience is needed in order to evaluate these new classes of investments (i.e. agroforestry, land restoration, avoided deforestation, new agricultural products, community-based enterprises, etc.) with the same levels of certainty as those that are more established. Furthermore, financiers are often looking for shorter payback times, and many integrated landscape investments require a longer period of time to generate a financial return. There are a variety of ways that cutting edge funds and other financiers are working with partners to mitigate these risks.

Financial subsidies

One set of risk mitigation mechanisms are subsidies or tax exemptions provided by governments which try to incentivize contributions to public policy priorities including environmental conservation or poverty reduction. For example, the Conservation Reserve Program run by the United States Department of Agriculture provides

financial and technical assistance to farmers and ranchers to incentivize them to implement and maintain sustainable production practices including cover crops, rotational grazing, ecologically-based pest management, buffer strips, and the transition to organic farming. In some of these types of programs, however, political and social issues arise when the subsidized actors are far wealthier than the farmers or communities who are intended to benefit.

Guarantees

Investment guarantees ensure investments against certain types of losses. By mitigating risk they make a given investment more attractive to financiers. For example, in order to enhance credit access for a range of stakeholders in developing countries, the United States Agency for International Development (USAID) has been running a loan guarantee program through its Development Credit Authority in order to encourage risk-averse financial institutions to lend to credit worthy but underserved borrowers (covering up to 50 percent of potential loss to which a local bank or investor could be exposed). Under this program, USAID is supporting Althelia to lend up to USD 133.8 million in commercial financing for forestry and sustainable land use projects in developing countries. The Moringa Fund is benefiting from a partial risk guarantee mechanism from the Development Bank of Latin America (CAF) to support private equity funds engaged in Initiative 20x20, a regional landscape restoration effort in Latin America.²¹

Co-investment with landscape partners

Co-investment by national and sub-national governments, as well as international agencies, supports enabling conditions such as land tenure clarification and strengthened local environmental regulations. The Global Environment Facility program on Fostering Sustainability and Resilience for Food Security in Sub-Saharan Africa as well as IDH's ISLA program are designed to co-invest in landscapes and thereby leverage other supportive public and private financing. The GEF program plays

this role within food-insecure landscapes that are vulnerable to climate change (see Box 4) while ISLA works in agro-commodity production landscapes.

Increasing and diversifying returns to investment

One way to offset actual or perceived additional risks of ILM investment is to increase the level of financial returns. This can be done by capturing value from additional income-earning activities incidental to land use investments, such as secondary product markets (e.g., products from shade trees in coffee), payments for ecosystem services or ecotourism. For example, in Althelia's project in Tambopata National Reserve in Peru they are generating revenue from cocoa agroforestry as well as from forest carbon credits (see Box 5).

Document investment performance

There have been extensive efforts from the international research and land management communities to generate evidence on the effectiveness and rates of return from sustainable land use investments which can be coordinated within integrated landscapes (e.g., climate-smart agriculture, agroforestry, water harvesting, forest restoration). While these efforts have significantly legitimized, and in some cases even mobilized mainstreaming in the public sector, such generic evidence is often not enough to justify investment in a particular company or cooperative. Therefore, documentation of the performance of landscape investment projects, and dissemination in the investment community, is critical. Pilot for-profit activities supported by civil society, which document and make public their financial data, are also increasingly being utilized to justify and design larger-scale private or private-public-civic investments. For example, in India, government and NGO-sponsored agroforestry investment programs for commercial pole production on farms demonstrated their profitability, and prompted large-scale private investment.²⁵

Effective Engagement in Landscape Partnerships

If an investor recognizes the need to collaborate with stakeholders in a landscape beyond its project site, it will need to figure out how to most usefully and effectively engage with them.

Investors require mechanisms by which to interact with landscape investment facilitators, where they exist, or to drive collaboration themselves in cases where that is most appropriate. In cases where strong stakeholder platforms and investment facilitation functions are absent financiers may need to play a role in supporting their operations.

Join an ongoing landscape initiative

One way that financiers can simplify their efforts to engage with other landscape stakeholders is to operate in places where there are already strong stakeholder process (see Box 5). Surveys of hundreds of integrated landscape initiatives (see Box 1) found that only a fifth of them had private companies among stakeholder partners. Thus the initiatives themselves also may need to develop new modalities to work effectively with private sector partners, from issues of data-sharing to timing and frequency of meetings. Investors and funders need to clearly consider their expectations from the platforms: what contributions they can make to landscape planning, design of interventions, effective implementation and monitoring; how far they are willing to go in

modifying their own investment plans to align with landscape goals; and whether they can help to co-fund the operation of the landscape platform itself.

Strengthen weak or absent processes

However, in many places landscape stakeholder platforms are absent or underfunded. The Moringa Partnership is an example of a Public-Private-Partnership (PPP) that manages a private equity fund in coordination with a publicly-funded grant facility which helps lay the groundwork for its private investment. Moringa is primarily drawn to projects by strong business potential. However, recognizing the importance of stakeholder engagement, it plans to use its grants facility, in part, to support landscape platforms. Commonland scouts existing projects based on their framework of “four returns (inspiration, social, nature and financial) in three zones (natural zone, combined zone, economic zone) over 20 years,” and is supporting the development of landscape restoration plans with local stakeholders, while encouraging local and international investment by bringing in new parties.

These platforms can be supported by a mix of funding sources. The strategies of publicly-funded programs, ISLA and GEF’s IAP on resilience and food security, focus on how they can most effectively support these kinds of platforms to coordinate the relationships, plans and financing of a range of stakeholders within landscapes. In ISLA, platforms are weak in many of the



AIDER works in & around the Tambopata National Reserve in Peru to manage a REDD+ project

BOX 5

Althelia Fund collaboration with NGO in Peru

The Althelia Fund is working with an NGO called AIDER which works in and around the Tambopata National Reserve in Peru to manage a REDD+ project. AIDER is the focal point of efforts to identify key drivers of deforestation and address them, and these efforts are supported by Althelia's investment in cocoa agroforestry within the forest buffer zone. Althelia chose this site to invest in part because there was a strong stakeholder process and landscape investment facilitator. In fact, these functions are necessary in order for Althelia's model of REDD+ investment to succeed. Depending on the driver of deforestation in a given landscape Althelia may choose to work with smallholder farmers, large agribusiness or even mining companies.



\$133M

For smallholder family farms in Africa, Asia & Latin America

BOX 6

The Livelihoods Fund for Family Farming aggregating finance to invest in smallholder farmers

Livelihoods 3F is planning to invest USD 133 million (120 million euros) over the next ten years in up-front finance and technical support to smallholder family farms in Africa, Asia, and Latin America who are traditionally too small by themselves to attract it. The fund will function as a mutual fund with shared risks and results-based returns for the coalition of financiers. Profits will be generated by private and public third-party companies, public utilities, governments, and development institutions which will purchase the goods and service generated by the fund's portfolio projects, which will include sustainably produced products, carbon credits and water savings.¹⁷ The Livelihoods 3F is a new venture based on the successful model of the Livelihoods Carbon Fund, created in 2011 with 10 corporations as investors. The Livelihoods Carbon Fund has invested 40 million euros that has supported the efforts of rural communities to restore their living ecosystem, financing large scale projects including the plantation of 130 million trees that will sequester 10 million tons of carbon.

commodity production landscapes in which it is operating. It is thus working intensively with partners during their first phase of engagement to develop them. The planned activities for GEF IAP on resilience and food security vary widely, but in Kenya, for example, it will be supporting a strong integrated landscape management process in the upper Tana Basin to develop and implement the water fund organized on multi-stakeholder planning and integrated landscape principles which will, among other functions, coordinate investment and finance within the basin.

Empower an intermediary to engage

Those financial actors who do not have the capacity and interest to engage directly with landscape stakeholders may choose to work with an intermediary institution that interacts with a landscape investment facilitator on their behalf. This potentially reduces transaction costs for all parties involved. Many impact investment funds play this role of aggregating financing from multiple sources. For example, the Livelihoods Carbon Fund pooled financing from 10 investors. Their Fund for Family Farming (see Box 6) is being launched with Danone and Mars providing initial capital, and is now aggregating finance from other investors.



Linking Financial Flows Within Landscapes

Investors in a given landscape need some level of coordination to ensure the benefits and reduce the risks and costs of their own investments.

In some cases, the solicitation and coordination of these investments may be guided by the financing strategy of an integrated landscape initiative. Landscape investors, financiers and investment facilitators will need to consider the needs for both asset and enabling investments. Furthermore, there is often a mismatch between the scale and type of financing needed in a given landscape and the financing that may be available. This can happen either because funders are looking for larger deals than what is appropriate in a given context or, alternatively, landscape investments require more financing than an interested funder can offer. These situations call for some entity to play a financial intermediary or aggregator role, as described above.

Coordinating asset and enabling investments

Private funders engaging in an integrated landscape initiative may choose to support enabling investments directly or to work closely with others to ensure that these needs are being met. Meanwhile, public funders may work to identify the activities required to attract private sector

investment into landscapes that is supportive of the objectives of landscape plans. There are a variety of models that are being used to achieve this asset/enabling investment coordination.

Blending objectives and funds within a single instrument

Most impact investment funds seeking financial returns are already engaging in financial blending to some extent in that many of their funders are public financial institutions, impact investors and philanthropists who, in some cases, are willing to take lower returns or accept longer periods of time for returns to materialize than more conventional investors. For example, the EcoEnterprises II Fund brings together finance from diverse sources including from an NGO (The Nature Conservancy), development banks (Inter-American Development Bank, European Development Bank, and Netherlands Development Finance Company), other impact investment funds (Hivos-Triodos Fonds, Oikocredit), foundations (Calvert Foundation, Blue Moon Fund), the largest bank in the United States (JP Morgan Chase) as well as family offices and private accredited investors.

Companion funds, jointly managed within the same institution

In addition to the blending that happens within an impact investment fund, asset and enabling investments need to be coordinated at a landscape scale. In some cases, an enabling investment fund is managed and implemented alongside a for-profit fund. In the case of Moringa, a grant facility is managed in coordination with the private equity fund. These grants are used to finance technical assistance to farmers, landscape stakeholder engagement as well as government outreach on policy issues relevant to the investment. Moringa, also on the cutting edge of markets for agro-forestry products, uses its grant facility to work with the public sector to support these new markets. Although Commonland is not yet fully operational, it has a similar model of using its foundation to support the conditions for for-profit investment. In 2014 and 2015 it founded restoration companies in South Africa and Australia and a farmers association in Spain.

Companion funds, coordinated on a project by project basis

In other cases, the enabling/asset coordination occurs solely through partnership on a project by project basis. EcoEnterprises, for example, coordinates with DFIs that are operating in the areas in which EcoEnterprises is financing companies. Althelia works with partner organizations such as Conservation International and Netherlands Development Organization (SNV) that are supporting landscape management enabling conditions within project sites.

Matching funders with appropriately sized investments

In some cases, large financial actors are interested in ILM, but their minimum size of investment is greater than what the landscape needs. In other cases, the needs for investment in a given landscape are much larger than what is available through traditional funding mechanisms. In each of these situations a financial intermediary is needed to match the needs of funders with those of landscape investors. The development of specialized impact investment funds described in this paper is one solution to this challenge. Most of these funds draw from multiple sources of financing and are able to make smaller, more targeted and engaged investments than more traditional investment vehicles. The range of investments among the impact investors reviewed was USD 500,000 to 10 million while a traditional private equity fund's growth capital deals are estimated at an average of USD 36 million.²⁸

Other instruments are being developed to increase the flow of financing available to sustainable land use broadly, which could potentially be channeled into integrated landscape investments. For example, 'green bonds' can be a vehicle which supports a wide range of investment sizes. The Climate Bonds Initiative is now working on standards for Agriculture, Forestry and Other Land Use (AFOLU) projects that could be backed by bonds. As these designs mature they could provide models for how investments across entire landscapes can be aggregated into multi-component investments that are marketed to institutional investors.

Monitoring Multiple Outcomes at a Landscape Scale

Investors and financiers need to be able to effectively evaluate the return on investment of using a landscape lens and engagement with other landscape stakeholders.

They need ecosystem-linked financial models that indicate the benefits that landscape action will yield (i.e. financial, environmental and social returns). At the same time, landscape stakeholders need to be able to track indicators that reflect overall landscape progress against their joint objectives, to demonstrate performance on commitments (e.g., for aggregate greenhouse gas emission reductions in a climate program or healthy biodiversity in a landscape eco-labeling scheme), and also as input to collaborative adaptive management.

This requires tools adapted for the different actors — businesses making specific investments, financial institutions providing equity or debt financing for those investments, and for the integrated landscape initiative as a whole. Some tools are being developed to address these needs.

Sustainable land use assessment tools

The EcoEnterprises Fund, which targets its investments towards sustainable environmental and agriculture businesses, has developed an environmental and social monitoring and evaluation (M&E) tool to address these needs. The Fund managers use the tool to address over 250 social

and environmental factors, developing a baseline assessment during the initial investment and then conducting annual visits throughout the life of the investment. In this way, the M&E tool is used to evaluate an investment's performance as well as its impacts. Of course, not all M&E systems will be the same, and investors need to track relevant indicators that are most important to their constituents.

The Global Impact Investing Network (GIIN) has addressed this by building IRIS, a catalog of generally-accepted performance metrics to measure social, environmental, and financial success for impact investors. Investors can search this catalog and, based on their particular needs, select the indicators best suited to their investments.

Integrated landscape assessment tools

Significant progress is being made on landscape-scale tracking that can generate outcome measures, across sectoral objectives that are usable to many different individual investors, businesses and resource managers. The Landscape Measures methodology developed by EcoAgriculture Partners has focused on monitoring to meet needs for stakeholder negotiation and decision-making within landscape platforms. The World Agroforestry Centre is developing land health surveillance systems that can be easily accessed by stakeholders. The Vital Signs program is testing the reliability of different indicators for explaining landscape change. Gold Standard 3.0 provides a comprehensive certification framework that addresses the nexus of climate, energy, food, and water security in single certification process that captures both positive and negative impacts of



an investment across a landscape in a range of issues, varying from greenhouse gas emissions to water benefits and health impacts.

Some of the leading groups who have developed monitoring systems for sustainability in product supply chains have also begun to develop new methods that consider landscape-scale impacts of changes in practices by farmers, forest managers and operators of processing plants. The Rainforest Alliance has developed the Natural Ecosystem Assessment (NEA) which is a set of tools used to assess the condition of natural and semi-natural ecosystems on and near farms working with Rainforest Alliance. The NEA works by tracking changes in on-farm vegetation, land use on and adjacent to certified farms as well as broader effects on forest encroachment, conservation and connectivity.²⁹

Nonetheless, considerable gaps remain in the development of methods that truly meet the needs of both investors and landscape stakeholders, and to date there are relatively few rigorous landscape-scale assessments of the impacts of investment programs. As much more investment is mobilized towards integrated landscape management, from public, private and civic sectors, we can expect major advances in monitoring and impact methods. The Landscapes for People, Food and Nature Initiative is setting up a learning forum to accelerate development of improved M&E and impact measure systems, drawing on expertise from diverse partners, and with application to different impact measurement challenges.

RECOMMENDATIONS TO ADVANCE INVESTMENT & FINANCE FOR ILM

As countries, and supporting international institutions, begin to pursue the Sustainable Development Goals, a broad range of institutional innovations for finance will be needed, as described recently in the UNEP Inquiry report.³⁰

If implemented those will undoubtedly have positive benefits for ILM investment, but targeted innovations will be essential. Despite the innovative work of some financial actors to overcome structural challenges to support integrated landscape investments, there are still far too few financing opportunities for landscape investments and too few bankable projects for interested financiers. Much of the early action has focused on ways that financiers can apply standards to stop investing in harmful activity. While there are examples of investors proactively supporting sustainable land use in the form of sustainable forestry, agriculture and climate mitigation, the focus is rarely expanded beyond a single land management unit to consider the landscape context. This is despite the many commitments that are beginning to drive investment and finance for sustainability in land use sectors, such as the 'no-deforestation' commitments, that imply the need for ILM.

Clearly, more work is needed in order to connect financing with integrated landscape investments, so that these investments can deliver financial, environmental and social benefits to all relevant stakeholders. Innovation is required from financial actors, landscape investors, policymakers as well as integrated

landscape initiative leaders. Drawing from our analysis and consultations with experts, we suggest five key action areas of institutional innovation that would catalyze the scaling up of financing for integrated landscape investments in the near term, summarized and elucidated below.

Recommendations for Scaling Finance for Integrated Landscape Management:

- 1.** Design standards and monitoring systems for integrated landscape investments
- 2.** Establish landscape investment incubators
- 3.** Establish brokering services for integrated landscape deals
- 4.** Incorporate integrated landscape principles into public finance
- 5.** Create frameworks for financing ILM within national SDG and green growth strategies



Design Standards and Monitoring Systems for Integrated Landscape Investments

As more financial actors commit to the principles of integrated landscape investments they will need inexpensive, simple-to-manage and effective systems that allow them to apply landscape standards and to track the impacts of investments within a landscape context.

Given that cost is the limiting factor for impact monitoring, these systems should focus on identifying and adopting integrative and leverage indicators. An integrative indicator, such as land cover, reveals information about multiple landscape functions and goals for landscape performance. A leverage indicator, such as soil fertility, provides information about an element of a landscape system that is anticipated to affect many other elements of the system. When possible, these systems should also emphasize locally-generated data, which would facilitate collaboration with integrated landscape initiatives and local actors,

and empower them to monitor data that is most relevant to them. These kinds of indicators and monitoring systems will also be needed to efficiently track progress on the SDGs related to natural resource management.³¹

One approach would be to develop a simple ‘dashboard’ tool for investments which synthesizes monitoring data into 3 or 4 key indicators which would allow funders track the impact of their investments within a landscape context and assess whether they meet various sustainability criteria. These indicators could include, for example, income produced, community benefits, and environmental benefits. They could also be linked to certification systems.

Landscape Investment Incubators

Strengthened financial literacy is needed among the developers of specific integrated landscape investments as well as for leaders of integrated landscape initiatives.

Developers of specific projects and businesses need more training on how relevant portions of the financial system work, how deals are developed, how to develop business plans, and how they can make their projects attractive and bankable for potential financiers. Integrated landscape initiative leaders need these same capacities as well as guidance on how to develop landscape-wide investment and finance plans.

A landscape investment incubator could help to provide this needed technical capacity to design landscape investments so that they are seen as bankable by potential funders. The incubator would provide not only training but long-term access to relevant knowledge and research. It would bring together support teams that would organize trainings tailored to specific landscape, project and business needs. The incubator could focus on specific landscapes and regions with the aim of developing a critical mass of experience and local capacity. It could work with key regional partners to provide this place-based knowledge and capacity.

Brokering Services for Integrated Landscape Deals

Financial actors have trouble finding bankable deals while farmers and businesses on the ground often lack finance for their investments.

Brokering facilities that operate at landscape, regional, national or even international scales could help to fill this match-making function. At the landscape and regional scale these facilities could provide information to potential financiers on the state of play in the area, relevant policy issues and potential investment risks. Brokers could help landscape initiatives develop a financial strategy as part of their landscape plans, and search for and engage financial experts and financiers early in the process.

They could also serve as clearinghouses of information for financiers on potential investments and other interested financiers. Landscape investment and finance 'meet-ups' could be organized to strengthen the flow of information. This concept could be scaled to national and international scales. This clearinghouse could provide information on relevant public as well as private sources of finance.



Public Finance With Integrated Landscape Principles

Significant strides have been made in some countries and jurisdictions in the design of public programs that cut across sectoral silos.

But government agencies (and their donors) can do more to coordinate sectoral funding programs and to increase funding for integrated programs. This will require improving inter-governmental communication and collaboration and increased recognition of the interlinkages among investments required to achieve sustainable development.

Like private investors, public funders should also enhance systems for investment evaluation that consider landscape contexts. In many cases, these could be built on systems evaluating environmental and social impacts that they are already in use to evaluate investments in climate and biodiversity. The Principles for Responsible Investment, a United Nations-supported initiative to incorporate sustainability thinking into finance and investment decision-making throughout the world, also provides a useful framework from which to build.

New funds could be developed that focus explicitly on the enabling investment needs of integrated landscape initiatives. For example, within the Green Climate Fund there may already be space to position landscape enabling investments within the Adaptation window. Alternatively, a new window focused specifically on sustainable landscapes and integrated outcomes could be created.

Frameworks for Financing ILM Within National SDG and Green Growth Strategies

In order to achieve the SDGs, countries will need to move beyond 'business-as-usual' economic growth models and embrace models for inclusive green growth.

Green growth approaches and management corridors are designed to integrate strategies for economically, socially, and environmentally sustainable development. Green growth will require the coordination of sectoral investments, but while this coordination is necessary at the national and sub-national scales, individual investment and finance decisions are best evaluated at a landscape-scale. At the landscape scale, private sector actors can partner with local communities and government agencies at sub-national and national scales to plan, manage, and benefit from integrated landscape management. and integrated outcomes could be created.

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