

# EQUITABLE, NET ZERO & NATURE POSITIVE FINANCE

Accelerating private investment  
in sustainable land use

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**UNEP CLIMATE FINANCE UNIT**





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# Vision: Accelerating equitable, net zero and nature positive investments

From the chicken on our plate, to the shampoo in our shower, we are contributing to the loss of tropical forests and other ecosystems simply by using and consuming products that have been produced, traded and processed with great environmental and social costs, often without realising it.

The ways through which commodities like soy, beef, palm oil and many others are produced, processed and financed, sit at the heart of the myriad crises that humanity faces.

The current business-as-usual model is a 'race to the bottom' where the pressure to produce commodities at ever cheaper prices is leading us on a path towards climate breakdown and ultimately huge economic and financial costs for society. Scientists have estimated that the continuation of business-as-usual practices will exacerbate the environmental impact by 50 to 90 per cent, risking planetary boundaries defined as a safe operating space for humanity.

Instead, we need to 'race to the top', where forest and agri-food value chains embed and reward positive impacts on nature, climate and local communities. This requires bold action by government, business and finance leaders to realise this vision.

A systemic, gender-responsive transformation towards deforestation-free sustainable production and consumption is possible only if fundamental changes in regulatory and economic incentives are implemented, such as reforming and repurposing inclusive agricultural fiscal policies,

embedding nature and climate objectives in trade agreements, paying the true value of food, as well as for central banks and financial regulators to create a level-playing field and stimulate long-term lending and investment.

Blended finance can be an interim solution for farmers, traders, banks, and investors to lower the risk of a transaction or increase the tenor of a loan in the absence of favourable market conditions. Supporting pipeline and project development through business incubators and finance facilities that support the creation of new or alternative value chains, as well as support those investors and businesses that want to depart from business-as-usual, is key to breaking the current gridlock.

UNEP's Climate Finance Unit is actively working with member states, as well as corporate and finance leaders, to develop and support a variety of innovative business and finance solutions, providing expertise on environmental & social impacts, to raise the ambition level and advocate for systemic changes to make sustainable land use the 'norm'.

**Our vision is for public and private capital to increasingly and systematically finance projects and businesses that achieve 'net zero, nature positive' and social impact across the forest and agri-food value chains**



## Climate Change, Biodiversity Loss and Land Degradation

### Addressing the Triple Planetary Crisis

If we are to reduce emissions by 45%, reverse loss of nature and restore 350 million ha of degraded land by 2030, we need a fundamentally different way in which we finance the production of food, timber, and other agricultural and forestry products that are in line with national and international goals related to climate mitigation, adaptation, nature protection and restoration.

### Closing the finance gap

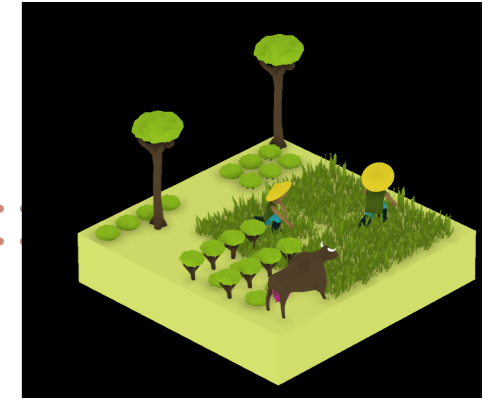
If we want to meet the 3 Rio Convention targets and the SDGs, we need to close a USD 4.1 trillion financing gap in nature by 2050. The current investments in Nature-based solutions amount to USD 133 billion – most of which comes from public sources. Financial allocations should follow a gender and rights-based approach to ensure that interventions do not further exacerbate current social and economic inequalities caused by the triple planetary crisis.

# Mission: How we seek to make a difference


In the context of UNEP's Programme of Work and against ambitious commitments to halt biodiversity loss (Global Biodiversity Agreement), tackle the climate crisis (Paris Agreement) as well as restore degraded land (Land Degradation Neutrality), UNEP's Climate Finance Unit actively works to develop innovative solutions to shift capital towards more sustainable forest and agri-food systems.

In doing so, we aim to develop into a leading hub, facilitator and public-private platform to generate an inclusive social and economic paradigm shift towards making sustainable land use ultimately the 'new norm'.

All our initiatives contribute to international nature, climate and restoration targets that governments have agreed upon, which underpin UNEP's Medium-term Strategy and Programme of Work.



# Project Portfolios

				
<b>Why</b>	Limited number of so-called 'bankable' projects that positively contribute to forest and landscape restoration.	Lack of agricultural loans from banks directed at deforestation free commodity production	Lack of private capital directed at protecting and restoring tropical forests and peatlands	Lack of incentives for farmers to adopt sustainable, deforestation free commodity production practices
<b>What</b>	Co-funding for fund development or project pipeline development on a cost-sharing basis	'Blended' finance fund to be capitalized by banks, investors, and public donors	'Blended' finance fund that applies landscape approach to forest conservation	Providing low interest credit lines to eligible farmers
<b>Products</b>	Promote private investment in forest restoration by making it easier to set up funds dedicated to such activities and to bring projects to implementation faster	Junior loans, guarantees, grants from AGRI3 Fund used to unlock senior debt from banks	Junior loans, equity, guarantees from &Green Fund blended on a ratio of 1:4 with private capital	Low interest debt finance
<b>Clients</b>	Fund managers and investment advisors	Agribusiness (traders, producers, processors), farmers	Investment funds, agribusinesses (traders, producers, processors)	Farmers
<b>Geography</b>	All ODA-eligible developing countries	Latin America, Africa, South-east Asia	Tropical forests countries	Brazil
<b>Anticipated Impact</b>	Climate adaptation and mitigation, biodiversity, and sustainable livelihoods	Improve rural livelihoods, forest protection & shift to sustainable agriculture	Tropical forest and peatland protection and restoration	Shift to deforestation and conversion free production of soy and corn to support climate change mitigation efforts, enhance biodiversity and support community livelihoods
<b>Partners</b>	Frankfurt School of Finance and Management	Rabobank, UN Environment, Mirova/Althelia, FMO, IDH	Norway, Unilever, SailVentures, IDH, GEF/UN Environment	Sustainable Investment Management Ltd, The Nature Conservancy and BVRio
<b>Ticket Size</b>	-	USD 10-50 million per deal	USD 10-50 million per deal	Up to USD 1 billion

# Service Lines

## 1 Create and support business incubators and finance facilities

Using a value chain approach, we aim to develop practical solutions that tackle existing social inequalities and economic barriers to deploy private finance for sustainable agriculture, forestry and restoration. This includes a) engaging with government donors, multilateral funds and foundations to use public money in the form of concessional debt or equity; b) Creating ambitious partnerships with finance institutions willing to change their business models; and c) identifying public or private sector partners with whom we seek to develop or support an incubator or facility. In all these, a gender lens will be utilised to ensure that support to micro-, small- and medium-sized enterprises is inclusive and benefits both women and men.

## 4 Raising ambition levels through commitments, coalitions, and alliances

Building partnerships with organisations, think tanks and businesses to jointly scale up the level of ambition across the financial, forest and agri-food value chains to transition to sustainable land use is key to accelerate investments in line with the urgency of the crises we face.

## 2 Design and measure environmental and social impacts

Ensuring that initiatives and facilities we support have robust environmental & social frameworks with key performance indicators that can measure positive impact is important given the relative novelty and current lack of a systemic approach to measure positive impacts. It is also key to ensure that our partners have solid risk management procedures in place and that impact is measured and evaluated (M&E) on a standard basis.

## 5 Analytics and enabling environment

From tracking capital flows to assess the state of finance and investment into nature-based solutions, to analysing options to repurpose agriculture fiscal policies and create other economic incentives, this service line focuses on analytical and normative work to ultimately move towards making sustainable land use the 'norm' rather than the exception by creating more favourable market and regulatory environments for productive activities that leads to more positive impact for nature, climate and rural communities.

## 3 Communication, capacity building and knowledge management

From trainings, infographics, and animated videos to high-profile events, there are a range of communication and knowledge management practices that we seek to optimise to ensure that governments, banks, investors, food & agribusinesses and smallholder farmers in developing countries, many of whom are women, understand how to transition towards more sustainable commodity systems; what works, what does not and why.

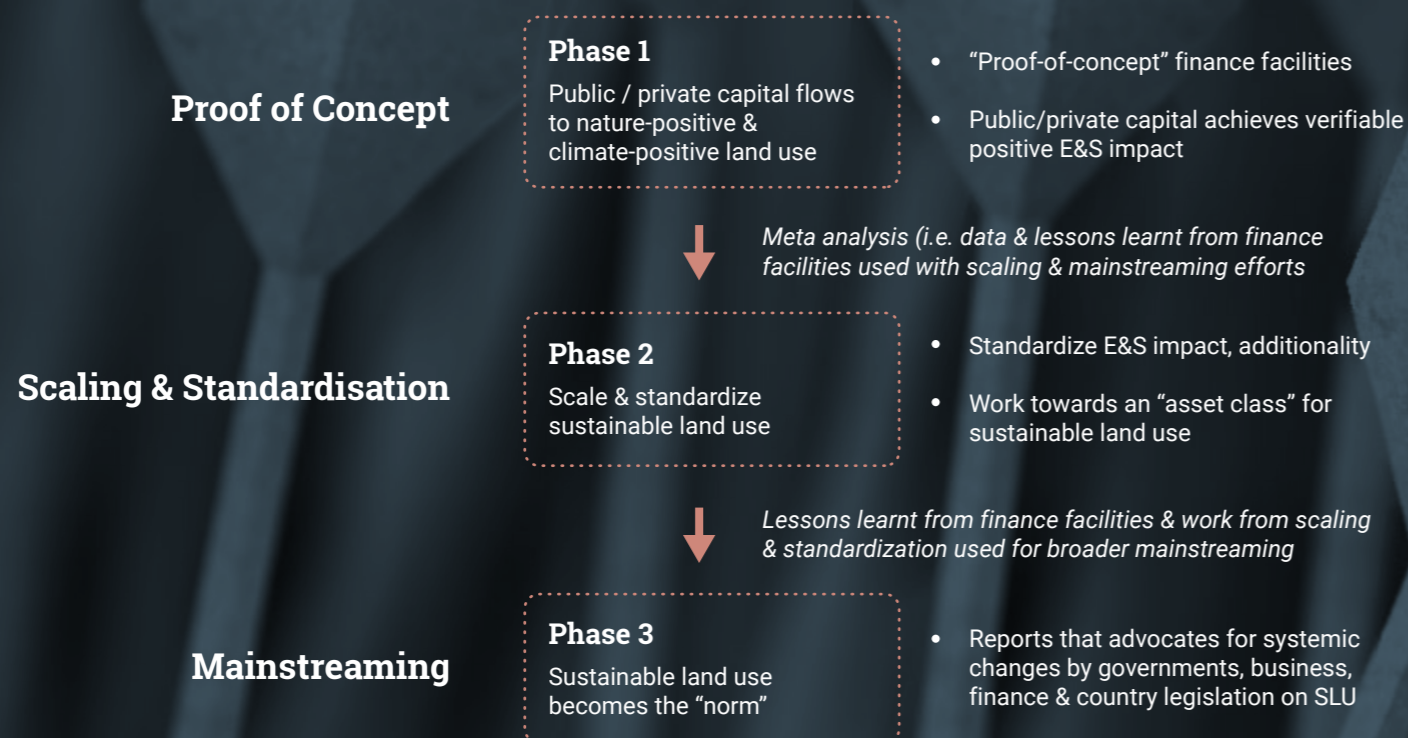


# Approach

As part of broader efforts by UNEP to work with member states and other stakeholders to make sustainable land use become 'the norm' rather than the exception, UNEP's Climate Finance Unit contributes to this in the following ways:

- Helping to create 'proof-of-concept' sustainable land use transactions by proving that a systemic shift towards deforestation-free commodity production and other forms of sustainable land use is sustainable and makes economic sense.
- Scaling and standardisation by getting more financiers and businesses to commit to change their business and financing practices, as well as by helping to outline the principles and conditions for creating an asset class for sustainable land use, which could act as a prelude to mainstreaming efforts by governments based on legislation.
- Supporting the application by initiatives such as the EU Taxonomy on Sustainable Finance – which is both a standard and disclosure framework – and other relevant efforts to be applied by other countries, can help to advance mainstreaming of sustainable land use across the world.

## A 3-phase approach toward towards achieving positive results in terms of public and private capital unlocked and positive environmental & social impact



# Phase 1 – Unlock public and private finance that achieves positive environmental & social impacts across financial products, sectors and countries

UNEP's Climate Finance Unit creates and supports a number of pioneering blended finance vehicles as a means to unlock public and private capital for novel land use transactions that combine commercial business models while achieving positive environmental and social impacts.

Proof-of-concept investment vehicles can enable capital to be deployed through impact investors, banks and other financial actors. These vehicles are necessary to standardise and scale up finance on a global scale. As such, if the funds from these 'proof-of-concept' investment vehicles can concurrently achieve positive environmental and social impacts while delivering on the established commercial return on investments that each fund has in place, government donors, multilateral funds and foundations can be more easily convinced to increase the concessional capital invested in sustainable land use.

## UNEP facilities and initiatives across the financial value chain

### Pre-investment facility

The **Restoration Seed Capital Facility** (RSCF) provides three distinct types of support to private fund managers and investment advisors: a) Fund development: costs related to setting up new forest landscape restoration-themed funds; b) Pipeline development: costs related to building a pipeline of bankable projects; and c) Project development: costs related to bringing projects to a financial close. In each of these cases at least 50% of the costs need to be covered by the private sector partner.

### Corporate lending

The **Agri3 Fund** provides guarantees, soft loans, and grants to commercial banks and other financial institutions, acting as a catalyst and 'de-risking' vehicle to facilitate the switch towards more sustainable forms of food and commodity production. In addition to the Agri3 Fund, a separate Technical Assistance facility has been put in place to ensure the scaling-up of innovative sustainable agricultural practices to farmers.

### Capital market

The **&Green Fund** provides credits and guarantees to finance commodity supply chain projects in jurisdictions that have progressive forest and/or peatland protection strategies and policies.

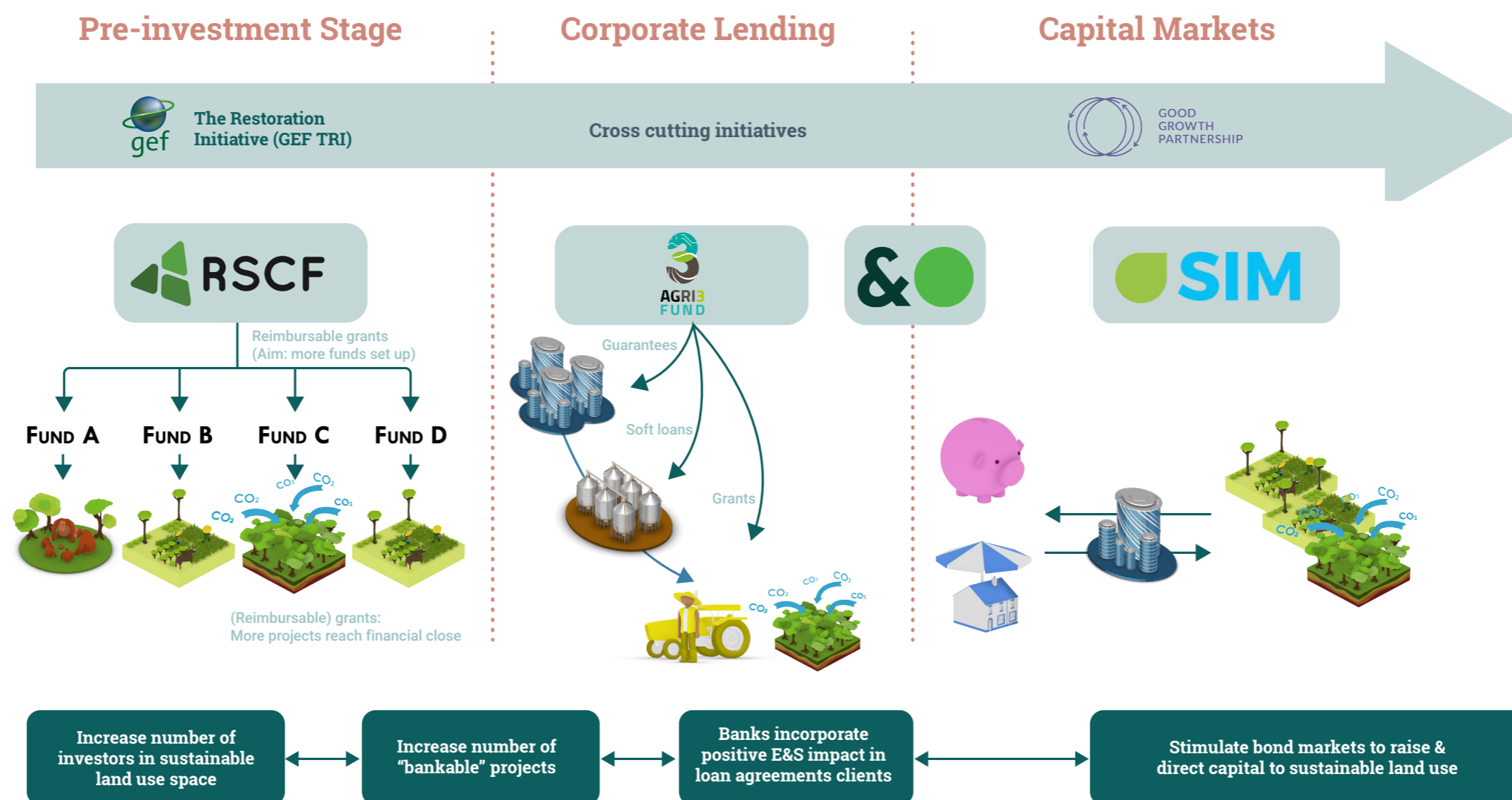
The **Responsible Commodities Facility (RCF)** is an initiative to promote the production and trading of responsible soy in Brazil, by creating a financially sustainable vehicle to provide incentives to farmers and help meet the growing international demand for zero-deforestation supply chains.

### Cross-cutting collaborative initiatives

The **GEF-Good Growth Partnership** advances technical capabilities to finance sustainable commodity supply chains.

The **GEF-Restoration Initiative** develops bankable projects to contribute to the restoration and maintenance of critical landscapes which provide global environmental benefits and more resilient economic development. It provides technical assistance for nature-based solutions in 10 countries including China, Pakistan, Guinea-Bissau and São Tomé and Príncipe.

The **Restoration Factory** is a mentoring programme helping restoration entrepreneurs to reach bankability quicker by increasing their access to finance from investors.





## Phase 2 – Scale up finance and investment into sustainable land use by tackling disincentives and creating positive incentives

UNEP’s Climate Finance Unit aims to fulfil a meaningful role in working towards an ‘asset class’ for sustainable land use finance and investments. By providing E&S frameworks to fund managers, institutional investors and banks, they are able to highlight the share of assets directed towards SLU in financial reports and illustrate the scale and impacts made. Through building and communicating a track record of novel land use deals, we aim to increase understanding, awareness and exposure, which in turn will stimulate replication.

### Three main areas towards catalysing a shift:

- Scaling up finance and private sector commitments by supporting a number of coalitions, alliances and other relevant initiatives.
- Standardising E&S impact, through agreeing on KPIs and embedding these in voluntary industry standards; reporting and disclosure (through initiatives such as the Taskforce for Nature-related Financial Disclosures); definitions and scope around sustainable land use finance.
- Advancing normative work that seeks systematic changes. Examples include anticipated reports such as the Nature-based Solutions Investment report, a global report advocating for a reform of agricultural subsidies.. This also includes business case studies and value-at-risk models, as such studies would preferably be norm-setting and put forward the justification and arguments for governments (and businesses) to make systemic changes.



The **Good Food Finance Network** brings together financial institutions across the public, private and multilateral sectors, from all regions of the world, to raise ambition and drive action on food systems transformation.

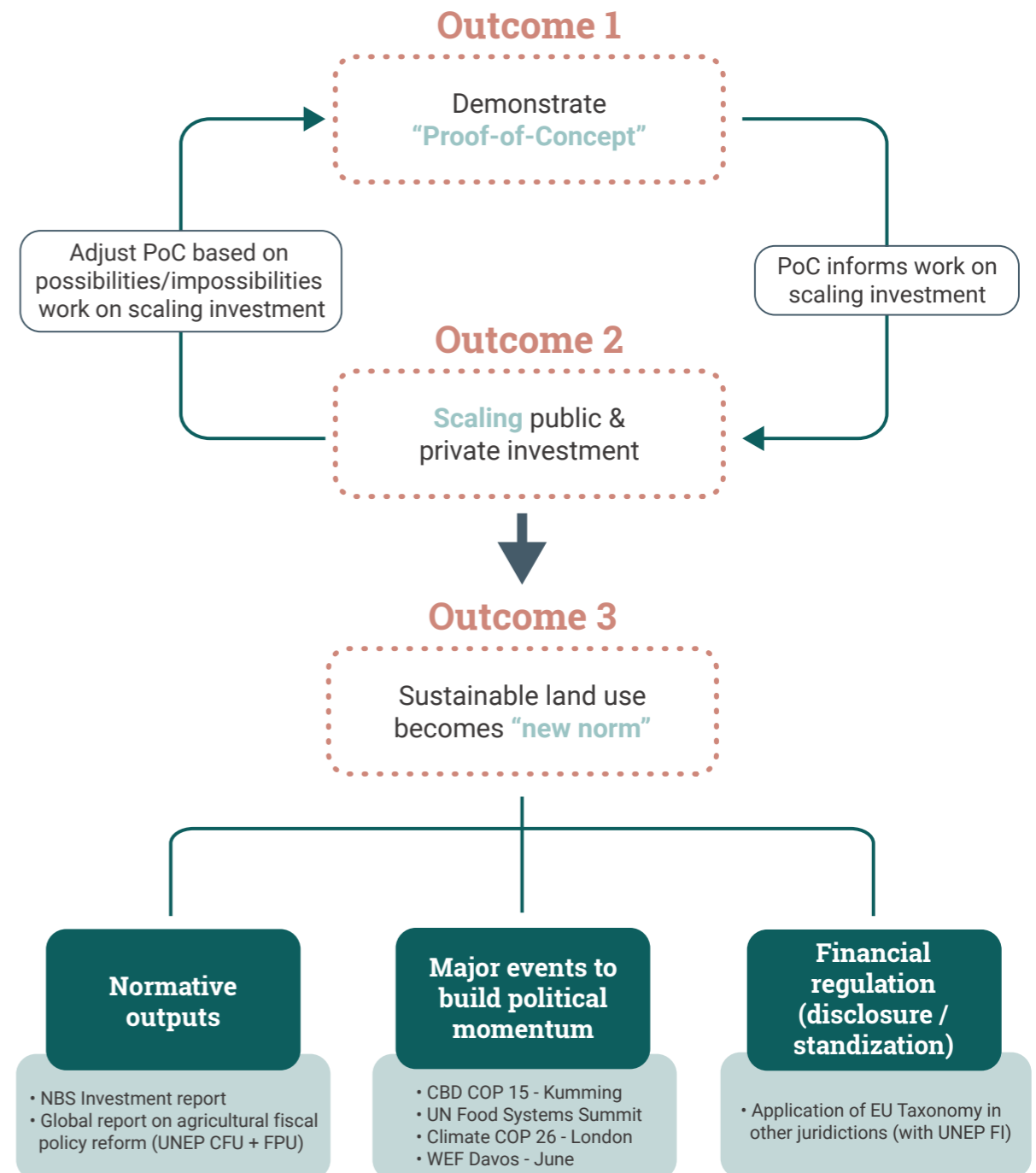


The **Innovative Finance for the Amazon, Cerrado and Chaco (IFACC)** aims to advance conversion-free cattle and soy production in South America which will protect the land as the industry expands.

## Phase 3 – Mainstreaming financing sustainable land use

Mainstreaming sustainable land use finance and investments implies that it becomes the ‘norm’ rather than the exception. This will almost certainly only be possible as a result of government regulation and legislation

focused on standard setting, reporting, disclosure, legislation around imports and exports, as well as the related population support for such measures by politicians.



## Resources

UNEP's Climate Finance Unit is advancing knowledge and technical capabilities through publications, technical guidance, tools and awareness products, which are available at [unep.org/financefornature](http://unep.org/financefornature)

### Finance for Nature Tracker

The State of Finance for Nature aims to become the principal vehicle for presenting the results of a global tracking of public and private finance directed towards nature-based solutions. The first global analysis was released in May 2021 and featured the baseline to assess the financing gap in nature from 2020 up to 2050.

### Land Use Finance Impact Hub

The impact hub provides tools and services such as the Positive Impact Indicators Directory, a harmonised shortlist of KPIs designed to encompass key aspects of inclusive sustainable land use investment designed for financial institutions to demonstrate positive impact across five categories – Biodiversity, climate change mitigation, climate change adaptation, forests, and livelihoods.

### Training Programmes

Training programmes to financial institutions provide relevant tools for identifying and assessing deforestation risk in their transactions and portfolios.

- Paraguay: UNEP is collaborating with the Central Bank to train supervisors on the requirements of a new environmental and social integration law for financial institutions.
- Brazil: UNEP has trained over 30 financial institutions from three banking associations (ABBC, ABDE and Febraban) to respond to the urgent need for reducing deforestation in commodity supply chains.
- Indonesia: UNEP is working with the IKBI network of banks - which represents over 80% of commodity finance in the country - to enhance their risk management approaches.

Training programmes to project developers provide support to develop bankable restoration-based projects in 11 countries, as well as technical support for the development of a mapping tool for financial flows.

### Technical Guidance

Repurposing agricultural support: The technical report – “A multi-billion-dollar opportunity: how to repurpose agricultural support for sustainable, equitable and efficient food systems” shows that agriculture is the main source of livelihood for millions of farmers, including 500 million smallholder farmers worldwide – many of whom are women. Besides driving economic activity, the report shows how agriculture and agri-food systems have a critical role to play in achieving food security and reducing inequalities. The technical report provides an estimate of the impacts of agricultural support on nature, climate change, health, nutrition and equity for 88 countries, and guidance on how to repurpose agricultural support using a multi-stakeholder approach to ensure inclusion of certain key actors in particular smallholder farmers.

### Case studies

Examples of investment models that could be replicated or scaled-up across the globe are collected through an annual open call. The cases contribute to demonstrating how investing in nature and restoration can address the multi-faceted environmental crises and broader societal challenges that affect humanity today. Case studies showcasing the involvement and empowerment of women, minorities, marginalized groups and those often left furthest behind are especially important. This is in line with UNEP's commitments as well as the overarching Principle of 'Leaving no one behind'.

Please access all UNEP Climate Finance Unit's resources at [www.unep.org/financefornature](http://www.unep.org/financefornature)

## Partners and Communities

We work with a considerable number of governments, development finance institutions, commercial banks, impact and institutional investors, businesses and non-governmental organisations to actively direct a growing amount of public and especially private capital towards land use investments that generate positive nature, climate and rural livelihood impacts. In this way, we support member states directly and indirectly to advance the Sustainable Development Goals, the Paris Climate Accord, the Bonn Challenge and the Aichi Biodiversity Targets.

### How to get involved:

- **Strategic partner** – if your organisation or company provides added value that is complementary to ours, we would be interested to discuss a strategic partnership.
- **Make an ambitious commitment** – Contact us if your bank, investment firm or company wants to make an ambitious commitment to finance deforestation-free agricultural commodity production, sustainable forestry or restoration, in line with the projects outlined in this brochure.
- **Participate in a project or seeking support** - Join us as a partner bank, investor or fund manager in one of project

If you are interested in becoming involved, please get in touch via [unep-cfu@un.org](mailto:unep-cfu@un.org).

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