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Potential is great for the financial services sector to facilitate the development of more sustainable landscapes, but this change will need more than innovative financial instruments and market demand. The 2015 Global Landscapes Forum series was developed to help inform global climate and development frameworks about how a landscape approach can contribute to sustainable solutions under a wide range of social, environmental, political and economic conditions.

In London on 10 June 2015, a variety of representatives of the finance community rubbed shoulders with anthropologists, foresters, NGOs and government representatives at the Global Landscapes Forum: The Investment Case. The event was part of a growing multistakeholder movement that seeks to harness the influence of the financial sector to transform rural landscapes. Investors and financial service providers can proactively support the development of more sustainable rural landscapes – and they show increasing interest to do so. But they face significant internal and external challenges.

Overcoming these challenges will take innovation, collective action, better data collection and analysis, and a shift in cultural and social norms. New approaches to sustainable land use require support and strengthened technical capacity among all stakeholders, including NGOs, researchers, companies, investors, banks, local communities and, above all, government. Investors need a stable foundation in policies that incentivize sustainable practices and regulate against unsustainable ones, with consistent enforcement. Corporate commitments and market-based mechanisms should not seek to exclude government but instead push for a greater collective responsibility that can support a diverse range of projects. These include: landscape conservation, green bonds, profitable restoration activities and smallholder cooperatives, among others.

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For more information about landscapes and the Global Landscapes Forum, visit landscapes.org/london

A roadmap to financing sustainable landscapes
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Launch of the Agricultural Supply Chain Adaptation Facility (RACAS) pilot phase in Latin America and the Caribbean  
CFOR and partners report on the Landscape Fund pre-pilot phase  
Official launch of the Landscape Degradation Neutrality Fund at UNFCCC COP21 in Paris  
Private sector early movers develop business case for sustainable palm oil  
Governments draft policies to encourage public-private partnerships  
Private sector early movers integrate sustainable practices into supply chains to fulfill pledges  
Landscapes Degradation Neutrality Fund is up and running  
Private sector sends proposals to governments on designing specific, robust policies and actions for reaching zero deforestation commitments  
The Landscape Fund distributes first pilot loans  
20x20 Initiative achieves target of $900 million in private equity commitments  
20x20 Initiative helps restore 20 million ha of degraded land in Latin America and the Caribbean  
New climate agreement (to be adopted in Paris in December 2015) comes into force  
Target for proposed SDG 15 to halt deforestation, restore degraded forests, and increase afforestation and reforestation globally  
New York Declaration on Forests target to stop deforestation by 2030  
Target for proposed SDG 2 to double the agricultural productivity and the incomes of small-scale food producers through secure and equal access to land, financial services, and new standards in place for green climate bonds to finance land-use and conservation projects  
20x20 Initiative  
Follows the New York Declaration on Forests, a number of private sector commitments were made, providing new tools to reduce deforestation and improve sustainable land use  
Some milestones on the road to financing sustainable landscapes  
The Agricultural Supply Chain Adaptation Facility provides a risk-sharing guarantee to Multilateral Development Banks and agricultural corporations to mobilize financing for producers and processors  
The Landscape Degradation Neutrality Fund is an investment platform organized as a public-private partnership, promoting the rehabilitation of 12 million hectares per year  
The Landscape Fund is a pilot project focused on developing the connections between private finance sector and sustainable land use investments and on land-based sectors. This not only limits deforestation, financial service provision and agricultural corporations to increase financing for producers and processors  
Neutrality Fund at Dec 2016  
Commitments  
General, Policy  
Private sector commitments  
20x20 Initiative  
Landscape Degradation Neutrality Fund  
The Landscape Fund  
20x20 Initiative  
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New York Declaration on Forests target to stop deforestation by 2030  
New York Declaration on Forests, a number of private sector commitments were made, providing new tools to reduce deforestation and improve sustainable land use.
Governments are key to unlocking private capital for sustainable landscapes by creating clear and stable regulatory frameworks that level the playing field for responsible investors, while also developing attractive and credible policy frameworks for investment. Failure in public policy cannot be resolved by the private sector. Firms and producers of all sizes require stability and predictability from the public sector and guarantees that there will be no backtracking on reforms.

All levels of government must collaborate to develop multilayered frameworks that companies can build on to benefit both local people and the environment. Outstanding uncertainties and conflicting regulation (e.g., contested land tenure, perverse incentives for unsustainable practices) need to be clarified and prospective policies set to gain investors the confidence that government is pursuing a more sustainable agenda.

Comprehensive and accurate data on land users, industries, investments, and financial service provision is key to enable reform, as well as greater data transparency. Building sustainable landscapes requires a deep understanding of place. Culture, local and national politics, language, the current and historical business environment, infrastructure, financial literacy, population demographics, and the natural environment all influence the success of land-based investments.

But data are lacking on land-based investments, financial service provision, and land-based sectors. This not only limits government reforms, but it raises the risk for investors, putting up roadblocks to the creation of new financial products. Both government and the private sector can improve access to good data through better reporting and public disclosure— but this takes capacity building and funding.

Smallholders and SMEs need better access to longer-term, more flexible credit that is tailored to their needs. The private sector is not the solution. Smallholders and businesses in land-based sectors, in particular, face known high transaction costs associated with due diligence, a fragmented market, lack of data on risk and return, poor enforcement, and lack of assets and financial planning skills. New mechanisms are needed to extend credit to smallholders as well as small- and medium-sized entities (SMEs) that work in agriculture, forestry and agricultural processing activities on smallholdings. Strict measurements of environmental, social and economic improvement alongside financial performance could be major incentives for change.

Innovative financial products are needed to connect the supply of capital with demand— particularly investor movement from project finance to integrated landscape finance. There is great potential to develop new financial instruments for more sustainable landscapes. But different activities, recipients, service providers and institutional settings are likely to need different types of financing. For example, long-term investments are critical for conservation finance, while the financial instruments that spread risk and provide essential guarantees of minimum returns are needed to motivate private and institutional investors.

Coordinating investments within a landscape of activities and facilitating investor engagement with stakeholders is key to unlocking alternative structures to be in place.

In order to channel private capital into sustainable landscapes, a strong deal pipeline needs to be created of opportunities with compelling risk return profiles and identifiable track records.

Greater financing needs to come from private capital, given the scale of the challenge and opportunity. But this takes a compelling business case.

Advocates of sustainable land-based investments argue that companies in the land-use sector have many ways to engage with broad benefit from innovative financing structures, while investors would benefit from accessing new and innovative business models. But new business propositions must be conscious of other important factors such as risk-adjusted returns, the quality of the business environment, political and economic stability, access to growing markets, availability and price of land, and physical growing conditions when approaching potential investors and seeking to build a strong deal pipeline.

Key themes

Six major thematic areas emerged from the Forum discussions:

1. Governments are key to unlocking private capital for sustainable landscapes by creating clear and stable regulatory frameworks that level the playing field for responsible investors, while also developing attractive and credible policy frameworks for investment.

2. Comprehensive and accurate data on land users, industries, investments, and financial service provision is key to enable reform, as well as greater data transparency.

3. Smallholders and SMEs need better access to longer-term, more flexible credit that is tailored to their needs.

4. Innovative financial products are needed to connect the supply of capital with demand— particularly investor movement from project finance to integrated landscape finance.

5. Technical capacity and knowledge of sustainable landscapes must be built among financial sector professionals and government, as well as those working in land-use sectors.

6. In order to channel private capital into sustainable landscapes, a strong deal pipeline needs to be created of opportunities with compelling risk return profiles and identifiable track records.
Institutional investors, banks, insurance providers and hedge funds all play key roles in influencing land use. When investing in rural landscapes, the private sector has traditionally supported low-risk, high-return plantation agriculture and forestry models – often to the detriment of forests and small-scale production systems. But some investors are beginning to focus on investing in sustainable landscapes, both out of enlightened self-interest and to meet customer demands for more ethical investments. As such, a number of international banks and investors have begun to integrate environmental and social standards into their risk and investment policies, market new sustainable finance instruments, and participate in multistakeholder governance platforms.

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Finding common ground

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