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The Land Degradation Neutrality Fund: A guide for civil society

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COLOPHON

This guide has been developed as part of Both ENDS' work within the Fair, Green and Global (FGG) Alliance, which aims for socially just, inclusive and environmentally sustainable societies in the Netherlands and the Global South.

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Abbreviations

CBD	Convention on Biological Diversity
CFS	UN Committee on World Food Security
CSOs	Civil Society Organisations
ESMS	Environmental and Social Management System
IDH	Sustainable Trade Initiative
FPIC	Free, Prior and Informed Consent
GEF	Global Environmental Forum
GM	The Global Mechanism of the UN Convention to Combat Desertification
KfW	German Development Bank
LDN	Land Degradation Neutrality
LDNF	Land Degradation Neutrality Fund
PT ABT	PT Alam Bukit Tigapuluh
RLU	PT Royal Lestari Utama
SDGs	Sustainable Development Goals
SLM	Sustainable Land Management
SLU	Sustainable Land Use
TAF	Technical Assistance Facility
UNCCD	United Nations Convention to Combat Desertification
UNDP	United Nations Development Programme
UNFCCC	United Nations Framework Convention on Climate Change

Executive Summary

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 has not, until recently, had any capital at its disposal to provide projects with finance, and thus the LDNF has been unable to provide finance to project developers. However, a portfolio of 10 potential investments has been identified, with a further pipeline of 70 potential projects. At the time of publishing, it is understood that one project has just received funding; 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 on 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 investing in large-scale land concessions that are already being contested and a complex web of actors that most likely creates local tensions. It is evident that investing in projects that avoid large-scale acquisitions of land and transfer of control over land, 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 publically 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

Introduction

The land upon which we rely for food, water, and other crucial ecosystem services, is suffering ever-increasing levels of degradation. The scramble to clear land for the expansion of industrial agriculture and extraction of natural resources has led to alarming losses in vegetation cover, soil fertility and carbon storage. The recent Global Land Outlook report, issued by the United Nations Convention to Combat Desertification (UNCCD), estimates that '20 per cent of the Earth's vegetated land surface showed persistent declining trends in productivity'[1] in the period between 1998 and 2013. This process, combined with the wider phenomenon of global climate change, has and will continue to place major stress on communities and biodiverse ecosystems across the world.

As a result, addressing the issue of land degradation has featured more prominently on the international agenda. Signatories to the outcome document of the Rio +20 Conference on Sustainable Development in 2012 recognised the 'need for urgent action to reverse land degradation'[2]. It is given explicit attention in the Sustainable Development Goals (SDGs), with Goal 15.3 targeting a 'land degradation-neutral world'[3]. This essentially involves striving for zero net land degradation relative to an agreed baseline level[4].

As with all of the SDGs, whilst the ambitions are lofty, the real challenge of course lies in how to stimulate coordinated progress towards achieving the end goal. Furthermore, the manner in which this goal is pursued holds arguably equal or even greater significance; restoration or maintenance of healthy lands must be an inclusive and holistic process. There is little value in hitting a select number of indicator criteria if local communities are marginalized from both the process and the benefits. Similarly, a narrow focus on this single sub-section of an SDG would defeat the idea of the SDGs being inherently interlinked. Therefore, innovative and integrated solutions that take this into account are highly sought after.

Given the scale of the task at hand, initiatives targeting large-scale impacts are gaining favour. One such example is the Land Degradation Neutrality Fund (LDNF), set up by the Global Mechanism (GM) of the UNCCD in order to try and mobilise private capital for the purposes of sustainable land management and rehabilitation of degraded areas[5]. The idea is to try to 'blend' public donor finance with funding from private investors, in a bid to make investments more attractive[6]. The fund will then invest in projects that aim to tackle land degradation whilst simultaneously generating profits that can be used to repay investors.

As a relatively new phenomenon in relation to land restoration, little is known about these sorts of finance mechanisms and how they operate. This report will aim to outline how the LDNF functions; how the finances work, how it is governed, and what the potential social and environmental implications are of the projects which it funds. It is intended as a guide for civil society organisations (CSOs) in order to help them understand the LDNF, and thus inform pathways for constructive engagement.

To this end, it will proceed as follows: (1) a brief explanation of the concept and vision behind the LDNF; (2) a section detailing the fund structure and relevant governance mechanisms, including the social and environmental management system; (3) a look at selected potential LDNF projects in order to offer an insight into the types of investments that will be occurring; (4) a section detailing recommendations for both the LDNF itself as well as for CSOs who are interested in engaging.

What is the LDNF?

The Land Degradation Neutrality Fund (LDNF) is an impact investment fund that specifically targets SDG 15.3 on Land Degradation Neutrality (LDN). In order to understand the context, it is useful to briefly elaborate on what LDN actually entails.

Land Degradation Neutrality

Having first been approved by the international community at Rio +20, LDN describes a situation in which the total amount of degraded land globally does not exceed a predetermined baseline level[7]:

> "A state whereby the amount and quality of land resources, necessary to support ecosystem functions and services and enhance food security, remains stable or increases within specified temporal and spatial scales and ecosystems." (UNCCD 2016[8])

Such a definition anticipates the continued future degradation of land, and aims to stem this process through Sustainable Land Management (SLM), whilst at the same time reversing past degradation through restoration and rehabilitation[9]. This logic is set out in the conceptual framework developed by the UNCCD's Science-Policy Interface (SPI), a body which was tasked with providing a scientifically-grounded means through which to understand, implement, and monitor efforts towards achieving SDG 15.3. This framework details a response hierarchy of: 1) avoid, 2) reduce, 3) reverse, and points out that addressing the issue earlier in the hierarchy will normally be cheaper and more effective.

In order to be able to measure progress in a comparative manner, the SPI developed a set of three core indicators:

- Land Cover (Land Cover Change)
- Productivity of the Land (Net Primary Production)
- Soil Carbon Stores (Soil Organic Carbon)

The idea is that they provide a standardised foundation for monitoring and comparison across different landscapes, and between projects and countries. Additional national and sub-national indicators must be used to 'fill gaps for ecosystem services not covered by the three global indicators'[10] that are appropriate for the specific context, including 'food security and human wellbeing outcomes'[11].

The Fund

The LDNF was developed in order to provide an investment vehicle able to raise capital for projects aiming to tackle land degradation through the LDN approach. Initially conceptualised by the UNCCD Global Mechanism, it is now being developed together with French firm Mirova, the responsible investment branch of Natixis Global Asset Management, which won the tender for the role of fund manager. Mirova has since completed a merger with Althelia Ecosphere, a natural capital impact investment fund, and thus the entity now in charge of the

LDNF is Mirova-Althelia[12]. The fund was officially launched at the 13th edition of the UNCCD Conference of the Parties (COP13) in Ordos, China, in September 2017, after three years of development[13].

At the event, several European and international investors indicated their support. Initial pledges totalled US$100 million after the first closing, one-third of the targeted fund size of US$300 million. At the time of publication of this this report, the fund has reportedly closed and has completed its first investment, which is to be publicised shortly.

The Vision

The fund sets out to contribute towards the fulfilment of SDG 15.3. Its strategy consists primarily of investing in large-scale SLM and land restoration projects. The idea is to scale-up existing models of projects that have proven to be effective, and therefore pilot and small-scale projects are not part of the envisioned LDNF portfolio. The LDNF is set to follow the ‘avoid, reduce, reverse’ logic in its investment decisions. However, it does not make a clear distinction between which segment of the hierarchy a particular project belongs to, as projects are expected to integrate all elements.

The main target sectors will be sustainable agriculture and forestry. In addition, projects in other relevant sectors such as ‘green infrastructure and ecotourism’[14] will be considered for funding. Existing Mirova documents do not elaborate on what is meant by green infrastructure, but the European Commission refers to it as:

> ‘a strategically planned network of natural and seminatural areas with other environmental features designed and managed to deliver a wide range of ecosystem services’[15]

This could involve ‘planting trees and restoring wetlands’ instead of developing a new water treatment plant, or ‘restoring floodplains’ instead of constructing a new or higher dike[16].

A fund of this kind is considered to be necessary because of the view that public funding alone has proven to be insufficient in addressing the issue of land degradation[17]. The LDNF will serve to mobilise private capital alongside public finance for these sorts of projects, through a financial structure known as ‘blended finance’. This will be expanded upon in more detail in the following section. Essentially, by creating projects that deliver relatively low-risk economic returns to investors as well as providing socio-economic and environmental benefits, the LDNF aims to make combatting land degradation ‘bankable’. This means it must be attractive to financial investors; it must deliver a relatively reliable return on profits as well as comply with the environmental and social standards to which the individual investor subscribes.

The hope is that the LDNF serves as the catalyst for a new asset class for private investors to put their money into. Private investors could include, for example, private banks, insurance companies and pension funds. If it can be demonstrated that this approach can work for LDN and be profitable, then many similar investment funds could follow the example in the future. This then further serves the mandate of scaling-up the global response to land degradation.

The Technical Assistance Facility

From early in the development of the LDNF, it was recognised that there was a general capacity gap in terms of designing, implementing and monitoring LDN-style projects. An initial market study identified 'lack of project and management track record' and inadequate 'project scalability/replicability' as barriers to LDN-style investments[18]. A lack of project preparedness has been identified as a major bottleneck for the implementation of the LDNF[19], with developers needing to improve their commercial operations as well as their ability to create and monitor positive impacts. As a result, in addition to the fund itself, a Technical Assistance Facility (TAF) has been developed in order to try and bridge this capacity gap.

The TAF will be run by the Sustainable Trade Initiative (IDH), which won a competitive bidding process to become the Facility Manager. The role of the TAF is to provide advice and assistance in order to facilitate the successful development of LDN projects. This will allow for a portfolio of suitable projects to be built up for the LDNF to invest in. However, technical assistance is envisioned to go beyond project preparedness, with post-investment assistance forming part of the TAF's planned service roles[20].

Fund structure and governance

Having outlined the context in which the LDNF has been created, this section will aim to explain in more detail how the fund and the TAF will function in terms of financial structure, governance, and transparency. Information on these issues is currently distributed in various separate documents, and therefore this section serves to bring the publically available information together in a way that is accessible and useful for civil society actors.

Financial Structure

Blended Finance

As explained in the previous section, the LDNF is founded upon the notion that greater amounts of private capital are needed for the required transformation towards LDN. Public finance alone is assumed to be insufficient in combatting and reversing degradation[21], yet is still seen as part of the equation.

The LDNF will operate a financial structure referred to as 'blended finance'[22]. This is part of a growing trend in the development and impact investment industry towards public-private partnerships[23]. In practice, this means that investors in the LDNF can be broken down into two distinct groups: private investors and public finance sources. The latter group is envisioned to contain both donors as well as development finance institutions (DFIs), such as development banks[24].

As demonstrated in Figure 1, investors put their money into the LDNF, managed by Mirova, which then in turn invests the money into projects that it deems to be 'bankable'. Capital then flows back into the fund as projects generate revenue, and then this is redistributed to original investors with interest, as well as reinvested in further LDN-related projects[25]. All investors within the same share class will get the same rate of return on their investments.

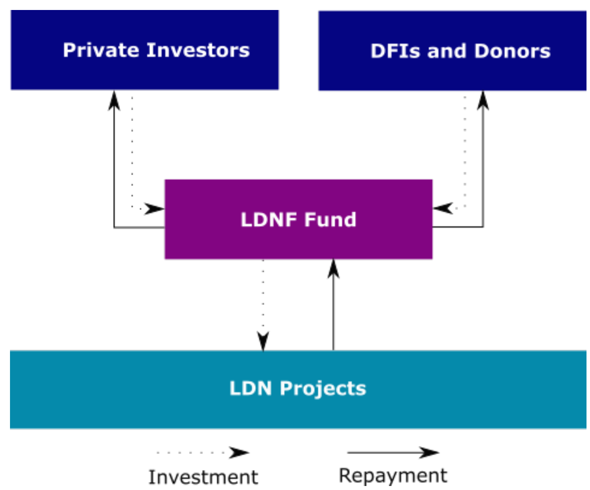

Figure 1. Investment structure.

This structure is how any normal investment fund works. The thing that sets the LDNF apart is the blend of private and public funders, and the different roles that they are envisioned to play under the blended finance arrangement. The idea is that public financiers provide the 'riskier' capital, giving greater protection to the investments made by the private sector[26]. This will work through the different types of finance that will be provided to the LDNF by different investor categories, as displayed in Figure 2.

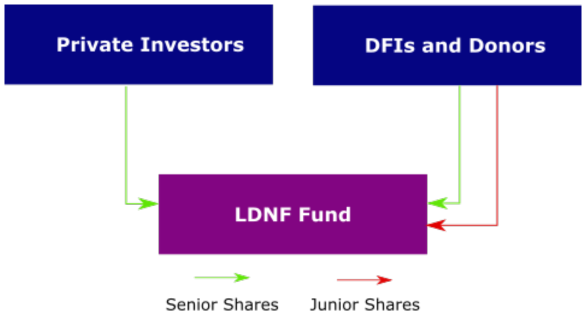

Figure 2. Finance type for category of investor

Senior and Junior Shares
Senior shares are a method of financing which dictates that repayments to the creditor must get priority in the event of liquidation or bankruptcy. Junior shares, by comparison, hold less priority for repayment, and therefore are less likely to be repaid in the event of a default.

Under this arrangement, public financiers essentially help to bear the risk for private investors. Public funders invest primarily in the riskier junior shares, with private investors exposed to lower risk through senior shares. This financial structure has been conceived in order to stimulate private sector involvement in the nascent LDN market, aiming to attract investment that otherwise would not emerge due to the unknown nature of a fund explicitly focusing on LDN. Investors are also likely to be attracted to this structure as it helps to mitigate the financial risks typically associated with agriculture[27], the key focus area of the LDN.

Who is involved?

Having gone through the design of the financial structure, it is useful to look at who is going to be involved, in order to get a sense of what this will look like in reality. At the launch of the fund at the COP13 event in Ordos, China, it was reported that the fund had amassed US$100 million in soft commitments from a combination of public and private investors[28]. A report published in 2018 by the Global Impact Investing Network quotes a figure of US$ 120 million[29]. Figure 3 displays an overview of the investors that have been mentioned publically as having made pledges to the fund.

Figure 3. Known LDNF Investors

As can be seen, private investors such as BNP Paribas and Garance are expected to engage through senior shares, whilst public financiers or ‘de-risking partners’ take on the riskier junior shares.

One addition that falls outside of the main profile of investors is that of the Rockefeller Foundation, who provided a seed grant of US$ 440,000 for the development and operationalisation of the fund[30].

It should be noted that these only represent soft commitments, meaning that these investors had made pledges, but that relevant terms had not yet been signed in order for that money to actually flow into the fund.

At the time of publication, negotiations are understood to have recently concluded. Until this point, the fund has not been operational, and projects have not been receiving funds through the LDNF vehicle. It is now understood that one project has received funding.

Finance for the Technical Assistance Facility

Whilst linked to the LDNF project, the TAF, operated by IDH, does not fall under the same financial structure as the fund itself. Instead, the TAF will only receive donor finance in order to carry out its activities. Unlike with the LDNF, the finance invested in the capacity strengthening of potential LDNF project management firms is therefore not subject to repayment.

So far, the Global Environment Facility (GEF) is known to have committed to provide a grant of US$2 million, with a further US$4.9 million in co-finance also being provided by unknown donors[31].

The TAF was officially launched in November 2018 at an IDH event in Utrecht, the Netherlands, celebrating 10 years of public-private partnerships[32].

Governance framework

Having detailed the financial structure of the LDNF, it is also important to look at how the fund will be governed. The governance framework includes a structure of external and internal governance bodies, decision-making procedures, an Environmental and Social Management System (ESMS), as well as monitoring and accountability mechanisms. This section will bring together the existing information on the LDNF's governance framework in order to provide an overview of what it involves.

During the development phase of the LDNF, an Advisory Group, which included representatives from investors, NGOs as well as policy makers, was created in order to advise the decisions of a Steering Committee, which consisted of representatives from Mirova and the UN Global Mechanism[33]. The Advisory Group was designed to help with the preparation process, providing feedback and advice for setting up the operational phase. This setup will no longer function once the fund becomes operational. Instead, 3 distinct bodies will be formed in order to govern the LDNF itself, with one of these also engaging with the TAF. Alongside this 3 layer governance system, monitoring activities are seen to provide additional governance oversight.

Strategic Board

The Strategic Board will essentially take over from the Advisory Group, offering overall guidance and advice to the LDNF and to the TAF. Its role is to ensure that LDNF activities remain aligned with the political mandate of combating land degradation.

It is envisioned that this advice will be given in a dynamic manner, as opposed to being based on strict and inflexible rules, and will reflect emerging science and other developments on the topic. In this sense, the Strategic Board will act as an interface with the wider institutional environment on land degradation, which includes the

UNCCD but also extends to other relevant UN bodies such as The United Nations Framework Convention on Climate Change (UNFCCC) and the Convention on Biological Diversity (CBD). Furthermore, it will link the LDNF to the wider UNCCD LDN Target Setting Program.

No public information is yet available on the make-up of the board, but it is understood that it will consist of recognised experts in the fields of sustainable land use (SLU) and public policy. The remit of the Strategic Board ends at administering of advice, and it therefore does not hold decision-making power.

Investors Committee

The second governance body will be that of the Investors Committee, which will only be relevant for the LDNF itself, and not the TAF. This will consist of representatives from the LDNF's key investors, for example the European Investment Bank (EIB) and the French Development Agency (AfD), who have been involved from an early stage.

The Investors Committee is ultimately the body that holds final decision-making power over how the fund should be run. This will include oversight of environmental and social governance and responsibility for ensuring that a sound management system is in place and being implemented.

Mirova Internal Committees

As the fund management firm, Mirova-Althelia will create internal committees for decisions related to the LDNF, which will form the third layer of governance. This layer will not be relevant for governance of the TAF.

According to a Mirova FAQ document, two internal committees are involved: 1) an internal investment committee composed of senior staff, and 2) an expert committee composed of specialists in relevant topics[34].

Mirova-Althelia is ultimately responsible for ensuring that the LDNF abides by the rules and regulations set out by the Investors Committee. They have indicated that a collaborative approach is favoured in order to achieve this, which would also involve working with or obtaining guidance from a number of external experts. An example of this would be using the work of the Interlaken Group to integrate the UN Voluntary Guidelines on the Responsible Governance of Tenure (VGGTs) into the environmental and social management system of the LDNF. The Interlaken Group is an informal multi-stakeholder network that aims to stimulate private sector action in securing community land rights.

Strategic Board	Recognised experts in SLU and public policy	- Advise on LDNF and TAF management - Facilitate networking
Investors Comittee	Representatives from key investors	- Final decision-making power - ESMS oversight
Mirova Internal Committees	Investors Committee Expert Committee	- Implement rules of LDNF Fund - Incorporate expert advice

Figure 4. LDNF Governance Overview

Environmental and Social Management System[i]

The governance framework explained above is in place in order to ensure the smooth running of the fund. One of the most important aspects of this governance, especially given the focus of the fund on large-scale land use projects, is the Environmental and Social Management System. This is composed of the policies and standards that the fund commits to upholding, as well as the procedural framework in place for implementing these.

LDNF Environmental and Social Standards

In August 2017, Mirova published the Environmental and Social Standards of the LDNF. The document is based on 'lessons learned from international financial and development institutions'[35], and also draws upon responses to a public consultation. The consultation was held in October and November 2016, with 16 institutions providing comments on an original draft document[ii]. The final document has also been reviewed by the LDN Advisory Group, the precursor to the Strategic Board. In the intervening period, these standards have been developed further internally, although no information is yet publically available. This section therefore references the information that was available during the research period.

The standards are based upon the International Finance Corporation's (IFC) Performance Standards, with an extra standard dedicated specifically to land tenure in order to deal with the specific land investment focus of the fund. The 8 LDNF Environmental and Social Standards are displayed in Table 1.

A full and detailed analysis of these standards is beyond the scope of this

[i] This section is based on information that was publically available up until the time of publication. Ongoing internal development of the ESMS is therefore not captured here, and so this information should be corroborated with further information as it becomes publically available.

[ii] These responses can be found in PDF format at: https://www.unccd.int/actions/ldn-fund/ldn-fund-environmental-and-social-standards-consultation-page_2

report, but some of the key issues are discussed below.

LDNF Standard	IFC equivalent
1: Biodiversity Conservation and Sustainable Management of Living Natural Resources	6
2: Cultural Heritage	8
3: Community Health, Safety and Security	4
4: Indigenous Peoples and Vulnerable Groups	7
5: Labour and Working Conditions	2
6: Land Acquisition and Involuntary Resettlement	5
7: Land Tenure	-
8: Resource Efficiency, Pollution Prevention and Climate Change	3

Table 1. LDNF Performance Standards

The first thing to note is that the LDNF Standards do not include a standard that correlates with IFC Performance Standard 1 on 'Assessment and Management of Environmental and Social Risks and Impacts'. Mirova has opted to follow the procedure of the United Nations Development Programme's (UNDP) new safeguard system, and will provide a separate document on the 'procedures for oversight and enforcement of the Standards'[36].

Secondly, the LDNF standards do not allocate specific place to the domains of human rights or gender equality, although several of the standards do make references to human rights. The reason given for this omission is that these issues will be dealt with as part of LDNF's overall investment process, and thus are not included in specific standards.

However, as of yet there is no publically-available information on what this would actually entail, and no wider Mirova policies could be found on the topics of human rights and gender equality. Given the nature of the LDNF, which specifically targets investments in land, these are two topics that are of utmost relevance. Large-scale land acquisitions and transfer of control over land have been shown to pose significant human rights risks[37], especially to those voicing opposition to project application[38]. Similarly, it has been repeatedly demonstrated that women suffer disproportionately in cases of land acquisition, transfer of control over land and displacement, which can exacerbate existing gender-based land tenure inequality[39].

However, the aspect that sets the LDNF Standards apart from other international standards is the fact that it has a specific segment dedicated to Land Tenure (LDNF Standard 7) in addition to that on Land Acquisition and Involuntary Resettlement (LDNF Standard 6). It 'has particular emphasis on':

a) Protecting land rights that are not protected by national law, but require protection in accordance with international best practices;
b) Identifying land tenure rights, whether recorded or not;
c) Providing access to justice for Project-Affected Parties who believe that their land tenure rights have been compromised.

This is a welcome insertion as it deals with some of the loopholes or gaps that are often present in the policy frameworks surrounding large-scale land use projects. It requires project developers to go beyond simple compliance with national law, which is often inadequate in safeguarding both formal and informal tenure rights.

Another important point is that the standards are designed to serve a dual function; in addition to risk management and avoidance, they are also meant to emphasise positive impacts. The entire point of the LDNF is to be an impact investment fund, and thus the inclusion of positive eligibility criteria in the Environmental and Social Standards is meant to reflect this. However, based on the August 2017 document, only LDNF Standards 2 (Cultural Heritage) and 5 (Labour and Working Conditions) seem to make explicit reference in the text to the obligation for projects to contribute to improvements, rather than just guard against, minimise or mitigate risks.

This feeds into another issue, and one frequently raised in the public consultation, which surrounds the enforceability of these standards. Many concerns stemmed from the cautious language used for points on some of the key issues, which could serve to detract from the obligatory nature of the standards set out. Whilst the final document addressed some of these concerns, greater clarity about how exactly these standards will be upheld is needed in order to prove their comprehensiveness. The forthcoming document related to IFC Performance Standard 1 is expected to define the LDNF's approach in this regard.

ESMS Procedure

Transparency over ESMS procedures can give clarity over the methodology in place for ensuring that standards are met. Other international standards such as those of the IFC have included monitoring and enforcement within their standards. Contrastingly, the LDNF has chosen to address these in a 'discrete document'[40]. It has not yet publicised this procedural framework, although it has alluded to the basic structure that it will follow in the Environmental and Social Standards document.

This involves an Assessment Procedure that will screen potential projects against risk management criteria (including Environmental and Social Standards), as well as potential positive impacts. This will occur before any investment is made. Following investment in a project, the Monitoring Procedure, as detailed later on, will be employed in order to track actual benefits and ensure risk management compliance.

Separate documents are expected to be released publically on issues such as eligibility criteria, the Assessment and Monitoring Procedure, and the

Complaints and Compliance Mechanism. These can be expected in the near future, given the fact that the fund is expected to become operational within the next couple of months. The delay in publication is likely to do with ongoing negotiations with investors. This timeline would suggest that the aforementioned documents will not be subject to a public consultation in the way that the LDNF Environmental and Social Standards were.

Transparency and Accountability

The presence of environmental and social management standards is a precondition for any investment vehicle such as the LDNF, but it is only part of the picture. One of the greatest issues associated with large-scale projects backed by institutional investors is the transparency of communication and manner of engagement with affected stakeholders, particularly communities residing in and around project areas. This was another of the central issues raised by respondents in the consultation on Environmental and Social Standards.

Disclosures

A crucial aspect of transparency and communication procedures for any investment fund is project disclosure. The current vision for disclosure policy is to align with Althelia's existing practice, which involves the disclosure of projects through its annual impact report. This document, however, seems to be geared more towards thematic reporting and exhibiting selected projects or highlights[41], without providing a comprehensive overview of project details and compliance with relevant Environmental and Social Standards for all projects across the portfolio.

The Althelia Funds website provides a more in-depth overview of the projects within the portfolios of the Althelia Climate Fund[42] and the Sustainable Ocean Fund[43] that it manages. If this would also be the case for the LDNF then this could potentially serve as a disclosure platform. However, key documents such as environmental and social impact assessments and compliance monitoring updates are not shared on these pages, which provides a barrier to transparency.

Beyond this sort of passive disclosure, another, and actually far more important aspect of transparency, is how this information is communicated to local communities in the planned project area. Information in an annual report available somewhere online is unlikely to reach or be accessible to project-affected communities. It is not yet clear who will be taking responsibility for reaching out to provide this information, and how this will be done. Ideally, projects are actually initiated by or co-designed together with local communities, thereby overcoming many of the challenges associated with local disclosure.

Monitoring LDNF Projects

The monitoring activities and obligations carried out and enforced by the LDNF are seen as another layer of the governance framework.

The first aspect of monitoring is the reporting obligation that each project developer has. Contracts signed between individual project developers will lay out predetermined criteria which must be reported upon. These will relate to both the positive and negative impacts of project implementation. Further specifics on the content and procedural requirements of these agreements are not yet in the public domain.

In addition to this, regular project visits by Mirova-Althelia staff are envisioned, and there are plans to create sub-offices in different regions around the world to facilitate these further. One sub-office has already been set up in Peru, for example.

Another aspect of monitoring is related to third party certification schemes that projects may be involved in. It is anticipated that many projects will seek to enrol in certification schemes such as the Fair Trade or Rainforest Alliance labels in order to market their produce favourably, which will entail compliance audits from these external schemes. These audits assess environmental and social issues that relate to those in the LDNF standards, and thus Mirova-Althelia aim to use these to cross-check compliance with their own standards.

Finally, in certain high-risk cases and in accordance with advice from the Strategic Board, there is also the option to call for specific audits of a particular project to be carried out.

At this stage, it appears that there are not any plans for an independent monitoring body as suggested by a number of respondents to the Environmental and Social Standards consultation that occurred in 2017.

Complaints and compliance procedure

The complaints and compliance procedure forms another crucial aspect of the ESMS. At the time of writing, there is no publically available information on the complaints and compliance system, other than the fact that it will exist. More information is expected in due course.

It is understood that a complaint and compliance mechanism will be required at both fund and project level. This means that parties affected by LDNF project activities will be able to lodge their grievances both with the fund manager Mirova-Althelia and with the specific project developer in question. Further information on how access to this mechanism will be promoted to various stakeholders is not yet available.

Potential Projects: Combatting LDN in Practice

Looking at some of the projects in the portfolio of the fund can help to comprehend the vision that the fund has for LDN projects. The development of a project pipeline was one of the main priorities of the development phase, and according to an independent evaluation report on the LDNF project to date, 'a portfolio of 10 potential investments has been identified', with a further pipeline of 70 potential opportunities also developed[44].

Nonetheless, as previously mentioned, due to ongoing negotiations with investors, the fund has been 'empty' until very recently. This means that no projects had officially received funding under the auspices of the LDNF, and thus projects in the pipeline had not been publically disclosed. Nonetheless, various LDNF documents released by Mirova and the UNCCD GM have consistently referenced particular LDNF eligible projects. In the absence of official projects, these serve as barometers of the types of projects that the LDNF will be investing in, and the opportunities and challenges that they could face. At the time of publishing, it is understood that one of these projects has just been cleared for investment, with further information to be released soon.

Coffee Agroforestry in Amazonas and Cajamarca, Peru

One of the example projects, involving agroforestry coffee production in the Amazonas and Cajamarca regions of Peru, is the project that is understood to have now received funding from the LDNF.

Blending shade coffee with climate finance

The project, implemented by agroforestry development company Ecotierra, will aim to develop shade coffee agroforestry production systems and supply-chains. Producers from 4 smallholder cooperatives in the Amazonas and Cajamarca regions, who cover a total area of around 23,000 hectares[45], will produce Fairtrade and Organic certified coffee for sale to the international market[46]. Micro-loans will be channelled to producers via their cooperatives to help finance the transition towards agroforestry systems. Basic project details are displayed in Boxes 1 and 2.

Box 1. Café Selva Norte BASIC FACTS[iii]
Total finance: US$ 12.7m
Funding period: 15 years
Land area: 23,000ha
Listed beneficiaries: 1,500-2,000 smallholders

[iii] Data from Mirova Press Package, 2017.

Box 2. Café Selva Norte FINANCE TARGETS[iii]

Microloans via cooperatives to smallholders: US$ 7.1m

Coffee mill: US$ 3.3m

Environmental service monitoring system: US$ 0.2m

Project operations: US$ 2.2m

The Amazonas region in which the project is partially located was recently identified as the location of a new deforestation hotspot in Peru[47], and slash-and-burn practices in the regions have been identified as major drivers of deforestation. In addition to coffee production, the project aims to reforest degraded areas with mixed timber species for future 'sustainable logging'.

Investments will also be made in infrastructure in the form of tree nurseries and a US$ 3.3 million coffee-mill[48]. Funds will also be allocated to capacity building activities, such as agronomic training for coffee producers.

Supplementary income is expected to be generated through a climate finance component. Carbon capture per hectare will be calculated and recorded using geotagging technology and Ecotierra's own web platform called MINKA. This will then be compared to a baseline level, which was calculated in cooperation with Verified Carbon Standard, and the difference in value becomes a carbon credit that can be sold[49].

Canopy Sustainable Land Use Fund

Something else of note in the Café Selva Norte project is the involvement of a financial intermediary. It will be funded through a sub-fund, namely the Canopy Sustainable Land Use Fund, which looks to finance a number of agroforestry and value chain development projects that generate returns for investors as well as local socio-economic and environmental benefits[50]. This fund was developed by Mirova and Fondaction (one of the investors to make an initial pledge at COP13) together with Ecotierra, who will operate it. The fund aims to achieve a first close of US$30 million and a final close of US$50. The graphic below provides a clearer picture of the actors involved in this structure.

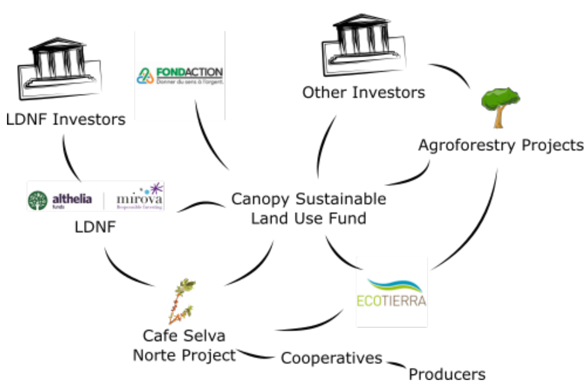

Figure 5. Café Selva Norte project actor map.

Making smallholder finance bankable

This project is seen by Mirova-Althelia as one of the most impressive due to the way in which it is set up: it creates a model that provides long-term finance to smallholders, who are often not seen by investors as 'bankable'. The model also sees cooperatives assisted in managing their own affairs, which is considered a favourable arrangement. Such a standpoint offers an insight into the LDNF vision for acceptable projects, demonstrating an encouraging openness to locally managed projects, a welcome alternative to the large-scale top-down model that dominates much of the 'sustainable' agriculture project sector.

Such an approach has the potential to overcome many of the issues that typically emerge surrounding land acquisition and tenure if co-designed with local producers and communities and managed properly. However, effective due diligence is still paramount, especially in a context where rapid processes of land acquisition or transfer of control over land have occurred and informal titling arrangements are present. The advent of a large-scale project almost always invokes a rise in competing strategic claims to land and resources in the affected area.

In addition, power dynamics and relationships between different actors in the value chain must be considered. This is something that is often overlooked in ESMS creation and implementation, which tends to focus more on land transactions themselves as opposed to the power relations within value chains that are impacted by the project. This is especially relevant in areas such as Amazonas, in which smallholder farming dominates the arable land area[51]. For example, care must be taken to avoid exploitative contractual arrangements that may endanger the tenure or livelihood security of producers, such as land or assets being used as forms of collateral in the event of failed or underperforming harvests. The same applies for the relationship between producers and other input providers or downstream actors such as collectors, processors and commodity traders.

Encouragingly, Althelia, who have now merged with Mirova following a takeover in 2017, as well as project developer Ecotierra, have demonstrated experience of dealing with such complexities. They fund and operate a similar REDD+ project in Tambopata, Peru, which involves promoting agroforestry cocoa production for marketing through local cooperatives. Box 3 offers an insight into their innovative solution for avoiding the use of farmers' assets as collateral.

Box 3. Tambopata-Bahuaja REDD+ and agroforestry: avoiding collateral damage

Althelia, together with the Peruvian government and Peruvian NGO AIDER, set up a REDD+ project encompassing 570,000ha in the Madre de Dios region of Peru[52]. Ecotierra was hired as a consultant to implement certain aspects of the project.

The project involves the creation of a 4,000 ha buffer zone through smallholder managed cacao agroforestry systems. Roughly 1,100 small-scale farmers are involved through a cooperative structure.

What is unique in this project is that the carbon credits generated by the REDD+ project are used for the repayment of the Althelia loan, which is channelled through

AIDER[53]. The total carbon asset value is then also used as collateral for the loan in case of default.

In this way, smallholder assets such as land, possessions or crop harvests are not at risk in the event that repayments cannot be made. The involvement of AIDER, a local NGO sensitive to nuanced land issues and with decades of experience in this field, is vital in making this work.

Rubber Plantations in Sumatra and Kalimantan, Indonesia

Another potential project that has been cited in official LDNF documents involves rubber (hevea) reforestation in three separate locations in Indonesia. Whilst there is currently no LDNF finance being provided, the project serves as a good example of a top-down style of investment that involves external companies acquiring control over land, and the potential implications of this model.

Rubber and conservation corridors

This project is a joint initiative between Michelin, one of the largest tyre manufacturers in the world, and the Barito Pacific Group, a big player in the Indonesian natural resource sector. Eco-friendly rubber will be planted across three separate concession areas totalling around 88,000ha: two in Jambi Province, Sumatra, and another in North-east Kalimantan Timur[54].

Box 4. Rubber in Indonesia BASIC INFO[iii][iii]

Total finance: US$ 369m

Funding period: 25 years

Land area: 88,000 - 91,000ha

Listed beneficiaries: 16,000 direct job vacancies

Box 5. Rubber in Indonesia FINANCE TARGETS[iv]

Rubber plantation

Processing mill

CSR projects

Community partnership programs

It is not yet clear exactly what the phrase 'eco-friendly' refers to in this case. It is also not clear what sort of land the reforested rubber plantations are being developed on. In addition, different figures for the total land area have been quoted by different sources, with the LDNF document giving a figure of 91,000ha, compared with 88,000 ha quoted elsewhere. Rubber plantations would account for half of the total land area in the concessions, with the rest comprised of 'conservation and livelihood areas'[55]. WWF are the implementation partners for the conservation activities, setting up buffer zones in

[iv] This list is sourced from the Mirova Press Package, 2017. Financial breakdown per activity for this project is not disclosed in the document.

concession areas surrounding the Bukit Tigapuluh National Park in Jambi[56]. Boxes 4 and 5 display basic project details.

A complex web of actors

The sorts of projects that require land acquisition, transfer of control over land, or the accessing of previously formulated official land concessions, will most likely involve an array of intermediaries. The Indonesian context is particularly convoluted in this regard, with many competing claims to land, multiple layers of bureaucracy and a history of corruption in the land and forest sector.

The Michelin-Barito project structure involves the creation of a local subsidiary, PT Royal Lestari Utama (RLU). Michelin holds 47% of the shares in this company, with Barito taking a 53% stake[57]. RLU is the entity that holds the land concessions where the plantations will be located. Both parent companies are investing their own funds; the LDNF loan would serve as additional finance, and the project has already received a loan from another fund called the Tropical Landscape Finance Facility[58].

Another part of the project description is the operation of a processing mill in Kalimantan Timur. According to an Indonesian industry news website, this facility was recently opened under the Michelin-Barito partnership. PLU owns a subsidiary called PT Multi Kusuma Cemerlang, which operates the factory in Cemerlang, Kalimantan Timur[59].

The rubber processed here is eventually envisioned to be sourced from the Jambi and North-east Kalimantan Timur concessions, although initially only from the latter and other local producers.

In addition, Barito Pacific holds a majority stake in a firm called PT Chandra Asri Petrochemical, which through its own subsidiary PT Petrokimia Butadiene Indonesia (45%), and together with Michelin (55%), has created another joint-venture named PT Synthetic Rubber Indonesia (SRI). SRI is developing and will operate a rubber plant in Cilegon, with an annual capacity of 120,000 tons of synthetic rubber[60].

It is already clear that a complicated structure of subsidiaries exists in this case (see Figure 6 for an overview), which is often the only way to go for foreign companies who are not legally entitled to directly own land in Indonesia. This throws up all sorts of questions to do with accountability and transparency: which actors can be held accountable against the LDNF Standards, how will this work vis-à-vis other investment funds involved, how will all the different actors and their activities be monitored, and how will the ESMS be enforced? Similarly, as the project is already up and running and the LDNF would be providing additional finance, would the LDNF Standards apply retrospectively, for example in the case of the land concessions obtained by RLU?

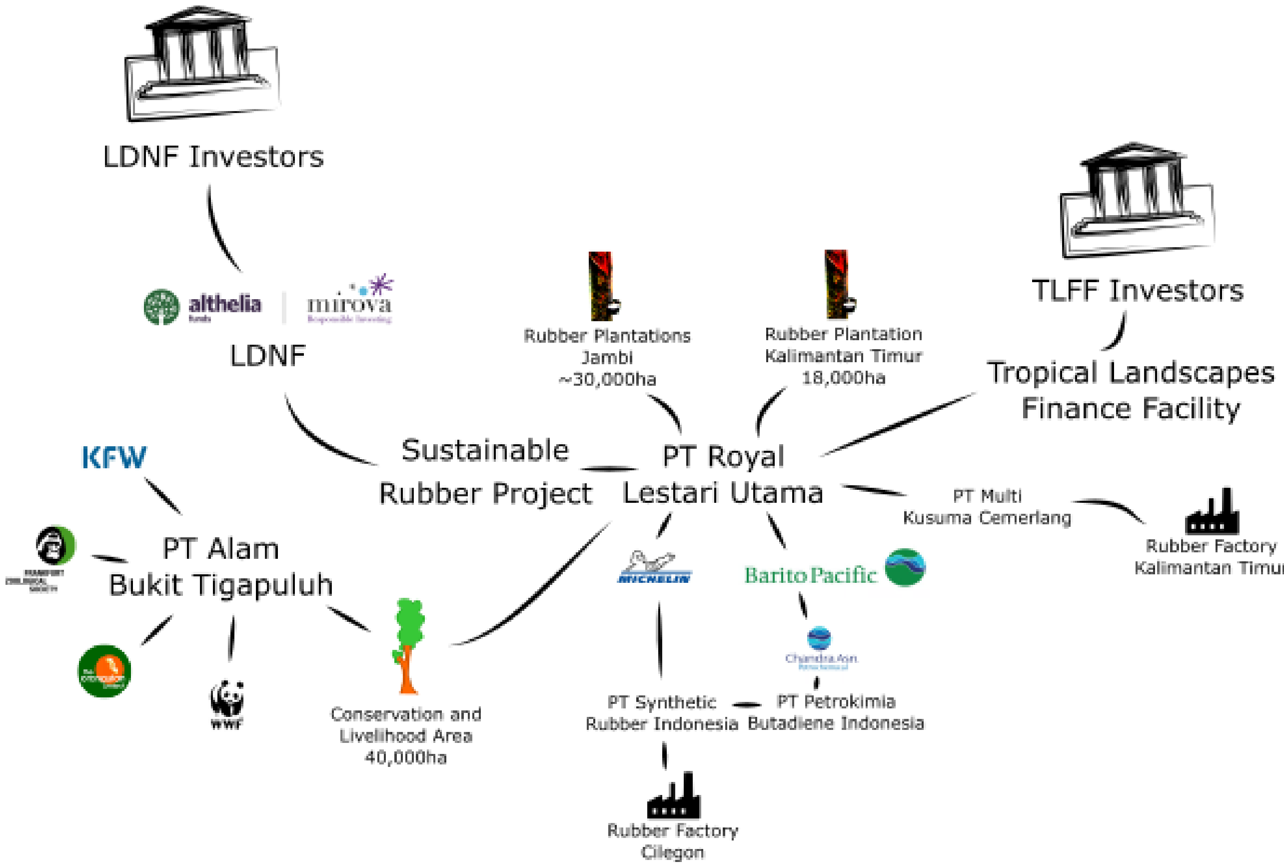

Figure 6. Rubber in Indonesia project actor map.

Concerns with conservation

Further complexity is added by the fact that the conservation and livelihood area, which is to be managed by WWF, is located on two separate concession areas[61].

These concession areas appear to be owned by Indonesian-registered firm PT Alam Bukit Tigapuluh (PT ABT), through which a consortium of investors and project operators will manage the approximately 40,000ha protected area in the Tebo District[62]. Along with WWF, other entities involved in the initiative are the German Development Bank (KfW)[63], Frankfurt Zoological Society, and The Orangutan Project[64].

As part of this initiative, WWF will work together with Michelin to protect wildlife corridors that exist in the same area as their rubber plantations, which are managed through PLU.

This 40,000ha, however, is not simply empty, unoccupied land, and thus these conservation concessions must be subject to the same scrutiny as land concessions obtained for plantation activity, as they have tenure and land use consequences for the communities residing in the affected area.

To emphasise this point, local communities have reported this ecosystem restoration project to KOMNAS HAM, Indonesia's National Commission on Human Rights, as well as to the Ministry of Environment and Forestry[65]. They claim that the concessions, which encompass community farmland and forest garden areas, were given to PT ABT without their prior knowledge or consent, and that disclosure of the project only took place after concession permits had already been signed off by the local government[66].

The land for both the rubber plantation and conservation area is also located on parts of the territory of the protected Orang Rimba, a nomadic indigenous tribe in the region. Communication with local NGO representatives reveals that significant conflict has been brought about by the plantation activities, particularly with local communities but also with the Orang Rimba. PLU has reportedly formed a conflict resolution team to deal with these issues.

Lessons to take away

Having introduced these two potential LDNF investments, a clearer picture can be gained of the types of projects that are considered as potentially eligible for funding. It should be remembered, however, that the only deal understood to be completed is the Ecotierra project in Peru, with all others still under analysis. This sub-section will aim to summarise the key lessons that can be learned from these cases.

Conflict and large-scale transfers of control over land

The Michelin-Barito rubber project emphasises the fact that the risk of conflict in projects involving large-scale transfers of control over land, is always going to be difficult to mitigate. The ambitious project sizes, defined by land area, that the LDNF is targeting, are never going to be found simply degraded and uninhabited. Therefore, the model of an externally conceived project, operated by external companies who will acquire ownership or use rights over such large tracts of land, is most likely going to cause problems. This is the case regardless of the quality of subsequent interaction with local communities in the area.

Thinking local can have large-scale impacts

An effective way of scaling up restoration methods is co-designing and empowering local communities to manage their own lands, removing the supposed necessity for displacement or resettlement, and placing ownership in the hands of communities that already have a bond with the land in question.

Both the existing Althelia-AIDER project in Tambopata and the proposed Café Selva Norte project show that a project well rooted through local cooperatives has a good chance of success. Other testaments to this would be the re-greening of the Sahel by local farmers[67] and the Heiveld Rooibos cooperative, in which 74 farmers sustainably manage drylands in South Africa's Northern Cape[68].

Eligibility: space for CSOs?

Whilst the Ecotierra project is seen as a good model by the LDNF, they are keen to emphasise that they hold no ideological standpoint as to how a project should be shaped. They concede that they are typically looking for outgrower style projects, and doing this through cooperatives is certainly considered an attractive option.

However, Mirova-Althelia's role is ultimately to operate the fund according to the rules set out by the Investors Committee, which involves rationally assessing projects against the Environmental and Social Standards, as well as the wider eligibility criteria (which have not yet been made public).

This means in principle that there is no exclusion list in terms of the types of organisations that are eligible for project funding, or the type of approach that the developer adopts. Whilst this means that corporate-led projects centred on controlling large land areas are eligible, it also means that there is a window open for CSOs to receive funding to expand successful pilot projects that combat land degradation. Once again though, it is important to point out that the LDNF sees its mandate as scaling up efforts towards LDN, and therefore projects must aim to impact significantly large areas of land.

Recommendations

Having painted an overall picture of what the LDNF is, how it will function, and gained an insight into the sorts of projects that could attain LDNF funding, this section will aim to provide a set of general recommendations for the operationalisation of LDNF itself, as well as for civil society groups who would like to engage with the fund.

LDNF: room for improvement?

Many CSOs, as well as other contributors, used the open consultation on the Environmental and Social Standards to express their cautious optimism towards the LDNF. Whilst many see it as a positive attempt to take action on the urgent and multifaceted issue of land degradation - mobilising much needed finance - concerns remain about the manner in which this finance will be rolled out.

1. **LDNF policies and procedures should be publically available and easily accessible**

Perhaps one of the key issues in this regard is transparency. The relatively novel nature of the fund means that new questions emerge regarding accountability, disclosure, decision-making and monitoring procedures. To date, public information on these topics has been brief and hard to locate.

References to the future release of specific documents addressing these issues have been made in official LDNF documents, but these have yet to materialise. This is likely to be a reflection of longer than expected negotiations with investors, meaning procedural and policy documents cannot be released as their final content is still subject to this ongoing process.

The LDNF should ensure that information on approved projects is publicly and easily accessible. This should include relevant project documents such as environmental and social impact assessments and follow-up monitoring audits, in order to facilitate constructive scrutiny on the projects being funded.

Perhaps even more important is that potential projects are disclosed to and discussed with investment-affected communities from the very beginning, in order to guarantee that the principle of Free Prior and Informed Consent (FPIC) is upheld. The meaningful participation of local communities should be guaranteed as stipulated in the VGGTs, as endorsed by the UN Committee on World Food Security (CFS). LDNF projects should provide evidence of FPIC being obtained, and this should be made publically available. The LDNF should also ensure that these processes give meaningful opportunities for dissent to projects to be expressed and exercised by affected communities.

Tapping into the abundance of experience in CSO organisations and networks would aid the development of effective transparency procedures: which information is valuable, in which format, and with what end goal?

Maintaining a genuinely open stance towards critical engagement from CSOs (such as land users' associations, human rights and environmental justice organisations etc.) and other experts would help significantly in ensuring that effective and locally significant procedures are in place to maximise the potential benefits of LDN finance for all involved.

2. **Human rights and gender equality issues should be included explicitly within the LDNF Environmental and Social Standards**

The omission of explicit references to the issues of gender and human rights in the Environmental and Social Standards is something that still needs to be revisited.

Firstly, the wider decision-making process that is supposed to incorporate considerations of human rights and gender equality need to be made subject to public consultation. In addition, there needs to be a recognition that both of these issues are intrinsically linked to many of the LDNF Standards. Several human rights issues are touched upon in the standards on labour (5) and land acquisition (6), for example. Gender equality considerations need to be far more comprehensively integrated into the standards, with an appreciation for the unequal impacts that changes in land and labour relations can bring about.

Again, these are areas in which CSOs (such as land users' associations, human rights and environmental justice organisations etc.) have extensive expertise and intimate context-specific knowledge.

3. **Language matters: make sure that language in LDNF documents is clear and decisive**

Both of the previous recommendations reflect the concerns that independent observers have with the potential for LDNF projects to create unintentional harm to local communities. Ideally, projects are co-created with genuinely meaningful local involvement so that many of the issues that the standards aim to safeguard do not emerge as problems.

However, some of the wording used in the LDNF Standards does not inspire great confidence that this will be the case. Despite an improvement from the original draft, indecisive language remains in several key statements, for example:

> 'To *promote* compliance with national employment and labour laws'
> **(LDNF Standard 5)**

> 'The Project *should* document all transactions to acquire land rights, as well as compensation measures and relocation activities.'
> **(LDNF Standard 6)**

> 'Transitional support *should* be provided as necessary to all economically displaced persons'
> **(LDNF Standard 6)**

> 'Projects *should* also ensure *when possible* the right for both women and men to inherit and bequeath land'
> **(LDNF Standard 7)**

This raises questions about the enforceability of the standards; more decisive and robust wording should be used here and in forthcoming policy documents to demonstrate the LDNF's commitment to holding project developers accountable to these standards.

Similarly, some ambiguous wording provides potential loopholes for project developers. For example, LDNF Standard 6 makes reference to particular cases in which displacement is considered 'unavoidable', yet does not define what this means. In fact, displacement is always avoidable, either through alternative project design or through not going ahead with the project at all. This approach suggests that there is room in the LDNF vision for projects which do actually create displacement.

Instead of allowing space for project developers to justify the displacing local populations in the name of LDN, the LDNF should be investing in projects that empower traditional land users to protect and rehabilitate their lands themselves. The LDNF could engage with CSOs (such as land users' associations, human rights and environmental justice organisations etc.) in order to tap into their expertise in empowering local communities.

4. **Ensure that scale does not take precedence over the quality and inclusiveness of the projects funded**

A related recommendation concerns the LDNF's clear focus on large scale projects. Whilst the mandate of the fund is to scale-up the combatting of land degradation, decision-makers must ensure that an obsession with land coverage statistics does not obscure the quality of the projects being carried out.

Projects that involve large-scale acquisitions, or the transfer of control over land, may appear attractive in that they take advantage of economies of scale, but they are most likely riddled with the sorts of issues exemplified in the Michelin-Barito project. The high-regard held for the coffee agroforestry project shows that LDNF officials recognise the advantages of models that do not involve acquisition or transfers of control over land.

The LDNF should focus on financing the scaling-up of processes inherently led by local land users, such as cooperatives engaging in agroecological practices and Farmer Managed Natural Regeneration (FMNR). These offer inclusive and efficient pathways to combat land degradation in bankable manner.

5. **Create space for civil society engagement**

All of the recommendations highlighted reflect areas in which CSO organisations (such as land users' associations, human rights and environmental justice organisations etc.) possess significant knowledge and expertise. Making space for civil society involvement beyond a one-off public consultation would facilitate a far stronger policy and procedural framework. For example, the formation of an independent monitoring body that includes civil society representatives would be one way to capture this knowledge for the benefit of the LDNF.

In addition, local CSOs, such as land users' associations and human rights and environmental justice organisations, are in a strong position to contribute to effective project management, either as lead developers or as project partners. An example of this would be the role that AIDER is playing in the Peruvian government's and Althelia Climate Fund's project in Tambopata. Local CSOs are sensitive to contextual particularities and are often better placed to engage with local communities in an inclusive manner, thus heightening the chances of a project's success.

Civil Society Organisations: which role to play?

Given the specific focus area of the LDNF, local CSOs that work on issues such as environmental protection, land rights, food security, and corporate justice are perfectly placed to engage. The wealth of expertise that CSOs around the world hold in these topic areas can be instrumental in ensuring that progress towards SDG 15.3 is carried out in a just and sustainable manner.

1. **Engage directly by leading or collaborating in the development of an LDNF project**

A direct manner in which CSOs can engage themselves is by leading or being involved in the development of LDNF projects themselves. Mirova-Althelia have indicated that there are no exclusion criteria in terms of the type of organisation that can receive funding as a project developer, and there is therefore space for CSOs to submit funding applications.

However, developers must conform to a number of other eligibility criteria, which are not yet publically available. Given the profit making requirement of LDNF projects, these criteria will most likely scrutinise the capacity of an organisation to run commercial operations. In many cases, this means that CSOs will need to set up a separate business entity specifically designed to handle the commercial transactions of the project. Projects with a strong vision, relevance and feasibility could receive support from the TAF in order to develop this, although it is not yet clear how this process will work.

As has been alluded to previously, the LDNF has made it clear that it is not going to fund pilot projects. Therefore, CSOs could consider applying for funding to scale-up existing LDN-relevant projects that they have supported, but not for the development of new pilots. However, funding will not only be limited to the expansion of projects that already exist; project applications that are based upon proven methodologies, a credible vision, and demonstrate clear evidence of having the required procedures in place to implement this vision, are also considered eligible for funding.

CSOs can also engage in LDNF projects by collaborating in the design and implementation of a project, without necessarily being the lead institution. In this way, they can be directly involved in decision-making, using their expertise and connections to ensure that the development process includes local communities, and that land degradation neutrality projects actually inherently aim to empower and improve local livelihoods as opposed to merely mitigating against project impacts.

2. **Disseminate information on LDNF developments to relevant stakeholders, and facilitate interaction between local communities and LDNF representatives or platforms**

CSOs can play a key role in bridging the communications gap that often exists when international investment funds provide finance for external project developers.

By keeping up to date with LDNF developments, they can communicate relevant information to other CSOs within their network as well as to local communities. For example, CSOs can play a role in ensuring that known investments are communicated and properly understood by affected land users and other relevant stakeholders, as well as providing updates as they develop. This should include ensuring that communities have a clear understanding of their rights as well as the Environmental and Social Standards to which the project is obliged to adhere.

Essentially, they could help to facilitate and strengthen a local disclosure system, especially as the current official disclosure vision only involves reporting online in an annual report. It would be most effective if information dissemination would start early in the project conception phase, necessitating close collaboration with the LDNF.

It should also be highlighted that communication is not just relevant in a one-directional sense; CSOs can play a key role in facilitating dialogue between various stakeholder representatives, and ensuring that this is carried out in a fair and transparent manner. Similarly, CSOs can help to ensure that affected actors are properly informed about the platforms available for highlighting issues that may arise, such as the Complaints and Compliance mechanism, as well as the appropriate process for doing so.

3. **Provide contributions and advice through official channels as well as wider monitoring activities**

Another role that civil society organisations can play is that of constructively critical observers. This could be through official LDNF processes, for example providing input through official public consultations on policy or procedure documents, as several organisations did for the public consultation on the Environmental and Social Standards. If opportunities for providing input are deemed to be inadequate, then CSOs can come together to advocate for greater integration within the monitoring and decision-making process of the LDNF.

One example that has been suggested is the formation of an independent monitoring body to ensure that projects are aligned with the LDNF Standards.

In addition, CSOs can keep a critical eye on LDNF projects as part of their wider monitoring activities on issues such as land restoration, conservation, and land and labour rights. Mirova-Althelia have indicated an openness and willingness to maintain a strong relationship with civil society organisations, recognising the role of CSOs in providing checks and balances. Therefore, should concerns or potential contributions emerge once the fund is operational, then CSOs should seek to engage in dialogue with LDNF representatives on these issues.

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