FINANCE FOR LANDSCAPES: INSIGHTS FROM IMPACT INVESTORS

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We're WWF, the leading global environmental charity and we're bringing our world back to life. We're tackling the causes of nature loss. And we're finding solutions so future generations inherit a world where nature is thriving and the climate is stable.

ABOUT THE UN ENVIRONMENT PROGRAMME (UNEP)

UNEP is the leading global voice on the environment. It provides leadership and encourages partnership in caring for the environment by inspiring, informing and enabling nations and peoples to improve their quality of life without compromising that of future generations.

ABOUT PROFOREST

Proforest is a global mission-driven organisation, focused on the production base and supply chains of agricultural and forestry commodities including soy, sugar, rubber, palm oil, cocoa, coconut, beef and timber. We support companies with direct action to tackle environmental and social risks throughout a supply chain. We also work with governments, companies, and collaborative organisations, in order to address systemic issues beyond the supply chain, within a landscape or a sector, to deliver positive outcomes at scale for people, nature and climate.

ABOUT THE CLIMATE SOLUTIONS PARTNERSHIP

This Insight Paper is a result of collaboration between Proforest, WWF, and UNEP, supported by the Climate Solutions Partnership. The Climate Solutions Partnership is a five-year (2020-2025) philanthropic programme between HSBC, WRI, and WWF to scale climate solutions for a global impact.

The Nature-based Solutions (NbS) Accelerator, part of the Climate Solutions Partnership, helps NbS projects become investment-ready and deliver financial, social, climate and ecological benefits. There are an array of resources for NbS practitioners and investors engaged in this space on the NbS Accelerator webpages, including a guide on using the TNFD Framework for NbS practitioners.

INTRODUCTION

This Insight Paper is a result of collaboration between Proforest, WWF, and UNEP that focused on scaling finance for Landscape and Jurisdictional Initiatives – LJIs (2024-2025). It summarises key findings and recommendations for investors active or interested in finance for LJIs beyond individual supply chains. Furthermore, it sets out recommendations for landscape programme developers and implementers seeking to support and scale up funding for long-term positive social and environmental impacts in LJIs.

The insights and recommendations draw from eight interviews and an exchange session with 14 organisations mobilising private finance for protecting nature in productive landscapes. These included fund managers, impact investors, and financial advisers working on sustainable investments in agriculture and forestry in emerging markets, financing smallholder farmers, supporting global climate finance, and managing landscape incubators.

The interviews focused on a case study of the Sintang landscape in West Kalimantan, Indonesia. The district, primarily covered in biodiversity-rich natural forest ecosystems (which account for 59% of its area), relies heavily on the agricultural sector (which makes up a quarter of its GDP) and is a significant producer of palm oil. Small-scale and large-scale agricultural conversion, mining, and unsustainable and illegal logging practices cause significant deforestation and land degradation, harming people's livelihoods.

Together with WWF and Proforest's Indonesian teams, activities were mapped from the Sintang Landscape Action Plan and their financial maturity assessed. Activities were grouped into four categories: agriculture and production, conservation and restoration, new businesses and alternative livelihoods, and the landscape multistakeholder partnership. These were then presented to investors to understand the bankability of landscape activities.

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1. CONTEXT

There is currently a significant gap in funding for nature and climate. The Global Biodiversity Framework aims to close the biodiversity funding gap by 2050, and is supported by commitments to increase finance from all sources (including public, private, domestic and international funding). UNEP estimated that current finance flows into Nature-based Solutions (NbS) need to almost triple from US$200 billion to US$542 billion by 2030 to reach the Rio targets on biodiversity. Most of the funding comes from the public sector, with only $35 billion out of the $200 billion coming from the private sector [1].

Furthermore, the World Economic Forum estimates that $44 trillion of economic value, representing over half of the world's GDP, is moderately or highly dependent on nature and its services, making it vulnerable to risks associated with nature loss [2]. As the public sector lacks the resources to put in additional funding, it is essential to mobilise private capital towards nature and climate. Landscape and Jurisdictional Initiatives (LJIs) are increasingly recognised as **a model for addressing systemic issues in forestry and agricultural production and driving positive impact at scale** [3], such as tackling deforestation and strengthening rural livelihoods. These initiatives aim to bring together the relevant stakeholders in a particular region, including Indigenous Peoples and Local Communities (IP&LCs), at the scale of a jurisdiction or landscape to agree on goals, align their activities and share monitoring and verification.

Despite the recognised importance of landscape initiatives, **a significant global financing gap remains**, and initiatives focussed on nature restoration, conservation and sustainable commodity production struggle to secure the finance required to implement activities at scale for long-term impact.

WHAT DOES FINANCE FOR LJIS MEAN, AND WHY DO WE NEED IT?

Securing finance requires landscape initiatives to identify funding needs to adequately resource the suite of activities that are fundamental to realising their agreed positive outcomes such as improved ecosystem services, increased agricultural productivity, enhanced biodiversity, and sustainable livelihoods for local communities. This includes aligning around an action plan, analysing the bankability of landscape activities, considering interactions and

1. State of Finance of Nature 2023, UNEP, December 2023
2. New Nature Economy Report II The Future Of Nature And Business, World Economic Forum, July 2020
3. Accelerating Progress for Nature, Climate and People at Scale Companies' Roles and Action, Tropical Forest Alliance & Proforest, September 2023

interdependencies among land uses, and recognising the need for different forms of funding or finance to different landscape activities.

There are broadly two schools of thought according to the investors we spoke to when it comes to best practice finance for landscapes:

1. **Pooling Finance and Funding into a Special Purpose Vehicle:** This approach involves utilising pooled finance and funding directed into a special purpose vehicle designed to support a range of interventions in the landscape with different financial products (e.g. microfinance, commercial lending, payments for results, etc.). An example cited in the interviews was the set-up of a landscape impact fund that aggregates lower and higher return activities so that the aggregated returns are balanced, with the higher returns compensating for the lower ones.

2. **Multiple Investment Opportunities:** This model involves independent access to different finance opportunities in the landscape, but with a collective, non-financial contribution to the landscape plan and Multi-Stakeholder Partnership (MSP) vision. Examples from the interviews include:
    - Supply chain investments in palm oil mills from downstream companies
    - Carbon credits to finance conservation and reforestation efforts
    - Working via co-ops to support farmers in improving their agricultural practices and enhancing access to market opportunities.

In a landscape, the MSP can play a central role by connecting actors and activities around the landscape vision and action plan.


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2. SCALING FINANCE ACROSS MULTIPLE LANDSCAPE DEVELOPMENT PHASES

Planning and designing finance flows into the landscape to deliver long-term positive impacts is essential to scale finance. This requires looking into opportunities to **combine different and complementary finance instruments tiered over time** – beyond shorter-term philanthropic, domestic or CSR (Corporate Social Responsibility) funding sources – either through one aggregated investment vehicle or multiple separate investments. This includes identifying activities with financial returns and those without, and conceptualising funding for the landscape as **multitudes of business cases and investment opportunities that are connected by a common landscape plan, rather than one investment proposition.**

Landscape initiatives and their activities require **sustained financing throughout multiple development phases** to achieve long-term sustainability. Each development phase moves the landscape closer to full maturity, as defined by the ISEAL Core Criteria for Mature Landscape Initiatives[4]. The framework sets out four criteria that characterise a mature landscape initiative: scale, multi-stakeholder governance process or platform, collective goals and actions, and collective monitoring.


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4. Core Criteria for Mature Landscape Initiatives, ISEAL, October 2024

Figure 1 depicts the evolution of finance sources for landscapes from early-stage grants or philanthropy through to commercial finance. Each separate activity follows similar evolutions. For example, investments in local SME value addition often require initial Technical Assistance (TA) grants to support enterprises in becoming investment-ready and demonstrate their impact potential in order to attract commercial investment.

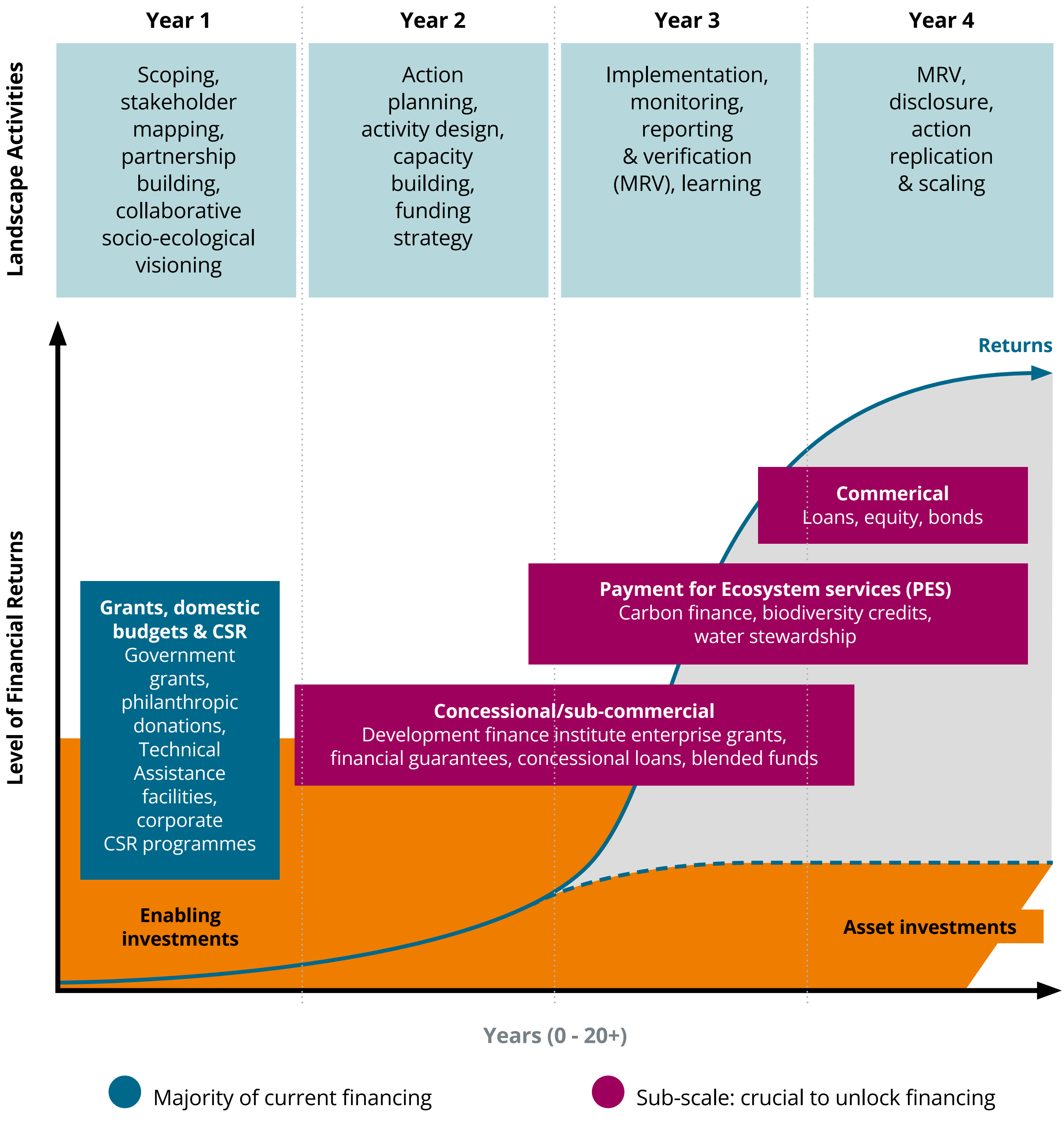

Figure 1.[5]

Adapted from Financing Strategies for Integrated Investment: Synthesis Report (Eco Agriculture Partners, 2014, Sustainable Finances for Conservation Playbook (WWF, 2024))

5. Financing Strategies for Integrated Landscape Investment: Synthesis Report, EcoAgriculture Partners 2014. And Sustainable Finance for Conservation Playbook, WWF, 2024

3. KEY INSIGHTS: WHAT IS WORKING AND WHICH CHALLENGES REMAIN

OUR ENGAGEMENT WITH INVESTORS IN THIS RESEARCH HIGHLIGHTED THE FOLLOWING INSIGHTS:

a. **Blended finance is crucial to enable investments:** Blended finance (i.e., the strategic use of public finance or other philanthropic capital to mobilise private capital) not only reduces the risk of early-stage activities, but can help to build the public infrastructure or capacity that unlocks new value. It also balances the needs of both investor groups and ensures long-term returns (or cost reductions for the private sector) while enabling governments to meet development and climate commitments by leveraging additional private capital. In essence, non-return seeking or concessional funding is used in the initial part of an activity to secure private finance buy-in and/or de-risk investments. In the context of sustainable finance for landscapes, several working blended finance models were referenced in the interviews and exchange session, including; public guarantees to de-risk impact funds, grants and TA, concessional funding, public-private partnerships, or mixing investment and carbon finance.

b. **Some investors perceive landscape investments as risky:** Commercial lenders must identify business cases that generate revenues and a Return On Investment (ROI). The private sector is unlikely to invest when there is a risk of losing money, with two interviewees mentioning that commercial investors are primarily interested in activities with a market return of at least 8 - 10 percent. Landscape programmes often operate in emerging markets and in agricultural sectors, two factors that are perceived as risky and associated with below-market returns. A blended finance structure is often needed to de-risk an investment or attract private capital into a landscape project or activity.

c. **Clear investment structures are needed for investor confidence in landscape programmes:** In multiple interviews, investors emphasised their need for a clear investment structure in terms of a projected return rate, revenues, partners, ticket size, the overall project/programme structure and the potential investees' ownership structures. Landscape programmes are complex and driven by multiple actors. As these contain multitudes of interlinking and moving pieces, a tension emerges between landscape complexity and investor needs for defined structures. Landscape implementers can bridge this by internally managing the complexity and presenting a streamlined business case to investors. For investors, clear definitions of necessary landscape conditions (e.g., mature MSPs, land use plan, land tenure) are essential for risk mitigation.

d. **Investors appreciate short - and long-term benefits of landscape-scale investments:** Investors are increasingly recognising the importance of integrating nature, climate, and societal impact into their investment decision-making processes. The exchange session discussed how landscape activities can create longer-term positive financial returns, such as creating more resilient production and enabling long-term sustainable sourcing of commodities. Impact investors, who are generally able to take higher risks than, for example, commercial banks, can use stronger conditionalities and impact measurement, supported by TA and pilot programmes, to work with project partners and realise wider impact returns. An example referred to interviews, was establishing minimum impact criteria for an investment, supported by a baseline and monitoring system.

e. **Developing the right finance structures from the outset is crucial to reach the high-impact actors and activities:** There is a maturing mix of finance entry points, beneficiaries, and financial instruments that can be mobilised for landscapes. Examples from the interviews include supporting agri-businesses in the landscape or developing off-take agreements with farmer co-ops. When developing these instruments, it is central to think of the structures for both the investee and the investor, i.e. the investment vehicle and the design of a TA facility to support readiness. These structures need to include local actors (communities, cooperatives, small and medium sized enterprises) who may need support to boost capacity or strengthen structures to be investment-ready or meet the risk requirements of commercial investors, but are crucial in driving inclusive growth, governance and local value creation.

f. **Use MSPs strategically to scale up interventions, whilst ensuring it is not a barrier to investment:** MSPs are key components of landscape initiatives, bringing together and ensuring alignment of different actors working towards a collective vision of positive outcomes. However, MSPs are complex structures that can be vulnerable to government changes or stakeholder priority shifts. Interview feedback showed that MSPs are perceived as risky constellations of actors, dependent upon a few key relationships that could be subject to changing actor dynamics, mismanagement or slow decision-making. It is essential to work with trusted and effective local conveners who have the resources for communications with, and capacity building of, stakeholders and who can ensure community inclusion and local government buy-in. The MSP should inform and support approaches but not introduce unnecessary complexity to financing structures, and the investments themselves need to be resilient should the MSP change.

4. RECOMMENDATIONS FOR SCALING INVESTMENT AND IMPACTS INTO LANDSCAPES:

KEY RECOMENDATIONS FOR DRIVING FINANCE TOWARDS LANDSCAPES:

a. **Find the right balance between financial and non-revenue returns:** In order to invest in activities at a landscape level, investors need to be committed to long term non-financial outcomes. While many activities within a landscape programme are – or might become – revenue-generating, over-expectations on financial rates-of-return can be a barrier for action depending on the maturity of a landscape.

b. **Invest in nurturing pipelines of bankable projects within a landscape:** Early-stage finance and TA are needed to design projects that meet financial and impact returns, while also supporting borrowers in becoming investor-ready. Pilots within landscapes should be used to test the pipeline and show early-stage promise and impact (noting the tight timelines to scope pipelines to see if a business model works and can get returns).

c. **Engage potential investors early on in project development:** For initial investments there is value in seeking investors that are already interested and familiar with a landscape's social, political, economic and ecological features, such as regional specialist funds or local banks. Engaging investors early on can help landscape beneficiaries to better align project development with investor expectations, i.e., funding conditions or understanding the type of data and information needed by investors. On the other hand, such engagement allows beneficiaries and project partners to communicate the complexity and timelines of their work, i.e., educating investors on the project and its relationship to a landscape programme.

d. **Align investments with high-impact projects:** Use conditionalities, impact measurement, and support mechanisms (i.e., grants and TA) to incentivise both immediate change and long-term impact across supply chains. This includes exploring blended finance models and taking the time to understand more complex deals that will ultimately support resilient production landscapes alongside financial returns.

RECOMMENDATIONS TO ENSURE LANDSCAPE LEVEL IMPACTS FROM FINANCE AND INVESTMENT:

a. **Quantify the scale of opportunity for financial and impact returns:** The scale of opportunity and returns potential (across financial, social, environmental, and climate outcomes) need to be understood and better quantified in terms/metrics that investors relate to, in order to build viable business cases for investors. This includes collecting and presenting data and information about different funding or investment opportunities and linking to voluntary sustainability standards and frameworks such as The Science Based Targets Network (SBTN), The Taskforce on Nature-related Financial Disclosures (TNFD) and the Global Impact Investing Network (GIIN) IRIS+ system. It is essential to involve Indigenous Peoples and Local Communities (IP&LCs) in defining and monitoring the impacts.

b. **Utilise the MSP as a vehicle for pipeline development:** MSPs can help to build capacity or bring in expertise to identify funding needs during the various stages of the transition towards resilient production landscapes (see Figure 1). Alongside addressing systematic issues in landscapes, the MSP can support designing pilot projects to test business and impact models, which in turn can lower the barrier to the engagement of investors. However, once a project is investment-ready, the finance structure should not be overly dependent on or attached to the MSP. According to the interviews, MSPs are seen as complex and slow vehicles whose interests can change with circumstances, whether economic, political, social or otherwise. Relying on MSPs thereby comes with an inherent risk for investors. This risk can be mitigated by ensuring that the MSP coordinates stakeholders in dealing with the complexity of landscapes, building relationships and governance structures that sit outside of specific stakeholder timeframes/priorities.

c. **Prioritise maturing the MSP:** The theory that landscape programmes and their associated MSP can reduce risk over time for investors is understood; however, at present, many landscape MSPs are not mature enough to demonstrate this in practice. Further clarity, for example, over the roles within an MSP, the finance needs and possible instruments, or the legal structures and responsibilities, are needed to provide assurances that MSPs are indeed a de-risking mechanism.

d. **Support cost-effective Measurement, Reporting, and Verification (MRV) mechanisms that can serve across multiple projects and reporting needs:** There are many advantages of doing MRV at scale – for deforestation/conversion, biodiversity protection, and other goals – across multiple producers and project entities. Alongside the cost-benefits of integrated, locally-led MRV mechanisms, MRV at scale also allows stakeholders to gain more holistic insights into which areas and hotspots need to be addressed first or which could have the most potential. Proforest and the Consumer Goods Forum's Forest Positive Coalition developed the Landscape Reporting Framework (LRF)[6] for aligned progress reporting by landscape initiatives. The LRF contains aligned metrics across three key pillars - Forests & Natural Ecosystems, Farmers & Communities, and Multi-stakeholder Partnerships - that are essential to driving Forest Positive impact at scale.

6. Landscape Reporting Framework, CGF, February 2023

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