



SUMMARY

The Land Degradation Neutrality Fund: A guide for civil society

Chris Chancellor

The issue of land degradation is receiving increasing levels of local and international attention. Healthy and well-functioning lands underpin crucial ecosystem services, and their degradation poses a very real threat to societies and biodiverse ecosystems around the world. As such, land degradation receives explicit attention in the UN Sustainable Development Goals (SDGs), with SDG 15.3 calling for us to 'strive towards a land degradation-neutral world'.

The Land Degradation Neutrality Fund (LDNF) is an attempt to mobilise private finance in pursuit of this goal. The Fund, initially conceived by the United Nations Convention to Combat Desertification (UNCCD), will invest in sustainable land use and land restoration projects that also deliver profitable returns to private investors. It will be complimented by a Technical Assistance Facility (TAF) that will aid the capacity development of potential and current LDNF project developers. The fund itself will be run by Mirova-Althelia, the responsible finance arm of Natixis Asset Management, whilst the TAF will be run by the Sustainable Trade Initiative (IDH). As a relatively new concept in relation to combatting land degradation, little is known about this sort of finance mechanism and how it operates. This document is therefore intended as a guide for civil society organisations (CSOs) in order to help them understand the LDNF, and thus inform pathways for constructive engagement.

The Fund will operate a 'blended finance' structure, meaning that public investors would provide riskier forms of capital to encourage private investors to get involved. The fund has announced soft commitments of US\$100-120 million from investors so far, with a final target size of US\$300 million. The TAF will receive a US\$2 million grant from the Global Environment Facility (GEF), as well as a further US\$4.9 million in donor co-finance.

The governance of the fund will involve three separate entities. Firstly, a Strategic Board will provide

advice to both the LDNF and the TAF, ensuring that they stick to the political mandate of striving for land degradation neutrality. An Investors Committee, composed of representatives of key investors in the LDNF, is the ultimate decision-making authority, and responsible for ensuring that a sound management system is in place and being implemented. Finally, Mirova Internal Committees will be responsible for ensuring that the fund abides by the rules set out by the Investors Committee. Monitoring activities, such as project developer reporting, project visits by LDNF staff, and third party certification schemes, are also considered as an extra layer of the governance framework.

The environmental and social management system (ESMS) of the fund hinges on the LDNF Environmental and Social Standards, which were published in August 2017 following a public consultation process. These are based on the IFC Performance Standards, with the addition of a specific standard on land tenure, reflecting the land-based investment focus of the fund. Mirova has chosen not to include a standard correlated with IFC Performance Standard 1 on risk management, as it aims to address this in a separate document. The standards also do not include explicit references to human rights or gender equality, issues which will supposedly be dealt with as part of the wider investment procedure.

Due to the fund's ongoing development, clarity over the ESMS procedure, amongst other things, is not yet publically available, although a separate document on this is expected in due course. This procedure is expected to involve two segments: an initial assessment and screening procedure, and a subsequent monitoring procedure. Similarly, the complaints and compliance mechanism is still undergoing development, and thus further information on how this will function is not yet available. Project disclosure procedures are expected to follow that of Althelia's existing portfolios, which involves reporting on projects in an annual impact report.

A further consequence of ongoing negotiations with investors is that the fund does not yet have any capital at its disposal to provide projects with finance, and thus there are as of yet no official LDNF-funded projects. However, a portfolio of 10 potential investments has been identified, with a further pipeline of 70 potential projects. Only one of these is understood to be nearly ready for a deal to be made, whereas the others are still under review. Although these projects have not been made public, references made to potential LDNF-eligible projects in previous Mirova documents can provide an insight into the LDNF's investment vision.

One of the projects mentioned involves smallholder cooperatives supplying commodity coffee from agroforestry systems in Peru's Selva Norte, whilst the other involves rubber plantations in combination with conservation and livelihood areas in the Indonesian islands of Sumatra and Kalimantan. The projects offer contrasting approaches to land degradation neutrality, with the former exemplifying an encouraging openness to locally managed models, whilst the latter involves large-scale land acquisitions and a complex web of actors that almost inevitably creates local tensions. It is evident that investing in projects that avoid land acquisition altogether, and instead prioritise empowering local land managers and users, offers a far more effective and socially just pathway to combatting land degradation.

Recommendations

For the operationalisation of LDNF:

1. LDNF policies and procedures should be publicly available and easily accessible
2. Human rights and gender equality issues should be included explicitly within the LDNF Environmental and Social Standards
3. Language matters: make sure that language in LDNF documents is clear and decisive
4. Ensure that scale does not take precedence over the quality and inclusiveness of the projects funded
5. Create space for civil society engagement

For civil society:

1. Engage directly by leading or collaborating in the development of an LDNF project
2. Disseminate information on LDNF developments to relevant stakeholders, and facilitate interaction between local communities and LDNF representatives or platforms
3. Provide contributions and advice through official channels as well as wider monitoring activities



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