



# Land Degradation Neutrality Fund and Technical Assistance Facility

Creating an Enabling Framework  
for Carbon Market Projects for Soil  
Protection

October 27, 2020



# Agenda

1. Overview of the LDN Fund and the LDN Technical Assistance facility
2. Examples of projects supported
3. Impact measurement



# 1. Overview of the LDN Fund and TAF

## Limited financial resources available

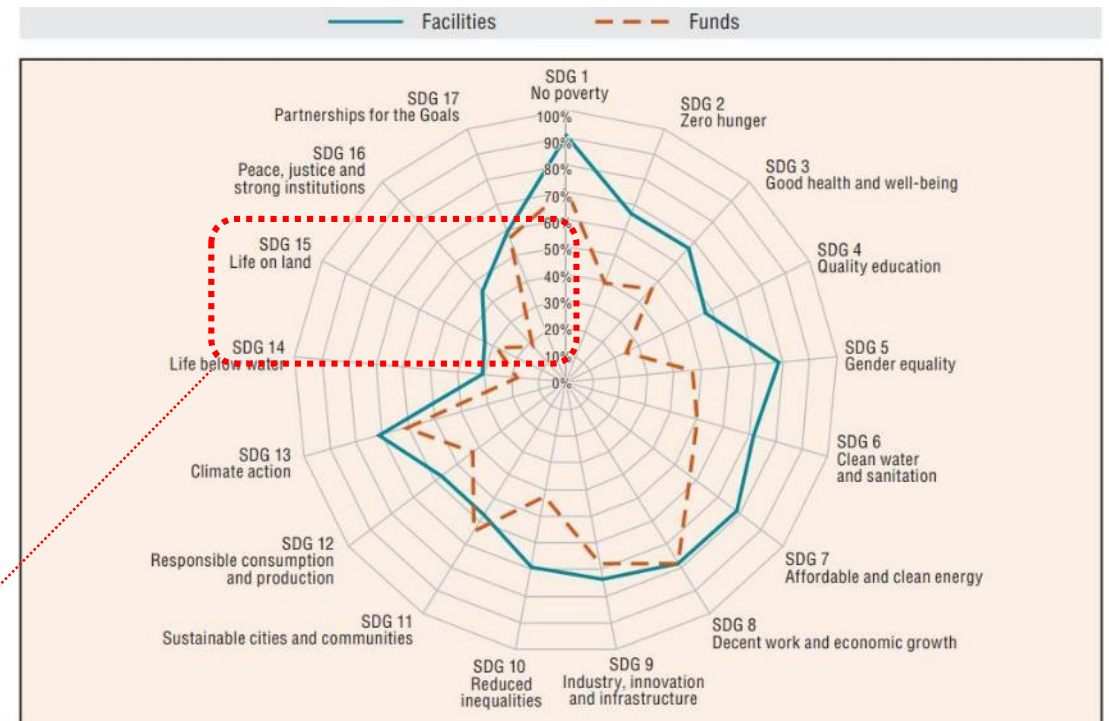
- Achieving Sustainable Development Goals **requires 4.5 trillion dollars** per year, *UNCTAD 2015*

### However:

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

### Furthermore:

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



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

# 1. Overview of the LDN Fund and TAF

## Ecosystem Restoration and LDN Financing

### *Against this backdrop:*

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

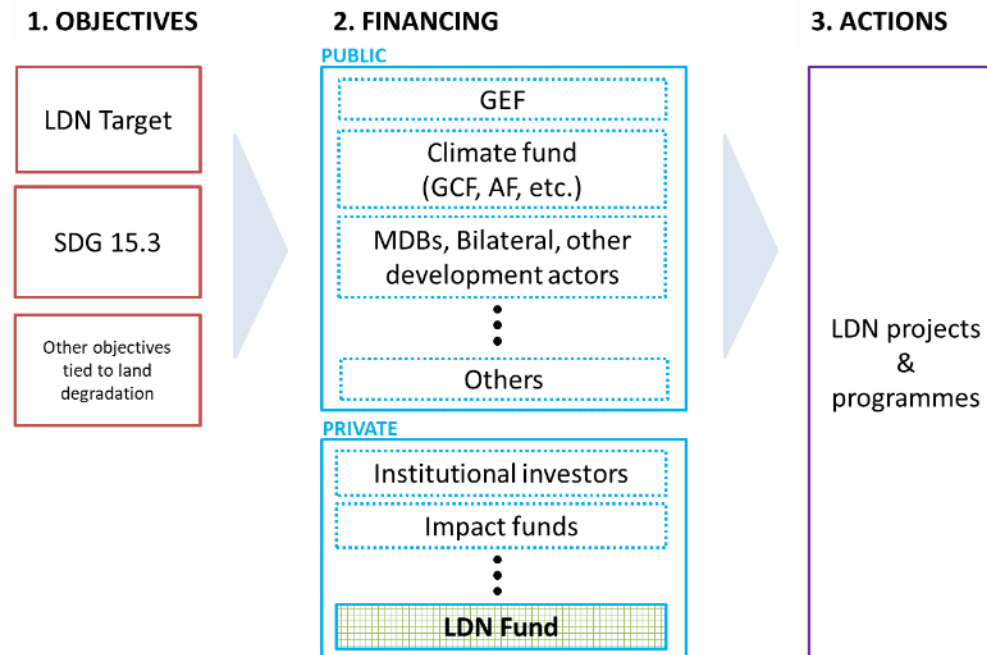


Figure 1: LDN Fund potential financing structure

# 1. Overview of the LDN Fund and TAF

## The need to attract private finance

- There is growing importance attached to **catalyzing private sector**  
*“international private business and finance [...] as an engine for development” “Private business, investment, and innovation [as] major driver of productivity, inclusive economic growth” 2030 Agenda for Sustainable Development*
- UNCCD COP calls for **mobilizing private resources** and other innovative financing mechanism such as LDN Fund  
*“The Conference of Parties [...] requests the Managing Director of the Global Mechanism, in consultation with the Executive Secretary, to develop options for increasing incentives and financial support, including assisting in the possible creation of an independent LDN fund, to be made available for the full realization of LDN initiatives” Decision 3/UNCCD.COP12*



# 1. Overview of the LDN Fund and TAF

## Main features of the Fund and TAF

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

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

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

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

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

LDN Fund's mission:

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

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# 1. Overview of the LDN Fund and TAF

## A unique coalition of partners



LDN Fund amongst the 12 commitments of the One Planet Summit

COMMITMENT #2:  
PROTECT LAND AND  
WATER RESOURCES  
AGAINST CLIMATE  
CHANGE

Co-Promoter



Co-Promoter



Sourcing and impact



Technical Assistance



Public investors



LE GOUVERNEMENT  
DU GRAND-DUCHÉ DE LUXEMBOURG



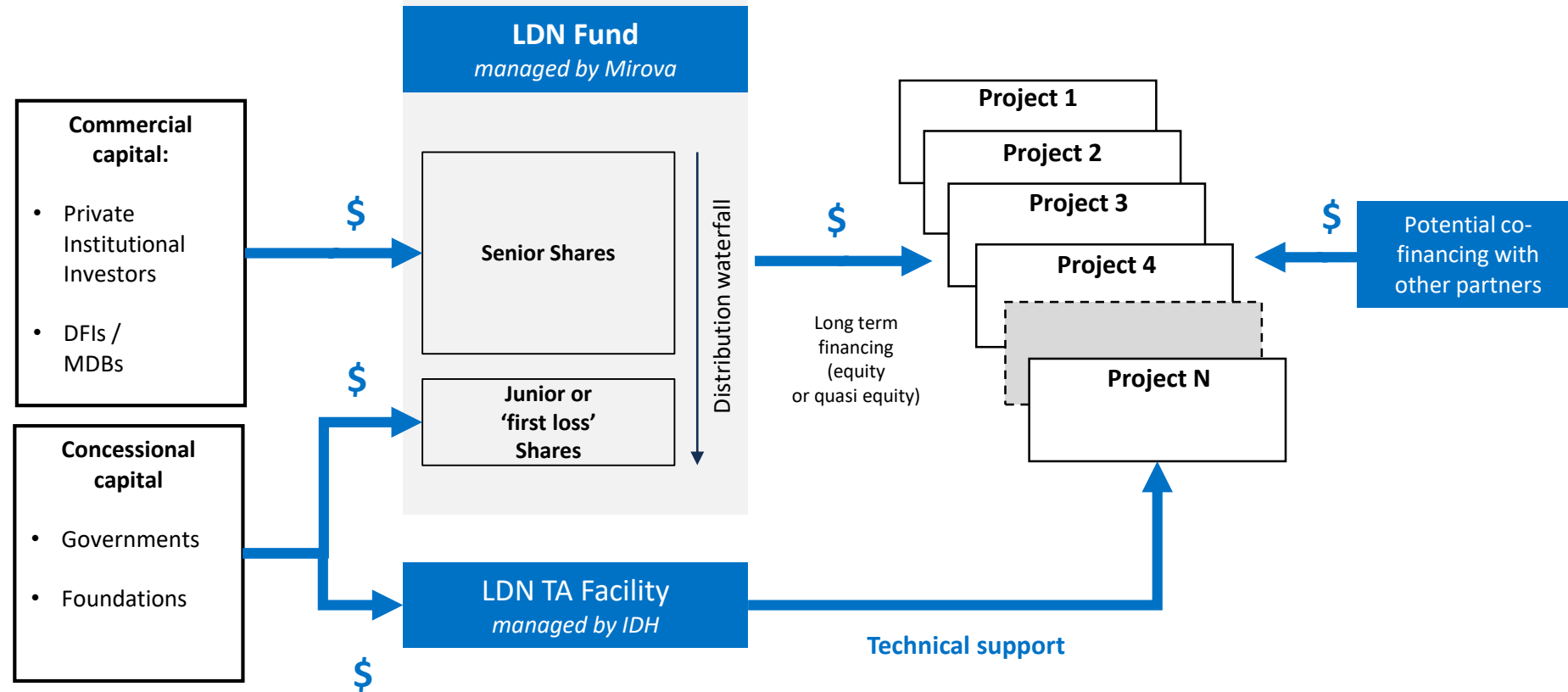
Private institutional investors



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# 1. Overview of the LDN Fund and TAF

## Overall structure



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# 1. Overview of the LDN Fund and TAF

## Fund and TAF mission is aligned with LDN framework

### *Translating the LDN conceptual framework into practice:*

- LDN Funds aims at translating the principles of the LDN scientific conceptual framework, developed by the UNCCD Science and Policy Interface into practice,
- Hierarchy of responses: avoiding degradation is the highest priority, followed by reducing degradation and reversing past degradation;
- Supporting sustainable land management (SLM) and land restoration programmes

### *Contributing to the LDN target:*

- LDN Fund aims at contributing to the achievement of LDN targets within the LDN Target Setting Programme, and
- Other related national commitments, such as Nationally Determined Contributions (NDCs) under the UNFCCC and restoration targets (WRI 20x20, ALR100, etc.)

### *Considering LDN data:*

- LDN Fund takes into consideration LDN data for evidence-based decision making and monitoring.
- Assessment through the three indicators of the SDG 15, target 15.3 (land cover, land productivity and carbon stocks).

# 1. Overview of the LDN Fund and TAF

## Focus on Environmental and Social Standards

### *Environmental and social management system*

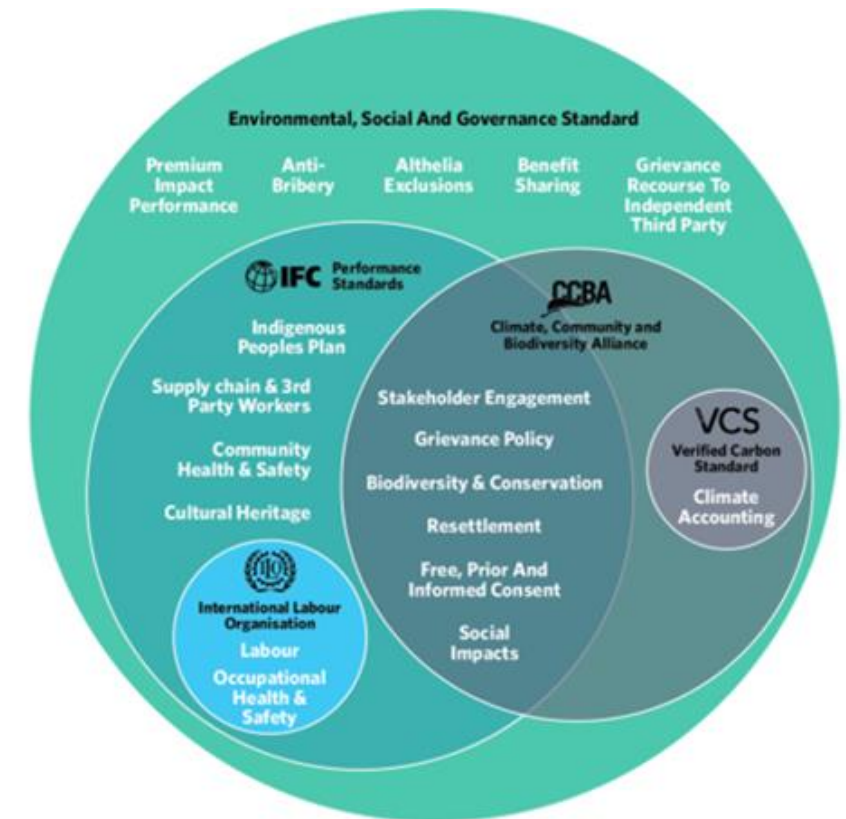
- Global system to assess and monitor investments, based on two pillars: (i) positive impact required ('do good') and (ii) risk management ('avoid doing harm')
- Projects need to comply with robust E&S standards, developed with an independent expert and benefited from a public consultation
- Combined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

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

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

They also include:

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



# 1. Overview of the LDN Fund and TAF

## IDH THE SUSTAINABLE TRADE INITIATIVE

### Mission:

Accelerating sustainability in international supply chains, impact across the UN SDGs



Funded by Dutch, Swiss, Danish and Norwegian governments



**DANIDA**



Local representatives and teams over 23 countries. Headquarters is situated in the Netherlands.



Financial contribution requires private matching funds



Over 600 private sector partnerships, over 30 NGOs



12 commodities



Over 12 landscapes



50 countries

5 impact themes



# 1. Overview of the LDN Fund and TAF

## IDH's Approach to Landscapes













Strictly confidential



# 1. Overview of the LDN Fund and TAF

IDH currently manages an investment fund, 1 independent TA facility, and 3 linked TA facilities

► Technical Assistance Facilities at IDH; multiple mandates enables strong cross-learning and effective investment match making

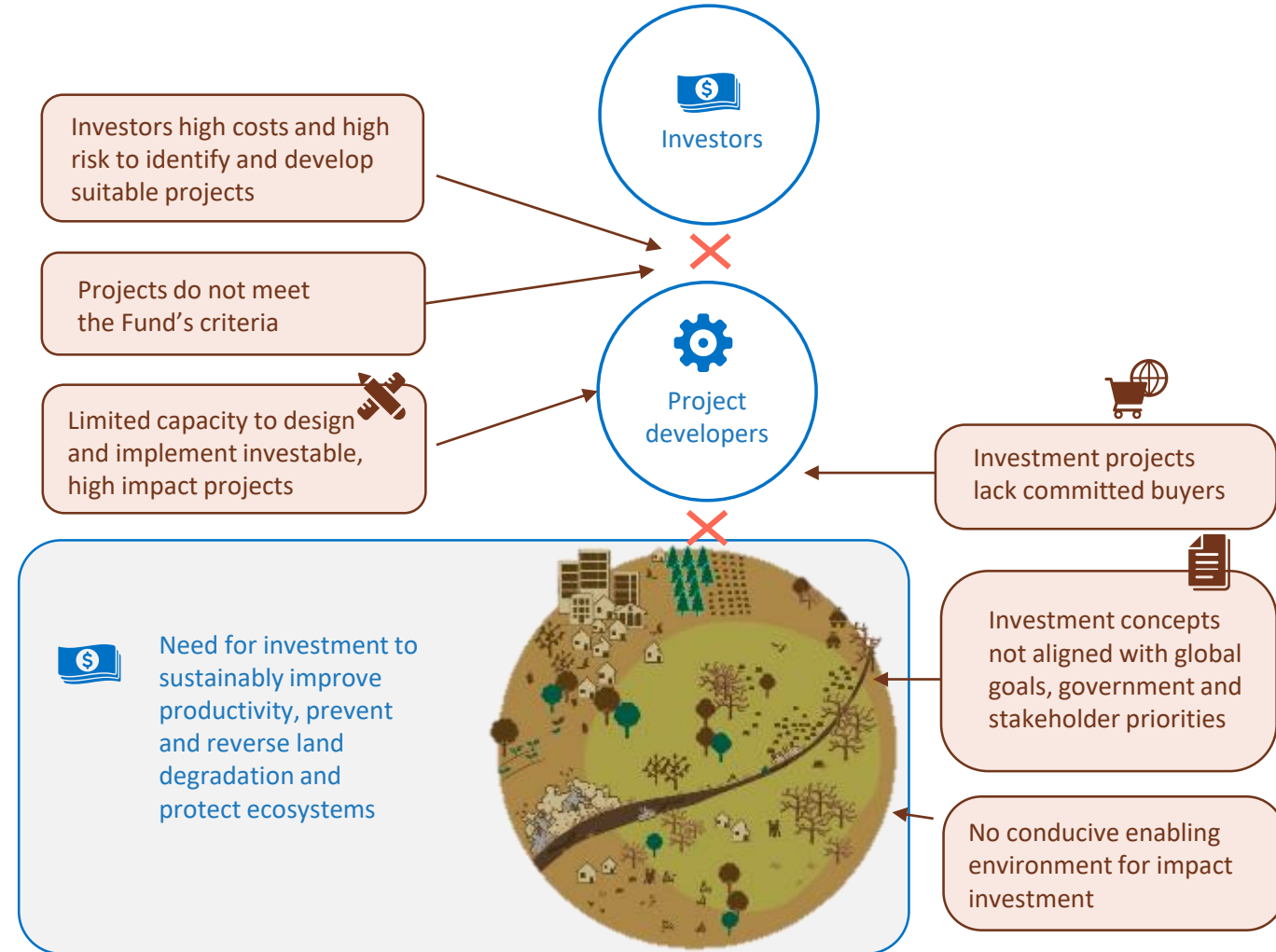
Fund and Technical Assistance Facilities	Impact targets	Partners
 <p><b>Farmfit Fund</b> <i>Farmfit Business Support and Intelligence Center</i></p>	<p>Improve the lives and incomes of 3m smallholder farmers</p>	
 <p><b>Land Degradation Neutrality Fund</b> <i>Technical Assistance Facility (€5M)</i></p>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

# 1. Overview of the LDN Fund and TAF

## WHY THE LDN TA FACILITY?

For finance to flow to sustainable landscape development projects, four key actors are needed.

- ▶ **Investors;** ready to put money on the table
- ▶ **Project developers;** on the ground operators that structure and manage the project, and enable repayment of the investment and reporting;
- ▶ **Buyers;** a productive sustainable landscape needs functional markets to generate revenue. These can be markets for produce, but also for carbon, water, environmental services.
- ▶ **Land governance and government** can also play an enabling role in making projects investable.



# 1. Overview of the LDN Fund and TAF

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

## ACTIONS



Reducing project risk

## OUTCOMES



## IMPACT



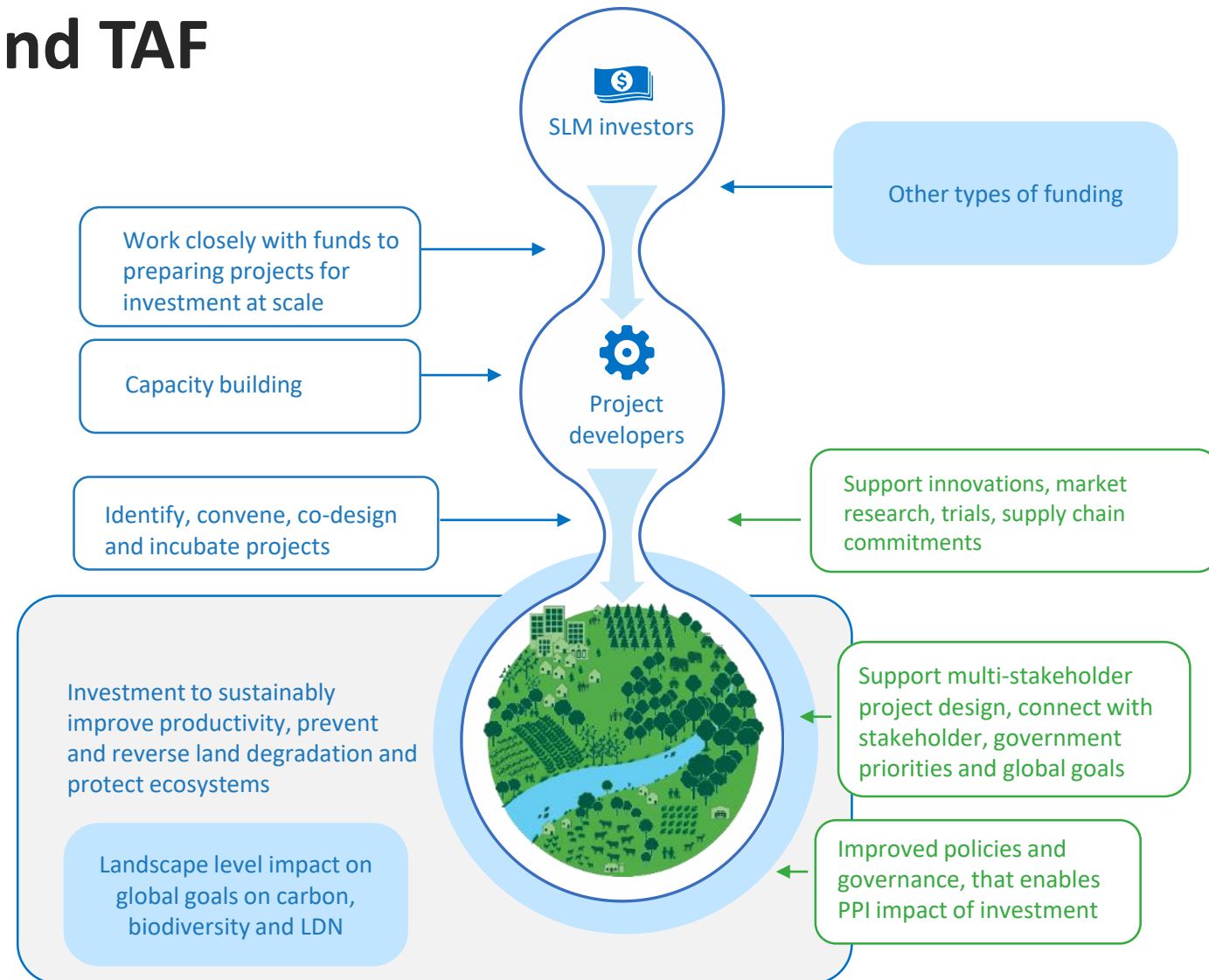
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# 1. Overview of the LDN Fund and TAF

## WHY THE LDN TA FACILITY?

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

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





# 1. Overview of the LDN Fund and TAF

## Current status

- ▶ Operational for **1.5 years**
- ▶ **US\$ 5m**, funding AFD and GEF through WWF
- ▶ Current **project portfolio**
  - ▶ investment-readiness and post-investment
- ▶ **Impact KPIs**
  - ▶ LDN Data
- ▶ **Learning and knowledge sharing**
  - ▶ Regular ‘Learning briefs’
  - ▶ Community of practice to scale up investment in land restoration
  - ▶ ‘Little book on investing in nature’



# 2. Examples of projects supported

## TA example & Investment Structure

### Example Indonesia:

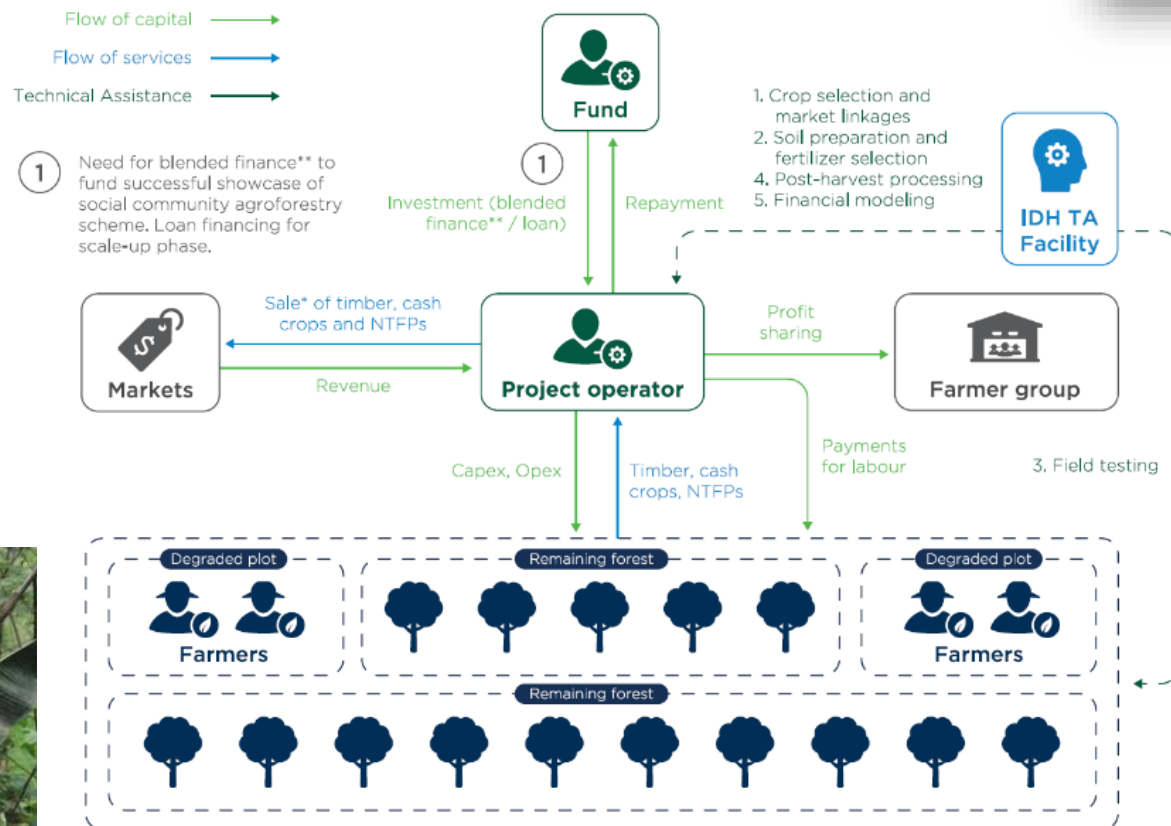
the LDN TAF supports building a scalable commercial model to landscape restoration with community participation.

▶ TA package: Two year program focussing on cash crop integration into a forestry operation, to improve cashflow and payback period. The TA consists of a market evaluation, defining soil conditions and fertilizer options, field testing, post-harvest processing and financial modelling.

▶ Gender: Prioritizing crops that are farmed by women



### EXPECTED FLOW OF CAPITAL AND SERVICES



\*Carbon income not depicted as not yet fully integrated in projected revenue model

\*\* Innovative financing structure of grants, soft loans and (patient) equity

# 2. Examples of projects supported

## TA example & Investment Structure

### Example Perú:

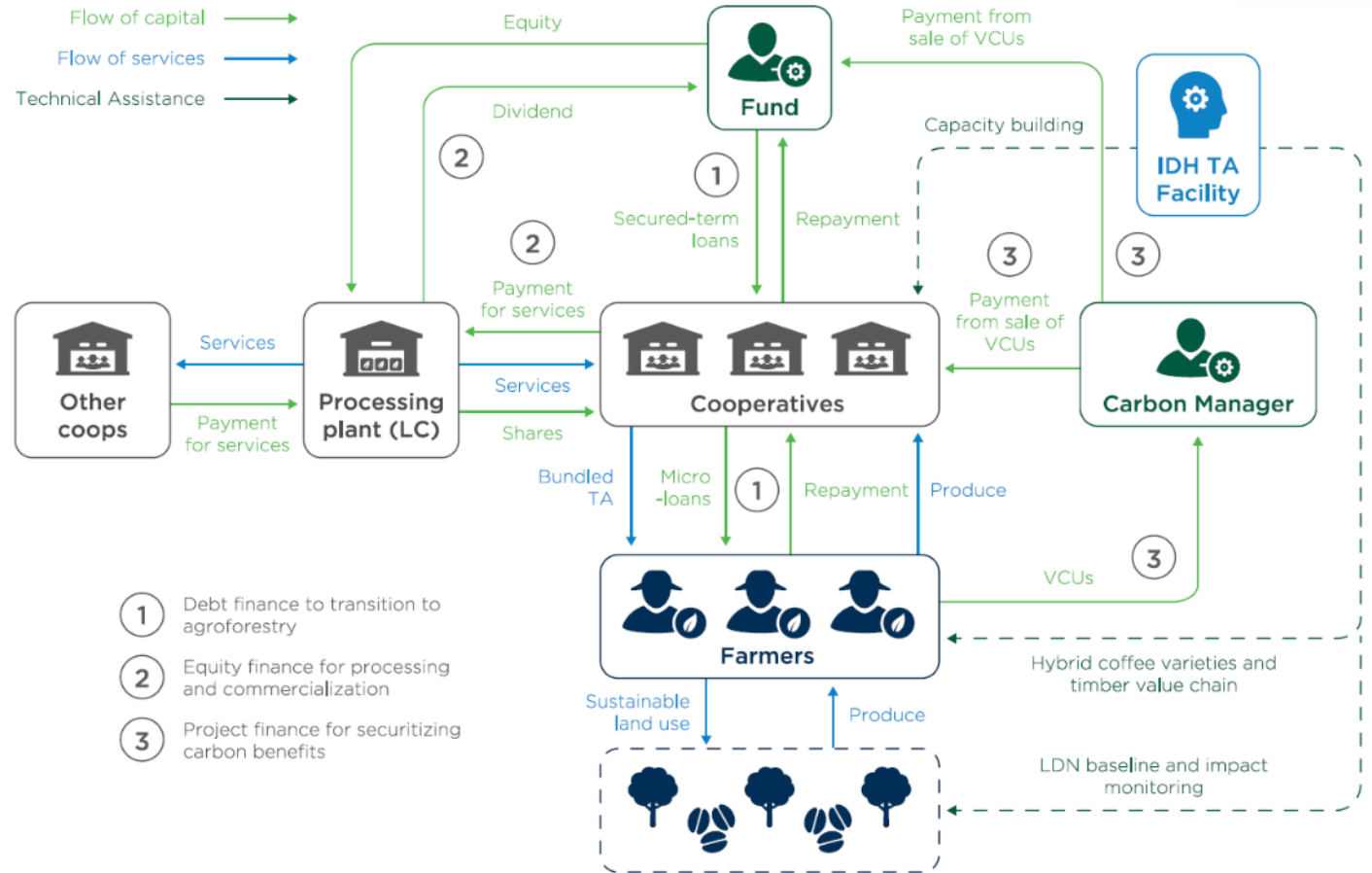
The LDN Fund investment enables cooperative members to replant degraded slopes with coffee agroforestry, therewith reducing land degradation and increasing forest cover.

▶ TA package: 2 phases. Phase 1 (year 1) focusses on capacity building for cooperatives' leadership, selection and local reproduction of climate change resilient coffee varieties, and timber market support.

▶ Gender: Promoting women leadership. Capacity building TA for the cooperatives has a strong gender lens.



### FLOW OF CAPITAL AND SERVICES

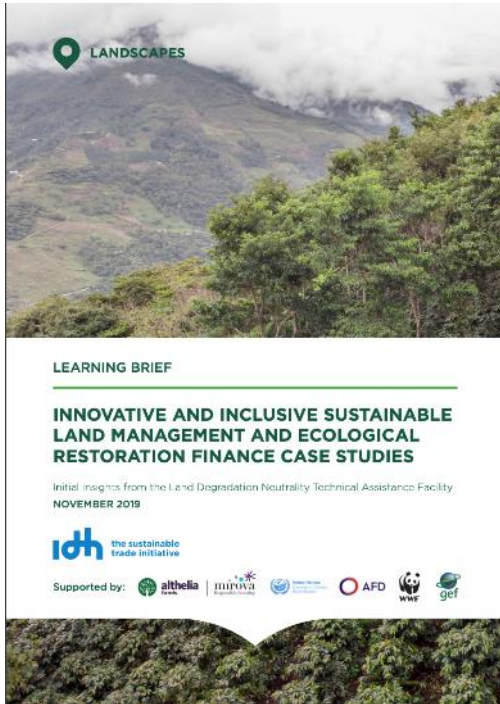


## 2. Examples of projects supported - coming up next!



### LDN TAF Learning Brief A brand-new publication

*We are excited to announce a new publication with insights from the LDN TAF after 2 years of operations!*



<https://www.idhsustainabletrade.com/uploaded/2019/11/LDN-Report-5.3-Final.pdf>

- 3 new post-investment case studies
- Insights on:
  - The landscape contexts
  - The business case
  - The investment by LDN Fund
  - The role of Technical Assistance
  - Key success factors and lessons learnt

*Stay tuned for public release in January 2021!*

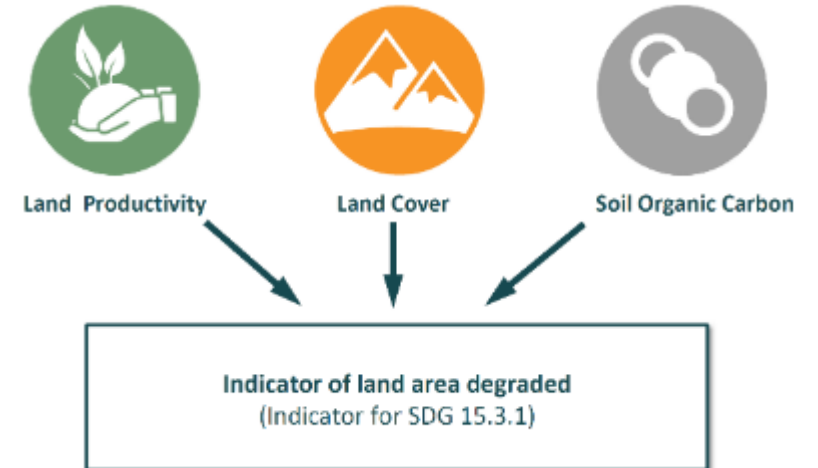


# 3. Impact measurement

## LDN Impact Monitoring Methodology

- ▶ Methodology on monitoring LDN at project level developed.
- ▶ Starting point:
  - ▶ Remain aligned with the UNCCD LDN Scientific Framework
  - ▶ Build on data generated by investee, minimize cost and maximize accuracy and use
- ▶ Process included two baseline studies to ground-truth methodology
  - ▶ Café Selva Norte (Ecotierra) – Peru
  - ▶ Mountain Hazelnuts - Bhutan

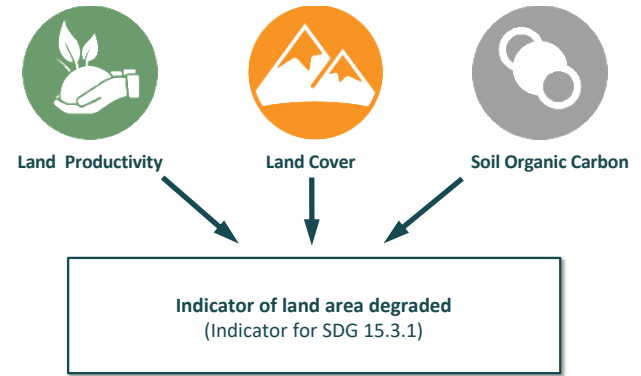
*Three additional baselines planned for in 2020/ Q1 2021*



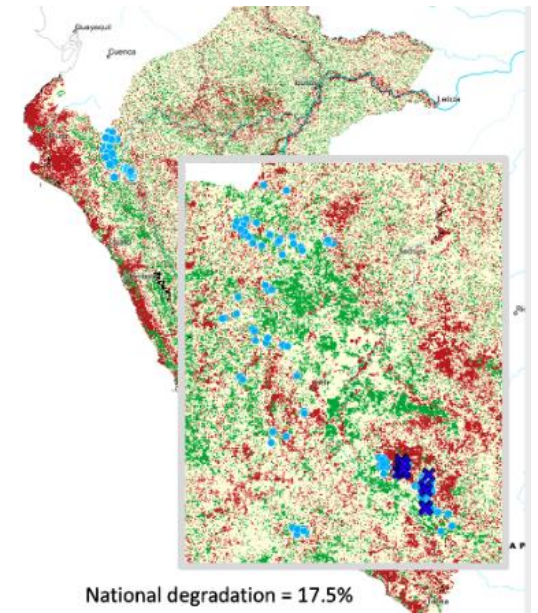
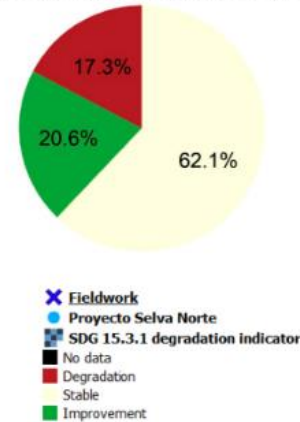
# 3. Impact measurement

## Monitoring LDN for reporting and adaptive management

- ▶ There is an increasing need to partially standardize monitoring of E&S risks and positive impacts for investments in nature
- ▶ LDN TAF supported the LDN Fund in developing a methodology for measuring and tracking progress on LDN impact at investment project level, directly tied to SDG target 15.3.
- ▶ Developed in partnership with Trends.Earth/Conservation International, and in close consultation with the UNCCD scientific community.
- ▶ TAF supports LDN Fund investees with baselines, repeat analyses for the first few years, and building capacity to intergrate LDN project monitoring into operations



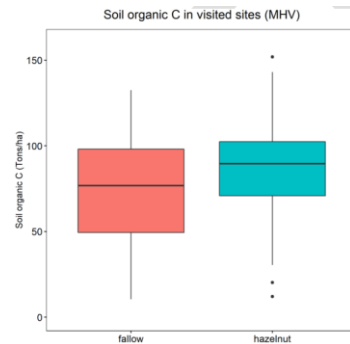
Proyecto Selva Norte according to LDN baseline



# 3. Impact measurement

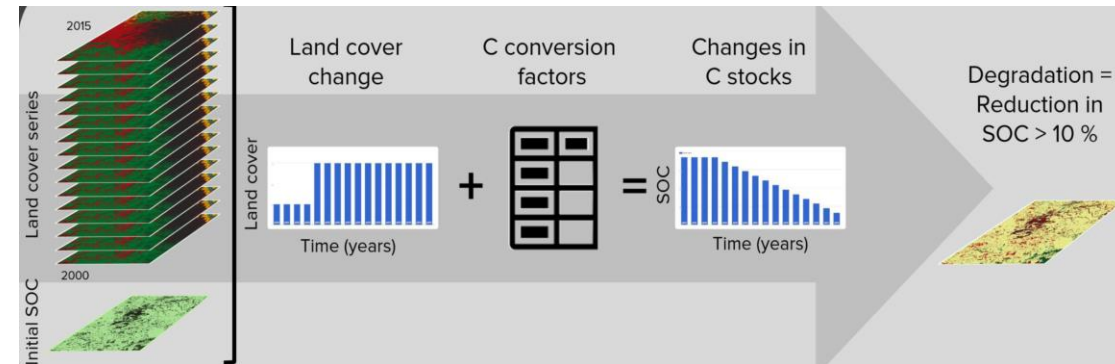
## LDN Impact Methodology – SOC monitoring

- ▶ SOC sampling frequency dependent on
  - ▶ type of intervention (afforestation, agroforestry, etc.)
  - ▶ Benefit from additional SOC monitoring
    - ▶ Expected strong gains in SOC and/or desire to participate in C offset markets (voluntary or otherwise)
    - ▶ Deploying a novel approach, collaboration with local universities and institutions, to be used in branding, etc.
- ▶ SOC baseline sampling of 1st two project had two main objectives
  - ▶ baseline SOC assessment
  - ▶ applying a space-for-time substitution, to increase understanding on the potential impact of the proposed interventions in SOC



### SDG 15.3.1 one out – all out

Productivity	Land Cover	SOC	SDG 15.3.1
Improving	Improving	Improving	Improving
Improving	Improving	Stable	Improving
Improving	Improving	Declining	Declining
Improving	Stable	Improving	Improving
Improving	Stable	Stable	Improving
Improving	Stable	Declining	Declining
Improving	Declining	Improving	Declining
Improving	Declining	Stable	Declining
Improving	Declining	Declining	Declining
Stable	Improving	Improving	Improving
Stable	Improving	Stable	Improving
Stable	Improving	Declining	Declining
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Declining	Stable	Stable	Declining
Declining	Stable	Declining	Declining
Declining	Declining	Improving	Declining
Declining	Declining	Declining	Declining



Land use factors	Final land cover						
	Forest	Grassland	Croplands	Wetlands	Artificial	Bare lands	Water
Forest	1	1	f	1	0.1	0.1	1
Grassland	1	1	f	1	0.1	0.1	1
Croplands	1/f	1/f	1	1/0.71	0.1	0.1	1
Wetlands	1	1	0.71	1	0.1	0.1	1
Artificial	2	2	2	2	1	1	1
Bare lands	2	2	2	2	1	1	1
Water	1	1	1	1	1	1	1

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